

OFFERING CIRCULAR

of

PACIFIC WEST MORTGAGE FUND, LLC

A California limited liability company

1971 West 190th Street, Suite 200
Torrance, CA 90504

\$100,000,000

Limited Liability Company Membership Interests

October 3, 2006

PACIFIC WEST MORTGAGE FUND, LLC (the "LLC" or "fund") is a California limited liability company. The manager of the LLC is PACIFIC WEST MANAGERS, LLC (the "Manager"), a California limited liability company. The LLC will engage in business as a mortgage lender for the purpose of making loans to the general public, acquiring existing loans, holding loans and occasionally selling loans, all of which are or will be secured by deeds of trust and/or mortgages on real estate throughout the United States, primarily in California.

The LLC is hereby offering to investors ("Investors" or "you"), pursuant to this Offering Circular, an opportunity to purchase membership interests ("Membership Interests") in the LLC in the minimum aggregate amount of One Million Dollars (\$1,000,000) (the "Minimum Offering Amount") up to the maximum aggregate amount of One Hundred Million Dollars (\$100,000,000) (the "Maximum Offering Amount") (the "Offering"). The minimum investment amount per Investor is Twenty Thousand Dollars (\$20,000) (the "Minimum Investment Amount"); provided, however, that the Manager reserves the right to accept subscriptions in a lesser amount or require a higher amount.

If, and once, the Minimum Offering Amount is raised, the LLC will deposit the Investors' accepted subscription funds into the LLC's bank account, and the Investors will, thereby, become Members of the LLC. A capital account ("Capital Account") will be established for each Member on the books and records of the LLC. Each Member will share in distributions of the LLC's profits and losses based upon such Member's capital account balance ("Capital Account Balance").

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

THESE SECURITIES ARE BEING OFFERED AND SOLD ONLY TO RESIDENTS OF THE STATE OF CALIFORNIA PURSUANT TO A PERMIT GRANTED BY THE CALIFORNIA COMMISSIONER OF CORPORATIONS. THE COMMISSIONER OF CORPORATIONS NEITHER RECOMMENDS NOR ENDORSES

THE PURCHASE OF THESE SECURITIES, NOR HAS THE COMMISSIONER PASSED UPON THE ACCURACY OF THE INFORMATION SET FORTH HEREIN.

CERTAIN TERMS OF THE OFFERING

	Investments ¹	Selling Commissions ²	Proceeds to LLC ^{2,3}
Minimum Offering Amount	\$1,000,000	\$ 0	\$1,000,000
Maximum Offering Amount	\$100,000,000	\$ 0	\$100,000,000

1. The admission of Investors as Members of the LLC is contingent upon the Manager's receipt and acceptance of subscriptions equal to at least the Minimum Offering Amount within six (6) months from the date of this Offering Circular, which may be extended for an additional six (6) months at the election of the Manager. After the Minimum Offering Amount is raised, the Offering will continue until (a) the Maximum Offering Amount is raised, (b) the Offering Period expires, or (c) the Offering is withdrawn by the LLC.

2. The Membership Interests will be offered and sold directly by the LLC, by the Manager, or through third parties, who may receive selling commissions or fees to be negotiated on a case-by-case basis. Broker-dealer agreements may be entered into. There is no firm commitment to purchase or sell any of the Membership Interests. All selling commissions or fees to third persons incurred in the sale of Membership Interests will be paid by the Manager, which may act as the originator of investments by the LLC.

3. After the LLC's assets reach Five Million Dollars (\$5,000,000), then the LLC may reimburse the Manager for actual out-of-pocket organizational expenses, including legal, accounting and printing and marketing costs (but not selling commission) estimated at approximately Two Hundred Thousand Dollars (\$200,000). The Manager will not be reimbursed for general, ordinary and customary business and operating expenses such as computer systems, office space, furniture and equipment or personnel costs related to the activities and duties of the Manager. The LLC will directly incur all costs for its annual audits, tax return preparation, taxes and fees, and legal and trustee fees incurred in connection with dispute resolutions with borrowers or foreclosures. If any real property is acquired by the LLC upon foreclosure, all costs of operating the real property will be incurred by the LLC until the real property is disposed.

THE SALE OF LIMITED LIABILITY COMPANY INTERESTS COVERED BY THIS OFFERING CIRCULAR 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 3(a)(11) OF THE ACT AND RULE 147 THEREUNDER RELATING TO INTRASTATE OFFERINGS. ACCORDINGLY, THESE MEMBERSHIP INTERESTS ARE BEING OFFERED SOLELY TO CERTAIN SELECTED RESIDENTS OF THE STATE OF CALIFORNIA, AND DOES NOT CONSTITUTE AN OFFER TO SELL OR A SOLICITATION OF ANY OFFER TO BUY WITH RESPECT TO ANY OTHER PERSON. FURTHERMORE, FOR A PERIOD OF NINE (9) MONTHS FROM THE COMPLETION OF THIS OFFERING, NO MEMBERSHIP INTERESTS MAY BE SOLD OR OTHERWISE TRANSFERRED EXCEPT TO RESIDENTS OF THE STATE OF CALIFORNIA.

THIS OFFERING CIRCULAR DOES NOT CONSTITUTE AN OFFER OR SOLICITATION IN ANY STATE OTHER THAN THE STATE OF CALIFORNIA OR TO ANY PERSON WHO IS NOT A BONA FIDE RESIDENT OF CALIFORNIA. THIS OFFERING CIRCULAR DOES NOT CONSTITUTE AN OFFER OR SOLICITATION TO ANY PERSON EXCEPT THOSE PARTICULAR PERSONS WHO SATISFY THE SUITABILITY STANDARDS DESCRIBED HEREIN.

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

THERE IS NO PUBLIC MARKET FOR MEMBERSHIP INTERESTS AND NONE IS EXPECTED TO DEVELOP IN THE FUTURE. SUMS INVESTED IN THE LIMITED LIABILITY COMPANY ARE ALSO SUBJECT TO SUBSTANTIAL RESTRICTIONS ON WITHDRAWAL AND TRANSFER, AND THE MEMBERSHIP INTERESTS OFFERED HEREBY SHOULD BE PURCHASED ONLY BY INVESTORS WHO HAVE NO NEED FOR LIQUIDITY IN THEIR INVESTMENT.

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

THIS OFFERING INVOLVES SIGNIFICANT RISKS, DESCRIBED IN DETAIL HEREIN. FEES WILL BE PAID TO THE MANAGER AND ITS AFFILIATES, WHO ARE SUBJECT TO CERTAIN CONFLICTS OF INTEREST. PROSPECTIVE PURCHASERS OF MEMBERSHIP INTERESTS SHOULD READ THIS OFFERING CIRCULAR IN ITS ENTIRETY.

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

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 OFFERING CIRCULAR, 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 MANAGER IMMEDIATELY TO DETERMINE THE ACCURACY OF SUCH INFORMATION. NEITHER THE DELIVERY OF THIS OFFERING CIRCULAR NOR ANY SALES HEREUNDER SHALL UNDER ANY CIRCUMSTANCES CREATE AN IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE LIMITED LIABILITY COMPANY OR IN THE INFORMATION SET FORTH HEREIN SINCE THE DATE HEREOF.

PROSPECTIVE PURCHASERS SHOULD NOT REGARD THE CONTENTS OF THIS OFFERING CIRCULAR OR ANY OTHER COMMUNICATION FROM THE LIMITED LIABILITY COMPANY AS A SUBSTITUTE FOR CAREFUL AND INDEPENDENT TAX AND FINANCIAL PLANNING. EACH POTENTIAL INVESTOR IS ENCOURAGED TO CONSULT WITH HIS, HER, OR ITS OWN INDEPENDENT LEGAL COUNSEL, ACCOUNTANT AND OTHER PROFESSIONAL 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 IN THE LIMITED LIABILITY COMPANY.

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

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EXHIBITS

EXHIBIT A LIMITED LIABILITY COMPANY OPERATING AGREEMENT

EXHIBIT B SUBSCRIPTION AGREEMENT

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 Offering Circular. This Offering Circular, together with the exhibits attached including, but not limited to, the Limited Liability Company Operating Agreement of the LLC (the “Operating Agreement”), a copy of which is attached hereto as Exhibit A, should be read in their entirety before any investment decision is made. If there is a conflict between the terms contained in this Offering Circular and the Operating Agreement, then this Offering Circular shall prevail.

The LLC	PACIFIC WEST MORTGAGE FUND, LLC (the “LLC”) is a California limited liability company, formed on August 12, 2005. The LLC has no significant current assets, liabilities or operations. It has been formed solely for the purposes of this offering. The LLC’s principal place of business is 1971 West 190 th Street, Suite 200, Torrance, California 90504. The LLC will engage in business as a mortgage lender for the purpose of making loans to the general public, acquiring existing loans, holding loans and selling loans, all of which are or will be secured by deeds of trust and/or mortgages on real estate throughout the United States, primarily in California. The LLC holds a California Finance Lender license issued by the California Department of Corporations.
The Manager	PACIFIC WEST MANAGERS, LLC (the “Manager”) is a California limited liability company. The Manager has no significant current assets, liabilities, or operations. The Manager’s principal place of business is 1971 West 190 th Street, Suite 200, Torrance, California 90504. The Manager holds a California Finance Lender license issued by the California Department of Corporations.
The Offering	Maximum of One Hundred Million Dollars (\$100,000,000), minimum of One Million Dollars (\$1,000,000). The offering will consist of Membership Interests in the LLC (“Membership Interests”). The minimum investment amount per Investor is Twenty Thousand Dollars (\$20,000); provided, however, that the Manager reserves the right to accept subscriptions in a lesser amount or require a higher amount. It is anticipated that the initial minimum offering amount of One Million Dollars (\$1,000,000) will be achieved by transferring investor funds and loans from an affiliate of the Manager, Pacific West Financial, LLC, to the LLC. The loans will be sold for par and will include performing loans and loans which have not been in default for more than thirty (30) days which the Manager, in its judgment, believes will be cured. The Manager plans to send a quarterly newsletter with a list of the LLC’s then current loan portfolio to the Members.
Subscription Proceeds	An Investor’s subscription for Membership Interests must be accompanied by a check for the full amount of the investment payable to the Pacific West Mortgage, LLC. The investor funds held in the Subscription Account will be deposited into thirty (30) day money market accounts of federally insured banks and all interest earned will be payable to the Investors. All funds will be held in the Subscription Account until the funds are required by the LLC to be utilized to make loans. To the extent the LLC needs funds for loans or other operational requirements, proceeds in the Subscription Account will be remitted to the LLC operating bank account and the Investor will be admitted as a Member, as of the date the funds are removed from the Subscription Account. If the Manager determines that funds are immediately needed for the operations of the LLC and there are no funds already deposited in the Subscription Account, the Manager may deposit the funds received from an Investor directly in the operating account of the LLC and immediately issue Membership Interests. If the Investor’s Subscription Account funds are not placed into the LLC operating bank account within ninety (90) days, the Investor will have the option to have the funds invested returned from the Subscription Account or to extend its investment by up to an additional ninety (90) days. Funds placed in the Subscription Account will be remitted to the LLC on a first in-first out basis.

Term of the LLC	The LLC's existence as a limited liability company will commence on the Effective Date and continue until December 31, 2026, unless sooner dissolved or terminated under the Act or as described herein. At the sole discretion of the Manager, the LLC's term of existence may be extended for up to ten (10) years at the sole discretion of the Manager. Any further extensions will require the vote of the Members holding at least a majority of the Membership Interests.
Suitability Standards	Membership Interests are offered exclusively, to certain individuals, Keogh plans, IRAs and other qualified Investors who are California residents and who meet certain minimum standards of income and/or net worth. Each Investor must execute a Subscription Agreement, in the form of Exhibit B making certain representations and warranties to the LLC. (See herein "Investor Suitability")
Selling Commissions	No portion of the gross proceeds of this offering will be used for the purpose of paying selling commissions incurred in the sale of Membership Interests. The Manager may compensate registered broker/dealers by paying a selling commission. The Manager will not be reimbursed by the LLC for the payment of such selling commissions.
No Guaranty	The loans funded and/or purchased by the LLC will NOT be guaranteed by any government agency. Some loans may be personally guaranteed by third parties, however, exercising the remedies under any such guaranty is limited and would require lengthy and costly legal action.
Monthly Distributions	<p>Each month, to the extent that there is cash available and provided that the monthly distributions will not impact the continuing operations of the LLC, the Manager will distribute the following to the Members: one hundred percent (100%) of the LLC's monthly Net Profits, on a pro-rata basis. "Net Profits" is defined as the LLC's monthly gross income less the payments of the LLC's monthly operating expenses (such as the Manager's Fees, amounts due by the LLC on any loans or line of credit, audit costs, and LLC taxes) and an allocation of income for a loan loss reserve of one percent (1.0%) to three percent (3.0%). All distributions will be made on a monthly basis, in arrears.</p> <p>Although there is no guarantee, the LLC anticipates that the monthly distributions will exceed eight percent (8.0%) per annum. If any monthly distribution to a Member would be less than the lesser of the annualized rate of (i) eight percent (8.0%) or (ii) three percent (3.0%) over the then ten (10) year treasury bond yield multiplied by the Member's Capital Account Balance (the "Member's Preferred Return"), then the Manager will defer all or a portion of its Asset Management Fee (defined in "Compensation to Manager and Affiliates") for such month. The Manager may recoup any such deferred compensation during months in which the aggregate monthly distributions to the Member exceed the Member's aggregate Preferred Return.</p> <p>By the end of the LLC's fiscal year and after completion of its annual audit, the Manager will make every effort to have distributed to each Member the amount of Net Profits that will be allocated to that Member on the Schedule K-1 that he, she, or it receives for income tax reporting. However, the amount of income reported to each Member 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 LLCs, such as the treatment of investment expense.</p>

Reinvestment Election	Upon admission as Members into the LLC, Investors may elect to (i) receive monthly cash distributions from the LLC in the amount of that Member's share of cash available for distribution, or (ii) allow the monthly distributions to be reinvested, or (iii) a combination of (i) and (ii) above. A change to the distribution election may be made once per quarter with at least thirty (30) days advanced written notice before the end of the quarter. If no election is made, then the monthly distribution will be a cash distribution. In the interest of the LLC, the Manager may change the frequency of cash distributions from monthly to another frequency, such as quarterly. Additionally, retirement plan investors may elect to the frequency which they prefer to receive the distributions, such as monthly, quarterly, semi-annually, or annually. Any monthly cash distribution not sent to an investor will be considered reinvested into the LLC.
Liquidation Distributions	Upon dissolution of the LLC, after payment of all LLC debts and liabilities, the remaining assets shall be distributed to the Members in the proportions which such Members share in monthly distributions.
Member Withdrawal	A Member may withdraw as a Member of the LLC and may receive a return of his Capital Account Balance provided that the following conditions have been met: (i) the Member has been a Member of the LLC for a period of at least twentyfour (24) months; and (ii) the Member provides the LLC with a written request for a return of capital at least sixty (60) days prior to such withdrawal. The LLC will attempt to honor requests for a return of Capital Account Balances, subject to, among other things, the LLC's then cash flow, financial condition, and prospective loans. Each request for a return of capital will be limited to one-hundred thousand dollars (\$100,000) per quarter; provided, however, that the maximum aggregate amount of capital that the LLC will return to the Members each year is limited to ten percent (10%) of the total outstanding capital of the LLC. Withdrawal requests will be considered on a first-come, first-serve basis. Notwithstanding the foregoing, the Manager may, in its sole discretion, waive such withdrawal requirements if a Member is experiencing undue hardship. In the case of a complete withdrawal of capital, up to five percent (5%) may be held back until the next annual audit report is issued.
Return of Capital	The Manager, in its discretion, may elect to return any Member's Capital Account balance and terminate the Member's Membership Interest for any reason at any time. Generally, this will be done to the extent that the Manager does not believe that the funds in the LLC account will be necessary for new loans. The Manager will have up to ninety (90) days after the election to return the Member's Capital Account.
No Liquidity	There is no public market for Membership Interests and none is expected to develop. Additionally, there are substantial restrictions on transferability of Membership Interests. Investors should not purchase Membership Interests unless they intend to hold them as a long term investment.
Accounting and Auditing Fee to Outside Contractors	The LLC will bear the costs of the annual tax preparation of the LLC's tax returns, and annual independent auditors' report, and all legal and trustee fees associated with dispute resolution or foreclosures with borrowers.
Reports to Members	Annual reports concerning the LLC's business affairs, including a copy of the LLC's annual income tax return and audited financials will be provided to Members upon written request to the Manager, and annual K-1s will be provided to all Members.

TERMS OF THE OFFERING

This offering is made to a limited number of qualified Investors to purchase Membership Interests in the LLC. The initial minimum subscription from each Investor is Twenty Thousand Dollars (\$20,000) (the "Minimum Investment Amount"); however, the Manager reserves the right, in its sole discretion, to accept subscriptions in a lesser amount or require a higher amount.

An Investor's subscription for Membership Interests must be accompanied by a check for the full amount of the investment payable to the Pacific West Mortgage, LLC. The investor funds held in the Subscription Account will be deposited into thirty (30) day money market accounts of federally insured banks and all interest earned will be payable to the Investors. All funds will be held in the Subscription Account until the funds are required by the LLC to be utilized to make loans. To the extent the LLC needs funds for loans or other operational requirements, proceeds in the Subscription Account will be remitted to the LLC operating bank account and the Investor will be admitted as a Member, as of the date the funds are removed from the Subscription Account. If the Manager determines that funds are immediately needed for the operations of the LLC and there are no funds already deposited in the Subscription Account, the Manager may deposit the funds received from an Investor directly in the operating account of the LLC and immediately issue Membership Interests. If the Investor's Subscription Account funds are not placed into the LLC operating bank account within ninety (90) days, the Investor will have the option to have the funds invested returned from the Subscription Account or to extend its investment by up to an additional ninety (90) days. Funds placed in the Subscription Account will be remitted to the LLC on a first in-first out basis.

By the end of the LLC's fiscal year and after completion of its annual audit, the Manager will make every effort to have distributed to each Member the amount of Net Profits that will be allocated to that Member on the Schedule K-1 that he, she, or it receives for income tax reporting. However, the amount of income reported to each Member on his, her, or its Schedule K-1 may differ somewhat from the actual cash or share distributions made during the fiscal year covered by the Schedule K-1 due to, among other things, a loan loss reserve and factors unique to the tax accounting of limited liability companies, such as the treatment of investment expense and reinvestment of distributions.

It is anticipated that the initial One Million Dollars (\$1,000,000) principal amount of loans to be acquired by the LLC will be provided by an affiliate of the Manager, Pacific West Financial, LLC. The loans will be sold for par and will include performing loans and loans which have not been in default for more than thirty (30) days which the Manager, in its judgment, believes will be cured. The Manager intends, but is not required to send a quarterly newsletter with a list of the LLC's then current loan portfolio to the Members.

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, even if such investment results in a total loss. The purchase of the Membership Interests offered involves a high degree of risk and is suitable only for an Investor whose business and investment experience, either alone or together with an Investor representative, renders the Investor capable of evaluating each and every risk of the proposed investment.

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

Residency Requirement

If the prospective Investor is an individual, then he or she must be a bona fide resident of California. If the prospective Investor is a trust, corporation, or other entity, then its principal office must be located in California. If the prospective Investor is a pension, profit-sharing, IRA, or other retirement plan, then its trustee or custodian must be a bona fide resident of California. If such trustee or custodian is not a resident of California, then (a) all participants or beneficiaries must be bona residents of California; (b) all investment decisions regarding such plan must be made by such participants or beneficiaries; and (c) the trustee or custodian may only perform ministerial functions with respect to the investment of retirement plan assets, without any independent authority or discretion to make investment decisions.

Net Worth or Gross Income Requirement

Prospective Investors must meet one of the following net worth or gross income requirements:

- (a) If the prospective Investor is an individual, then he or she must:
 - (i) have a net worth (exclusive of home, furnishings and automobiles) of at least Sixty-Five Thousand Dollars (\$65,000) and an annual gross income of at least Sixty-Five Thousand Dollars (\$65,000); or
 - (ii) have a net worth (exclusive of home, furnishings and automobiles) of at least Two Hundred Fifty Thousand Dollars (\$250,000).
- (b) If the prospective Investor is a trust, corporation, or other entity, then each of the principal owners must meet the requirements of either (a)(i) or (a)(ii), above.
- (c) If the prospective Investor is a pension plan or profit-sharing plan, then:
 - (i) the trustee, custodian, or all of the participants of the plan must meet the requirements of either (a)(i) or (a)(ii), above; or
 - (ii) if the plan assets are in excess of One Million Dollars (\$1,000,000), then a majority of the participants of the plan must meet the standards described in (a)(i) or (a)(ii), above.

Limitation of 10%

Until the LLC holds more than ten (10) loans, an investment by an Investor is limited to ten percent (10%) of such Investor's net worth or assets of such Investor, as applicable.

HOW TO SUBSCRIBE

To purchase Membership Interests, an Investor must meet certain eligibility and suitability standards, some of which are set forth below. Additionally, an Investor must execute and deliver a Subscription Agreement, in the form of Exhibit B attached hereto, together with a check or electronic wire transfer in the amount of the purchase price payable to the LLC. By executing the Subscription Agreement, an Investor makes certain representations and warranties upon which the Manager will rely in accepting subscriptions. **READ AND COMPLETE THE SUBSCRIPTION AGREEMENT CAREFULLY. BY PURCHASING MEMBERSHIP INTERESTS AND EXECUTING THE SUBSCRIPTION AGREEMENT, EACH INVESTOR AGREES, UPON ADMISSION AS A MEMBER INTO THE LLC, TO BE LEGALLY BOUND BY THE TERMS OF THE LLC'S OPERATING AGREEMENT.**

*Supplement to Page 5 of the Offering Circular
The following reflect changes as of September 30, 2008 as required
by the Department of Corporations:*

Net Worth or Gross Income Requirement

Prospective Investors must meet one of the following net worth or gross income requirements:

(a) If the prospective Investor is an individual, then he or she must:

(i) have a net worth (exclusive of home, furnishings and automobiles) of at least Two Hundred Fifty Thousand Dollars (\$250,000) and an annual gross income of at least Sixty-Five Thousand Dollars (\$65,000); or

(ii) have a net worth (exclusive of home, furnishings and automobiles) of at least Five Hundred Thousand Dollars (\$500,000).

(b) If the prospective Investor is a trust, corporation, or other entity, then each of the principal owners must meet the requirements of either (a)(i) or (a)(ii), above.

(c) If the prospective Investor is a pension plan or profit-sharing plan, then:

(i) the trustee, custodian, or all of the participants of the plan must meet the requirements of either (a)(i) or (a)(ii), above; or

(ii) if the plan assets are in excess of One Million Dollars (\$1,000,000), then a majority of the participants of the plan must meet the standards described in (a)(i) or (a)(ii), above.

Limitation of 10%

An investment by an Investor is limited to ten percent (10%) of such Investor's net worth of such Investor, as applicable.

Election to Receive Monthly Cash Distributions or Reinvest

Investors may elect to either (i) receive monthly cash distributions from the LLC in the amount of that Member's share of cash available for distribution, (ii) allow the monthly distributions to be reinvested, or (iii) a combination of (i) and (ii) above. An election to reinvest all or a portion of the monthly distributions is revocable; provided, however, a change to the distribution election may be made once per quarter with at least thirty (30) days advanced written notice before the end of the quarter. Cash distributions reinvested by Members who make such an election will be used by the LLC to make further mortgage loans or for other proper LLC purposes. The effect on reinvesting the distributions of some Members will be to increase their Capital Accounts, entitling them to a proportionate increase in their relative share of future earnings or losses of the LLC. If no election is made, then the monthly distribution will be a cash distribution. In the interest of the LLC, the Manager may change the frequency of cash distributions from monthly to another frequency, such as quarterly. Additionally, retirement plan investors may elect to the frequency which they prefer to receive the distributions, such as monthly, quarterly, semi-annually, or annually. Any monthly cash distribution not sent to an investor will be considered reinvested into the LLC.

Restrictions on Transfer

As a condition to this offering of Membership Interests, restrictions have been placed upon the ability of Investors to resell or otherwise dispose of any Membership Interests purchased hereunder including, without limitation, the following:

1. No member may resell or otherwise transfer any Membership Interests without the satisfaction of certain conditions designed to comply with applicable tax and securities laws. The transferee must meet the same Investor qualifications as the Members admitted during the offering period.
2. The Membership Interests have not been registered with the Securities and Exchange Commission under Intrastate securities. Membership Interests may not be sold or otherwise transferred without registration under the Act or pursuant to an exemption therefrom.

A legend will be placed upon any instruments evidencing ownership of Membership Interests stating that the Membership 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 LLC with respect to all Membership Interests offered hereby. The LLC will charge a transfer fee of Five Hundred Dollars (\$500) per transfer of ownership. If a Member transfers 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 Membership Interests will be offered and sold by the LLC, and no commissions or fees will be paid to the Manager. The Manager may compensate registered broker/dealers by paying a selling commission. The Manager will not be reimbursed by the LLC for the payment of such selling commissions. At the commencement of the offering, no underwriters or broker-dealers have undertaken to distribute all or any portion of the Membership Interests, and there is no assurance that the entire Offering, or the Minimum Offering Amount, will be subscribed. If the Minimum Offering Amount is not achieved, Investors' funds will be returned with interest at the thirty (30) day money market rate. The Manager may retain the services of independent broker/dealers to locate prospective Investors, who may receive selling commissions or fees to be negotiated on a case-by-case basis.

USE OF PROCEEDS

The proceeds from the sale of Membership Interests will be used to make loans to the general public and acquire existing loans which are or will be secured by deeds of trust and/or mortgages on real estate, primarily

in California but may invest at most twenty percent (20%) of the funds outside the state of California and to conduct the operations of the LLC as related to these investments, including the establishment of appropriate reserves, and the payments of allowed expenses. In general the LLC will invest in whole loans. Occasionally it may purchase fractional interests in loan, but in such event will attempt to acquire a direct interest in the loan on an undivided basis and will never purchase an interest in a securitized pool of loans.

DESCRIPTION OF MORTGAGE FUND

Although the Manager of the LLC has significant experience in, and has been successful at, originating, acquiring, and servicing loans, the LLC is newly organized and licensed as a California Finance Lender ("CFL"). Upon raising the Minimum Offering Amount, the LLC will invest its funds for the purpose of making loans to the general public, acquiring existing loans, and holding loans, all of which are or will be secured by deeds of trust and/or mortgages on real estate throughout the United States, primarily in California. The Manager generally intends to hold loans to maturity. From time to time the Managers may choose to sell, over any twelve (12) month period, a maximum of twenty-five (25%) of the aggregate principal amount of the LLC loans to third party investors. The Manager of the LLC will originate loans under a CFL license, causing the LLC, under its own CFL license, to extend new credit directly to borrowers. Additionally, the LLC may purchase loans from the Manager for which it may pay a price greater or less than the remaining balance on such notes. The price at which existing notes change hands is normally a function of prevailing interest rates. If the interest rate at which new loans of similar size and quality are being originated is higher than the interest rate on an existing note, that note would be expected to sell for less than the amount of principal owing under it. Accordingly, a decline in the interest rate applicable to new loans of similar size and quality would be expected to increase the value of an existing note bearing a higher interest rate.

California and other states' laws makes it illegal to charge or collect interest at a rate exceeding ten percent (10%) per annum, unless the lender belongs to a class of regulated lenders such as banks, mortgage companies, or real estate brokers. Under current law, loans arranged by or through or CFL license in California are exempt from the otherwise applicable usury limitation of ten percent (10%) simple interest.

The business of making loans secured by real property is highly competitive. Any person seeking a loan may select from a large number of banks, mortgage companies, consumer finance companies and mortgage brokers, who compete with each other on the basis of points (fees for originating loans), interest rates, terms and convenience. While the members of the Manager have been engaged in business as mortgage brokers and believe the LLC will be able to find a sufficient number of borrowers to use the proceeds of the Maximum Offering, there is no assurance of such outcome. The LLC may limit subscriptions as they are needed to fund additional loans.

Generally, the borrowers on loans from the LLC will pay higher interests and more points than borrowers with higher credit ratings. In general those borrowers are often termed "sub-prime", due to bankruptcies, prior credit defaults, limited income or prior transgressions. Therefore, risk of defaults on LLC loans may be higher than with borrowers to traditional financial institutions.

LENDING STANDARDS AND POLICIES

General Standards for Mortgage Loans

The LLC will engage in the business of making loans to members of the general public, acquiring existing loans, and holding loans all secured in whole or in part by deeds of trust, mortgages, security agreements, leasehold estates, or legal title in real or personal property, including but not limited to, single family homes, multiple unit residential property (such as apartment buildings), commercial property (such as stores, shops, warehouses, churches and offices), unimproved land (including land with entitlements and without entitlements), mobile homes, and other real and personal property. The use of loan proceeds by the borrower

will not generally be restricted, except for construction loans where the use of proceeds will be controlled for the building, remodeling, and/or development of the property securing the loan.

If a loan is for construction, rehabilitation, or development of a real property, the loan will be directly secured by a security instrument encumbering the property being improved, rehabilitated, or developed and will be subject to a disbursement agreement between the LLC, as lender, the borrower, and the borrower's general contractor (if any) and may be funded in installments.

The LLC may invest in loans that are themselves secured by a loan secured by a deed of trust or mortgage. In these cases the underlying loan instruments will be assigned to the LLC as collateral for its loan pursuant to agreements that govern the collection of the LLC's loan as well as the underlying loan collateral. In addition to deeds of trust or mortgages the LLC may secure repayment of its loans by such devices as co-signers, personal guaranties, irrevocable letters of credit, assignments of deposit or stock accounts, personal property, partnership interests, and limited liability company interests.

LLC loans will be made pursuant to a strict set of guidelines designed to set standards for the quality of the security given for the loans. Such standards are summarized as follows:

1. **Priority of Mortgages.** LLC loans will primarily be secured by deeds of trust and/or mortgages that are first in priority. However, up to twenty percent (20%) of the LLC's loan portfolio may be secured by a lien junior to other deeds of trust or mortgage encumbrances on the real property. Some loans may be structured as all-inclusive deeds of trust (AITD), meaning a senior loan is included in the amount owed on the LLC's loan. Construction loans will be made within specific guidelines which pertain to construction loans in particular.

2. **Loan-to-Value Ratios.** The LLC intends to make or purchase loans according to the loan-to-value ratios set forth below. These ratios may be increased if, in the judgment of the Manager, the loan is supported by sufficient credit worthiness of the borrower, other collateral and/or desirability and quality of the property, to justify a greater loan-to-value ratio. The word "value" as used in the term "loan-to-value ratio," shall mean the appraised value of the security property as determined by an independent written appraisal, Broker Price Opinion ("BPO") or the Manager at the time the LLC makes the loan or which is "current" at the time the LLC makes or purchases a loan. An appraisal or BPO will be considered to be "current" if the Manager has inspected the security property and made a reasonable determination that the value of the security property has not declined since the date of the appraisal or BPO. The term "loan" includes both the amount of the LLC's loan and all other outstanding debt secured by any senior deed of trust on the security property. The amount of the LLC's loan combined with the outstanding debt secured by any senior deed of trust on the security property will not exceed a specified percentage of the value of the security property as determined by an independent written appraisal, BPO, or the Manager at the time the loan is made, according to the following table:

Type of Security Property	Loan-to-Value Ratios	
	First Trust Deeds	Junior Trust Deeds
Residential – 1 to 4 units	70%	60%
Commercial Property (including apartments, stores, office buildings, etc.)	70%	60%
Construction	60%	50%
Unimproved Land	60%	50%

These loan-to-value ratios will not apply to purchase-money financing offered by the LLC to sell any real estate owned by the LLC (i.e., property which is acquired through foreclosure) or to refinance an existing loan

that is in default at the time of maturity. In such cases, the Manager, in its sole discretion, shall be free to accept any reasonable financing terms that it deems to be in the best interests of the LLC.

3. **Terms of Loans.** Loans will have varying maturity dates. Loans whose term exceeds the life of this LLC fund will be sold, at the best prevailing rate, on the open market upon the dissolution of the LLC. Most loans will provide for monthly payments of principal and/or interest, with many LLC loans providing for payments of interest only and a "balloon" payment of principal payable in full at the end of the term. These loans require the borrower to refinance the loan or sell the property to pay the loan in full at maturity.

4. **Interest Rates.** Most LLC loans will provide for interest rates comparable to mortgage rates prevailing in the geographical area where the security property is located. Loans may include a provision for additional interest or profit dependent upon the success of the project financed by the LLC.

5. **Escrow Conditions.** LLC loans will be funded through an escrow account handled by either a title insurance company, public escrow company, attorney, or the Manager or a an Affiliate. The escrow agent, whomever it may be, will be instructed not to disburse any of the LLC's funds out of the escrow for purposes of funding the loan until:

(a) **Title Insurance.** Satisfactory title insurance coverage will be purchased for all real property loans, with the title insurance policy naming the LLC as the insured and providing title insurance in an amount not less than the principal amount of the loan. The nature of each policy of title insurance, including the selection of appropriate endorsements affecting coverage shall be selected by the Manager. Title insurance insures only the validity and priority of the LLC's deed of trust or mortgage, and does not insure the LLC against loss from other causes, such as diminution in the value of the security property, appraisals, loan defaults, etc.

(b) **Fire and Casualty Insurance.** Satisfactory fire and casualty insurance will be obtained for all loans containing improvements, naming the LLC as loss payee in an amount equal to the total amount of the LLC's loan. Appropriate liability insurance will be obtained on all unimproved real property. (See herein "Business Risks --Uninsured Losses")

(c) **Mortgage Insurance.** The Manager does not intend to arrange for mortgage insurance, which would afford some protection against loss if the LLC foreclosed on a loan and there existed insufficient equity in the security property to repay all sums owed. If the Manager elects in its sole discretion to obtain such insurance, the minimum loan-to-value ratio for residential property loans may be increased. (See herein "Lending Standards and Policies-Loan-to-Value Ratios")

(d) **Payee and Beneficiary Name.** All new loan origination documents (notes, deeds of trust, etc.) and insurance policies will name the LLC as payee and beneficiary. Loans will not be written in the name of the Manager or any other nominee, except in the case of multiple lender or fractional loans. (See herein "Lending Standards and Policies - Fractional Membership Interests" below) In those cases where the LLC purchases all or a portion of a loan from the Manager or an Affiliate or third party, the LLC will obtain an endorsement to the original title insurance policy which names the LLC as the insured or co-insured, as appropriate. In addition, the LLC will make certain that the policies of fire and casualty insurance insuring the security property provide that the holder of the loan and/or its assignee is the loss payee.

6. **Purchase of Loans from Affiliates.** Existing loans may be purchased from the Manager, its Affiliates or third parties, only so long as they otherwise satisfy all of the foregoing requirements. The LLC may pay a price greater or less than the remaining balance on such loans. The price at which existing loans change hands is normally a function of prevailing interest rates. Therefore, the Manager or its Affiliates may make a profit on the sale of an existing loan to the LLC. The Manager may only purchase loans from the LLC if the

Manager fairly determines that this is in the best interest of the LLC. This may occur under circumstances in which a loan is in default and the Manager believes it is in the best interest of the LLC not to proceed to foreclosure.

7. **Fractional Loans.** The LLC may also participate in first position trust deed loans with other lenders (including other limited liability companies organized by the Manager) with up to twenty-five (25%) of the LLC's capital, by providing funds for or purchasing a fractional undivided interest in a loan that meets the requirements set forth above. The Manager will treat the LLC equally with all other LLCs and other entities controlled by the Manager when making such fractional loans.

8. **Loans to the Manager.** The LLC shall not make real estate secured loans directly to the Manager or Affiliates.

9. **Diversification.** In general, an LLC loan will be at least Twenty-Five Thousand Dollars (\$25,000) and will not exceed the greater of (a) Ten Million Dollars (\$10,000,000) or (b) twenty percent (20%) of the LLC's capital; however, the Manager may authorize a loan for a lesser or higher amount if it deems such to be in the interest of the LLC.

10. **Leverage.** The LLC may borrow funds to originate and acquire loans in the ordinary course of business. It may from time to time require a line of credit or alternatively, it may borrow funds from the Manager on terms reasonable to the LLC and Manager to assure liquidity of its operations, such as to pay off a defaulted first mortgage to preserve the LLC's subordinate interest, to fund a substantial loan that meets the LLC guidelines, to pay cash distributions to Members, to pay LLC taxes, to acquire property securing an LLC loan that is in default or in foreclosure, to operate or develop a property that the LLC acquires through a default or foreclosure of a loan, or for any other reason that is considered by the Manager to be in the best interests of the LLC. However, at no time in the normal course of business will the Manager borrow money for the LLC when the total amount of such loan, taken together with all other LLC indebtedness, would exceed seventy percent (70%) of total LLC assets. The only exception to this limitation of borrowing is in the case that a higher level of borrowing is required in order for the LLC to purchase a property in foreclosure that is securing a defaulted loan, in which case the Manager may determine that a higher than seventy percent (70%) rate of borrowing for the LLC is in the best interests of the LLC.

11. **Contingency Reserve.** A contingency reserve fund will be established and maintained for the purpose of covering unexpected cash needs of the LLC. Contingency reserve funds will not be invested in mortgage notes. Contingency reserve funds may be invested in short-term investments such as money market accounts which provide liquidity and a lower yield than might be earned on mortgage notes. The Manager will set the amount of the contingency reserve according its business judgment.

12. **Loan Loss Reserve.** A loan loss reserve will be maintained whereby an amount of funds will be set aside each month out of the operating revenues of the LLC to cover estimated potential future loan losses. The amount allocated each month for the loan loss reserve will be expensed against the monthly net income of the LLC. The Manager will set the level of the monthly income allocation to the loan loss reserve according to its business judgment. Actual loan losses, if any, will be applied first to reduce the loan loss reserve, and only if necessary will be charged against the monthly net income of the LLC. If the total loan loss reserve eventually exceeds an amount that the Manager feels is reasonable to cover potential future loan losses, loan loss reserves will be released and added to the current monthly income of the LLC.

Credit Evaluations

The Manager may consider the income level and general creditworthiness of a borrower to determine his or her ability to repay the LLC loan according to its terms, in addition to considering the loan-to-value ratios described above and secondary sources of security for repayment. Loans may be made to borrowers who are

in default under other obligations or in bankruptcy or who do not have sources of income that would be sufficient to qualify for loans from other lenders such as banks or savings and loan associations.

Some borrowers may be categorized as subprime borrowers whose loans, due to the repayment risk they present, are likely to be issued at above average interest rates. Proceeds derived from such increased interest rates may be countered by additional operational funds the LLC may need to expend with collection issues or any write-offs of unpaid loans.

Loan Packaging

The Manager or its Affiliate will assemble and/or obtain all necessary information required to make a funding decision on each loan request. For those loans funded by the LLC, the documents assembled and obtained for the purpose of making the funding decision will become the property of the LLC.

Loan Servicing

It is anticipated that all LLC loans will be serviced (i.e., collection of loan payments) by the Manager or Affiliate, or in limited cases another outside service provider (in either case, the "Servicer"). The Servicer will be compensated for such loan servicing activities. (See "Compensation to Manager and Affiliates")

Most loans will require payments at the end of each thirty (30) day period commencing on the last day of the first full month of the loan, computed on the principal balance during such thirty (30) day period. Borrowers will make their checks payable to the Servicer or LLC. Checks payable to the Servicer will be deposited in Servicer's loan servicing trust account, and funds will be transferred to the LLC's bank or money market account.

Most loans will require interest payments at the end of each thirty (30) day period, computed on the principal balance during such thirty (30) day period. Borrowers will make their checks payable to the LLC. The LLC will require the Manager to adhere to the following payment, delinquency, default, and foreclosure practices, procedures and policies:

1. **Payments.** Generally, payments will be payable monthly, on the first (1st) day of each month. Interest is generally prorated to the first (1st) day of the month following the closing of the loan escrow.
2. **Delinquency.** Generally, loans will be considered delinquent if no payment has been received within ten (10) days of the payment due date. Borrower will be notified of delinquency by mail on the twelfth (12th) day after the payment due date and a late charge will be assessed. The Servicer will refer to and rely upon the late charge provisions in the applicable loan documents for each loan.
3. **Default.** A loan will be considered in default if no payment has been received within thirty (30) days of the payment due date. Foreclosure will usually be initiated shortly after the thirty-first (31st) day after a default, with the exact timing in the business judgment of the Manager, which could be delayed several months depending on borrower circumstances and loan to value ratio of the security. Any costs of this process are to be posted to the borrower's account for reimbursement to the LLC. In the case that one or more payments from a borrower are delinquent, rather than formally declare the borrower to be in default and to initiate foreclosure proceedings, the Manager reserves the right, if it determines this to be in the best interest of the LLC, to arrange for the LLC to discharge the loan by purchasing the property securing the loan at a price determined by the Manager to be equal to or less than the market value of the property.
4. **Foreclosure.** Statutory guidelines for foreclosures in each state are to be followed by the Servicer until the underlying property is liquidated and/or the account is brought current. Any costs of this process are to be posted to the borrower's account for reimbursement to the LLC. If a loan is completely foreclosed upon and

the property reverts back to the LLC, the LLC will be responsible for paying the costs and fees associated with the foreclosure process, maintenance and repair of the property, service of senior liens and resale expenses.

Sale of Loans

The LLC does not presently intend to make mortgage loans primarily for the purpose of reselling such loans in the ordinary course of business. However, to the extent the LLC does sell mortgage loans (or fractional interests therein), when the Manager determines that it would be advantageous to the LLC to do so, no more than twenty-five (25%) of the loan portfolio will be transferred in a twelve (12) month period. Decisions by the Manager concerning the sale of loans will be based upon the business judgment of the Manager considering prevailing market interest rates, the length of time that the loan will be held by the LLC, the payment history on the loan and the investment objectives of the LLC.

Borrowing/Note Hypothecation

The LLC may borrow funds, at the Manager's option, for the purpose of making mortgage loans and may assign all or a portion of its loan portfolio as security for such loan(s). The Manager anticipates engaging in this type of transaction when the interest rate at which the LLC can borrow funds is significantly less than the rate that can be earned by the LLC on its mortgage loans, giving the LLC the opportunity to earn a profit as a "spread." Such a transaction involves certain elements of risk and also entails possible adverse tax consequences. (See herein "Business Risks -- Risk of Using Leverage", "Income Tax Considerations", and "ERISA Considerations")

COMPANY HISTORY

The LLC will engage in business as a mortgage lender for the purpose of making loans to the general public, acquiring existing loans, holding loans and occasionally selling loans, all of which are or will be secured by deeds of trust and/or mortgages on real estate throughout the United States, primarily in California.

THE MANAGER

The Manager of the LLC is Pacific West Managers, LLC, a California limited liability company. The Manager will manage and direct the affairs of the LLC.

Mr. Mark Granger, Founder and Managing Member of the Manager

Mr. Mark Granger started in the industrial and commercial real estate business in 1983 and founded The Granger Company in 1989. With 20 + years of experience in this industry, Mr. Granger has grown the firm into a full-service southern California real estate company based on the tenets of unparalleled personal service and superior investment returns. Mr. Granger and his professional staff have finalized hundreds of industrial and commercial real estate transactions; and they have used their extensive knowledge of the business to make the loan process easier and more beneficial for their clients. In 2003, Mr. Granger started Pacific West Financial, LLC, a mortgage pool providing loans on all property types, which is the predecessor fund to Pacific West Mortgage Fund, LLC. The predecessor fund has produced solid returns for its investors and superior service for its borrowers. Mr. Granger graduated from Kenyon College in Gambier, Ohio and has been active in local organizations including the Gardena Chamber of Commerce, the Gardena Economic Development Corporation and the Gardena/Carson YMCA. Mr. Granger is a member of the American Industrial Real Estate Association and the California Mortgage Association. He lives in the South Bay, has been married for 16 years and is the father of twins.

*Supplement to Page 12 of the Offering Circular
The following reflect changes as of September 30, 2008 as required
by the Department of Corporations:*

COMPANY HISTORY

The LLC engages in business as a mortgage lender for the purpose of making loans to the general public, acquiring existing loans, holding loans and occasionally selling loans, all of which are or will be secured by deeds of trust and/or mortgages on real estate throughout the United States, primarily in California.

As of June 30, 2008, the LLC has made 18 loans totaling \$8,334,000.00. One loan totaling \$390,000.00 went through foreclosure proceedings but was subsequently sold as a REO by the LLC within two months of the LLC taking ownership of the property.

LEGAL PROCEEDINGS

Neither the LLC, the Manager nor any of the officers or directors of the Manager are now or have within the past five (5) years been involved in any material litigation or arbitration.

COMPENSATION TO MANAGER AND AFFILIATES

The following discussion summarizes the forms of compensation to be received by the Manager or an Affiliate or other third party, in its or their capacity as Manager, Mortgage Broker, and/or Servicer (collectively, "Manager's Compensation"). All of the amounts described below will be received regardless of the success or profitability of the LLC. None of the following compensation was determined through arm's-length negotiations.

<u>Form and Recipient of Compensation</u>	<u>Estimated Amount or Method of Compensation</u>
Loan Brokerage Commissions / Loan Origination Fees (Points) Paid to Manager or Affiliate	Loan origination fees are paid by borrowers to the Manager or an Affiliate. Loan origination fees consist of points, loan processing fees, underwriting fees, document preparation fees, escrow fees, disbursement fees, warehousing fees, administration fees and other similar charges. Such fees average approximately 3-10% of the principal amount of each loan. Sometimes these fees are negotiated and partially passed through to the LLC in order to make the overall loan yield suitable for the portfolio when the interest rate may otherwise be too low.
Purchase of Existing Notes Paid to Manager or Affiliate	If the LLC purchases an existing loan from a third party, the Manager or Affiliate will be paid a fee comparable to a loan origination fee. This fee will not exceed the discount received by the LLC for the purchase of said loan and the loan terms and conditions will be comparable or better than those for originating loans.
Real Estate Commissions to Manager or Affiliate Upon Resale of Any Property Acquired through Foreclosure Paid to Manager or Affiliate	The Manager or Affiliate has a real estate sales department or business affiliate that may handle the resale of properties taken back in foreclosure by the LLC if such properties are located in California. If the Manager or Affiliate elects to act as the listing agent, its compensation shall not exceed the prevailing rate in the area where the real property is located. As to out of state property, a local state real estate broker will be employed by the LLC and paid the prevailing commission.

<p>Loan Servicing Fee to Manager, Affiliate, or Third Party</p>	<p>The Manager, Affiliate, or third party servicer will supervise the servicing of loans owned by the LLC. This consists of billing and collecting loans owned by the LLC. Such servicer's compensation (not including attorneys' fees, foreclosure fees and court costs, if needed) will be:</p> <p>(a) 1/12th of 1% of the principal amount of each LLC loan, payable monthly (i.e. 1% per year). This fee shall be collected monthly from the payments received by the LLC from the borrowers. This fee may vary from loan to loan.</p> <p>(b) 100% of any late charges collected from borrowers. The Manager reserves the right to waive collection of any late charges or reduce the percentage retained.</p> <p>(c) 50% of any prepayment penalties collected from borrowers. The Manager reserves the right to waive collection of any prepayment penalties or reduce the percentage retained.</p> <p>(d) 100% of any default interest. The Manager reserves the right to waive collection of any default interest or reduce the default interest rate.</p> <p>(e) 100% of any extension fees. The Manager reserves the right to waive collection of any extension fees.</p> <p>(f) 100% of other fees collected from the borrower as authorized by the terms of the loan documents for work performed. The Manager reserves the right to waive collection of any such fees.</p>
<p>Manager's Share of Profits from the Sale of Loans</p>	<p>The Manager shall be entitled to retain fifty percent (50%) of the profits from the sale of LLC loans.</p>
<p>Asset Management Fee</p>	<p>The Manager shall be entitled to 1-3% annually of the aggregate principal balance of all loans held by the LLC, payable monthly, based upon the loans held on the last day of each month.</p>
<p>Reimbursement of LLC Expenses to Manager</p>	<p>After the LLC's assets reach Five Million Dollars (\$5,000,000), then the LLC may reimburse the Manager for actual out-of-pocket organizational expenses, including legal, accounting and printing and marketing costs (but not selling commission) estimated at approximately Two Hundred Thousand Dollars (\$200,000). The Manager will not be reimbursed for general, ordinary and customary business and operating expenses such as computer systems, office space, furniture and equipment or personnel costs related to the activities and duties of the Manager. The LLC will directly incur all costs for its annual audits, tax return preparation, taxes and fees, and legal and trustee fees incurred in connection with dispute resolutions with borrowers or foreclosures. If any real property is acquired by the LLC upon foreclosure, all costs of operating the real property will be incurred by the LLC until the real property is disposed.</p>
<p>Definition of Manager's Fees</p>	<p>The definition of the Manager's Fees includes all of the fees described above.</p>
<p>Recovery of Deferred Compensation</p>	<p>The Manager may, but has no obligation to, defer all or a portion of the Manager's Fees. In such event, the Manager will be entitled to recover the deferred fees at a later time.</p>

FIDUCIARY RESPONSIBILITY OF THE MANAGER

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

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

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

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

INVESTMENT RISKS

Limited Transferability of Membership Interests

There is no public market for the Membership Interests and none is expected to develop in the future. Even if a potential buyer could be found, the transferability of Membership Interests is also restricted by the provisions of the Act and Rule 147 thereunder, and by the provisions of the Operating Agreement. Unless an exemption is available, Membership Interests may not be sold or transferred without registration under the Act and the prior written consent of the California Commissioner of Corporations. Any sale or transfer of Membership Interests also requires the prior written consent of the Manager. Members possess very limited rights to withdraw from the LLC or to otherwise recover any of their invested capital. Investors must be capable of bearing the economic risks of this investment with the understanding that Membership Interests may not be liquidated by resale or redemption and should expect to hold their Membership Interests as a long-term investment.

No Registration: Limited Governmental Review

The Membership Interests have not been registered with, or reviewed by, the U.S. Securities and Exchange Commission, nor is registration contemplated. The LLC is not registered with the U.S. Securities and Exchange Commission as an investment company under the Investment Company Act of 1940, and the Manager is not registered with the U.S. Securities and Exchange Commission as an investment adviser under the Investment Advisers Act of 1940.

Size of the Offering

There is no assurance that the LLC will obtain capital contributions equal to the Maximum Offering Amount. Receipt of capital contributions of less than the Maximum Offering Amount will reduce the ability of the LLC to spread investment risks through diversification of its loan portfolio.

Unidentified Investments

None of the assets in which the LLC will invest have been specifically identified except for the acquisition of Pacific West Financial, LLC's loan portfolio. It is therefore impossible for Investors to evaluate the LLC's loan portfolio.

Phantom Income

Investors who elect to reinvest their share of the earnings of the LLC 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 Membership Interests, will therefore be an out-of-pocket expense to such Investors.

Speculative Nature of Investment

Investment in the Membership Interests is speculative and by investing, each Investor assumes the risk of losing the entire investment. The LLC has no operations as of the date of this Offering and will be solely dependent upon the Manager to acquire loans. Accordingly, only Investors who are able to bear the loss of their entire investment, and who otherwise meet the Investor suitability standards should consider purchasing Membership Interests. (See herein – "Investor Suitability")

Investors Not Independently Represented

The Investors in the LLC have not been represented by independent counsel in its organization. Attorneys assisting in the formation of the LLC and the preparation of this Offering Circular have represented only the Manager. (See herein "Conflicts of Interest")

BUSINESS RISKS***Loan Defaults and Foreclosures***

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

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

(1) The LLC will rely primarily on appraisals to determine the fair market value of real property used to secure loans made by the LLC; however, the LLC may have an appraisal done by a non-certified appraiser who is qualified and experienced in appraising the subject property. No assurance can be given that such appraisals will, in any or all cases, be accurate. Moreover, since an appraisal is based upon the value of real property at a given point in time, subsequent events could adversely affect the value of real property used to secure a loan. Such subsequent events may include general or local economic conditions, neighborhood values, interest rates, new construction and other factors.

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

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

(4) Due to certain provisions of states laws applicable to real property secured loans, generally if the real property security proves insufficient to repay amounts owing to the LLC, it is unlikely that the LLC would have any right to recover any deficiency from the borrower. (See herein "Certain Legal Aspects of LLC Loans")

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

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

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

Subprime Lending Risks

(1) Since the LLC may originate loans to borrowers with subprime credit, the LLC may have to deal with collection issues. Therefore, the LLC may have to expend a portion of its operational budget on collection efforts on delinquent accounts. Such collection costs may include legal fees, retention of third party collection services, and costs associated with efforts to restructure the original financing arrangement. Also, the LLC's management team has experience and ability in evaluating the creditworthiness of the LLC's potential borrowers and may design customized credit plans for these customers. Early stage delinquencies will be handled with an approach which is sensitive to goodwill. If accounts progress into delinquency, more assertive action will be taken.

(2) Delinquencies on mortgage loans generally increase during economic slowdowns or recessions. Because some of the LLC's borrowers may have had past credit problems, the actual rates of delinquencies and losses, as applicable, could be higher under adverse economic conditions than under more stable general economic conditions. Therefore, in economic slowdowns or recessions, the LLC's bad debt writeoffs may increase. Any sustained period of increased delinquencies or losses could adversely affect the LLC's ability to extend credit to new borrowers and may result in losses for the LLC.

Reliance on the Manager

Although the Members of the Manager of the LLC have significant experience in, and have been successful at, prime lending, sub-prime lending, loan originations, and servicing, the LLC is newly organized. The Manager will make virtually all decisions with respect to the management of the LLC, including the determination as to what loans to make or purchase, and the Members will not have a voice in the management decisions of the LLC and can exercise only a limited amount of control over the Manager. The Manager gives no assurance that the LLC will operate at a profit. The LLC is dependent to a substantial degree on the Manager's continued services. In the event of the death or disability of its members or bankruptcy of the Manager, the business and operations of the LLC may be adversely affected.

Competition

Because of the nature of the LLC's business, the LLC's profitability will depend to a large degree upon the future availability of secured loans. The LLC will compete with institutional lenders and others engaged in the mortgage lending business, many of whom have greater financial resources and experience than the LLC.

Fluctuations in Interest Rates

Recent years have demonstrated that mortgage interest rates are subject to abrupt and substantial fluctuations. The LLC intends to make a large number of short-term to medium-term (six (6) months to five (5) years) loans and a few long-term (over twenty (20) years) loans. Other than the possibility of the LLC redeeming the Membership Interests, the purchase of Membership Interests is an illiquid investment. If prevailing interest rates rise above the average interest rate being earned by the LLC's loan portfolio, Investors may be unable to liquidate their investment 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 LLC's loan portfolio, borrowers may elect to refinance their loans and prepay their loan from the LLC, reducing the overall yield of the LLC's loan portfolio. Notwithstanding the foregoing, the LLC will have the right on certain or all loans, pursuant to the terms of such loans, to increase the interest rates up to a certain percentage on loans to borrowers periodically which would increase the amount of Net Profits to be distributed monthly to the Members.

Risk of Using Leverage

There may be times that the Manager may determine that the LLC will use borrowed funds to fund mortgage loans in order to procure a good loan for the portfolio or for other business related purposes. Interest rate fluctuations may have a particularly adverse affect on the LLC if it is using borrowed money to fund mortgage loans or for other LLC business purposes. If the LLC borrows money, such borrowed money may bear interest at a variable rate, whereas the LLC may be making fixed rate loans. If the prevailing interest rates rise, the LLC's cost of money could exceed the income earned from that money, thus reducing the LLC's profitability or causing losses.

Possible Repeal of Usury Exemption

Under current law, loans arranged by or through a CFL license in California are exempt from the otherwise applicable usury limitation of ten percent (10%) simple interest. Should this exemption be repealed, the LLC may no longer be able to originate loans in excess of the usury limit, potentially reducing its return on investment or forcing it to limit its lending activities.

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

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

Competition With Clients and Affiliates of the Manager

The members of the Manager and/or its Affiliates are engaged in business as a mortgage broker and lender to the public, serving a substantial number of clients other than the LLC. The Manager may also sponsor the formation of other investment groups like the LLC to invest in mortgages. When considering each loan, therefore, the Manager will have to decide which client or fund it will choose to originate or hold the resulting note and mortgage. This will compel the Manager to make decisions that may at times favor persons other than the LLC. The Operating Agreement exonerates the Manager from liability for investment opportunities given to other persons.

Investment Delays

There may be a delay between the time Membership Interests are sold and the time Investors are admitted to the LLC. Subscription funds may be held in a Subscription Account which will be invested in short-term bank accounts, certificates of deposit, money market funds, or other liquid assets.

The Manager anticipates that after the Minimum Offering is raised, the delay between the time when a subscription is received and the time which the subscription proceeds are used to fund a mortgage loan will be less than one ninety (90) days. There can be no assurance that the delay will not be longer in any particular instance. The Investor does have the right to withdraw funds from the subscription account after ninety (90) days if the funds have not yet been remitted to the LLC operating account.

Uninsured Losses

The Manager will require title, fire and casualty insurance on the properties securing the LLC's loans. The Manager may also, but is not required to, arrange for earthquake and/or flood insurance. However, there are certain types of losses (generally of a catastrophic nature) which are either uninsurable or not economically insurable, such as losses due to war, floods or mudslide. Should any such disaster occur, the LLC could suffer a loss of principal and interest on a loan secured by the uninsured property. Additionally, the Manager does not intend to require mortgage insurance on LLC loans, which would protect the LLC from losses due to defaults by mortgage borrowers.

Lack of Regulation

The management and investment practices of the LLC and the Manager are not supervised, or regulated by any federal or state authority, except to the extent that the lending and servicing activities of the LLC and the Manager are subject to supervision or regulation by the California Department of Corporations and/or the California Department of Real Estate.

Tax and ERISA Risks

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

Loans Not Guaranteed by Government Agency

The loans funded and/or purchased by the LLC will not be guaranteed by any government agency. In connection with some, but not necessarily all, of the LLC investments, the Manager may obtain guaranties from the principals or affiliates of a borrower. Upon a borrower default, we may seek to recover repayment of some or all of the LLC loans by enforcing the guaranty against the guarantors, however, exercising the remedies under any such guaranty is limited and would require lengthy and costly legal action. Also, depending on local laws, a guarantor may have defenses that would impair the Manager and the LLC's ability to enforce on or recover from the guarantor. Additionally, the net worth of a guarantor may decline between the date that the loan is funded and the guaranty is given and the date that the Manager and LLC seek to

enforce a guaranty. This may impair the LLC's ability to recover the full amount of a delinquent loan and may force the Manager to write down the value of a loan.

CONFLICTS OF INTEREST

The following is a list of some of the important areas in which the interests of the Manager will conflict with those of the LLC. The Members must rely on the general fiduciary standards which apply to a Manager of an LLC to prevent unfairness by the Manager and/or its Affiliates in a transaction with the LLC. (See herein "Fiduciary Responsibility of the Manager") Except those as may arise in the normal course of the relationship, there are no transactions presently contemplated between the LLC and its Manager or its Affiliates other than those listed below or discussed under "Compensation to Manager And Affiliates."

Points to an Affiliate

If the Manager originates an LLC loan, the points will be retained by the Manager. Such points may have a direct, adverse effect upon the interest rates that borrowers will be willing to pay the LLC, thus reducing the overall rate of return to Members. Conversely, if the Manager reduces the Points charged, a higher rate of return might be obtained for the LLC and the Members. This conflict of interest will exist in connection with every LLC loan transaction in which the Manager originates the loan and earns points.

Loan Servicing by Manager or Affiliate

The Manager will may act as Servicer for compensation set forth above under "Compensation to Manager and Affiliates." The Manager has reserved the right to retain the services of other firms, in addition to, or in lieu of acting as the Servicer, to perform the brokerage services, loan servicing and other activities in connection with the LLC's loan portfolio that are described in this Offering Circular. Any such other firms may also be affiliated with the Manager. Loan servicing firms not affiliated with the Manager might provide comparable services on terms more favorable to the LLC.

Other LLCs And Partnerships or Businesses

Affiliates of the Manager also provide loan brokerage services to place loans other than those that will be offered to the LLC. There accordingly exists a conflict of interest on the part of the Manager between its Affiliate and the LLC, based on the availability for placement by the Affiliate of non LLC mortgage funds. The Manager may decide, or may influence the selection of which loans are appropriate for funding by the LLC, or by such other sources, after consideration of factors deemed relevant by the Manager, including the size of the loan and portfolio diversification.

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

The LLC will rely on the Manager and its Affiliates for the operation of the LLC. The Manager will devote only so much time to the business of the LLC as is reasonably required. The Manager will have conflicts of interest in allocating management time, services and functions between various existing companies, the LLC, and any other companies which it may organize as well as other business ventures in which it may be involved. The Manager believes it has sufficient staff to be fully capable of discharging its responsibilities to all such entities.

Sale and/or Hypothecation of Loans to the LLC

The Manager and its Affiliates may sell, or hypothecate loans (use loans as collateral for another loan) to the LLC, provided such loans meet the underwriting criteria set forth above and are approved by the Independent Board of Directors. The LLC may pay a price greater or less than the remaining balance on such notes. The

price at which existing notes change hands is normally a function of prevailing interest rates. Therefore, the Manager or its Affiliates may make a profit on the sale of an existing loan to the LLC.

Lack of Independent Legal Representation

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

Conflict with Related Programs

The Manager and its Affiliates may cause the LLC to join with other entities organized by the Manager for similar purposes as partners, joint venturers or co-owners under some form of ownership in certain loans, or in the ownership of repossessed real property. The interests of the LLC and those of such other entities may conflict, and the Manager controlling or influencing all such entities may not be able to resolve such conflicts in a manner that serves the best interests of the LLC.

Sale of Real Estate to Affiliates

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

The Manager has undertaken to resolve these conflicts by adopting certain policies for the disposition of real property. While the Manager is not obligated to adhere to such policies in all instances, it plans to do so. Those policies are as follows:

- (1) No foreclosed property will be sold to an Affiliate unless the Manager has used its best efforts to sell the property at a fair price on the open market for at least sixty (60) days.
- (2) In the event the property is sold to an Affiliate, the net purchase price must be as favorable, or more favorable to the LLC than any bona fide third-party offer received.
- (3) The purchase price will also be:
 - (a) No lower than ninety percent (90%) of the independently appraised value of such property at the time of sale, and
 - (b) The Manager or any of its Affiliates may be entitled to a real estate commission in connection with such a sale, however, such commission shall not exceed five percent (5%) of the purchase price.

It is the Manager's opinion that these undertakings will yield a price which is fair and reasonable for all parties, but no assurance can be given that the LLC could not obtain a better price from an independent third party.

CERTAIN LEGAL ASPECTS OF LLC LOANS

Each of the LLC's loans will be secured by a deed of trust, mortgage, security agreement, or legal title. The deed of trust and mortgage are the most commonly used real property security devices. A deed of trust formally has three parties; a debtor, referred to as the "trustor"; a third party referred to as the "trustee"; and the lender/creditor, 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 LLC will be the beneficiary under all deeds of trust securing LLC loans. In a mortgage loan, there are only two parties, the mortgagor (borrower) and the mortgagee (lender). State law determines how a mortgage is foreclosed. The process usually requires a judicial process.

Foreclosure

In California, a statute known as the "one form of action" rule requires the beneficiary of a deed of trust to exhaust the security under the deed of trust (i.e., foreclose on the property) before any personal action may be brought against the borrower. There are two methods of foreclosing a deed of trust.

1. Foreclosure of a deed of trust is accomplished in most cases by a non-judicial trustee's sale under the power of sale provision in the deed of trust. Prior to such sale, the trustee must record a notice of default and send a copy to the trustor and to any person who has recorded a request for a copy of a notice of default, and to the successor in interest to the trustor and to the beneficiary of any junior deed of trust. The trustor or any person having a junior lien or encumbrance of record may, during a three (3) month reinstatement period, cure the default by paying the entire amount of the debt then due, plus costs and expenses actually incurred in enforcing the obligation and statutorily limited attorneys' and trustee's fees. Thereafter, and at least twenty-one (21) days before the trustee's sale, a notice of sale must be posted in a public place and published once a week over such period. A copy of the notice of sale must be posted on the property, and sent to the trustee, to each person who has requested a copy, to any successor in interest to the trustor and to the beneficiary of any junior deed of trust, at least twenty-one (21) days before the sale. Following the sale, neither the debtor/trustor nor a junior lien has any right of redemption, and the beneficiary may not obtain a deficiency judgment against the trustor.

2. A judicial foreclosure (in which the beneficiary's purpose is usually to obtain a deficiency judgment where otherwise unavailable) is subject to most of the delays and expenses of other lawsuits, sometimes requiring up to several years to complete. Following a judicial foreclosure sale, the trustor or his or her successors in interest may redeem for a period of one year (or a period of only three (3) months if the entire amount of the debt is bid at the foreclosure sale), and until the trustor redeems, foreclosed junior lienholder may redeem during successive redemption periods of sixty (60) days following the previous redemption, but in no event later than one year after the judicial foreclosure sale. The LLC generally will not pursue a judicial foreclosure to obtain a deficiency judgment, except where, in the sole discretion of the Manager, such a remedy is warranted in light of the time and expense involved.

Foreclosure statutes vary from state to state. Loans by the LLC secured by mortgages will be foreclosed in compliance with the laws of the state where the real property collateral is located.

Anti-Deficiency Legislation

California has four principal statutory prohibitions which limit the remedies of a beneficiary under a deed of trust. Two statutes limit the beneficiary's right to obtain a deficiency judgment against the trustor following foreclosure of a deed of trust, one based on the method of foreclosure and the other on the type of debt secured. Under one statute, a deficiency judgment is barred where the foreclosure was accomplished by means of a non-judicial trustee's sale. It is anticipated that all of the LLC's loans will be enforced by means of a non-judicial trustee's sale, if foreclosure becomes necessary. Under the other statute, a deficiency judgment is barred in any

event where the foreclosed deed of trust is secured by a "purchase money obligation," (i.e., a promissory note evidencing a loan used to pay all or part of the purchase price of a residential property occupied, at least in part, by the buyer). This restriction may apply to a number of LLC loans.

The third statute is known as the "one form of action" rule which requires the beneficiary to exhaust the security under the deed of trust by foreclosure before bringing a personal action against the trustor on the promissory note. The fourth statute limits any deficiency judgment obtained by the beneficiary following a judicial sale to the excess of the outstanding debt over the fair market value of the property at the time of sale, thereby preventing a beneficiary from obtaining a large deficiency judgment against the debtor as a result of low bids at the judicial sale.

Other matters, such as litigation instituted by a defaulting borrower or the operation of the federal bankruptcy laws, may have the effect of delaying enforcement of the lien of a defaulted loan and may in certain circumstances reduce the amount realizable from sale of a foreclosed property. States other than California also have laws intended to limit deficiency judgments and requiring the exhaustion of the security.

Special Considerations in Connection with Junior Encumbrances

In addition to the general considerations concerning trust deeds discussed above, there are certain additional considerations applicable to second and more junior deeds of trust ("junior encumbrances"). By its very nature, a junior encumbrance is less secure than a more senior lien. If a senior lienholder forecloses on its loan, unless the amount of the bid exceeds the senior encumbrances, 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 sold 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 LLC in some cases) may find that the only method of protecting its security interest in the property is to take over all obligations of the trustor with respect to senior encumbrances while the junior lienholder commences its own foreclosure, making adequate arrangements either to (i) find a purchaser for the property at a price which will recoup the junior lienholder's interest, or (ii) to pay off the senior encumbrances so that the junior lienholder's encumbrance achieves first priority. Either alternative may require the LLC to make substantial cash expenditures to protect its interest. (See herein "Business Risks -- Loan Defaults and Foreclosures")

The LLC may also make wrap-around mortgage loans (sometimes called "all-inclusive loans" or "AITD"), which are junior encumbrances to which all the considerations discussed above will apply. A wrap-around loan is made when the borrower desires to refinance his or her property but does not wish to retire the existing indebtedness for any reason, e.g., a favorable interest rate or a large prepayment penalty. A wrap-around loan will have a principal amount equal to the outstanding principal balance of the existing secured loans plus the amount actually to be advanced by the LLC. The borrower will then make all payments directly to the LLC, and the LLC in turn will pay the holder of the senior encumbrance. The actual yield to the LLC under a wrap-around mortgage loan will likely exceed the stated interest rate on the underlying senior loan, since the full principal amount of the wrap-around loan will not actually be advanced by the LLC. The law requires that the LLC will be notified when any senior lienholder initiates foreclosure.

If the borrower defaults solely upon his or her debt to the LLC while continuing to perform with regard to the senior lien, the LLC (as junior lienholder) will foreclose upon its security interest in the manner discussed above in connection with deeds of trust generally. Upon foreclosure by a junior lien, the property remains subject to all liens senior to the foreclosed lien. Thus, were the LLC to purchase the security property at its own foreclosure sale, it would acquire the property subject to all senior encumbrances. The standard form of deed of trust used by most institutional lenders, like the one that will be used by the LLC, confers on the beneficiary the right both to receive all proceeds collected under any hazard insurance policy and all awards

made in connection with any condemnation proceedings, and to apply such proceeds and awards to any indebtedness secured by the deed of trust in such order as the beneficiary may determine. Thus, in the event improvements on the property are damaged or destroyed by fire or other casualty, or in the event the property is taken by condemnation, the beneficiary under the underlying first deed of trust will have the prior right to collect any insurance proceeds payable under a hazards insurance policy and any award of damages in connection with the condemnation, and to apply the same to the indebtedness secured by the first deed of trust before any such proceeds are applied to repay the LLC's loan. The amount of such proceeds may be insufficient to pay the balance due to the LLC, while the debtor may fail or refuse to make further payments on the damaged or condemned property, leaving the LLC with no feasible means to obtain payment of the balance due under its junior deed of trust. In addition, the borrower may have a right to require the lender to allow the borrower to use the proceeds of such insurance for restoration of the insured property.

"Due-on-Sale" Clauses

The LLC's forms of promissory notes and deeds of trust, like those of many lenders, contain "due-on-sale" clauses permitting the LLC to accelerate the maturity of a loan if the borrower sells, conveys or transfers all or any portion of the property, but may or may not contain "due-on-encumbrance" clauses which would permit the same action if the borrower further encumbers the property (i.e., executes further deeds of trust). The enforceability of these types of clauses has been the subject of several major court decisions and legislation in recent years.

1. **Due-on-Sale.** 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. On the other hand, acquisition of a property by the LLC by foreclosure on one of its loans may also constitute a "sale" of the property, and would entitle a senior lienholder to accelerate its loan against the LLC. This would be likely to occur if then prevailing interest rates were substantially higher than the rate provided for under the accelerated loan. In that event, the LLC may be compelled to sell or refinance the property within a short period of time, notwithstanding that it may not be an opportune time to do so.

2. **Due-on-Encumbrance.** With respect to mortgage loans on residential property containing four or less units, federal law prohibits acceleration of the loan merely by reason of the further encumbering of the property (e.g., execution of a junior deed of trust). This prohibition does not apply to mortgage loans on other types of property. Although many of the LLC's junior lien mortgages will be on properties that qualify for the protection afforded by federal law, some loans will be secured by small apartment buildings or commercial properties. Junior lien mortgage loans made by the LLC may trigger acceleration of senior loans on properties if the senior loans contain due-on-encumbrance clauses, although both the number of such instances and the actual likelihood of acceleration is anticipated to be minor. Failure of a borrower to pay off the senior loan would be an event of default and subject the LLC (as junior lienholder) to the risks attendant thereto. It will not be customary practice of the LLC to make loans on non-residential property where the senior encumbrance contains a due-on-encumbrance clause. (See herein "Certain Legal Aspect of LLC Loans - Special Considerations in Connection with Junior Encumbrances")

Prepayment Charges

Some loans originated by the LLC provide for certain prepayment charges to be imposed on the borrowers in the event of certain early payments on the loan. The Manager reserves the right at its business judgment to waive collection of prepayment penalties. LLC loans secured by mortgages or deeds of trust encumbering single family, owner-occupied, dwellings may be prepaid at any time, regardless of whether the note or deed of trust so provides, but prepayment made in any twelve (12) month period during the first five years of the term of the loan which exceed twenty percent (20%) of the unpaid balance of the loan may be subject to a prepayment charge. The law limits the prepayment charge on such loans to an amount equal to six (6) months'

advance interest on the amount prepaid in excess of the permitted twenty percent (20%), or interest to maturity, whichever is less.

Bankruptcy Laws

If a borrower files for protection under the federal bankruptcy statutes, the LLC will be initially barred from taking any foreclosure action on its real property security by an "automatic stay order" that goes into effect upon the borrower's filing of a bankruptcy petition. Thereafter, the LLC would be required to incur the time, delay and expense of filing a motion with the bankruptcy court for permission to foreclose on the real property security ("relief from the automatic stay order"). Such permission is granted only in limited circumstances. If permission is denied, the LLC will likely be unable to foreclose on its security for the duration of the bankruptcy, which could be a period of years. During such delay, the borrower may or may not be required to pay current interest on the LLC loan. The LLC would therefore lack the cash flow it anticipated from the loan, and the total indebtedness secured by the security property would increase by the amount of the defaulted payments, perhaps reaching a total that would exceed the market value of the property.

In addition, bankruptcy courts have broad powers to permit a sale of the real property free of the LLC's lien, to compel the LLC to accept an amount less than the balance due under the loan and to permit the borrower to repay the loan over a term which may be substantially longer than the original term of the loan.

SUMMARY OF OPERATING AGREEMENT

The following is a summary of the Operating Agreement, and is qualified in its entirety by the terms of the Operating Agreement itself. Potential Investors are urged to read the entire Operating Agreement.

Rights and Liabilities of Members

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

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

Capital Contributions

The LLC will sell Membership Interests. The Manager is not required to contribute any funds to the LLC or purchase Membership Interests, but may do so. With respect to any Membership Interests it may purchase, the Manager will have the same rights as any other Member.

Rights, Powers and Duties of Manager

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

Profits and Losses

The LLC's Profit or Loss for a Taxable Year, including the Taxable Year in which the LLC is dissolved, will be allocated among the Members in proportion to the Membership Interests they held during the applicable tax reporting period.

Monthly Distributions

The LLC will make all distributions as described in the “Summary of the Offering – Monthly Distributions”.

Compensation to Manager and Affiliates

The LLC will compensate the Manager and its Affiliates as described in the “Compensation to Manager and Affiliates”.

Allocations

Allocations of profit, gain and loss in the LLC are made, as required by law, in proportion to the Members' respective Capital Accounts. Voting rights are based on the Members' respective Membership Interests. Because some Investors may choose to reinvest their share of profits, gains and losses, it is likely that the value of their Capital Accounts will increase relative to the Capital Accounts of Investors who take monthly distributions of their share of profits, gains and losses.

Withdrawal, Redemption Policy, and Other Events of Dissociation

A Member may withdraw as a Member of the LLC and may receive a return of Capital Account balance provided that the following conditions have been met: (i) the Member has been a Member of the LLC for a period of at least twenty-four (24) months; and (ii) the Member provides the LLC with a written request for a return of capital at least 60 days prior to such withdrawal. The LLC will attempt honor requests for a return of capital subject to, among other things, the LLC's then cash flow, financial condition, and prospective loans. Each request for a return of capital will be limited to One Hundred Thousand Dollars (\$100,000) per quarter; provided, however, that the maximum aggregate amount of capital that the LLC will return to the Members each year is limited to ten percent (10%) of the total outstanding capital of the LLC. Withdrawal requests will be considered on a first-come, first-serve basis. Notwithstanding the foregoing, the Manager may, in its sole discretion, waive such withdrawal requirements if a Member is experiencing undue hardship. In the case of a complete withdrawal of capital, up to five percent (5%) of the Members Capital Account balance may be held back until the audit report is issued for calendar year in which the withdrawal took place.

Restrictions on Transfer

The Operating Agreement places substantial limitations upon transferability of LLC Membership Interests. Membership Interests may not be transferred if, in the judgment of the Manager, a transfer would jeopardize the availability of exemptions from the registration requirements of federal securities laws, jeopardize the tax status of the LLC as an LLC or, cause a termination of the LLC for federal income tax purposes.

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

Manager's Withdrawal or Removal

The Manager may not withdraw from the LLC for any reason. The Manager may be removed for "cause," as defined in the Operating Agreement, upon the vote of eighty percent (80%) of the Members voting by Membership Interest, provided that the Manager is compensated for the appraised value of the future estimated Manager Performance Allocation and Deferred Manager Performance Allocation, as reduced to present value by an independent appraiser. The Manager may also sell and transfer any Membership Interests it may own for such price as it shall determine, in its sole discretion, and neither the LLC nor the Members will have any interest in the proceeds of such sale. However, a successor Manager may become the LLC Manager only if approved by the vote of sixty percent (60%) or more of the Membership Interests.

Indemnification of Manager

Except as may be limited by law, the LLC shall indemnify the Manager for all expenses, losses, liabilities and damages (including attorney's fees) actually and reasonably incurred in connection with the defense or settlement of any action arising out of or relating to the conduct of the LLC's activities, so long as the Manager or Board member determined, in good faith, that the course of conduct which caused the loss or liability was in the best interest of the LLC and such loss or liability did not result from gross negligence, fraud or criminal act of the Manager or Board member. The LLC shall advance the costs and expenses of defending actions against the Manager or Board Member arising of or relating to the management of the LLC, provided it first receives the written undertaking of the Manager or Board member to reimburse the LLC if ultimately found not to be entitled to indemnification.

Term of LLC

The LLC's existence as a limited liability company will commence on the Effective Date and continue until December 31, 2026, unless sooner dissolved or terminated under the Act or as described herein. At the sole discretion of the Manager, the LLC's term of existence may be extended for up to ten (10) years at the sole discretion of the Manager. Any further extensions will require the vote of the Members holding at least a majority of the Membership Interests.

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

INCOME TAX CONSIDERATIONS

Federal Income Tax Aspects

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

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

Federal Income Tax Matters

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

- (a) The LLC may be classified as an association, taxable as a corporation, which would deprive Members of the tax benefit of operating in a limited liability company form (taxable as a partnership);
- (b) A Member's share of LLC taxable income may, in any period exceed his or her share of cash distribution from the LLC;
- (c) The allocation of the LLC's income, gain, loss, deduction and credit may lack substantial economic effect and may be reallocated among the Members in a manner different from that set forth in the Operating Agreement;
- (d) The federal income tax returns of the LLC might be subject to audit, in which event any adjustments to be made in the LLC's income, gains, losses, deductions, or credits would be made in a unified audit with regard to which Members would have little, if any, control; and
- (e) Adverse changes in the federal income tax laws might occur, which could affect the LLC retroactively as well as prospectively.

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

No IRS Ruling or Opinion of Legal Counsel

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

LLC Tax Status

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

Federal Taxation of Limited Liability Companies and Members

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 LLC will be classified as a partnership for federal income tax purposes. As such, the LLC incurs no federal income tax liability. Instead, all Members are required to report on their own federal income tax returns their distributive share of the LLC's income, gains, losses, deductions and credits for the taxable year of the LLC ending with or within each Member's taxable year, without regard to any LLC distributions.

Taxation of Undistributed LLC Income (Individual Investors)

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

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 Member will be required to reduce the tax basis of his or her Membership 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 Membership Interests. Such distributions will not be taxable to Members as ordinary income or capital gain until there is no remaining tax basis, and, thereafter, will be taxable as gain from the sale or exchange of the Membership Interests.

LLC Allocations

A Member's distributive share of LLC 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 the Operating Agreement does not have "substantial economic effect" and is in accordance with the Member's respective "economic interest" in the LLC.

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

- (1) the allocation is properly reflected in that Member's capital account and such capital account is maintained in accordance with the regulations;
- (2) liquidation proceeds are to be distributed in accordance with the Member's positive capital account balances; and
- (3) either:
 - (a) any Member with a deficit in its capital account following the distribution of liquidation proceeds must restore the amount of such deficit to the LLC by the later of either the end of the taxable year of the liquidation or ninety (90) days after the liquidation, or
 - (b) the Operating Agreement must contain "qualified income offset" and "minimum gain charge back" provisions applicable to the Members.

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

In order for the economic effect of an allocation to be considered substantial, the U.S. Department of Treasury regulations require that the allocations must have a reasonable possibility of substantially affecting the dollar

amounts to be received by the Members, independent of tax consequences. In applying the substantiality test, tax consequences that result from the interaction of the allocation with such Members tax attributes that are unrelated to the LLC must be taken into account.

Limitations on Deduction of Losses

Adjusted Basis: The adjusted basis of a Member's interest in the LLC is equal to the amount of cash or the adjusted basis of any property which that Member contributes to the LLC,

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

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

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

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

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

Passive Loss Rules: In addition to the adjusted basis limitation and at-risk rules, the ability of a Member that is an individual or a closely held corporation to deduct a share of LLC losses is further limited by the passive loss rules. These rules provide that passive activity losses can only be deducted against passive activity

income and cannot be deducted against income from other sources. A passive activity is any activity which involves the conduct of any trade or business and in which the taxpayer does not materially participate. Depending on their individual situations, Members may or may not be considered to materially participate in the management of the LLC, and the income and losses from the LLC may or may not be treated as income or loss from a passive activity. Since the impact of the passive loss rules will vary from Member to Member, all Members should consult their own tax advisor regarding this matter.

Profit Objective of the LLC

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

- (1) the gross income derived from the activity; or
- (2) deductions (such as interest and taxes) that are allowable in any event.

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

Portfolio Income

The LLC's primary source of income will be interest, which is ordinarily considered "portfolio income" under the Internal Revenue Code ("Code"). Similarly, Temporary Regulations issued by the Internal Revenue Service in 1988 (Temp. Reg. Section 1.469-2T(f)(4)(ii)) confirmed that net interest income from an equity financed lending activity such as the LLC will be treated as portfolio income, not as passive income, to Members. Therefore, Investors in the LLC will not be entitled to treat their proportionate share of LLC income as passive income, against which passive losses (such as deductions from unrelated real estate investments) may be offset.

Property Held Primarily for Sale: Potential Dealer Status

The LLC has been organized to invest in loans primarily secured by deeds of trust on real property. However, if the LLC were at any time deemed for federal tax purposes to be holding one or more LLC loans primarily for sale to customers in the ordinary course of business (a "dealer"), any gain or loss realized upon the disposition of such loans would be taxable as ordinary gain or loss rather than as capital gain or loss. The federal income tax rates for ordinary income are 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 LLC intends to make and hold the LLC loans for investment purposes only, and to dispose of LLC loans, by sale or otherwise, at the discretion of the Manager and as consistent with the LLC's investment objectives. It is possible that, in so doing, the LLC will be treated as a "dealer" in mortgage loans, and that profits realized from such sales will be considered unrelated business taxable income to otherwise tax-exempt Investors in the LLC. To avoid this classification, the Managers plan to sell from time to time no more than twenty-five percent (25%) of the LLC loans to third party investors over any twelve (12) month period.

Unrelated Business Taxable Income

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

The following summary constitutes only a general discussion of certain aspects of unrelated business taxable income as it applies to tax-exempt entities. A detailed analysis of ERISA considerations of an investment in the LLC is beyond the scope of this discussion, and tax-exempt investors should consult their own tax advisors. Membership Interests may be offered and sold to certain tax-exempt entities (such as qualified pension or profit sharing plans) that otherwise meet the investor suitability standards described elsewhere in this Offering Circular. Such tax-exempt entities generally do not pay federal income taxes on their income unless they are engaged in a business that generates “unrelated business taxable income,” as that term is defined by Section 513 of the Internal Revenue Code. Under the Internal Revenue Code, tax-exempt entities will be deemed to be engaged in an unrelated trade or business by reason of interest income earned by the LLC. Interest income, which will constitute the primary source of LLC income, does not constitute an item of unrelated business taxable income, except to the extent it is derived from “debt-financed property.” The LLC intends to utilize borrowed funds in order to make loans. Therefore, some portion of the interest earned on the LLC loans will likely constitute unrelated business taxable income and Members that are otherwise exempt from federal and state income taxes may realize some taxable income by reason of interest income earned by the LLC.

In general, interest income does not constitute unrelated business taxable income.

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 Internal Revenue Code. Therefore, unrelated business taxable income may also be generated if the LLC operate or sell at a profit any property that has been acquired through foreclosure on a loan made by the LLC, but only if such property is deemed to be held primarily for sale to customers or is acquired from or leased to a person who is related to a tax-exempt investor in the LLC.

The trustee of any tax-exempt entity that purchases Membership Interests should consult with 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 fiduciary responsibilities with respect to such matters as investment diversification and the prudence of particular investments.

Charitable Remainder Trusts

An investment in Membership Interests in the LLC is inappropriate for a charitable remainder trust. Pursuant to Internal Revenue Code Section 664(c), a charitable remainder trust that has any unrelated business taxable income in a table year is taxed on all of its income for that year. The Manager anticipates that the LLC may purchase assets under circumstances that may be deemed to involve acquisition indebtedness, and thus may generate unrelated business taxable income. A charitable remainder trust should consult with its own tax advisors before determining to invest in the LLC.

Sale of Membership Interests in the LLC

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

In the unlikely event that fifty percent (50%) or more of the total number of Membership Interests in the capital and profits of the LLC are sold or exchanged within any consecutive twelve (12) month period, the LLC would be considered terminated for federal income tax purposes. A termination of the LLC for federal

income tax purposes would cause the LLC's taxable year to end with respect to all Members and could have potentially adverse federal income tax consequences, including a change in the adjusted tax basis of LLC property and the bunching of taxable income within one taxable period. The LLC is empowered, by the Operating Agreement, to prohibit any transfer of interest in the LLC that would cause such termination.

Liquidation of the LLC

Upon liquidation of the LLC, any gain or loss recognized by reason of a distribution to the Members will be considered as gain or loss from the sale exchange of a capital asset, except to the extent of unrealized receivable and substantially appreciated inventory items. Members will recognize gain on the distribution only to the extent any money received, including a reduction in a Member's share of LLC liabilities for which no Member is personally liable, exceeds the Member's adjusted basis of its interest in the LLC. 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 LLC against the liquidation proceeds. Generally, the basis to a Member of any property distributed in-kind is its adjusted basis for its Membership interest, less any money received in the distribution.

Alternative Minimum Tax

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

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

LLC Election to Step Up the Basis of its Assets when Members Sell Their Ownership Interest in the LLC

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

LLC Audits: The Tax Treatment of LLC Items and Penalties

The tax treatment of all LLC items of income, expense, gain or loss will be determined at the LLC level in a consolidated proceeding rather than in separate proceedings with the Members. A determination by the IRS in proceedings at the LLC level is referred to as a final administrative adjustment ("FAA"). When an FAA is made, the IRS must initially send notice to a "Tax Matters Partner." The LLC believes that in the context of a limited liability company, the IRS will recognize the Manager as the appropriate person to serve in that

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

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

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

- (1) negligence or intentional disregard of rules or regulations;
- (2) a substantial underpayment of tax; or
- (3) a substantial valuation overstatement.

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

Organization Expenses

Amounts paid or incurred to organize the LLC ("Organization Costs") are not currently deductible. However, the Manager has elected to initially incur the Organization Costs of the LLC. After the LLC's assets reach Five Million Dollars (\$5,000,000), the LLC may reimburse the Manager for actual out-of-pocket organizational expenses, estimated to be no more than two hundred thousand dollars (\$200,000). The LLC will amortize the Organization Costs over a ten (10) year period. Expenses paid by the Manager for which the Manager will not be reimbursed include general, ordinary and customary business and operating expenses of the LLC such as computer systems, office space, furniture and equipment, personnel costs related to the activities and duties of the Manager, and advertising costs.

Investment Expenses

Individuals are subject to significant limitations on deductions for investment advisory expenses or interest expenses which may be incurred by the LLC to carry on its business, and other expenses of producing income. Whether fees or allocations to the Manager, and interest paid by the LLC will be subject to these limitations will generally depend on whether the LLC is engaged in a trade or business activity for federal income tax purposes or in an investor activity. The LLC will take the position it is engaged in investor activity and not a

trade or business, but this position could be challenged by the Service. If such a challenge were successful, the ability to deduct the fees or allocations to the Managers, and interest, would be limited. The Service also could assert that the Manager Performance Allocation is an investment advisory expense rather than a profit "allocation" and, thus, subject it to these limitations.

Reports to Members

Annual reports concerning the LLC's business affairs, including a copy of the LLC's annual income tax return and audited financials will be provided to Members upon written request to the Manager, and annual K-1s will be provided to all Members. The cost of the annual audit and income tax returns will be born by the LLC.

Tax Returns

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

Tax Year

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

Method of Accounting

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

Tax Shelter Registration

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

Tax Law Subject to Change

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

State and Local Taxes

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

ERISA CONSIDERATIONS

General

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

Interests will be a "fiduciary" of such plan and will be required to conform to ERISA's fiduciary responsibility rules.

DUE TO THE COMPLEX NATURE OF ERISA, EACH PROSPECTIVE INVESTOR IS URGED TO CONSULT HIS, 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. In evaluating whether the purchase of Membership Interests is a prudent investment under this rule, fiduciaries should consider all of the risk factors set forth above. Fiduciaries should also carefully consider the possibility and consequences of unrelated business taxable income (See "Income Tax Considerations"), as well as the percentage of plan assets which will be invested in the LLC insofar as the diversification requirements of ERISA are concerned. An investment in the LLC is non-liquid, and fiduciaries must not rely on an ability to convert an investment in the LLC into cash in order to meet liabilities to plan participants who may be entitled to distributions.

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

Prohibited Transactions

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

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 a Member an estimate of the value of the Membership Interests based upon, among other things, outstanding mortgage investments; however, it may not be possible to value the Membership Interests adequately from year to year, because there will be no market for them.

ANY FIDUCIARY FOR A QUALIFIED PLAN SHOULD CONSULT ITS LEGAL ADVISER CONCERNING THE ERISA CONSIDERATIONS DISCUSSED ABOVE BEFORE MAKING AN INVESTMENT IN THE LLC.

ADDITIONAL INFORMATION AND UNDERTAKINGS

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

COMMISSIONER'S RULE 260.141.11

In addition to the various restrictions on the transfer of Membership Interests imposed by the Operating Agreement and state and federal securities laws, generally no Membership Interest may be sold or transferred or any consideration received therefore without the prior written consent of the California Commissioner of Corporations, except as provided in the Commissioner's Rules as set forth below.

260.141.11 Restriction on Transfer

- (a) The issuer of any security upon which a restriction on transfer has been imposed pursuant to Section 260.141.10 or 260.534 shall cause a copy of this section to be delivered to each issuee or transferee of such security at the time the certificate evidencing the security is delivered to the issuee or transferee.
- (b) It is unlawful for the holder of any such security to consummate a sale or transfer of such security, or any interest therein, without the prior written consent of the Commissioner (until this condition is removed pursuant to Section 260.141.12 of these rules), except:
 - (1) to the issuer;
 - (2) pursuant to the order or process of any court;
 - (3) to any person described in Subdivision (i) of Section 25102 of the Code or Section 260.105.14 of these rules;
 - (4) to the transferor's ancestors, descendants or spouse, or any custodian or trustee for the account of the transferor or the transferor's ancestors, descendants, or spouse; or to a transferee by a trustee or custodian for the account of the transferee or the transferee's ancestors, descendants or spouse;
 - (5) to holders of securities of the same class of the same issuer;
 - (6) by way of gift or donation inter vivos or on death;
 - (7) by or through a broker-dealer licensed under the Code (either acting as such or as a finder) to a resident of a foreign state, territory or country who is neither domiciled in this state to the knowledge of the broker-dealer, nor actually present in this state if the sale of such securities is not in violation of any securities law of the foreign state, territory or country concerned;
 - (8) to a broker-dealer licensed under the Code in a principal transaction, or as an underwriter or member of an underwriting syndicate or selling group;
 - (9) if the interest sold or transferred is a pledge or other lien given by the purchaser to the seller upon a sale of the security for which the Commissioner's written consent is obtained or under this rule not required;
 - (10) by way of a sale qualified under Sections 25111, 25112, 25113, or 25121 of the Code, of the securities to be transferred, provided that no order under Section 25140 or subdivision (a) of Section 25143 is in effect with respect to such qualification;
 - (11) by a corporation to a wholly owned subsidiary of such corporation, or by a wholly owned subsidiary of a corporation to such corporation;
 - (12) by way of an exchange qualified under Section 25111, 25112 or 25113 of the Code, provided that no order under Section 25140 or subdivision (a) of Section 25143 is in effect with respect to such qualification;
 - (13) between residents of foreign states, territories or countries who are neither domiciled nor actually present in this state;
 - (14) to the State Controller pursuant to the Unclaimed Property Law or to the administrator of the unclaimed property law of another state; or
 - (15) by the State Controller pursuant to the Unclaimed Property Law or by the administrator of the unclaimed property law of another state if, in either such case, such person (i) discloses to potential purchasers at the sale that transfer of the securities is restricted under this rule, (ii) delivers to each purchaser a copy of this rule, and (iii) advises the Commissioner of the name of each purchaser;
 - (16) by a trustee to a successor trustee when such transfer does not involve a change in the beneficial ownership of the securities;
 - (17) by way of an offer and sale of outstanding securities in an issuer transaction that is subject to the qualification requirement of Section 25110 of the Code but exempt from that qualification requirement by subdivision (f) of Section 25102; provided that any such transfer is on the condition

that any certificate evidencing the security issued to such transferee shall contain the legend required by this section.

- (c) The certificates representing all such securities subject to such a restriction on transfer, whether upon initial issuance or upon any transfer thereof, shall bear on their face a legend, prominently stamped or printed thereon in capital letters of not less than 10-point size, reading as follows:

"IT IS UNLAWFUL TO CONSUMMATE A SALE OR TRANSFER OF THIS SECURITY, OR ANY INTEREST THEREIN, OR TO RECEIVE ANY CONSIDERATION THEREFOR, WITHOUT THE PRIOR WRITTEN CONSENT OF THE COMMISSIONER OF CORPORATIONS OF THE STATE OF CALIFORNIA, EXCEPT AS PERMITTED IN THE COMMISSIONER'S RULES."