

DF Distressed Opportunities Fund

Symphony Tower
750 B Street, Suite 1930
San Diego, CA 92127

PRIVATE PLACEMENT MEMORANDUM

This memorandum (the “Memorandum”) has been prepared on a confidential basis, solely for the benefit of selected qualified investors, in connection with the private placement of securities of DF Distressed Opportunities Fund, LLC (the “Fund”). This Memorandum and the information contained herein may not be reproduced or used for any other purpose without the express written consent of the Fund. By accepting delivery of this memorandum, each prospective investor agrees to keep confidential all of the information contained herein that is not already in the public domain and to use this Memorandum solely for purposes of evaluating a possible investment in the fund.

This Memorandum does not purport to contain all the information that a prospective investor may desire in evaluating an investment in the fund. Prospective purchasers of the securities offered hereby should read the entire Memorandum carefully. This offering involves a high degree of risk and the Units should be purchased only by persons who can afford to risk loss of their entire investment. Investors should consider, among other things, the risk factors set forth in the Memorandum before purchasing the securities offered hereby.

March 1, 2023

CONFIDENTIAL
PRIVATE PLACEMENT MEMORANDUM

DF Distressed Opportunities Fund, LLC

Total Offering: \$50,000,000

Class A, B and C Units of Membership Interest

\$1,000 per Unit

Minimum Purchase: \$25,000

DF Distressed Opportunities Fund, LLC, a Delaware limited liability company (the “**Fund**”), is offering to sell up to 50,000 Class A, Class B and Class C Units (the “**Units**”) of membership interest in the Fund at a price of \$1,000 per Unit to accredited investors (the “**Offering**”). Each class of Units carries different distribution rights, as described in the sections “Summary of the Offering” and “Summary of the Fund Operating Agreement”. Unless otherwise determined by the Manager (defined below), in its sole discretion, each investor must subscribe for a minimum of \$25,000 of Units and additional investment must be in whole unit increments.

The Fund’s primary investment objective is to acquire distressed and opportunistic commercial real estate assets, with a focus on multifamily residential housing, and the maximization of profits through exit. The Fund will seek opportunities throughout the United States to invest in existing multifamily distressed and opportunistic, value add or other real estate assets and to make or purchase loans secured by real estate. The Fund will concentrate on acquisition of distressed assets that can be purchased at a discount to market value and may also pursue selective investments in strategic opportunities including short term rentals. The Fund will seek to maximize profits from rental income and asset disposition by carrying out improvements that lead to increased rent and final sale prices. The Fund will be managed by DF Manager, LLC (the “**Manager**”), which is managed by DiversyFund, Inc., a Delaware corporation. DiversyFund, Inc. is also the Fund’s Sponsor (the “**Sponsor**”).

Investors will contribute capital necessary to become majority owners of the Fund and are expected to effectively own up to 100% of the Units of the Fund.

The Units offered pursuant to this Offering are expected to remain available for purchase for up to 12 months from the date set forth on the cover page, *provided* that this Offering may be extended or earlier terminated in the sole discretion of the Manager (such date, the “**Offering Closing**”).

INVESTMENT IN THE UNITS INVOLVES A HIGH DEGREE OF RISK AND NO INVESTMENT SHOULD BE MADE UNLESS YOU ARE ABLE TO SUSTAIN THE LOSS OF YOUR ENTIRE INVESTMENT. THE UNITS HAVE LIMITED VOTING RIGHTS AND LIMITED LIQUIDATION RIGHTS TO THE ASSETS OF THE FUND. NEITHER THE SECURITIES AND EXCHANGE COMMISSION (“**SEC**”) NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THESE SECURITIES OR PASSED UPON THE ADEQUACY OR ACCURACY OF THIS MEMORANDUM. THE SECURITIES DESCRIBED HEREIN HAVE NOT BEEN REGISTERED PURSUANT TO THE SECURITIES ACT OF 1933, AS AMENDED (THE “**SECURITIES ACT**”), NOR UNDER THE SECURITIES ACTS OF ANY STATES.

Certain Matters Concerning the Offering

THE INFORMATION CONTAINED IN THIS CONFIDENTIAL OFFERING MEMORANDUM (THE “MEMORANDUM”) IS CONFIDENTIAL AND PROPRIETARY TO THE FUND. IT IS BEING SUBMITTED TO PROSPECTIVE INVESTORS SOLELY FOR SUCH INVESTORS’ CONFIDENTIAL USE, WITH THE EXPRESS UNDERSTANDING THAT, WITHOUT THE PRIOR PERMISSION IN WRITING FROM THE MANAGER, PROSPECTIVE INVESTORS WILL NOT (A) DISCLOSE OR DISCUSS THIS DOCUMENT OR THE INFORMATION CONTAINED HEREIN WITH ANY PERSON OTHER THAN PERSONS AUTHORIZED BY THE MANAGER, (B) COPY THIS DOCUMENT OR ANY PORTION OF IT OR (C) USE ANY INFORMATION CONTAINED HEREIN FOR ANY PURPOSE OTHER THAN EVALUATING A POTENTIAL INVESTMENT IN THE UNITS BEING OFFERED HEREBY. YOU AGREE TO THE FOREGOING BY ACCEPTING DELIVERY OF THIS MEMORANDUM.

THIS MEMORANDUM DOES NOT CONSTITUTE AN OFFER TO SELL OR A SOLICITATION OF AN OFFER TO BUY BY ANYONE IN ANY STATE OR OTHER JURISDICTION IN WHICH SUCH OFFER OR SOLICITATION IS NOT AUTHORIZED OR IN WHICH THE PERSON MAKING SUCH OFFER OR SOLICITATION IS NOT QUALIFIED TO DO SO, TO ANY PERSON TO WHOM IT IS UNLAWFUL TO MAKE SUCH AN OFFER OR SOLICITATION, OR TO ANY PERSON OTHER THAN THE OFFEREE TO WHOM THIS MEMORANDUM HAS BEEN DELIVERED.

DISTRIBUTION OF THE UNITS WILL BE MADE BY THE MANAGER ONLY TO INVESTORS MEETING CERTAIN SUITABILITY STANDARDS. THE UNITS ARE BEING OFFERED SUBJECT TO PRIOR SALE, WITHDRAWAL, CANCELLATION OR MODIFICATION OF THE OFFER AND TO FURTHER CONDITIONS SET FORTH HEREIN. ONLY THOSE UNITS DESCRIBED HEREIN WILL BE SOLD. THE MANAGER RESERVES THE RIGHT, IN ITS ABSOLUTE DISCRETION, TO DECIDE WHICH SUBSCRIPTIONS WILL BE ACCEPTED AND WHICH WILL BE REJECTED, AND TO ALLOT TO ANY INVESTORS FEWER THAN THE NUMBER OF UNITS SUBSCRIBED FOR BY SUCH INVESTOR.

NO DEALER, SALESPERSON OR OTHER PERSON HAS BEEN AUTHORIZED IN CONNECTION WITH THIS OFFERING TO GIVE ANY INFORMATION OR MAKE ANY REPRESENTATION OTHER THAN THOSE CONTAINED IN THIS MEMORANDUM AND, IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATIONS MAY NOT BE RELIED UPON. PROSPECTIVE INVESTORS ARE ADVISED TO CONDUCT THEIR OWN THOROUGH INVESTIGATION OF THE FUND AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED, BEFORE MAKING AN INVESTMENT IN THE SECURITIES. PRIOR TO THE SALE OF THE SECURITIES, THE FUND WILL PROVIDE PROSPECTIVE INVESTORS THE OPPORTUNITY TO ASK QUESTIONS AND TO OBTAIN ANY ADDITIONAL INFORMATION CONCERNING THE FUND AND THE TERMS AND CONDITIONS OF THE OFFERING THAT THEY WISH TO OBTAIN.

THE SECURITIES OFFERED HEREBY ARE BEING OFFERED AND WILL BE SOLD IN RELIANCE ON THE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT PROVIDED IN SECTION 4(2) AND RULE 506(C) OF REGULATION D TO A LIMITED NUMBER OF INVESTORS THAT ARE “ACCREDITED INVESTORS” WITHIN THE MEANING OF RULE 501(A) OF REGULATION D UNDER THE SECURITIES ACT AND THAT HAVE SUFFICIENT KNOWLEDGE AND EXPERIENCE IN FINANCIAL AND

BUSINESS MATTERS TO BE CAPABLE OF EVALUATING THE MERITS AND RISKS OF INVESTING IN THE SECURITIES.

THIS INVESTMENT IS SUITABLE ONLY FOR INVESTORS OF SUBSTANTIAL NET WORTH THAT ARE WILLING AND HAVE THE FINANCIAL CAPABILITY TO BEAR THE ECONOMIC RISK OF AN INVESTMENT FOR AN INDEFINITE PERIOD OF TIME. THERE IS NO PUBLIC TRADING MARKET FOR THE SECURITIES NOR IS IT CONTEMPLATED THAT ONE WILL DEVELOP IN THE FORESEEABLE FUTURE. ANY TRANSFER OR RESALE OF THE UNITS OR ANY INTEREST OR PARTICIPATION THEREIN WILL BE SUBJECT TO RESTRICTIONS UNDER THE SECURITIES ACT AND AS PROVIDED IN THE OPERATING AGREEMENT.

PURCHASERS OF THE UNITS WILL BE REQUIRED TO MAKE (PURSUANT TO A SUBSCRIPTION AGREEMENT AND INVESTOR QUESTIONNAIRE DELIVERED TO THE FUND) CERTAIN ACKNOWLEDGMENTS, REPRESENTATIONS AND AGREEMENTS UPON INITIAL ISSUANCE, INCLUDING REPRESENTATIONS WITH RESPECT TO THEIR NET WORTH OR INCOME AND THEIR AUTHORITY TO MAKE SUCH INVESTMENT, AS WELL AS REPRESENTATIONS THAT THEY ARE FAMILIAR WITH AND UNDERSTAND THE TERMS, CONDITIONS AND RISKS OF THIS OFFERING.

CERTAIN OF THE TERMS OF THE SUBSCRIPTION AGREEMENT AND OTHER DOCUMENTS ARE DESCRIBED HEREIN. THESE DESCRIPTIONS DO NOT PURPORT TO BE COMPLETE AND EACH SUMMARY DESCRIPTION IS SUBJECT TO, AND QUALIFIED IN ITS ENTIRETY BY REFERENCE TO, THE ACTUAL TEXT OF THE RELEVANT DOCUMENT. THE TERMS OF THE PURCHASE OF THE UNITS OFFERED HEREIN WILL BE SET FORTH IN A SUBSCRIPTION AGREEMENT AND A LIMITED LIABILITY COMPANY OPERATING AGREEMENT. ANY PURCHASE OF UNITS SHOULD BE MADE ONLY AFTER A COMPLETE AND THOROUGH REVIEW OF THE PROVISIONS OF SUCH AGREEMENTS. IN THE EVENT THAT ANY OF THE TERMS, CONDITIONS OR OTHER PROVISIONS OF THE AGREEMENTS IS INCONSISTENT WITH OR CONTRARY TO THE DESCRIPTION OF TERMS IN THIS MEMORANDUM, SUCH AGREEMENTS WILL GOVERN.

THIS OFFERING INVOLVES A HIGH DEGREE OF RISK AND POTENTIALLY SUBSTANTIAL FEES TO THE MANAGER AND/OR ITS AFFILIATES. SEE "RISK FACTORS." AN INDEPENDENT INVESTIGATION SHOULD BE UNDERTAKEN BY EACH INVESTOR REGARDING THE SUITABILITY OF HIS, HER OR ITS INVESTMENT IN THE UNITS. OFFEREEES ARE NOT TO CONSTRUE THE CONTENTS OF THIS MEMORANDUM OR ANY INFORMATION MADE AVAILABLE AS DESCRIBED BELOW AS LEGAL OR TAX ADVICE. EACH INVESTOR SHOULD CONSULT HIS, HER OR ITS OWN COUNSEL, ACCOUNTANT OR BUSINESS ADVISOR AS TO LEGAL, TAX AND RELATED MATTERS CONCERNING THE PURCHASE OF THE UNITS.

THE MARKET, FINANCIAL AND OTHER FORWARD-LOOKING INFORMATION PRESENTED IN THIS MEMORANDUM REPRESENTS THE SUBJECTIVE VIEWS OF THE FUND'S MANAGER AND IS BASED ON ASSUMPTIONS THE MANAGER BELIEVES ARE REASONABLE BUT THAT MAY OR MAY NOT PROVE TO BE CORRECT. THERE CAN BE NO ASSURANCE THAT THE MANAGER'S VIEWS ARE ACCURATE OR THAT THE MANAGER'S ESTIMATES WILL BE REALIZED, AND NOTHING CONTAINED HEREIN IS OR SHOULD BE RELIED ON AS A PROMISE AS TO THE FUTURE PERFORMANCE OR CONDITION OF THE FUND. INDUSTRY EXPERTS MAY DISAGREE WITH THESE

ASSUMPTIONS AND WITH THE MANAGER'S VIEW OF THE MARKET AND THE PROSPECTS FOR THE FUND.

INVESTORS USING ASSETS SUBJECT TO THE EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974 ("ERISA") OR SECTION 4975 OF THE INTERNAL REVENUE CODE OF 1986 (THE "CODE") SHOULD NOT ACQUIRE OR HOLD THE UNITS UNLESS SUCH ACQUISITION OR HOLDING IS EXEMPTED FROM THE PROHIBITED TRANSACTION RESTRICTIONS OF ERISA AND THE CODE.

INVESTORS WHOSE AUTHORITY IS SUBJECT TO LEGAL INVESTMENT RESTRICTIONS SHOULD CONSULT THEIR OWN LEGAL ADVISORS TO DETERMINE WHETHER, AND IF SO, TO WHAT EXTENT, THE UNITS WILL CONSTITUTE LEGAL INVESTMENTS FOR THEM.

THIS MEMORANDUM HAS NOT BEEN REVIEWED BY, AND THE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY, THE SEC, ANY STATE SECURITIES COMMISSION OR ANY OTHER REGULATORY AUTHORITY. THE FOREGOING AUTHORITIES HAVE NOT PASSED UPON OR ENDORSED THE MERITS OF THIS OFFERING OR THE ACCURACY OR ADEQUACY OF THIS MEMORANDUM. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

THIS MEMORANDUM PRESENTS INFORMATION WITH RESPECT TO THE FUND AS OF THE DATE HEREOF. THE DELIVERY OF THIS MEMORANDUM AT A TIME AFTER THE DATE ON THE COVER DOES NOT IMPLY THAT THE INFORMATION HEREIN IS CORRECT AS OF ANY TIME SUBSEQUENT TO THAT DATE.

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Conditions to Receiving this Memorandum

By accepting delivery of this Memorandum, you understand and agree to comply with the following:

- the information contained herein is confidential and may not be shared without the prior written permission of the Manager;
- you will not make any photocopies of this Memorandum or any related documents;
- you will not distribute this Memorandum or disclose any of its contents to any persons other than to those persons, if any, that you retain to advise you with respect to its contents;
- you will review this Memorandum, including statistical, financial and other numerical data, with your legal, regulatory, tax, accounting, investment or other advisors. Neither the Fund nor the Manager intends in this Memorandum to furnish legal, regulatory, tax, accounting, investment or other advice;
- the Manager may reject any offer to purchase Units, in whole or in part, for any reason; and
- if you do not purchase Units or if the Offering is terminated, on request of the Fund or the Manager, you will return this Memorandum and all attached documents to the address set forth below.

Notwithstanding the foregoing or any other express or implied agreement or understanding to the contrary, you and your employees, representatives and other agents are authorized by the Fund, the Manager, each of their respective affiliates and each person acting on behalf of the Fund or the Manager, to disclose the tax aspects and structure (insofar as the structure may be relevant to the tax aspects) of this transaction to any and all persons, without limitation of any kind. You may disclose all materials of any kind (including opinions or other tax analyses) to the extent (but only to the extent) that they relate to the tax aspects and structure (insofar as the structure may be relevant to the tax aspects) of this transaction. This authorization is not intended to permit disclosure of any other information including without limitation: (i) any portion of any materials to the extent not related to the tax aspects or the structure of the transaction; (ii) the identities of participants or potential participants in the transaction; (iii) the existence or status of any negotiations; (iv) any financial information relating to the Fund, the Manager or their respective affiliates; or (v) any other term or detail not related to the tax aspects or the structure of the transaction.

This Memorandum has been prepared for use by a limited group of accredited investors to consider the purchase of Units in the Fund. The Fund reserves the right to modify or terminate the offering process at any time.

The Manager should be the sole point of contact for the solicitation process and will assist prospective investors in their review of the Fund. All inquiries should be directed to:

DF Manager, LLC
Attention: Investor Relations
Email: investments@diversyfund.com
Phone: +1 (858) 430-8528

Important Notice About Information in this Memorandum

The Fund and the Manager will provide to each prospective purchaser prior to that investor's purchase of any Unit the opportunity to ask questions of, and receive answers and pertinent documentation from, the Fund and the Manager concerning the Fund, the Manager and their respective affiliates, the terms and conditions of the Offering and any other relevant matters, including additional information to verify the accuracy of the information set forth herein. By purchasing Units, you will be deemed to have represented and warranted that you have been provided this opportunity and have received the information requested.

This Memorandum contains summaries of certain documents believed to be accurate, but reference is hereby made to the actual documents for complete information concerning the rights and obligations of the parties thereto. Copies of such documents not otherwise provided in this Memorandum are available at the office of the Manager and all such summaries are qualified in their entirety by reference to these documents. Supplements, if any, to the material contained in this Memorandum will be attached hereto. Prospective investors should review the material contained in this Memorandum and the information contained in any such supplements.

This Memorandum has been prepared by the Fund solely for use in connection with the initial offer and sale of the Units as described herein. It constitutes an offer only to the prospective purchaser to whom the offer was delivered by the Fund or the Manager and not to the public generally. No person has authorized the use of or assumed any liability for this Memorandum in connection with any offer or sale of the Units other than the offer and sale by the Fund to an initial purchaser of the Units.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

Before purchasing any of the Units described in this Memorandum, you should read the section entitled "Risk Factors" in this Memorandum carefully. You should be prepared to accept any and all risks associated with purchasing the Units, including a complete loss of your investment.

Information contained in this Memorandum (including all attachments to this Memorandum) contains "forward-looking statements." Forward-looking statements reflect the Fund's current expectations or forecasts of future events. Forward-looking statements can be identified by forward-looking terminology, including, but not limited to, the following words: "will," "intend," "plan," "seek," "estimate," "aim," "target," "project," "forecast," "predict," "potential," "believe," "expect," "may," "could," "should," or "anticipates" or, in each case, the negative thereof or other variations thereon or comparable terminology, or by discussions of strategy. The matters identified in the "Risk Factors" section constitute cautionary statements identifying important factors with respect to forward-looking statements, including certain risks and uncertainties. Other factors could also cause actual results to vary materially from the future results covered in the forward-looking statements contained herein.

Any projections, estimates or other forecasts contained in this Memorandum are forward-looking statements that have been prepared by the Fund and are based on assumptions that the Fund believes are reasonable. Projections are necessarily speculative in nature, and it can be expected that some or all of the assumptions underlying the projections will not materialize or will vary significantly from actual results. Accordingly, the projections are only an estimate. Actual results may vary from the projections, and the variations may be material.

Forward-looking statements relate only to events as of the date on which the statements are made. None of the Fund, the Manager or any of their respective affiliates has any obligation to update or otherwise revise any projections, including any revisions to reflect changes in economic conditions or other circumstances arising after the date hereof or to reflect the occurrence of unanticipated events, even if underlying assumptions do not come to fruition.

PRIVACY NOTICE

Current regulations require issuers of securities (including the Fund) to provide their investors an initial and annual privacy notice describing the issuer's policies regarding the sharing of information about their investors. In connection with this requirement, we are providing this Privacy Notice to each of our investors.

We do not disclose nonpublic personal information about our investors or former investors to third parties other than as described below.

We collect information about you (such as name, address, social security number, assets and income) from our discussions with you, from documents that you may deliver to us (such as subscription documents) and in the course of providing services to you. In order to maintain your capital accounts and the operations of the Fund, we may provide your personal information to our affiliates and to firms that assist us in maintaining your capital accounts that may have a need for such information, such as our financial institutions, attorneys, auditors, accountants, or tax professionals. We do not otherwise provide information about you to outside firms, organizations or individuals except as required or permitted by law. Any party that receives this information will use it only for the services required and as allowed by applicable law or regulation and is not permitted to share or use this information for any other purpose.

These materials are not to be transferred or electronically forwarded to any other person or entity.

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WHO MAY INVEST

We will offer and sell the Units in reliance on an exemption from the registration requirements of the Securities Act and state laws under Rule 506(c) of the Securities Act. Accordingly, distribution of the Memorandum has been strictly limited to persons who meet the requirements and make the representations set forth below. We reserve the right, in our sole discretion, to reject any subscription based on any information that may become known or available to us about the suitability of an investor or for any other reason.

An investment in the Units involves a high degree of risk and is suitable only for persons of substantial financial means who have no need for liquidity in this investment. Only investors who (i) purchase the minimum Membership Interest amount set forth in the Memorandum and (ii) represent in writing that they meet the investor suitability requirements set by us and as may be required under federal or state law may acquire Units.

The investor suitability requirements stated below represent minimum suitability requirements established by the Fund. However, your satisfaction of these requirements will not necessarily mean that the Units are a suitable investment for you, or that we will accept you as an investor. Furthermore, we may modify such requirements in our sole discretion, and such modification may raise the suitability requirements for investors.

You must represent in writing that you meet certain requirements, including, but not limited to, all of the following requirements (the “**Investor Suitability Requirements**”):

(1) You have received, read and fully understand the Memorandum and are basing your decision to invest on the information contained in the Memorandum. You have relied only on the information contained in the Memorandum and have not relied on any representations made by any other person;

(2) You understand that an investment in the Units is highly speculative and involves substantial risks and you are fully cognizant of and understand all of the risks relating to an investment in the Units, including those risks discussed in the “Risk Factors” section of the Memorandum;

(3) Your overall commitment to investments that are not readily marketable is not disproportionate to your individual net worth, and your investment in the Units, will not cause such overall commitment to become excessive;

(4) You have adequate means of providing for your financial requirements, both current and anticipated, and have no need for liquidity in this investment;

(5) You can bear and are willing to accept the economic risk of losing your entire investment in the Units;

(6) You are acquiring the Units for your own account and for investment purposes only and have no present intention, agreement or arrangement for the distribution, transfer, assignment, resale, or subdivision of the Units;

(7) You have such knowledge and experience in financial and business matters that you are capable of evaluating the merits of investing in the Units and have the ability to protect your own interests in connection with such investment; and

(8) Notwithstanding anything to the contrary in this Memorandum (including subsection (9) below), you are not (a) an investment company under the Investment Company Act of 1940 (“**Investment Company Act**”), (b) a private investment company exempt from registration and regulation under the Investment Company Act pursuant to the exclusion provided by Section 3(c)(1), or (c) a private investment

company exempt from registration and regulation under the Investment Company Act pursuant to the exclusion provided by Section 3(c)(7).

(9) You are an “Accredited Investor” as defined in Rule 501(a) of Regulation D under the Securities Act. An “**Accredited Investor**” is any:

- (a) Natural person that:
 - (i) has an individual net worth, or joint net worth with their spouse, or spousal equivalent, of more than \$1,000,000;
 - (ii) has an individual income in excess of \$200,000, or joint income with their spouse or spousal equivalent in excess of \$300,000, in each of the two most recent years and has a reasonable expectation of reaching the same income level in the current year; or
 - (iii) holds, in good standing: (1) a General Securities Representative (Series 7) license, (2) an Investment Adviser Representative (Series 65) license, (3) a Private Securities Offerings Representative (Series 82), or (4) or other professional certification or designation or credential from an accredited educational institution that the SEC has designated as qualifying a natural person for accredited investor status;
- (b) Corporation, partnership, limited liability company, Massachusetts or similar business trust, or organization described in Section 501(c)(3) of the Internal Revenue Code (the “**Code**”), not formed for the specific purpose of acquiring the Units, with total assets over \$5,000,000;
- (c) Trust with total assets over \$5,000,000, not formed for the specific purpose of acquiring Units and whose purchase is directed by a person who has such knowledge and experience in financial and business matters that he or she is capable of evaluating the merits and risks of an investment in the Units as described in Rule 506(b)(2)(ii) under the Securities Act;
- (d) Entity (i) of a type not listed herein, owning investments in excess of \$5,000,000, that is not formed for the specific purpose acquiring the Units, or (ii) in which all of the equity owners are Accredited Investors;
- (e) Broker dealer registered under Section 15 of the Securities and Exchange Act of 1934, as amended;
- (f) Investment company registered under the Investment Company Act or a business development company (as defined in Section 2(a)(48) of the Investment Company Act);
- (g) Small business investment company licensed by the Small Business Administration under Section 301 (c) or (d) of the Small Business Investment Act of 1958, as amended;
- (h) Rural Business Investment Company as defined in Section 384A of the Consolidated Farm and Rural Development Act;
- (i) Employee benefit plan within the meaning of ERISA, if the investment decision is made by a plan fiduciary (as defined in Section 3(21) of ERISA), which is either a bank, savings and loan association, insurance company, or registered investment adviser, or if the employee benefit plan has total assets in excess of \$5,000,000 or, if a self-directed plan, with investment decisions made solely by persons who are Accredited Investors;

(j) Private business development company as defined in Section 202(a)(22) of the Investment Advisers Act of 1940, as amended (the “**Investment Advisers Act**”);

(k) Bank as defined in Section 3(a)(2) of the Securities Act, any savings and loan association or other institution as defined in Section 3(a)(5)(A) of the Securities Act whether acting in its individual or fiduciary capacity, or any insurance company as defined in Section 2(13) of the Securities Act;

(l) Plan established and maintained by a state, its political subdivisions, or any agency or instrumentality of a state or its political subdivisions, for the benefit of its employees, if such plan has total assets of more than \$5,000,000; or

(m) Investment adviser (i) registered pursuant to the Investment Advisers Act or the laws of any state, or (ii) relying on the exemption from registering with the SEC under section 203(l) or (m) of the Investment Advisers Act.

(n) “Family Office,” as defined in Rule 202(a)(11)(G)-1 under the Investment Advisers Act, (i) that is not formed for the specific purpose of acquiring the securities being offered, (ii) whose prospective investment is directed by a person who has such knowledge and experience in financial and business matters that the family office capable of evaluating the merits and risks of the prospective investment in the Units, and (iii) with assets under management in excess of \$5,000,000; and

(o) “Family Client” as defined in Rule 202(a)(11)(G)-1 under the Investment Advisers Act, of a family office meeting the requirements above and whose prospective investment in the Fund is directed by the family office pursuant to (p)(iii) above.

For purposes of calculating your net worth, “net worth” means the excess of total assets at fair market value (including personal and real property but excluding the estimated fair market value of your primary home) over total liabilities. Total liabilities excludes any mortgage on the primary home in an amount of up to the home’s estimated fair market value as long as the mortgage was incurred more than 60 days before the securities were purchased, but includes (i) any mortgage amount in excess of the home’s fair market value and (ii) any mortgage amount that was borrowed during the 60-day period before the closing date for the sale of securities for the purpose of investing in the securities. In the case of fiduciary accounts, the net worth and/or income suitability requirements must be satisfied by the beneficiary of the account, or by the fiduciary, if the fiduciary directly or indirectly provides funds for the purchase of the Units.

In addition, the SEC has issued certain no action letters and interpretations in which it deemed certain trusts to be Accredited Investors, such as trust where the trustee is a bank as defined in Section 3(a)(2) of the Securities Act and revocable grantor trusts established by individuals who meet the requirements of clause (i) or (ii) of the first sentence of this paragraph (h). However, these no-action letters and interpretations are very fact specific and should not be relied upon without close consideration of your unique facts.

SUMMARY OF THE OFFERING

IN THIS SUMMARY, SELECTED INFORMATION IS HIGHLIGHTED REGARDING THE UNITS AND THE OFFERING. THE SUMMARY DOES NOT CONTAIN ALL THE INFORMATION INVESTORS NEED TO CONSIDER IN MAKING AN INVESTMENT IN THE FUND. TO UNDERSTAND THE TERMS OF THE OFFERING, CAREFULLY READ THIS ENTIRE MEMORANDUM AND REVIEW COPIES OF EACH OF THE DOCUMENTS ATTACHED AS APPENDICES OR REFERENCED HEREIN.

The Fund	DF Distressed Opportunities Fund, LLC, a Delaware limited liability company (the “ Fund ”). A copy of the Fund’s certificate of formation is available upon request.
The Offering & Investors’ Capital Contributions	<p>The Fund is offering to sell up to \$50,000,000 of Class A, Class B and Class C Units (the “Units”) of membership interest in the Fund to accredited investors (the “Offering”).</p> <p>Purchasers of Units in this Offering (each a “Member”) will contribute \$1,000 per Unit. The minimum investment by a Member is \$25,000. The Manager in its sole discretion may accept investments of less than the \$25,000 minimum.</p>
Term of the Fund	The Fund has a term of 7 years, subject to up to three one-year extensions in the discretion of the Manager
Securities Offered & Overview of Investment	<p>The Fund is raising up to \$50,000,000 of capital contributions in the Offering in order to capitalize on real estate related investment opportunities, particularly those resulting from the turmoil in the real estate and financial markets. We expect the Fund to invest primarily in distressed and opportunistic commercial real estate assets, with a focus on multifamily residential housing, as part of the recovery of the real estate and capital markets. The Fund’s Sponsor is DiversyFund, Inc. (“Sponsor”) and the Fund will be managed by DF Manager, LLC, a Delaware limited liability company (the “Manager”). THERE CAN BE NO ASSURANCES THAT THE FUND WILL RAISE THE ENTIRE AMOUNT PROVIDED ABOVE.</p> <p>The Fund’s membership units will be owned as follows: (i) investors will own up to 100% of the Fund’s Class A, Class B and Class C Units and (ii) the Sponsor will own all (100%) of the Fund’s the Class D Units.</p>
Investment Objectives & Investment Policy Summary	<p>The principal objectives are to (i) preserve Members’ capital contributions, (ii) earn a profit on the sale of Fund assets and (iii) make periodic distributions to Members as income is available. THERE IS NO ASSURANCE THAT ANY OF THESE OBJECTIVES WILL BE ACHIEVED.</p> <p>The intention of the Fund is to capitalize on real estate related investment opportunities, particularly those resulting from the turmoil in the real estate and financial markets. We expect the Fund to invest primarily in distressed and opportunistic commercial real estate assets as part of the recovery of the real estate and capital markets. The Fund will seek opportunities throughout the United States to invest in existing multifamily distressed and</p>

opportunistic, value add or other commercial real estate assets and to make or purchase loans secured by real estate. The Fund will concentrate on acquisition of distressed assets that can be purchased at a discount to market value and may also pursue selective investments in strategic opportunities including short term rentals. The Fund will seek to maximize profits from rental income and asset disposition by carrying out improvements that lead to increased rent and final sale prices. Distributions may also be made from net income generated from Fund assets to the extent the Manager deems it appropriate.

Sponsorship Investment It is anticipated that none of the Offering's total capital contributions will be provided by the Sponsor or its principals or affiliates.

Fund's Assets Investors, as Class A, Class B or Class C Members of the Fund, will have limited voting rights and liquidation rights. It is possible that the Fund will not directly own any assets or property and that the Manager may choose to invest through wholly-owned entities, joint ventures, parallel funds, and other alternative investment vehicles. Accordingly, the investor's investment in the Fund involves a high degree of risk.

Management of the Fund The business and affairs of the Fund are managed by the Manager. Investors should read and familiarize themselves with the Fund's Operating Agreement. The Manager may be removed for cause only by the affirmative vote of the Members holding at least 75% of the Units entitled to vote.

Conflicts of Interest The Manager, in such capacity, may cause the Fund to co-invest with an affiliate of the Manager or another Manager Related Person (as defined in the Fund's Operating Agreement).

Accordingly, given these affiliations, principals of the Manager and its affiliates may have control or participate in decisions involving the Manager, the Fund, and Fund Investments (as defined in the Fund's Operating Agreement), and thus, an investor's investment may be subject to the decisions of such other principals whose interests may not be aligned with those of the Fund or Fund Investments.

Units & Voting The Fund has authorized four classes of units: Class A, Class B, Class C and Class D Units. The Class A, Class B and Class C Units will be owned by investors, and all (100%) of the Class D Units will be owned by the Sponsor.

Members will have limited voting rights, and, as such, will only be permitted under the Operating Agreement to vote on the following matters:

- Removal of the Manager for Cause;
- Naming a replacement Manager in the event of a vacancy;
- Approving certain Fund transactions with related parties; and
- Certain amendments to the Operating Agreement, subject to the limitations set forth in the Operating Agreement.

Fund Operating Agreement	The Fund will be governed by an operating agreement (the “ Operating Agreement ”) substantially in the form attached as <u>Appendix I</u> to this Memorandum, with such changes as the Manager may adopt with the vote of the Members from time to time as provided in the Operating Agreement. <u>All capitalized terms not otherwise defined herein have the meaning set forth in the Operating Agreement.</u>
Additional Capital Contributions	Members will not be required to make any additional capital contributions.
Distributions by the Fund	<p>In accordance with the Operating Agreement, the Class A, Class B and Class C Members will receive distributions of Investment Proceeds, as determined by the Manager in its sole discretion, in the following order of priority:</p> <ul style="list-style-type: none"> (a) First, 100% <i>pari passu</i> to the Class A, Class B and Class C Members until they have received cumulative distributions equal to the Class A, Class B and Class C Members’ Unreturned Capital Contributions; (b) Second, 100% <i>pari passu</i> to the Class A, Class B and Class C Members until the Class A Members have received a 7.0% internal rate of return, the Class B Members have received an 8% internal rate of return and the Class C Members have received a 9% internal rate of return, in each case in proportion to each Member’s respective Unpaid Preferred Return until such Member’s Unpaid Preferred Return is fully paid and reduced to zero; (c) Third, 100% to the Class D Member, until such Class D Member has received distributions sufficient to provide such Class D Member an amount that bears the same proportion to the total amount under (b) paid (i) to the Class A Members to date as 35 bears to 65, (ii) to the Class B Members to date as 30 bears to 70, and (iii) to the Class C Members to date as 20 bears to 80; (d) Fourth, 100% distributed <i>pari passu</i> to each class as follows: (i) 65% to the Class A Members and 35% to the Class D Member, where the dollar amount to be distributed is based on the weighted pro rata percentage of Class A ownership among Classes A, B and C combined, until the Class A Members have received a 12% cumulative, non-compounded annual internal rate of return on the Class A Members’ Unreturned Capital Contributions; (ii) 70% to the Class B Members and 30% to the Class D Member, where the dollar amount to be distributed is based on the weighted pro rata percentage of among B ownership across Classes A, B and C combined, until the Class B Members have received a 12% cumulative, non-compounded annual internal rate of return on the Class B Members’ Unreturned Capital Contributions; and (iii) 80% to the Class C Members and 20% to the Class D Member, where the dollar amount to be distributed is based on the weighted pro rata percentage of Class C ownership among Classes A, B and C combined, until the Class C Members have received a 12% cumulative, non-compounded annual internal rate of return on the

Class C Members' Unreturned Capital Contributions; and

- (e) Thereafter, 50% *pari passu* to the Class A, Class B and Class C Members on the one hand and 50% to the Class D Member on the other hand.

All calculations of internal rates of return will be determined using the XIRR function in Microsoft Excel.

As provided in the Operating Agreement, a number of conditions must be met before any distributions from the Fund may be made to any Member.

The Manager will cause the Fund to establish such reserves as may be reasonably necessary for payment of all expenses of the Fund. To the extent the Fund has sufficient cash from operations, in its sole determination, the Manager will cause the Fund to make distributions as set forth in the Operating Agreement.

There can be no assurance that the Fund's objectives will be satisfied or that Members of the Fund will receive any distributions.

Manager Compensation

Each investor hereby acknowledges and agrees to the payment of the following fees, *in addition to the Distributions and expense reimbursement described in the Operating Agreement,* to be paid by the Fund to the Manager, the Sponsor and/or their affiliated entities in consideration of its services as manager of the Fund:

- Management fee equal to 1% annually of the Fund's aggregate capital commitments, calculated and paid monthly in arrears, and calculated, with respect to each Member, from the last date of the Quarter in which such Member purchased Units;
- Acquisition and Development Fee, related to completing the Fund's distressed opportunities and value add business plan, of up to 4% of the actual costs including purchase price and hard and soft costs of property acquisition; professional, travel and other expenses related to the potential acquisition and development of Fund Investments; and origination fees and expenses of up to 4% of the transaction amount related to the acquisition of preferred equity and/or debt investment in third party transactions;
- Financing Fee equal to 1% of amount of any loan placed on a Fund Investment that is made to or assumed by the Fund, whether at the time of acquisition or pursuant to a refinancing;
- Property Disposition Fee equal to 1% of the sales price on the disposition of a Fund Investment;

- Property-Level Asset Management Fee equal to 2% of the effective gross income received from each Fund Investment that is owned by the Fund;
- Construction Management Fee, related to the provision by the Sponsor of construction management services, of up to 7.5% of any construction costs accrued on a Fund Investment; and
- Guaranty Fee, related to the provision of guaranties of indebtedness of the Fund or a Fund Investment including guaranties related to “bad boy” carveouts given by the Manager or an Affiliate of the Manager, equal to 0.5% of acquisition and construction loan amount, paid to the guarantor(s).

Organization & Offering Expenses

Subject to the limitations set forth in the Operating Agreement, the Fund will pay directly, or will reimburse the Manager or its Affiliates for, as the case may be, the costs and expenses of the Fund's operations, including, without limitation, the following costs and expenses:

- all Organization and Offering Expenses including legal and compliance expenses; marketing expenses; payroll expenses of marketing employees; software costs; fees paid to vendors, contractors and consultants relating to the Sponsor’s online fintech platform and smartphone applications used to market and operate the Fund; and payroll expenses and software costs of product development and software engineering employees working on the fintech platform and smartphone applications, *provided that* Organization and Offering Expenses may not exceed 5% of the total amount of capital raised in this Offering;
- all costs of personnel employed by the Fund who are directly involved in the Fund’s business;
- costs of personnel employed by the Manager or its Affiliates who are directly involved in the business of the Fund;
- advertising and public notice costs;
- all costs of borrowed money, taxes and assessments on the Fund;
- legal, accounting, audit, brokerage, and other professional fees related to the Fund;
- Transfer, capital and other taxes, duties and costs incurred in acquiring, holding, selling or otherwise disposing of Fund assets;
- banking, brokerage, broker dealer, registration, qualification, finders, depositary and similar fees or commissions incurred in acquiring, holding, selling or otherwise disposing of Fund assets;

- fees and expenses paid to the Manager as described above in “Manager Compensation”, independent contractors, mortgage bankers, real estate brokers, and other agents;
- expenses incurred in connection with the development, construction, alteration, maintenance, repair, remodeling, refurbishment, leasing and operation of Fund assets;
- all expenses incurred in connection with the maintenance of the Fund’s books and records, the preparation and dissemination of reports, tax returns or other information to Members and the making of Distributions to Members;
- expenses incurred in preparing and filing reports or other information with appropriate regulatory agencies;
- expenses of insurance as required in connection with the business of the Fund;
- costs incurred in connection with any litigation in which the Fund may become involved, or any examination, investigation, or other proceedings conducted by any regulatory agency, including legal and accounting fees;
- the actual costs of goods and materials used by or for the Fund;
- the costs of services that could be performed directly for the Fund by independent parties such as legal, accounting, fund administration, asset management, construction management, property management, secretarial or clerical, reporting, transfer agent, data processing and duplicating services but which are in fact performed by the Manager or its Affiliates;
- expenses of the Fund’s administration, accounting, legal, documentation and reporting;
- expenses of revising, amending, modifying, or terminating the Operating Agreement; and
- all other costs and expenses incurred in connection with the Fund’s business, including travel to investigate and evaluate investment opportunities and the portion of the Manager’s payroll expenses allocable to work performed for the Fund, except as otherwise set forth in the Operating Agreement.

**Transfer and Other
Limitations of Member
Rights**

Transfers of Units are prohibited without the prior consent of the Manager, which consent may be withheld or granted in the discretion of the Manager.

No Member will have the right to (i) withdraw or reduce such Member’s Capital Contribution, (ii) receive any distributions from the Fund, except as

otherwise provided in the Operating Agreement, (iii) demand or receive any Fund property, (iv) unilaterally dissociate from the Fund; (v) require that such Member's interest in the Fund be redeemed, in whole or in part; bring an action for partition against the Fund; or (vi) demand or receive property other than cash in return for such Member's Capital Contribution.

Member Restrictions

Pursuant to the Operating Agreement, Members will not be allowed to:

- Disclose to any non-Member, other than such Member's lawyers, accountants or consultants, and/or commercially exploit any of the Fund's business practices, financial results, reports, trade secrets or any other information not generally known to the business community;
- Perform, or fail to perform, any other act or deed with the intention of harming the business operations of the Fund;
- Make any statement, whether written or oral, indirectly or indirectly, including but not limited to on social media, or perform any act which in any way would (i) injure an interest of or disparage or be construed negatively about the Fund, the Manager or any of their respective principals, officers, managers or employees or (ii) be detrimental to the Fund's relationships and dealings with existing or potential customers, investors and lenders; or
- Perform any act contrary to the Operating Agreement.

Return of Capital by Member

In accordance with the Delaware Limited Liability Company Act, a Member may, under certain circumstances, be required to return to the Fund, for the benefit of the Fund's creditors, amounts previously distributed to the Member. If any court of competent jurisdiction holds that any Member is obligated to make any such payment, such obligation shall be the obligation of such Member and not of the Fund, the Manager or any other Member.

Arbitration

Any and all claims, disputes or controversies arising from or related to a Member's Units or investment in the Fund will be submitted to binding arbitration under the Delaware Rapid Arbitration Act, as amended from time to time (the "**DRAA**"), and the rules for DRAA arbitrations adopted by the DRAA and the Delaware courts shall govern all aspects of the arbitration. Moreover, in no event will class arbitration be permitted, and the arbitrator will not have the authority to conduct any class arbitration.

Term of the Offering

The subscription period will continue until the Offering Closing. The Manager will accept or reject each subscription agreement in its discretion within approximately 10 days of receipt. If the Manager accepts the subscription agreement, a confirmation will be sent to the investor. If the Manager rejects a subscription agreement, the accompanying subscription payment will be returned to the investor promptly after such rejection, without payment of any interest thereon.

Investor Qualifications and Suitability Standards

The Offering is limited to selected accredited investors, as such term is defined in Regulation D promulgated under the Securities Act. Each investor will be required to represent that it is acquiring the Units for investment purposes only, with no intention to resell or further distribute the Units and that the Units will not be transferred or otherwise resold except in compliance with the Securities Act and any applicable state securities laws.

Each investor will be required to make certain representations concerning the appropriateness of this investment. Such representations are contained in the subscription documents that each investor will be required to complete and furnish to the Manager. Representations are also contained in the Operating Agreement. The Manager, in its sole discretion, may require independent verification of the accuracy of the information and representations provided by investors, in order to assure compliance with applicable federal and state securities laws. The Manager will have sole discretion regarding acceptance of any subscription.

The investor standards in the subscription documents represent minimum requirements for investors, and the satisfaction of such standards does not necessarily mean that the Units are an appropriate investment for an investor. It is anticipated that comparable standards will be imposed by the Manager in connection with any resale of the Units, as well as various other restrictions.

Securities Regulation

The Offering of the Units will not be registered under the Securities Act or the securities laws of any state in reliance on exemptions from such registration.

The Fund will not be registered as an investment company under the Investment Company Act.

Tax Matters

See the sections entitled “Risks Related to Tax Matters Generally” and “United States Federal Income Tax Consequences.”

Subscription Procedure

All investors who desire to subscribe for and purchase Units must complete, execute and deliver to Manager a subscription agreement and investor questionnaire. To subscribe for Units, each subscriber must deliver all the completed documents provided in Appendix III.

Side Letter Agreements

The Manager, in its own name or on behalf of the Fund, may enter into side letters or other written agreements to or with any investor or any Member, without the consent of or disclosure to other Members, to provide additional rights or obligations pertinent to an investment in the Fund. See the section entitled “Side Letters and Separate Understandings with Certain Members.”

Deposit of Proceeds

All subscription funds received in payment for Units will be held initially in a depository account at Silicon Valley Bank until such time as the Manager has finally approved any such subscription. Following acceptance of a subscription and verification of investor qualifications, the applicable subscription funds will be transferred to the Fund’s operating account and may be used by the Fund for Fund Investments, working capital needs,

payment of fees and expenses and other business purposes as determined by the Manager.

Risk Factors

INVESTMENT IN THE UNITS IS SPECULATIVE, INVOLVES A HIGH DEGREE OF RISK, AND SHOULD BE CONSIDERED ONLY BY ACCREDITED INVESTORS WHO CAN BEAR THE ECONOMIC RISKS OF THEIR INVESTMENT FOR AN INDEFINITE PERIOD OF TIME AND WHO CAN AFFORD TO SUSTAIN A TOTAL LOSS OF THEIR INVESTMENT. PROSPECTIVE INVESTORS SHOULD CONSIDER CAREFULLY ALL OF THE INFORMATION PROVIDED, INCLUDING THE RISK FACTORS DESCRIBED BELOW. IN MAKING AN INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE FUND AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED.

Restrictions on Resale

The Units offered hereby will not be registered under the Securities Act, and any certificates representing these securities will contain a legend restricting the distribution, resale, transfer, pledge, hypothecation or other disposition unless and until such securities are registered under the Securities Act or the Manager receives an opinion of counsel acceptable to the Manager that registration is not required under the Securities Act. Additionally, these securities will be subject to certain restrictions on transfer pursuant to the Operating Agreement and otherwise.

Mergers and Sales

The Manager may approve and consummate any merger, conversion, sale of all or substantially all of the assets of the Fund, or sale of all or substantially all of the Units of the Fund, in a single or series of related transactions.

Legal Counsel

Parr Brown Gee & Loveless, P.C. (“**Parr Brown**”) acts as counsel to the Fund in connection with the Offering of the Units. However, such firm has not: (i) passed upon the adequacy of this Memorandum or the completeness or fairness of the disclosure herein, (ii) undertaken any obligation to update this Memorandum, (iii) undertaken to monitor the affairs of the Fund or the Manager, (iv) obtained knowledge of all facts or circumstances which could have a bearing on the Manager, the Fund or the Fund’s investment in Fund Investments, or (v) investigated or verified the accuracy and completeness of information set forth in this Memorandum. In connection with the Offering of the Units and subsequent advice to the Fund, Parr Brown will not represent any Members of the Fund, including any investors who subscribe to the Offering. The Fund and the Manager have not engaged independent counsel to represent the Members, including investors investing in the Units offered hereby. By investing in the Units, all Members expressly consent to Parr Brown’s representation of the Fund or the Manager, and their respective affiliates, in any dispute or controversy that may arise between such Member and any of the Fund and the Manager or any of their respective affiliates.

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THE INVESTMENT

DF Distressed Opportunities Fund, LLC

DF Distressed Opportunities Fund, LLC, a Delaware limited liability company (the “**Fund**”), is raising up to \$50,000,000 of Capital Contributions (as defined in the Fund’s Operating Agreement), and is offering to sell up to an aggregate of 50,000 Class A Units, Class B Units, and Class C Units (collectively, the “**Units**”) of membership interest in the Fund at a price of \$1,000 per Unit to accredited investors (the “**Offering**”).

The Fund’s primary investment objective is to acquire distressed and opportunistic commercial real estate assets, with a focus on multifamily residential housing, and the maximization of profits through exit as part of the recovery of the real estate and capital markets. Distributions may also be made from net income generated from Fund assets to the extent the Manager deems it appropriate. The Fund will be managed by DF Manager, LLC (the “**Manager**”), which is managed by DiversyFund, Inc., a Delaware corporation. DiversyFund, Inc. is also the Fund’s Sponsor (the “**Sponsor**”).

Investors will contribute the capital necessary to become a majority owner of the Fund and are expected to own up to 100% of the Class A, B and C Units of the Fund. The Sponsor will own all (100%) of the Fund’s Class D Units.

THE OFFERING

AGGREGATE OF UP TO 50,000 CLASS A, B, AND C D UNITS, EACH CONSISTING OF:
ONE UNIT IN DF Distressed Opportunities Fund, LLC
COST OF EACH UNIT = \$1,000

INVESTMENTS

The Fund’s primary investment objective is to acquire distressed and opportunistic commercial real estate assets, with a focus on multifamily residential housing, and the maximization of profits through exit. The Fund will seek opportunities throughout the United States to invest in existing multifamily distressed and opportunistic, value add or other commercial real estate assets and to make or purchase loans secured by real estate. The Fund will concentrate on acquisition of distressed assets that can be purchased at a discount to market value and may also pursue selective investments in strategic opportunities including short term rentals. The Fund will seek to maximize profits from rental income and asset disposition by carrying out improvements that lead to increased rent and final sale prices. The Fund has not identified any specific investments as of the date of this Memorandum.

MANAGER AND SPONSOR

The Manager will be the sole manager of the Fund and the Sponsor will be the sole Class D Member of the Fund.

Accordingly, given the affiliations outlined herein, other members of the Manager or its affiliates may have control or may participate in decisions involving the Manager and the Fund, and thus, an investor’s investment

may be subject to the decisions of such other members and principals whose interests may not be aligned with those of the Fund.

In addition to the information provided below regarding principals of the Manager, please see [Appendix II](#) to this Memorandum for an overview of the relationship between the Fund, the Manager, DiversyFund and their respective principals.

INDIVIDUAL MINIMUM INVESTMENT

In general, a prospective investor wishing to participate in this Offering will be required to contribute a minimum to the Fund of \$25,000, representing 25 Class A Units, though the Manager, in its sole discretion, may agree to accept less. Class B purchasers will be required to contribute a minimum to the Fund of \$100,000, representing 100 Class B Units, and Class C purchasers will be required to contribute a minimum to the Fund of \$250,000, representing 250 Class C Units. Purchasers of the Units offered for sale hereby will be admitted to the Fund as Members and will have the rights as set forth in the Fund's Operating Agreement and applicable law. The Manager will accept or reject each subscription agreement in its sole discretion.

OFFERING CLOSING

The subscription period will continue until the Offering Closing (the earlier of 12 months after the date of this Memorandum or the date the Offering is fully subscribed, unless extended or earlier terminated by the Manager in its sole discretion).

DISTRIBUTIONS FROM OPERATIONS

In accordance with the Operating Agreement, the Members may receive distributions of cash from Operations of the Fund, as determined by the Manager in its sole discretion, each calendar quarter after the Fund's first two years of operations, in the following order of priority:

- a) First, 100% *pari passu* to the Class A, Class B and Class C Members until they have received cumulative distributions equal to the Class A, Class B and Class C Members' Unreturned Capital Contributions;
- b) Second, 100% *pari passu* to the Class A, Class B and Class C Members until the Class A Members have received a 7.0% internal rate of return, the Class B Members have received an 8% internal rate of return and the Class C Members have received a 9% internal rate of return, in each case in proportion to each Member's respective Unpaid Preferred Return until such Member's Unpaid Preferred Return is fully paid and reduced to zero;
- c) Third, 100% to the Class D Member, until such Class D Member has received distributions sufficient to provide such Class D Member an amount that bears the same proportion to the total amount under (b) paid (i) to the Class A Members to date as 35 bears to 65, (ii) to the Class B Members to date as 30 bears to 70, and (iii) to the Class C Members to date as 20 bears to 80;
- d) Fourth, 100% distributed *pari passu* to holders of Class A, Class B and Class C Units as follows: (i) 65% to the Class A Members and 35% to the Class D Member, where the dollar amount to be distributed to Class A Members is based on the weighted pro rata percentage of Class A ownership among Classes A, B and C combined, until the Class A Members have received a 12% cumulative, non-compounded annual internal rate of return on the Class A Members' Unreturned Capital Contributions; (ii) 70% to the Class B Members and 30% to the Class D

Member where the dollar amount to be distributed to Class B Members is based on the weighted pro rata percentage of Class B ownership among Classes A, B and C combined, until the Class B Members have received a 12% cumulative, non-compounded annual internal rate of return on the Class B Members' Unreturned Capital Contributions; and (iii) 80% to the Class C Members and 20% to the Class D Member, where the dollar amount to be distributed to Class C Members is based on the weighted pro rata percentage of Class C ownership among Classes A, B and C combined until the Class C Members have received a 12% cumulative, non-compounded annual internal rate of return on the Class C Members' Unreturned Capital Contributions; and

- e) Thereafter, 50% *pari passu* to the Class A, Class B and Class C Members on the one hand and 50% to the Class D Member on the other hand.

The Manager does not expect to make any distributions in the first two years of the Fund's operations.

All calculations of internal rates of return will be determined using the XIRR function in Microsoft Excel and calculated beginning on the last date of the Quarter in which a Member has purchased Units.

As provided in the Operating Agreement, there are a number of conditions that must be met before any distributions from the Fund may be made to any Member.

The Manager will cause the Fund to establish such reserves as may be reasonably necessary for payment of all Fund expenses. To the extent the Fund has sufficient cash, the Manager may cause the Fund to make distributions as set forth in the Operating Agreement.

There can be no assurance that the Fund's objectives will be satisfied or that Members will receive any distributions.

RISK FACTORS

Investment in the Units of the Fund offered hereby involves significant risk, including the risk of a complete loss of the investment and the general economic failure of the Fund. In addition to the other information in this Memorandum, the following factors should be considered carefully in evaluating an investment in the Units offered hereby. The risks and uncertainties described below are not the only ones relevant to the Fund. The investment described herein is highly speculative, involves a high degree of risk and represents an illiquid investment. An investor should be able to bear the loss of the investor's entire investment. Investors are urged to read this Memorandum and the attached exhibits and should consult with the investor's own legal, tax, and financial advisors before investing in the Fund.

GENERAL RISKS

General Economic and Market Conditions

The Fund's activities may extend over several years, during which the business, economic, political and regulatory environments within which the Fund operates are likely to undergo substantial changes. Recent events demonstrate that such changes may be severe and adverse. The success of the Fund's activities may be affected by general economic and market conditions such as rising interest rates, availability of credit, increasing inflation rates, supply chain disruptions, labor issues, economic uncertainty, illiquidity and credit crises here or abroad, and changes in laws. Wars and other conflicts, such as the ongoing war in Eastern Europe, and United States and international political circumstances may also have a material adverse impact on the Fund's activities. Any of these factors may affect the Fund's investments.

Real Estate Market Performance

The U.S. real estate market has experienced unanticipated shifts in recent years. There can be no guarantee that elements that determine real estate values, such as tenant creditworthiness and the demand for real estate, will not soften, and the real estate market may suffer declines. Such a scenario could result in reduced investment returns or even investment losses for Members.

Uncertainty of Assumptions Underlying Targeted Returns

Investors have no assurance that the Fund will achieve its target internal rate of return and/or cash multiple of invested capital. Targeted returns contained herein are based on the Manager's analysis of the types of underlying investments it expects to make, the implementation of the Manager's investment strategy, the net returns on its investments, and costs related to those investments. While the Manager's targeted returns are based on assumptions that it believes are reasonable at this time, the actual realized returns on investments may differ materially from the assumptions and circumstances on which the targeted returns are based. Accordingly, the actual returns on any investments may differ materially from any targeted returns herein and no assurance can be given that the return objectives will be met. An investor could experience returns below the return objectives or a loss of its investment.

Changes in Law; Regulation of Private Investment Funds

Legal, tax, and regulatory changes could occur that may adversely affect the Fund at any time. The legal, tax, and regulatory environment for private investment funds is evolving, and changes in the regulation of such funds may adversely affect the ability of the Fund to pursue its investment strategy, its ability to obtain financing, and the value of investments by Members. Recent changes to the legal, tax and regulatory environment may have a material adverse effect on the Fund's activities, including the ability of the Fund to implement operating improvements or otherwise execute its investment strategy or achieve its investment objectives.

In addition, recent market disruptions and a dramatic increase in the capital allocated to alternative investment strategies have led to increased governmental as well as self-regulatory scrutiny of the private investment fund industry in general, and certain legislation proposing greater regulation of the industry periodically is being considered by the U.S. Congress, the SEC, the Federal Reserve Board and other bank regulatory authorities, and the Financial Stability Oversight Council. It is impossible to predict what, if any, changes may be instituted with respect to the regulations applicable to the Fund or its affiliates, the market in which they operate and invest, or the counterparties with which they do business, or what effect such legislation or regulations might have. There can be no assurance that the Fund or its affiliates will be able, for financial reasons or otherwise, to comply with future laws and regulations, and any regulations that restrict the ability of the Fund to implement its investment strategy could have a material adverse impact on the Fund and your investment in Units.

Projections, Assumptions, and Models

Certain factual information contained in this Memorandum has been obtained or derived from various sources believed by the Fund to be reliable, but the Fund has not independently verified this information and does not represent that it is accurate or complete. It is impossible to predict accurately the results to an investor of an investment in the Fund because of its recent formation and general uncertainties in the real estate and financing markets. The analyses contained herein are based on numerous assumptions. Different assumptions could result in materially different results. Past performance is not indicative of future results. Before making any investment, prospective investors should examine this Memorandum carefully and conduct their own due diligence.

Litigation and Proceedings

The financial services and real estate industries face substantial litigation and regulatory risks. The Manager is subject to claims and lawsuits in the ordinary course of business including litigation and class actions, some of which include claims for unspecified damages, and is also the subject of an ongoing investigation and administrative law proceedings by regulatory agencies. In addition, in February 2017 a complaint was filed against Coastal California Funding Group and its founder, Craig Cecilio, the Sponsor's current CEO and founder, which was settled after the company agreed to pay a fine for failure to properly supervise company activities.

Actions brought against the Fund, the Manager, the Sponsor or their principals may result in settlements, awards, injunctions, fines, penalties or other results adverse to such parties including reputational harm. Even if the Fund is successful in defending against these actions, their defense may result in significant expenses. A substantial judgment, settlement, fine, or penalty could be material to the Fund's operating results or cash flows. Moreover, in market downturns, the volume of legal claims and amount of damages sought in litigation and regulatory proceedings against financial services and real estate companies have historically increased.

In addition, the Fund's Operating Agreement provides that the losing party in any action against the Fund, the Manager, the Sponsor or their principals will be required to reimburse the prevailing party for all costs and expenses related to such action, including attorneys' fees. Pursuant to the Operating Agreement, such reimbursement may be deducted from the capital account of any Member who is a losing party in any such action.

Long-Term Commitment

Members will generally not be permitted to withdraw from the Fund once they have made a Capital Commitment. The Fund has a term of 7 years, subject to up to three one-year extensions. The Manager has broad discretion over when and how to liquidate Investments of the Fund and, as a result, when to make distributions. Distributions may be limited or non-existent during the term of the Fund. Capital contributed

to the Fund may remain in the Fund for up to the entire 10-year potential term of the Fund, and if there are losses, distributions upon liquidation may be limited. In light of the long-term commitment associated with an investment in the Fund, potential investors should only commit capital that they do not need in the foreseeable future and that they can afford to lose.

Sophisticated Investment

The investment objectives of the Fund involve a variety of risks and a wide range of assumptions. Investors should not invest in the Units if they do not fully comprehend the nature of these risks and assumptions.

RISKS RELATED TO THE FUND

No Operating History and Limited Resources

The Fund is a newly formed businesses with no history of operations and limited assets. The Fund is subject to the risks involved with any speculative new venture. No assurance can be given that the Fund will be profitable. The Manager has been associated with a variety of real property ventures. Neither the Manager nor the Fund represent that prior success in any such ventures is any indication of future performance. Further, the Manager has limited net worth and limited financial resources to satisfy its obligations as the Manager. A financial downturn or reversal for the Manager could adversely affect the ability of the Manager to manage the Fund. There can be no assurance that the Manager will have sufficient funds to meet its obligations to the Fund, or to otherwise financially support the Fund. The Manager has no obligation to advance, invest, or loan money to the Fund. There can be no assurance that an investment in Units will provide any investment return.

Limited Approval Rights Regarding Operating of the Fund

Members will only have limited approval rights regarding the operation of the Fund through Members' ownership of the Fund. A majority of the decisions regarding the Fund will be made by the Manager without input from the Members. See "Summary of the Operating Agreement."

Loss of Uninsured Bank Deposits

The Fund's cash, including subscription payments held in the depository account, will be held in bank depository accounts. While the FDIC insures deposits up to \$250,000 per depositor per insured institution in most cases, the Fund may have deposits at financial institutions in excess of the FDIC limits. The failure of any financial institution in which the Fund has funds on deposit in excess of the applicable FDIC limits may result in the Fund's loss of such excess amounts, which would adversely impact the Fund's performance.

Reliance on Management

Decisions regarding management of the Fund's and affairs will be made primarily by the Manager and not by the Members of the Fund. Accordingly, investors should not purchase Units unless they are willing to entrust most aspects of management to the Manager or its successor(s). The Fund's success will depend on its ability to retain the services of investment professionals and potential investors must carefully evaluate the personal experience and business performance of the principals of the Manager.

In addition, the departure for any reason of any senior members of the management team or of a significant number of other investment professionals, including independent contractors, would have a material adverse effect on the Fund's ability to achieve its investment objectives.

Standard of Care

The Manager will have no fiduciary responsibilities to the Members or the Fund except as specifically set forth in the Operating Agreement. As permitted under the Delaware Limited Liability Company Act, these duties are limited to a duty of good faith and fair dealing, a duty of care and a duty of loyalty. The Manager's fiduciary duties will be limited to the fullest extent allowable by law. Without limiting the generality of the foregoing, the Manager is specifically authorized to devote less than its full time or business efforts to the affairs of the Fund and may engage in any other business or activity whatsoever (including business related to the Fund's stated and/or actual purposes or in competition with the Fund).

Asset Management

The Fund's Investments will be managed by the Manager or by a third party selected by the Manager. There can be no assurance that the Manager or any third-party property management company will be able to successfully manage the Fund's Investments.

No Financial Statements of the Manager

This Memorandum does not contain any financial statements of the Manager.

No Audit of Fund's Financial Statements

Because the Fund has no operating history, the Manager does not believe that the expense of an audit of the Fund's financial statements is justified and therefore no audit will be conducted. Therefore, there will be no third-party review of the Fund's financial statements and investors will need to rely on the Manager as to the accuracy and correctness of the Fund's financial statements.

Adequacy of Reserves to Cover Unanticipated Losses

The Fund may fail to establish sufficient reserves as a contingency against risks, losses, operating shortfalls and cost overruns and the Fund will not have the ability to require investors to contribute additional capital. As a result, the Fund could be required to seek additional capital and there is no assurance that any additional capital would be available when needed, or at all. Investors should understand that any such capital constraints will affect the risks and potential investment returns.

Liability of Members

In general, Members of the Fund may be liable for the return of a distribution to the extent that the Members knew at the time of the distribution that after such distribution, the remaining assets of the Fund would be insufficient to pay the then outstanding liabilities of the Fund (exclusive of liabilities to members on account of their limited liability company interests and liabilities for which the recourse of creditors is limited to specified property of the limited liability company). Otherwise, Members are generally not liable for the debts and obligations of the Fund beyond the amount of the capital contributions they have made or are required to make under the Operating Agreement.

Limitation of Liability/Indemnification of the Manager

The Manager and its attorneys, agents, and employees may not be liable to the Fund or Members for errors of judgment or other acts or omissions not constituting fraud, gross negligence, or willful misconduct as a result of certain indemnification provisions in the Operating Agreement. Any successful claim for such indemnification would deplete the Fund's assets by the amount paid.

Purchase of Units by the Manager or an Affiliate

The Manager or an affiliate or one or more of their respective principals may purchase Units on the same terms as the other members. The Manager or an affiliate, or their respective principals, will not acquire any Units with a view to resell or distribute such Units. Any purchase of Units by the Manager or an affiliate, including their respective principals, will be on the same terms and conditions as are available to all investors. The purchase of Units by the Manager or an affiliate or their respective principals could create certain risks including, but not limited to, the following: (i) the Manager, as a Member, could obtain additional voting power, (ii) the Manager may have an interest in disposing of the Fund assets at an earlier date than the other Members so as to recover their investment in the Units, and (iii) substantial purchases of Units may limit the Manager's ability to fulfill any financial obligations that it may have to or on behalf of the Fund.

Business Dependent upon Key Individuals

The Manager will have authority to make decisions or to exercise business discretion on behalf of the Fund. Various principals' roles are crucial to the success of the Fund's Investments. The loss of their services could materially and adversely affect the ongoing operations of the Fund.

No Guaranteed Cash Flow

There can be no assurance that cash distributions will, in fact, be made or, if made, whether those distributions will be made when or in the amount anticipated. Delays in making cash distributions could result from the inability of the Fund to purchase, develop, or operate its assets profitably. The Investments contemplated by the Fund are inherently risky, and there can be no assurance that the Fund will achieve its investment objectives, that the Fund's Investments will be profitable or that any distributions will be made to the Members upon liquidation of the Fund or otherwise. The marketability and value of the Fund's Investments will depend upon many factors beyond the control of the Fund. The investment losses and expenses of the Fund may exceed its investment gains and income, and Members could lose the entire amount of their contributed capital.

Determination of Offering Price

Prior to this Offering, there has been no public market for the Units. The prices of the Units were determined arbitrarily without regard of the assets, earnings potential, or other criteria of value. The Offering Price should not be considered an indication of the actual present or future value of the Units.

No Active Trading Market

The Units are not and will not be qualified for public trading on any secondary market. The lack of an active trading market for the Units may result in losses on your investment. If you need to sell your Units at a time when no market for them exists, you may be unable to sell your Units. Units may not be assigned, transferred or encumbered without the prior written consent of the Manager. Accordingly, a Member must be prepared to bear the risks of owning the Units for an extended period.

Long-Term Nature of Investment; Restrictions on Marketability

There is no public or private market for the Units and no market is expected to develop after the Offering. In addition, there is no assurance of any distribution to Members. Consequently, an investment in the Units is highly illiquid and suitable only for those investors who have no need for liquidity in the investment and who can afford to make an investment that may have to be held for a long period of time and that cannot be readily sold, transferred or assigned. The Units will not be registered in the U.S. under the Securities Act or the securities laws of any state and may be resold only in transactions exempt from registration under the Securities

Act and applicable state and non-U.S. securities laws. Significant restrictions on resale are imposed in the governing documents of the Fund. You may not be able to liquidate your Units in the event of an emergency or for any other reason.

Unregistered Offering – Lack of Regulatory Review

Because the Offering is a private offering and is not registered under any federal or state securities laws, investors will not have the benefit of a review of the Offering or of this Memorandum by the United States Securities and Exchange Commission (“SEC”) or any similar state securities agency or commission. The terms and conditions of the Offering may not comply with guidelines and regulations established for real estate programs that are required to register or be qualified with the SEC or any state securities commission and no regulatory authority will review this Memorandum.

Failure to Comply with Exemptions

The Units are being offered, and will be sold, to investors in reliance on exemptions from the registration requirements of the Securities Act and state securities laws. If we fail to comply with all of the requirements of these exemptions, it is possible that investors may be entitled to seek rescission of their purchase of the Units, if they so desire. If a number of investors were successful in seeking rescission, the Fund would face significant financial demands which could adversely affect it as a whole.

Prohibition on Bad Actors

This Offering is intended to be made in compliance with Rule 506 of Regulation D promulgated under the Securities Act. Regulation D offerings include a prohibition on the participation of certain “bad actors.” In the event that a statutory “bad actor” participates in the Offering, the Fund may lose its exemption from registration of the Units.

Limited Voting Powers and Voice in Management

Except for certain decisions set forth in statute and in the Operating Agreement, the Members will have no voting rights and/or limited ability to participate with respect to the operation, management and conduct of the affairs of the Fund or any Fund Investment. See “Summary of the Operating Agreement.”

Exculpation and Indemnification

Under the Operating Agreement, neither the Manager nor any of its principals, agents, servants, employees, members, or affiliates is liable to the Fund or its respective Members for any act or omission based upon errors of judgment or other fault in connection with the business or affairs of the Fund as long as the relevant person acted honestly and in good faith and that act or omission did not constitute gross negligence or a willful violation of law. These provisions alter the fiduciary duties of the Manager such that no action taken or omitted to be taken by the Manager, including actions involving conflicts of interest, as described in this Memorandum and otherwise, breaches any duty to the Fund or its Members if the relevant person acted honestly and in good faith and the act or omission does not constitute gross negligence or a willful violation of law. In addition, the Manager and its employees, agents and affiliates have broad indemnification rights for any act or omission where they acted honestly and in good faith and where the act or omission does not constitute gross negligence or a willful violation of law under their various agreements with the Fund. Under some securities and corporate laws, in some circumstances, liability may be imposed even when a person acts in good faith, and the exculpation and indemnification of the Fund may not be effective to limit the liability of their persons to the extent liability would otherwise be imposed under certain provisions of the securities and corporate laws.

Regulation under the Investment Company Act

Given the nature of the Fund's planned investments, the Manager expects that the Fund will not be an "investment company" required to register as such under the Investment Company Act of 1940, as amended (the "**Investment Company Act**"). If the Fund were determined to be an investment company under the Investment Company Act and otherwise had failed to qualify for an exemption from the registration requirements of the Investment Company Act, the Fund would be subject to significant negative consequences including fines, penalties, and costs associated with registration as an investment company or defending against lawsuits or other proceedings. Should the Fund be subjected to any or all of the foregoing, the Fund would be affected materially and adversely, which would substantially increase the risk of failure of an investment in Units.

Regulation Under the Investment Advisers Act

The Manager is not registered as an investment adviser with the SEC under the Investment Advisers Act of 1940, as amended ("**Investment Advisers Act**"), or any similar state law, because the Manager (i) is not and does not intend to be in the business of advising investors or others as to the value of securities, or investing in, purchasing, or selling securities, or issuing or promulgating analyses, reports or other publications concerning securities; and (ii) is not receiving compensation for securities advising or securities publications or analyses. In the event the Manager is considered an "investment adviser" as defined by the Investment Advisers Act, the Manager anticipates that it will not be required to register with the SEC or any state regulatory agency pursuant to one or more exemptions under the Investment Advisers Act for private fund advisors. Registered investment advisers are subject to limitations on the amount of fees they may receive, among other restrictions. In the event that the Manager was required to be licensed as an investment adviser, the Manager or the Fund could be subject to cease and desist orders, fines, administrative penalties or other sanctions, some or all of which, individually or in the aggregate, could have a materially adverse impact on the Fund and its operations.

Regulation Under the Securities Act

The Units have not been and will not be registered under the Securities Act or under the securities laws of any state or foreign jurisdiction but will be offered and sold pursuant to the exemption set forth in Section 4(2) of the Securities Act and Rule 506 of Regulation D promulgated thereunder. As a result, investors in the Partnership will not have certain regulatory protections provided to investors in registered securities. The Units will be sold only to "accredited investors" as that term is defined in Rule 501 of Regulation D. If it were determined after the Units are sold that the Offering did not qualify for exemption under Rule 506, or for any other exemption, the securities would have been sold in violation of Section 5 of the Securities Act. Both federal and state laws include provisions under which purchasers of unregistered, non-exempt securities may seek the return of their investment. The Fund may not have funds sufficient to repay investors in such case without materially jeopardizing its prospects for success.

Limited Transferability of Units

Each investor who becomes a Member will be required to represent that such investor is acquiring the Units for investment and not with a view to distribution or resale, that such investor understands the Units are not freely transferable, and that such investor must bear the economic risk of investment in the Fund for an indefinite period of time. The Units have not been registered under the Securities Act or applicable state securities laws and cannot be sold unless they are subsequently registered or an exemption from such registration is available and unless such investor complies with the other applicable provisions of the Operating Agreement. There will be no market for the Units and a Member cannot expect to be able to liquidate his, her or its investment in the case of an emergency. Further, the sale of Units may have adverse federal income tax consequences. The transfer of a Member's Units is strictly limited and requires the prior written consent of the

Manager. No transfer will be allowed unless the Manager determines, in its sole discretion, that the transfer will not cause the Fund to be “publicly traded.” There are no specified circumstances relating to the granting or withholding of the required prior written consent of the Manager, although the Manager will observe the standards of a fiduciary to the Members as a group in determining whether to grant or withhold its consent as to any particular request for a transfer.

Speculative Investment

The Fund’s business objectives are highly speculative and there is no assurance that the Fund will satisfy those objectives. No assurance can be given that the Members will realize a substantial return, or any return, on their purchase of Units or that the Members will not lose their entire investment in the Fund.

Sale of Additional Units in the Future

Future capital requirements depend on many factors, including the Fund’s financing needs. Although the Fund anticipates that the funds generated by this Offering (together with the anticipated debt financing) will be sufficient to fund the anticipated Investments, to the extent that the funds are insufficient, it may be necessary to raise additional funds through additional financings. Any equity or debt financings of the Fund, if available at all, may be on terms that are not favorable to the Fund. In the case of debt financings, the obligations related to such debt may restrict the Fund’s operations, encumber their assets, and jeopardize their ability to obtain other financings. If adequate capital cannot be obtained, the Fund’s business, operating results and financial condition could be adversely and materially affected.

Debt Financing Presents Risks

The Fund expects to employ leverage in connection with its operations in order to increase the number of Investments it can make and its profitability generally. The use of leverage involves a high degree of financial risk and may increase the exposure of the Fund to factors such as rising interest rates or downturns in the economy. Principal and interest payments on any indebtedness of the Fund would have to be made when they become due and payable regardless of whether sufficient cash is available. If sufficient cash flow is not available, the obligation to pay principal and interest on the debt, if any, could negatively impact the Fund and its ability to make distributions to the Members. If such capital is not available, the Fund’s default in paying such principal and interest could result in foreclosure of any security instrument or corporate guarantee securing the debt and the complete loss of the Fund’s capital invested and/or assets.

Side Letters and Separate Understandings with Certain Members

The Manager, in its own name or on behalf of the Fund, may enter into side letters or other written agreements to or with an investor or any Member, without the consent of or disclosure to other Members, to provide additional rights or obligations pertinent to investments in the Fund. As a result of side letters, certain Members, including Members who have made investments in the Fund significantly greater than the investment minimum, may benefit from arrangements that do not apply to others. No waiver or modification of terms for any Member will entitle any other Member to such waiver or modification. The Manager is not required to notify Members of any side letters or of any of the terms thereof, nor will the Manager be required to offer any of the terms set forth in any side letter to other Members.

Potential Conflicts Among Members

The Members may include persons or entities organized in various jurisdictions within the United States who may have conflicting investment, tax and other interests with respect to their investments in the Fund. The conflicting interests of individual Members may relate to or arise from, among other things, the nature of

investments made by the Fund, the structuring of the acquisition of the Fund Investments and the timing and disposition of investments. Such structuring of the Fund Investments may result in different returns being realized by different Members. As a consequence, conflicts of interest may arise in connection with decisions to be made by the Manager, including with respect to the nature or structuring of investments which may be more beneficial for one Member than for another Member, especially with respect to each Member's individual tax situations. In selecting and structuring any acquisition of real estate, the Manager will be under no obligation to consider the investment, tax or other objectives of any Member individually.

Cybersecurity Risk

The Fund and its affiliates are susceptible to operational, information security and related risks. In general, cyber incidents can result from deliberate attacks or unintentional events. Cyberattacks include, but are not limited to, gaining unauthorized access to digital systems (*e.g.*, through "hacking" or malicious software coding) for purposes of misappropriating assets or sensitive information, corrupting data, or causing operational disruption. A successful penetration or circumvention of the security of the Fund's systems or the systems of service providers, counterparties or others on whom they rely could result in the loss or theft of an investor's data or funds, the inability to access electronic systems, loss or theft of proprietary information, physical damage to a computer or network system or costs associated with system repairs. Cyberattacks may also be carried out in a manner that does not require gaining unauthorized access, such as causing denial-of-service attacks on websites (*i.e.*, efforts to make network services unavailable to intended users). Such incidents could cause the Fund and its counterparties and other service providers to incur regulatory penalties, reputational damage, additional compliance costs or financial loss.

REAL ESTATE RISKS

General Risk of Investment in Real Estate

The economic success of an investment in the Fund will depend upon the operations and potential sales of Fund assets, which will be subject to risks typically associated with investments in real estate. Fluctuations in occupancy rates, rental rates, interest rates, economic conditions, and operating and development expenses can adversely affect operating results or render the sale or refinancing of the properties difficult or unattractive. No assurance can be given that certain assumptions as to future levels of sales and development will be accurate since such matters will depend on events and factors beyond the control of the Manager. Such factors include adverse changes in tenant needs, local population trends, market conditions, neighborhood values, economic and social conditions, supply and demand for properties, competition from similar properties, interest rates and real estate tax rates, governmental rules, regulations and fiscal policies, the enactment of unfavorable real estate rent control, environmental, zoning, or hazardous material law, uninsured losses, effects of inflation, and other risks.

Local Market Conditions

The Fund's performance and its ability to make distributions to Members could be materially and adversely affected by local market and economic conditions. Risks that may affect conditions include:

- the macroeconomic and/or local economic climate (which may be adversely affected by industry slowdowns, decreases in government spending, and other factors);
- lack of availability of mortgage funds to refinance or facilitate selling;
- local and/or national real estate conditions (such as an oversupply of properties);
- casualty or condemnation losses;
- uninsured damages from floods, earthquakes or other natural disasters;

- changes in interest rates;
- extended vacancies of properties;
- changes in zoning laws and/or the inability to obtain needed changes, approvals or waivers;
- a decline in business growth that adversely affects occupancy or rental rates;
- the inability or unwillingness of tenants to pay rent increases;
- an adverse change in local and/or national governmental procedures; and
- significant change in property tax assessments.

Any or all of these risks could adversely affect the Fund's ability to achieve its desired yields and to make expected distributions to the Members.

Toxic Mold

Litigation and concern about indoor exposure to certain types of toxic molds has increased as the public has become aware that exposure to mold can cause a variety of health effects and symptoms, including allergic reactions. Toxic molds can be found almost anywhere: they can grow on virtually any organic substance, as long as moisture and oxygen are present, including on wood, paper, carpet, foods, and insulation. When excessive moisture accumulates in buildings or on building materials, mold growth will often occur, particularly if the moisture problem remains undiscovered or unaddressed. It is impossible to eliminate all mold and mold spores in the indoor environment. In warm or humid climates, the likelihood of toxic mold can be exacerbated by the necessity of indoor air-conditioning year-round. The difficulty in discovering indoor toxic-mold growth could lead to an increased risk of lawsuits by affected persons, and the risk that the cost to remediate toxic mold will exceed the value of the property. Because of attempts to exclude damage caused by toxic mold growth from certain liability provisions in insurance policies, there is no guarantee that insurance coverage for toxic mold will be available now or in the future.

Toxic and Hazardous Materials; No Environmental Indemnity

Federal, state, and local laws impose liability on a landowner for releases of or the otherwise improper presence on the premises of hazardous substances. This liability is without regard to fault for, or knowledge of, the presence of such substances. A landowner may be held liable for hazardous materials brought into the property before it acquired title and for hazardous material that are not discovered until after it sells the property. Similar liability may occur under applicable state law. If any hazardous materials are found within the properties that will be acquired by the Manager to be in violation of law at any time, the Fund may be liable for all cleanup costs, fines, penalties and other costs. This potential liability will continue after properties are sold, may apply to hazardous substance contamination, and may not be recoverable from a responsible party, in which case the financial viability of the property may be substantially affected. In extreme cases, the property may be rendered worthless or worse, where the developer and the Fund may be obligated to pay cleanup costs in excess of the value of the property.

Asbestos Containing Materials

Certain U.S. federal, state, and local laws, regulations and ordinances govern the removal, encapsulation or disturbance of asbestos containing materials when such materials are in poor condition or in the event of construction, remodeling, renovation, or demolition of a building. Such laws may impose liability for release of asbestos containing materials and may provide for third parties to seek recovery from owners or operators of real property for personal injury associated with asbestos containing materials, and the Fund may incur costs associated with the removal of asbestos containing materials or liability to third parties.

Other Hazardous Materials

The Manager may obtain a Phase I environmental assessment to determine the existence of hazardous materials and other environmental problems prior to closing on any real estate asset. However, it is possible that a real estate assets may have known or unknown environmental problems which may bear on the potential return to the Fund. It is also possible that a third party engaged by the Manager to prepare the Phase I will fail to include certain hazardous materials or other environmental problems in the Phase I.

Documentation and Risk of Legal Disputes

Investments in real estate are typically governed by complex legal agreements. As a result, there may be a higher risk of dispute over interpretation or enforceability of these agreements.

Uninsured Losses

The Manager will attempt to maintain adequate insurance coverage against liability for personal injury and property damage. However, there can be no assurance that insurance will be sufficient to cover any such liability. In addition, insurance against certain risks, such as hurricanes, wildfires, tornadoes, floods and earthquakes, may be unavailable or available only at an unacceptable cost or in amounts that are less than the full market value or replacement cost of the properties; in which case, the Fund may not obtain the necessary insurance coverage and the Fund does not intend to obtain any additional insurance coverage. Furthermore, there can be no assurance that particular risks which are currently insured will continue to be insured on an economical basis or that current levels of coverage will continue to be available. If a loss occurs that is partially or completely uninsured, the Manager, the Fund and Members may lose all of their investment in the Fund.

The Fund may acquire properties subject to known or unknown liabilities and with limited or no recourse. As a result, if liability were asserted against the Fund based upon such properties, the Fund might have to pay substantial sums to dispute or remedy the matter, which could adversely affect the Fund's cash flow. Unknown liabilities with respect to properties acquired could include: liabilities for clean-up of undisclosed environmental contamination; claims by persons relating to the former owners of the properties; liabilities incurred in the ordinary course of business; and claims for indemnification by the general partners, directors, officers, and others indemnified by the former owners of the properties.

Lack of Diversification

The Fund's portfolio will not be diversified into a wide variety of asset classes and will be concentrated in a single or a small number of geographic regions. The Fund intends to primarily invest in distressed real estate assets only within the United States. Accordingly, any adverse effects on the real estate industry in general or limited to such geographic area (including, without limitation, decreases in property value, natural disasters, COVID-19 outbreaks or recurrences, weather issues, current or anticipated climate change, and other factors), or any changes in tax laws affecting the treatment of debt investments (including, without limitation, relating to the deduction of interest expenses, real estate taxes and depreciation as well as changes in ordinary income or capital gains rates), may have an unmitigated effect on the Fund and the economic returns to the Members. The aggregate return of the Fund can be substantially negatively affected by adverse regional or local economic conditions or by the unfavorable performance of even a single investment.

Depending upon the amount of commitments as of the final Offering Closing, it is possible the Fund may not be able to make all the investments that it intends to, increasing the vulnerability of the Fund's portfolio. Further, the Operating Agreement's restrictions with respect to diversification and size of the Fund's investments are limited.

The number of investments in which the Fund will invest may be limited and, as a consequence, the aggregate return of the Fund may be dependent on a few investments (and, therefore, may be adversely affected by the

unfavorable performance of even a single investment). Other than the restrictions set forth in the Operating Agreement, the Investment Manager may allocate the Fund's capital among the investments as it determines in its sole discretion, subject to the goal of maximizing the Fund's returns, and investors have no assurances with respect to the diversification or geographic concentration of the Fund's investment program. To the extent the Fund concentrates investments in a particular obligor, type of loan, or geographic region or sub-region, its investments will become more susceptible to fluctuations in value resulting from adverse economic or business conditions affecting that particular obligor or region. This means that the Fund may be more susceptible than a more widely diversified investment partnership to the negative consequences of a single corporate, economic, political, or regulatory event. Unfavorable performance by even a single investment could substantially adversely affect the aggregate returns realized by investors in the Fund.

Illiquidity of Real Estate Investments

The Fund's ownership in distressed assets will be illiquid. This illiquidity will limit the ability of the Fund to respond to changes in economic or other conditions.

Condemnation of Land

Real estate owned by the Fund could become subject to an eminent domain or inverse condemnation action. Any such action could have a material adverse effect on the marketability of such real estate or the amount of return on investment for the Members.

Compliance with the Americans with Disabilities Act

Under the Americans with Disabilities Act of 1990 (the "ADA"), public accommodations must meet certain federal requirements related to access and use by disabled persons. Facilities initially occupied after January 26, 1992 must comply with the ADA.

Regulatory Matters

Future changes in land use and environmental laws and regulations, whether federal, state or local, may impose new restrictions on the development or use, and therefore the value, of real estate. The re-sale of the real estate by the Fund may be adversely affected by such regulations.

Natural Disasters

Natural disasters and severe weather such as earthquakes and tornadoes may result in significant damage to real estate. The extent of loss in operating income in connection with such events is a function of the severity of the event and the total amount of exposure in the affected area.

FINANCING RISKS

Leverage and Availability of Financing and Market Conditions

Market fluctuations in real estate financing may affect the availability and cost of funds needed in the future for the Fund assets, and the Manager and the Fund are unable to predict the effects of such fluctuations in the Fund. In addition, credit availability has been restricted in the past and may become restricted again in the future. Restrictions upon the availability of real estate financing on real estate loans could adversely affect the value of the Fund Investments. No assurance can be given that future cash flow will be sufficient to make debt service payments on any loans and to cover all operating expenses. If the Fund's revenues are insufficient to pay debt service and operating costs, the Fund may be required to seek additional working capital. There can

be no assurance that such additional funds will be available. In the event additional funds are not available, the lender(s) may foreclose on one or more Fund assets and the Members could lose their investment. In addition, the degree to which a Fund asset is leveraged could have an adverse impact on the Fund, including (i) increased vulnerability to adverse general economic and market conditions, (ii) impaired ability to expand and to respond to increased competition; (iii) impaired ability to obtain additional financing for future working capital, capital expenditures; general corporate or other purposes and (iv) requiring that a significant portion of cash provided by operating activities be used for the payment of debt obligations, thereby reducing funds available for operations and future business opportunities.

Interest Rate Risk

Loans, whether purchase from a third-party or originated by the Fund, may change in value because of changes in interest rates. The value of any such loan with a longer duration will be more sensitive to changes in interest rates than a similar loan with a shorter duration. Interest-only loans are especially sensitive to interest rate changes, which can affect not only their prices but can also change the income flows and repayment assumptions about those investments.

If interest rates rise, repayments of principal on certain debt securities, including floating rate loans and mortgage-related securities, may occur at a slower rate than expected and the expected maturity of those securities could lengthen as a result. Securities that are subject to extension risk generally have a greater potential for loss when prevailing interest rates rise, which could cause their values to fall sharply.

Furthermore, increases in interest rates will make mortgage financing for real estate purchasers more expensive, and will negatively impact market prices. Moreover, the cost of borrowing by the Fund would also be increased. Any of these could have a material adverse impact on the business, operations, financial condition and prospects of the Fund.

Events of Default

It is anticipated that certain actions by the Fund may constitute events of default under applicable loan documents. Generally, it is anticipated that the following items would cause a default under an applicable loan: the failure to pay required payments under the loan, the failure to pay taxes, the failure to maintain insurance, the assignment by an owner of certain real estate or an interest in certain real estate to a creditor, , the filing of an action for partition, or the transfer of an interest in certain real estate without lender's consent. Additional events of default may be applicable for loans the Fund receives.

RISKS RELATED TO COVID-19 AND OTHER DISEASES

Significant Uncertainties and Economic Disruption

The outbreak and global spread of a novel strain of coronavirus (“**COVID-19**”) and the various attempts to contain the virus created significant uncertainties and economic disruption throughout the world. COVID-19 continues to evolve and new strains of the virus continue to spread globally. The effects of “long COVID” are still unknown and we cannot predict the extent to which the coronavirus or other diseases may directly or indirectly affect the real estate industry as a whole or the potential for investment returns.

Business Risks

The COVID-19 outbreak forced many companies to close certain business operations, to impose travel restrictions, and to adopt remote work protocols in an attempt to protect workforce health and slow community spread of the disease. Should COVID-19 or any other pandemic resurge, the Manager's attention may be

diverted away from normal operations and its resources may be constrained. While we cannot predict the duration or scope of the COVID-19 pandemic, the emergence of new variants, or the emergence of other diseases, the pandemic may have a negative material impact on the Fund's business.

RISKS RELATED TO CONFLICTS OF INTEREST

The Fund is subject to various potential and actual conflicts of interest arising out of its relationship with the Manager, the REIT Manager and REIT and their respective principals and affiliates. None of the agreements and arrangements between the Fund, Manager, REIT Manager, and REIT is the result of arm's-length negotiations. These conflicts include, but are not limited to, the following:

Other Investment and Business Opportunities

THE MANAGER, ITS AFFILIATES AND THEIR RESPECTIVE PRINCIPALS DEVOTE AS MUCH OF THEIR TIME AND RESOURCES TO THE ACTIVITIES OF THE FUND AS THEY DEEM NECESSARY AND APPROPRIATE. THERE IS NO RESTRICTION ON THE MANAGER, ITS AFFILIATES OR THEIR RESPECTIVE PRINCIPALS ENTERING INTO OTHER RELATIONSHIPS OR ENGAGING IN OTHER BUSINESS ACTIVITIES, EVEN THOUGH THOSE ACTIVITIES MAY BE IN COMPETITION WITH THE FUND, WHETHER OR NOT SUCH ACTIVITIES MAY INVOLVE SUBSTANTIAL AMOUNTS OF THEIR TIME AND RESOURCES.

No Separate Representation

THE MANAGER AND THE FUND HAVE NOT BEEN REPRESENTED BY SEPARATE COUNSEL IN CONNECTION WITH THE FORMATION OF THE FUND, OR THE DRAFTING OF THIS MEMORANDUM OR THE OPERATING AGREEMENT, OR ANY OTHER OF THE VARIOUS AGREEMENTS AND OTHER DOCUMENTS OR ENTITIES RELEVANT TO THIS OFFERING OR THE OFFERING OF THE UNITS THEMSELVES. THE ATTORNEYS, ACCOUNTANTS AND OTHER EXPERTS WHO PERFORM SERVICES FOR THE FUND AND THE MANAGER MAY PERFORM SIMILAR SERVICES FOR THEIR AFFILIATES AND PRINCIPALS, AND IT IS CONTEMPLATED THAT SUCH MULTIPLE REPRESENTATIONS WILL CONTINUE IN THE FUTURE. HOWEVER, SHOULD THE FUND OR THE MANAGER BECOME INVOLVED IN DISPUTES, THE MANAGER WILL CAUSE THE DISPUTING PARTIES TO RETAIN SEPARATE COUNSEL FOR SUCH MATTERS.

Competition by the Fund with Affiliates of Manager

THE MANAGER, ITS PRINCIPALS, EMPLOYEES, AGENTS, MEMBERS, AND AFFILIATES MAY FORM ADDITIONAL LIMITED LIABILITY COMPANIES, PARTNERSHIPS, OR OTHER ENTITIES IN THE FUTURE TO ENGAGE IN ACTIVITIES SIMILAR TO THOSE OF THE FUND, AND MAY BE ENGAGED IN SPONSORING ONE OR MORE SUCH ADDITIONAL ENTITIES AT APPROXIMATELY THE SAME TIME AS THE FUND'S INVESTMENT IN ANY FUND INVESTMENT IS BEING MADE. THESE ACTIVITIES MAY INVOLVE CONFLICTS OF INTEREST AND/OR DIRECT COMPETITION. UNDER NO CIRCUMSTANCES WILL PURSUIT BY SUCH PERSONS OF SUCH COMPETING ACTIVITIES BE CONSTRUED AS A BREACH OF SUCH PERSON'S DUTIES TO THE FUND OR MANAGER.

ADDITIONALLY, THE PRINCIPALS OF THE MANAGER AND ITS AFFILIATES ARE EMPLOYED INDEPENDENTLY OF THE FUND AND MAY ENGAGE IN OTHER ACTIVITIES. THE MANAGER AND ITS AFFILIATES AND THEIR RESPECTIVE PRINCIPALS ARE ENGAGED IN OTHER ACTIVITIES AND INTEND TO CONTINUE TO ENGAGE IN SUCH ACTIVITIES IN THE

FUTURE, INCLUDING OTHER REAL ESTATE VENTURES THAT MAY ACQUIRE REAL ESTATE THAT IS SIMILAR TO FUND INVESTMENTS. THE MANAGER AND ITS AFFILIATES AND THEIR PRINCIPALS WILL THEREFORE HAVE CONFLICTS OF INTEREST IN ALLOCATING MANAGEMENT TIME, SERVICES AND FUNCTIONS BETWEEN VARIOUS EXISTING ENTERPRISES AND FUTURE ENTERPRISES THE MANAGER ITS AFFILIATES AND PRINCIPALS MAY ORGANIZE, AS WELL AS OTHER BUSINESS VENTURES IN WHICH THE MANAGER ITS RESPECTIVE AFFILIATES AND PRINCIPALS MAY BE OR MAY BECOME INVOLVED. THE MANAGER AND ITS AFFILIATES, HOWEVER, BELIEVE THAT THEY WILL HAVE SUFFICIENT STAFF, CONSULTANTS, INDEPENDENT CONTRACTORS AND BUSINESS MANAGERS TO ADEQUATELY PERFORM THEIR RESPONSIBILITIES TO THE FUND. SEE APPENDIX II TO THIS MEMORANDUM FOR AN OVERVIEW OF THE RELATIONSHIP BETWEEN THE FUND, MANAGER, REIT, REIT MANAGER AND THEIR RESPECTIVE PRINCIPALS.

Ownership of the Manager

THE MANAGER AND REIT ARE AFFILIATES, AS (a) THE MANAGER IS THE SOLE MANAGER OF REIT MANAGER, AND (b) REIT MANAGER IS THE SOLE MANAGER OF REIT. ACCORDINGLY, GIVEN THE AFFILIATIONS OUTLINED ABOVE AND IN APPENDIX II ATTACHED TO THIS MEMORANDUM, SUCH OTHER MEMBERS OF MANAGER, REIT MANAGER, REIT, OR THEIR RESPECTIVE AFFILIATES AND PRINCIPALS, MAY HAVE CONTROL OVER, OR WILL HAVE TO PARTICIPATE IN, DECISIONS INVOLVING THE MANAGER AND THE FUND, AND THUS, AN INVESTOR'S INVESTMENT MAY BE SUBJECT TO THE DECISIONS OF SUCH OTHER MEMBERS AND PRINCIPALS, WHOSE INTERESTS MAY NOT BE ALIGNED WITH THOSE OF THE FUND.

RISKS RELATED TO TAX MATTERS GENERALLY

The following discussion summarizes certain general tax risks associated with an investment in the Units. Unless otherwise indicated, all statutory references in this Section of the Memorandum are to the Internal Revenue Code of 1986 (the “**Code**”). IN ADDITION TO THIS SECTION, EACH PROSPECTIVE INVESTOR SHOULD ALSO READ THE “UNITED STATES FEDERAL INCOME TAX CONSEQUENCES” BELOW CAREFULLY. EACH PROSPECTIVE INVESTOR SHOULD ALSO OBTAIN THE ADVICE OF HIS, HER, OR ITS OWN TAX ADVISOR CONCERNING THE MATTERS DISCUSSED HEREIN AND THE EFFECT OF AN INVESTMENT IN THE UNITS ON HIS, HER, OR ITS TAX SITUATION.

Uncertain Tax Consequences

The Internal Revenue Service (“**IRS**”) or the courts might disagree with the positions taken by the Fund and/or its Members as to the tax consequences of an investment in Units. In addition, such tax consequences could be changed significantly by reason of further changes in the tax laws or the interpretations thereof, any of which could be applied retroactively. A change in tax law could materially and adversely affect the value of an investment in Units.

No IRS Rulings

The Fund will not seek a ruling from the IRS as to any of the federal income tax consequences of an investment in the Units. Thus, positions taken by the Fund as to tax consequences could differ from positions taken ultimately by the IRS, which could result in unexpected and material modifications to the tax returns and tax liabilities of the Fund and its Members.

Partnership Status

The flow-through to Members of the Fund's items of income, gain, loss and deduction depends upon classification of the Fund as a "partnership" (rather than as an association taxable as a corporation) for federal income tax purposes. Section 7704 of the Code treats certain "publicly traded partnerships" as corporations for federal income tax purposes. Section 7704 defines a publicly traded partnership as a partnership in which the partnership interests are traded on an established securities market or are readily tradable on a secondary market or the substantial equivalent of a secondary market. If all interests in a partnership were issued in transactions that were not required to be registered under the Securities Act of 1933 and if the partnership does not have more than 100 partners at any time, the interests in such partnership will be treated as not readily tradable on a secondary market or the substantial equivalent of a secondary market. The Fund does not expect to be taxable as a corporation under the "publicly traded partnership" rules of Section 7704 of the Code, but there can be no assurance that will be the case. In addition, the U.S. Congress and several states are evaluating ways to subject partnerships to entity-level taxation. Entity-level taxation would reduce the Fund's distributions to the holders of the Units and could adversely affect the value of an investment in the Units.

Effective for tax years beginning after December 31, 2017, the U.S. Congress enacted Section 199A of the Code, which provides that each owner of a pass-through entity (such as a partnership) is entitled to a deduction of up to 20% of the "qualified business income" allocated to the owner from such entity. "Qualified business income" is generally defined as the net amount of qualified items of income, gain, deduction, and loss relating to any qualified trade or business of the taxpayer. This deduction is subject to various limitations and phase-outs based on the owner's personal income tax situation, as well as the tax and financial situation of the entity. Accordingly, the availability of this deduction to each Member with regard to the Fund's income is uncertain and may be subject to limitations and phase-outs that lead to a limited or even no deduction being available to a Member for the Fund's income that is allocated to such Member. Section 199A is currently scheduled to sunset on December 31, 2025, after which no such deduction would be available. Further, the U.S. Congress may make changes to, or repeal, Section 199A at any time, which may adversely affect the tax consequences of the flow-through income allocated to Member and the value of an investment in the Fund.

Tax Liability in Excess of Fund Distributions

Holders of Units will be required to pay U.S. federal income taxes and, in some cases, state and local income taxes on their shares of the Fund's taxable income even if they do not receive any cash distributions from the Fund. Holders of Units may not receive cash distributions from the Fund equal to their shares of the Fund's taxable income or even equal to the actual tax liability that results from that income although it would be the intention of the Manager to make such a distribution.

Passive Activities

Under Section 469 of the Code, losses and credits from a business activity in which a taxpayer does not participate materially are not allowed as a deduction against other income, including salary, active business income and portfolio income (*e.g.*, dividends or interest). Nonparticipating losses and credits (*i.e.*, passive losses) may be used only to offset income and gains from other "nonparticipating business activities," including gain upon the disposition of the investment generating such losses. The Fund generally expects an investment in Units to constitute an investment in a passive activity.

Possible Audit of the Fund's Tax Return

The Fund's federal income tax information return is subject to audit by the IRS. Any such audit may lead to adjustments, in which event the Members may be required to file amended personal federal income tax returns. Any such audit may also lead to an audit of a Member's individual tax return and adjustments to items unrelated

to the investment in Units. Effective for tax years beginning in 2018, partnerships became subject to new audit rules adopted in the Bipartisan Budget Act of 2015 (the “**New Audit Rules**”). The New Audit Rules generally require taxes arising from audit adjustments to be paid by the entity rather than by its partners or members unless the entity elects otherwise. It is unclear to what extent these elections will be available to the Fund and how any such elections may affect the procedural rules available to challenge any audit adjustment that would otherwise be available in the absence of any such elections. Members could be obligated to pay any such taxes and other costs, and may have to take the adjustment into account for the taxable year in which the adjustment is made rather than for the audited taxable year. The Manager will be the Fund’s “partnership representative.” The partnership representative will have authority to bind the Fund with regard to federal tax matters, and all Members of the Fund will generally be bound by any elections made by the partnership representative, and any settlements reached by the partnership representative with the IRS. Prospective investors are urged to consult with their tax advisors regarding the possible effect of the New Audit Rules on them.

Penalties and Interest

If the IRS were to challenge successfully the Fund’s tax treatment of one or more items, the Members could be liable for penalties and interest as well as additional tax. For example, a “substantial understatement penalty” equal to 20% of a substantial understatement of income tax could be imposed in certain circumstances.

State and Local Taxes

The Fund may operate in states and localities that impose taxes on the Fund’s assets, transactions or income or on each Member based upon such Member’s share of any income derived from the Fund’s activities in such jurisdictions. Members may be required to file state tax returns and to pay the taxes described in the preceding sentence and may be subject to penalties for failure to comply with these requirements. Depending upon the location of the Fund’s properties and applicable state and local laws, deductions or credits available to a Member for federal income tax purposes may not be available for state or local income tax purposes. Pursuant to the income tax rules of the states in which the Fund operates, the Manager may be required, or may elect, to withhold or pay tax with respect to income allocable to, or from distributions otherwise payable to, Members if such Members are not residents of such states.

In certain jurisdictions, estate or inheritance taxes may be payable therein upon the death of a Member due to the operations of the Fund in those jurisdictions. Therefore, a Member may be subject to income taxes, estate or inheritance taxes or both in states or localities in which the Fund does business as well as in the Member’s own state or domicile.

A discussion of state, local, and estate or inheritance taxes is beyond the scope of this Memorandum. However, because of the possibility that such taxes may have an impact on the economic value of the Fund and on the value of the Members’ interests therein, prospective investors should consult with their own tax advisors to determine the effect of such taxes.

Tax-Exempt and Non-U.S. Persons

In considering an investment in Units of a portion of the assets of a trust or a pension or profit-sharing plan qualified under Code Section 401(a) and exempt from tax under Code Section 501(a), a fiduciary should consider (i) that the plan, although generally exempt from federal income taxation, would be subject to income taxation were its income from an investment in the Fund and other unrelated business taxable income to exceed \$1,000 in any taxable year (if the Fund generates income, a portion of such income will likely be unrelated business taxable income), (ii) whether an investment in the Fund is advisable given the definition of plan assets under ERISA and the status of Department of Labor regulations regarding the definition of plan assets, (iii) whether the investment is in accordance with the plan documents and satisfies the diversification requirements

of Section 404(a) of ERISA, (iv) whether the investment is prudent under Section 404(a) of ERISA, considering the nature of an investment in, and the compensation structure of, the Fund and the potential lack of liquidity of the Units, (v) that the Fund has a limited history of operations and (vi) whether the Fund or any affiliate is a fiduciary or party in interest to the plan. Investment in Units by tax-exempt entities, such as employee benefit plans and individual retirement accounts (known as IRAs), and non-U.S. persons raises issues unique to them. For example, virtually all of the Fund's income allocated to organizations exempt from U.S. federal income tax, including IRAs and other retirement plans, will likely be unrelated business taxable income and taxable to them. The Fund will be required to withhold taxes at the highest applicable tax rate on non-U.S. persons' allocable shares of the Fund's taxable income, and non-U.S. persons will be required to file U.S. federal income tax returns and pay tax on their allocable shares of the Fund's taxable income. A discussion of these issues is beyond the scope of this Memorandum. Any tax-exempt entity or non-U.S. person should consult with its own tax advisor before investing in Units.

SUMMARY OF THE OPERATING AGREEMENT

A prospective investor should read and be familiar with the Operating Agreement that appears in Appendix I to this Memorandum. The following statements summarize certain provisions of the Operating Agreement as currently in effect but do not purport to provide a complete description; and the Fund qualifies them in their entirety by express reference to the Operating Agreement. References to the Operating Agreement in this Memorandum may conflict or not correspond with the most recent Operating Agreement because the Operating Agreement may be amended subsequent to the date of this Memorandum.

Unless otherwise defined elsewhere in this Memorandum, capitalized terms used in this section have the meanings ascribed to them in the Operating Agreement.

Nature of the Fund

The Fund, a Delaware limited liability company, was organized on January 9, 2023. All Class A Units, Class B Units, and Class C Units of the Fund's Membership Interests will be owned by the Members. All Class D Units of the Fund's Membership Interests will be owned by the Sponsor.

Control of Operations of the Fund

The powers invested in the Manager under the Operating Agreement are quite broad. Generally, the Manager has full, exclusive and complete responsibility and discretion in the management and control of the Fund and the Members have no authority to transact business for or participate in the regular management activities and decisions of, the Fund.

Limited Voting Rights of Members

Members will have limited voting rights, and, as such, will only be permitted under the Operating Agreement to vote on the following matters:

- Removal of the Manager for Cause;
- Naming a replacement Manager in the event of a vacancy;
- Approving certain Fund transactions with related parties; and
- Certain amendments to the Operating Agreement, subject to the limitations set forth in the Operating Agreement.

Capital Contributions

Members will contribute to the Fund \$1,000 for each Unit purchased in the Fund. A qualified investor will be admitted as a Member upon payment of the purchase price of Units, the execution of applicable documents as required by the Manager, verification of investor qualification and the final acceptance of the subscription by the Manager.

Member Liability

The liability of each Member will be limited to the amount of such Member's investment in the Fund, together with any undistributed share of the profit of the Fund credited to such Member's capital account and certain distributions made to such Member by the Fund. Such circumstances include instances where a Member received a distribution of money or other property and, after giving effect to such distribution, the Fund's liabilities would exceed the fair value of its assets.

Manager Compensation

Each investor hereby acknowledges and agrees to the payment of the following fees, *in addition to the Distributions and expense reimbursement described in the Operating Agreement*, paid by the Fund to the Manager, and/or its affiliated parties or third parties, in consideration of its services as manager of the Fund:

- Management fee equal to 1% annually of the Fund's aggregate capital commitments, paid monthly in arrears, and calculated, with respect to each Member, from the Initial Closing;
- Acquisition and Development Fee, related to completing the Fund's distressed opportunities and value add business plan, of up to 4% of the actual costs including purchase price and hard and soft costs of property acquisition; professional, travel and other expenses related to the potential acquisition and development of Fund Investments; and origination fees and expenses of up to 4% of the transaction amount related to the acquisition of preferred equity and/or debt investment in third party transactions;
- Financing Fee equal to 1% of amount of any loan placed on a Fund Investment that is made to or assumed by the Fund, whether at the time of acquisition or pursuant to a refinancing;
- Property Disposition Fee equal to 1% of the sales price on the disposition of a Fund Investment;
- Property Management Fee equal to 2% of the effective gross income received from each Fund Investment that is owned by the Fund; and
- Construction Management Fee, related to the provision by the Sponsor of construction management services, of up to 7.5% of any construction costs accrued on a Fund Investment.

Operating Expenses

Subject to the limitations set forth in the Operating Agreement, the Fund will pay directly, or reimburse the Manager or its Affiliates, as the case may be, for all of the costs and expenses of the Fund's operations, including, without limitation, the following costs and expenses:

- all Organization and Offering Expenses including legal and compliance expenses; marketing expenses; payroll expenses of marketing employees; software costs; fees paid to vendors, contractors and consultants relating to the Sponsor's online fintech platform and smartphone applications used to market and operate the Fund; and payroll expenses and software costs of product development and software engineering employees working on the fintech platform and smartphone applications, *provided that* Organization and Offering Expenses may not exceed 5% of the total amount of capital raised in this Offering;
- all costs of personnel employed by the Fund and directly involved in the Fund's business;
- costs of personnel employed by the Manager or its Affiliates and directly involved in the business of the Fund;
- advertising and public notice costs;
- all costs of borrowed money, taxes and assessments on the Fund;
- legal, accounting, audit, brokerage, and other professional fees related to the Fund;
- transfer, capital and other taxes, duties and costs incurred in acquiring, holding, selling or otherwise disposing of Fund assets;
- banking, brokerage, broker dealer, registration, qualification, finders, depository and similar fees or commissions incurred in acquiring, holding, selling or otherwise disposing of Fund assets;
- fees and expenses paid to the Manager as described above in "Manager Compensation", independent contractors, mortgage bankers, real estate brokers, and other agents;
- expenses incurred in connection with the development, construction, alteration, maintenance, repair, remodeling, refurbishment, leasing and operation of Fund assets;

- all expenses incurred in connection with the maintenance of Fund books and records, the preparation and dissemination of reports, tax returns or other information to the Members and the making of Distributions to the Members;
- expenses incurred in preparing and filing reports or other information with appropriate regulatory agencies;
- expenses of insurance as required in connection with the business of the Fund;
- costs incurred in connection with any litigation in which the Fund may become involved, or any examination, investigation, or other proceedings conducted by any regulatory agency, including legal and accounting fees;
- the actual costs of goods and materials used by or for the Fund;
- the costs of services that could be performed directly for the Fund by independent parties such as legal, accounting, fund administration, asset management, construction management, property management, secretarial or clerical, reporting, transfer agent, data processing and duplicating services but which are in fact performed by the Manager or its Affiliates;
- expenses of Fund administration, accounting, legal, documentation and reporting;
- expenses of revising, amending, modifying, or terminating the Operating Agreement; and
- all other costs and expenses incurred in connection with the Fund's business, including travel to investigate and evaluate investment opportunities and the portion of the Manager's payroll expenses allocable to work performed for the Fund, except as otherwise set forth in the Operating Agreement.

Member Restrictions

Members will not be allowed to: (i) disclose to any non-Member, other than such Member's lawyers, accountants or consultants, and/or commercially exploit any of the Fund's business practices, financial results, reports, trade secrets or any other information not generally known to the business community; (ii) perform, or fail to perform, any other act or deed with the intention of harming the business operations of the Fund; (iii) make any statement, whether written or oral, indirectly or indirectly, including but not limited to on social media, or perform any act which in any way would (x) injure an interest of or disparage or be construed negatively about the Fund, the Manager or any of their respective principals, officers, managers or employees or (y) be detrimental to the Fund's relationships and dealings with existing or potential customers, investors and lenders; or (iv) do any act contrary to the Operating Agreement.

Distributions of Investment Proceeds

- (1) First, 100% *pari passu* to the Class A, Class B and Class C Members until they have received cumulative distributions equal to the Class A, Class B and Class C Members' Unreturned Capital Contributions;
- (2) Second, 100% *pari passu* to the Class A, Class B and Class C Members until the Class A Members have received a 7.0% internal rate of return, the Class B Members have received an 8% internal rate of return and the Class C Members have received a 9% internal rate of return, in each case in proportion to each Member's respective Unpaid Preferred Return until such Member's Unpaid Preferred Return is fully paid and reduced to zero;
- (3) Third, 100% to the Class D Member, until such Class D Member has received distributions sufficient to provide such Class D Member an amount that bears the same proportion to the total amount under (2) paid (i) to the Class A Members to date as 35 bears to 65, (ii) to the Class B Members to date as 30 bears to 70, and (iii) to the Class C Members to date as 20 bears to 80;
- (4) Fourth, 100% distributed *pari passu* to holders of Class A, Class B and Class C Units as follows: (A) 65% to the Class A Members and 35% to the Class D Member, where the dollar amount to be

distributed is based on the weighted pro rata percentage of Class A ownership across Classes A, B and C combined, until the Class A Members have received a 12% cumulative, non-compounded annual internal rate of return on the Class A Members' Unreturned Capital Contributions; (B) 70% to the Class B Members, and 30% to the Class D Member, where the dollar amount to be distributed is based on the weighted pro rata percentage of Class B ownership across Classes A, B and C combined, until the Class B Members have received a 12% cumulative, non-compounded annual internal rate of return on the Class B Members' Unreturned Capital Contributions; (A) 80% to the Class C Members, and 20% to the Class D Member, where the dollar amount to be distributed is based on the weighted pro rata percentage of Class C ownership across Classes A, B and C combined, until the Class C Members have received a 12% cumulative, non-compounded annual internal rate of return on the Class C Members' Unreturned Capital Contributions; and

- (5) Thereafter, 50% *pari passu* to the Class A, Class B and Class C Members on the one hand and 50% to the Class D Member on the other hand.

All calculations of internal rates of return will be determined using the XIRR function in Microsoft Excel and calculated as of the last date of the Quarter in which such Member purchased Units. In the event that the Fund terminates and is dissolved, and subject to the terms set forth in the Operating Agreement, liquidating distributions will be made to the Members and the Manager in accordance with the provisions above and in the Operating Agreement regarding distribution.

There can be no assurance that the Fund's objectives will be satisfied or that Members will receive any distributions.

Limited Transferability of Units

The Units are subject to significant restrictions on transferability. The Units may not be sold, transferred or assigned, in whole or in part, unless the Manager approves of such transfer in writing in advance.

Other Limitations of Member Rights

No Member will have the right to (i) withdraw or reduce such Member's Capital Contribution, (ii) receive any distributions from the Fund, except as otherwise provided in the Operating Agreement, (iii) demand or receive any Fund property, (iv) unilaterally dissociate from the Fund; (v) require that such Member's interest in the Fund be redeemed, in whole or in part; bring an action for partition against the Fund; or (vi) demand or receive property other than cash in return for such Member's Capital Contribution.

Dissolution and Liquidation

The Fund will be dissolved upon the first to occur of the following: (a) an election to dissolve the Fund is made by the Manager, in its sole discretion; (b) after the end of the Investment Period, the reduction to cash of all of the Fund Investments; (c) the entry of a decree of a judicial dissolution pursuant to the Act; or (d) any other event causing dissolution of the Fund under the Act.

Upon dissolution of the Fund, the assets of the Fund will be liquidated and the proceeds thereof will be paid, to the extent permitted by applicable law, in the following order of priority: first, to creditors of the Fund (including the Manager and/or Members) to the extent otherwise permitted by law, in satisfaction of liabilities of the Fund; and second, to the Members as provided in the Operating Agreement.

Indemnification of The Manager

The Manager, its shareholders, Affiliates, officers, directors, partners, manager, members, employees, agents and assigns and any officers of the Fund, shall not be liable for, and shall be indemnified and held harmless (to the extent of the Fund's assets) from, any loss or damage incurred by them, the Fund or the Members in connection with the business of the Fund, including costs and reasonable attorneys' fees and any amounts expended in the settlement of any claims of loss or damage resulting from any act or omission performed or omitted in good faith, which shall not constitute fraud, gross negligence or willful misconduct, pursuant to the authority granted, to promote the interests of the Fund. Moreover, neither the Manager nor any officer of the Fund shall be liable to the Fund or the Members because any taxing authorities disallow or adjust any deductions or credits in the Fund income tax returns.

Manager's Tenure

The Manager shall hold office until the earlier of such Manager's dissolution, death, or resignation, as applicable. With respect to the Fund, the Manager may be removed only for cause by the affirmative vote of the Members holding at least 75% of the Units entitled to vote.

Reports

The Manager will cause the Fund, at the Fund's expense, to prepare an annual report containing a year-end balance sheet, income statement and a statement of changes in financial position. Copies of such statements shall be distributed to each Member within 120 days after the close of each fiscal year of the Fund. The Manager will also cause the Fund, at the Fund's expense, to prepare and timely file income tax returns for the Fund with the appropriate authorities and will cause all Fund information necessary in the preparation of the Member's individual income tax returns to be distributed to the Members as soon as reasonably practicable after the end of the Fund's fiscal year.

Governance of the Fund

The Fund is a Delaware limited liability company and subject to the Delaware Limited Liability Company Act. In addition, the governance provisions of the Fund are set forth in the Operating Agreement which is attached hereto. The Operating Agreement of the Fund is incorporated herein by reference.

Amendments

The Operating Agreement may be amended with (i) the approval of a Majority of the Members and (ii) the consent of the Manager. Notwithstanding the foregoing, the Manager may amend the Operating Agreement, without the consent of any of the Members, to (i) change the name and/or principal place of business of the Fund; (ii) subject to certain limitations as set forth in the Operating Agreement, decrease the rights and powers of the Manager (so long as such decrease does not impair the ability of the Manager to manage the Fund and conduct its business and affairs); or (iii) to share or delegate management responsibilities of the Fund to any Affiliate that is indirectly or directly controlled by the Manager.

UNITED STATES FEDERAL INCOME TAX CONSEQUENCES

CIRCULAR 230 NOTICE. The following discussion of United States federal income tax consequences was not intended or written to be used, and cannot be used, by any person for the purpose of avoiding penalties that may be imposed on such person. It was written to support the promotion or marketing of an investment in the Units. Each prospective investor should seek advice based on the prospective investor's particular circumstances from an independent tax advisor.

The following discussion is a general summary only of certain United States federal income tax consequences relating to the purchase, ownership and disposition of Units, but does not purport to be a complete analysis of all the potential tax consequences that may be material to an investor based on such investor's particular tax situation. It is impractical to comment on all of the tax consequences of an investment in the Fund or of the contemplated operations of the Fund. Such consequences may vary depending on an investor's particular circumstances. The discussion is directed primarily to individuals who are citizens or residents of the United States. Investors who are not individual U.S. residents or citizens, such as non-U.S. residents, partnerships, corporations, tax-exempt entities, individual retirement accounts (IRAs), trusts, or estates may have federal income tax consequences substantially different from those discussed below. A particular investor may be subject to various facts and circumstances that are applicable only to him and that may give rise to additional considerations. The following discussion generally does not address any of those additional considerations. In addition, an investment in Units may have foreign, state and local tax consequences to a particular investor that are not discussed below. Accordingly, each potential investor is urged to consult with such investor's own tax advisor prior to purchasing Units, with specific reference to the effect of the investor's particular facts and circumstances on the matters discussed in this Memorandum.

The tax consequences discussed herein are based on existing provisions of the Code, existing Treasury Regulations (final, temporary, and proposed), published interpretations of the Code and such Treasury Regulations by the IRS, and existing court decisions, any of which could be changed or become inapplicable at any time. Any new legislation, judicial decisions, regulations, or other pronouncements may apply retroactively to transactions prior to the date of such changes and could significantly modify the statements made and tax considerations discussed in this Memorandum.

A portion of the following discussion focuses on the characterization of income or losses under various rules as ordinary income or loss or capital gain or loss. At the present time, the marginal rate of federal income tax applicable to long-term capital gains may be significantly more favorable for an individual taxpayer, depending upon income level, than the rate on ordinary income. Corporations, on the other hand, are taxable at the same rate on ordinary income and capital gains. The Fund anticipates that all of its income will be taxable to investors, including individual investors, at ordinary income rates, subject to any applicable deductions that may be available to the investors pursuant to Section 199A of the Code.

No rulings will be requested from the IRS with respect to the tax consequences of ownership of interests in the Fund. Additionally, no opinion of counsel will be requested with respect to such tax consequences.

EACH PROSPECTIVE INVESTOR IS ADVISED TO CONSULT WITH THE INVESTOR'S OWN TAX ADVISOR WITH RESPECT TO THE UNITED STATES FEDERAL, STATE, LOCAL AND FOREIGN INCOME TAX CONSEQUENCES OF AN INVESTMENT IN THE FUND.

Partnership Taxation

General. The Fund intends and expects to be classified and treated as a partnership for U.S. federal income tax purposes. A partnership is not a taxable entity under federal income tax laws. Instead, each partner reports on the partner's federal income tax return for the taxable year in which the partnership's taxable year ends such

partner's distributive share of the income, gains, losses, deductions, and credits of the partnership, irrespective of any actual cash distributions made to such partner during the partner's taxable year. For example, a partner will be required to report such partner's share of partnership income as determined under the partnership's method of accounting, notwithstanding that the revenues resulting in such income are retained in whole or in part by the partnership for payment of any partnership expenses, debt service, working capital, or otherwise. An investor's share of any partnership losses in a taxable year may be applied against the investor's income from other sources only to the extent of the tax basis of such investor's interest in the Fund and to the extent permitted under the "passive activity" and "at risk" limitations, discussed below.

The classification of the Fund as an association taxable as a corporation for federal tax purposes would have a material adverse effect on the investors. If the Fund were determined to be taxable as a corporation, its income, gain, loss, deductions, and credits would be reported by the Fund on its federal income tax return and would not pass through to the investors, the Fund would be taxed directly on any net income, and distributions to its investors would be treated as taxable dividends to the extent of current and accumulated earnings and profits of the Fund. Such distributions would not be deductible by the Fund in computing its income tax. Thus, the value of an investment in the Units would be adversely affected if the Fund were treated as a corporation.

Treasury Regulations under Section 7701 of the Code provide that a domestic business entity other than a "corporation" may elect to be treated as a partnership or an association (taxable as a corporation) for federal income tax purposes. For this purpose, a "corporation" is defined to include corporations denominated as such under applicable law, associations, joint stock companies, insurance companies and other entities distinguishable from the Fund. Under a default rule in the Treasury Regulations, a limited liability company with at least two members, such as the Fund, is treated as a partnership for federal tax purposes, unless the entity affirmatively elects to be treated as an association taxable as a corporation. The Fund will not elect to be treated as an association taxable as a corporation for federal tax purposes. The classification of any Fund Investment in which the Fund invests in the future as a partnership for federal tax purposes cannot be determined at this time because such classification depends upon agreements and actions to be entered into in the future.

Section 7704 of the Code treats certain "publicly traded partnerships" as corporations for federal income tax purposes. Section 7704 defines a publicly traded partnership as a partnership in which the partnership interests are traded on an established securities market or are readily tradable on a secondary market or the substantial equivalent of a secondary market. If all interests in a partnership were issued in transactions that were not required to be registered under the Securities Act of 1933 and if the partnership does not have more than 100 partners at any time, the interests in such partnership will be treated as not readily tradable on a secondary market or the substantial equivalent of a secondary market. The Fund does not expect to be taxable as a corporation under the "publicly traded partnership" rules of Section 7704 of the Code, but there can be no assurance that will be the case.

THE FOLLOWING DISCUSSION IS PREDICATED ON THE ASSUMPTION THAT THE FUND WILL BE CLASSIFIED AS A PARTNERSHIP FOR FEDERAL TAX PURPOSES AND WILL NOT BE CLASSIFIED AS A "PUBLICLY TRADED PARTNERSHIP."

Taxation of Members. For each taxable year, each investor will be required to report on their individual federal income tax return such investor's share of partnership income, gain, loss, deduction, and credit for such taxable year. Each investor is required to take such investor's share into account in computing such investor's federal income tax liability regardless of whether the investor has received or will receive any cash distributions from the Fund. Therefore, the investor may be required to report and pay tax on income that the Fund has earned but that has not been distributed to him. This may occur, for example, when the Fund uses revenues to repay partnership borrowings or to pay nondeductible expenditures.

Effective for tax years beginning in 2018, the U.S. Congress enacted Section 199A of the Code, which provides that each owner of a pass-through entity (such as a partnership) is entitled to a deduction of up to 20% of the “qualified business income” allocated to the owner from such entity. “Qualified business income” is generally defined as the net amount of qualified items of income, gain, deduction, and loss relating to any qualified trade or business of the taxpayer. This deduction is subject to various limitations and phase-outs based on the owner’s personal income tax situation, as well as the tax and financial situation of the entity. Accordingly, the availability of this deduction to each investor with regard to the Fund’s income is uncertain and may be subject to limitations and phase-outs that lead to a limited or even no deduction being available to an investor for the Fund’s income that is allocated to such investor. Section 199A is currently scheduled to sunset on December 31, 2025, after which no such deduction would be available. Further, the U.S. Congress may make changes to, or repeal, Section 199A at any time, which may adversely affect the tax consequences of the flow-through income allocated to investors and the value of an investment in the Fund.

A distribution of cash to an investor is generally not taxable to the investor unless the amount of the distribution exceeds the investor’s adjusted basis in such investor’s Units. Any such excess should generally be taxable as capital gain, assuming the Units are held as a capital asset and distributions are made proportionately.

The Fund will use the calendar year and either the accrual or cash method of accounting for federal income tax purposes. The IRS, however, could require the Fund to treat particular items of income, gain, loss, or deduction under a different method of accounting if it determines that the method used by the Fund with respect to such items does not clearly reflect income. A change in the method of accounting could defer deductions or accelerate income.

Allocations. Under the Operating Agreement, all items of partnership income, gain, loss, deduction, and credit are generally allocated to investors and the Manager in a manner that will achieve capital account balances that allow for the cash distributions described in this Memorandum.

The Fund allocations of income, gain, loss, deduction, and credit among investors are governed generally by Section 704(b) of the Code. Importantly, the Operating Agreement utilize the so-called “target allocation” method in allocating items of income, gain, loss, deduction and credit. Although the target allocation method does not directly satisfy IRS regulatory “safe harbors” for having substantial economic effect, the Fund believes that the allocations reflected in the Operating Agreement comply with the requirements of Section 704(b) and other applicable provisions of the Code and should be respected. There can, however, be no assurance of that. The investors could be adversely affected if the IRS were to successfully challenge the Fund’s allocations of income, gain, loss, deductions and credit.

Returns. As a partnership, the Fund will file annual income tax information returns, but will not be subject as an entity to the payment of U.S. federal income tax. Instead, the Fund will provide to each investor, as soon as practicable after the end of each fiscal year, an IRS Form 1065, Schedule K-1 detailing the investor’s allocable share of the Fund income, gain, loss, deduction and credit each year and a report containing such other information as the Manager deems necessary to enable the investor to prepare and file any required state tax returns. If the Schedules K-1 are not received on a timely basis, the investors may need to file for an extension of the period in which to file their tax returns.

The Fund’s federal income tax information return is subject to audit by the IRS. Any such audit may lead to adjustments, in which event the investors may be required to file amended personal federal income tax returns. Any such audit may also lead to an audit of an investor’s individual tax return and adjustments to items unrelated to the investment in Units.

Determinations of Partnership Items at the Fund Level. For purposes of reporting, audit, and assessment of additional federal income tax, the tax treatment of “partnership items” is determined at the partnership level.

Each partner must report such items on such partner's individual tax return in a manner consistent with the partnership determination, unless special filings are made with the IRS and in accordance with the Operating Agreement. Effective for tax years beginning in 2018, partnerships became subject to new audit rules adopted in the Bipartisan Budget Act of 2015 (the "**New Audit Rules**"). The New Audit Rules generally require taxes arising from audit adjustments to be paid by the entity rather than by its partners or members unless the entity elects otherwise. It is unclear to what extent these elections will be available to the Fund and how any such elections may affect the procedural rules available to challenge any audit adjustment that would otherwise be available in the absence of any such elections. Investors could be obligated to pay any such taxes and other costs, and may have to take the adjustment into account for the taxable year in which the adjustment is made rather than for the audited taxable year. The Manager will be the Fund's "partnership representative." The partnership representative will have authority to bind the Fund with regard to federal tax matters, and all investors of the Fund will generally be bound by any elections made by the partnership representative, and any settlements reached by the partnership representative with the IRS. Prospective investors are urged to consult with their tax advisors regarding the possible effect of the New Audit Rules on them.

Administrative Costs. The Manager intends generally to take the position that administrative costs reimbursed to the Manager and the management fee are deductible by the Fund in the year of payment. To the extent that administrative costs are determined to constitute an organization or syndication cost or some other nondeductible cost, such amount will not give rise to any deduction in the year of payment but, rather, will be deductible (if at all) only over some period of time. This will be the case with respect to the syndication expenses and Fund formation fees. The determination of the portion (if any) of the administrative cost that is deductible and the timing of any such deduction are factual issues.

Limitations on Interest Deductions

Generally, a non-corporate taxpayer may deduct "investment interest" only to the extent of their "net investment income." The taxpayer may carry forward any unused investment interest to later years when the taxpayer has additional net investment income. Investment interest is interest paid on debt incurred or continued to acquire or carry property held for investment. Net investment income includes gross income and gains from property held for investment reduced by any expenses directly connected with the production of such income and gains.

To the extent that interest is attributable to a passive activity, it is treated as a passive activity deduction and is subject to limitation under the passive activity rules discussed below, not the investment interest limitation rules. Under the passive activity rules, interest expense on debt used by a taxpayer to purchase or carry an interest in a passive activity will be taken into account in computing the taxpayer's income or loss from the passive activity. The Fund generally expects an investment in Units to constitute an investment in a passive activity.

Potential investors who contemplate using borrowed funds to purchase Units are urged to consult with their tax advisors with respect to the application and interaction of the investment interest and passive activity limitations.

Basis and At-Risk Limitations

Except as described above, a partner may not deduct in any year any amount attributable to the partner's share of partnership losses, if any, that exceeds the partner's adjusted tax basis in such partner's interest in the partnership at the end of the partnership tax year. An investor's initial adjusted tax basis in the Units will equal such investor's cash contributions to the Fund. It will be increased by any additional cash contributions when made, by the investor's distributive share of the Fund's income and gain, and by the investor's share of certain borrowings of the Fund. It will be decreased, but not below zero, by distributions from the Fund and by the

investor's distributive share of the Fund losses. Decreases in an investor's share of the Fund liabilities that have given rise to a basis increase will be treated as distributions of cash to the investor. Such deemed distributions will thus reduce the investor's adjusted tax basis and may result in taxable income to the investor if the decrease exceeds the investor's adjusted tax basis in the investor's Units.

In addition to the limitation of losses to an investor's adjusted tax basis, with respect to an investor that is an individual or a closely-held C corporation, losses allocable to such investor during a taxable year may be deducted only to the extent of the amount with respect to which such investor is "at risk" at the close of the taxable year. An investor will be at risk as to the amount of money contributed to the Fund, assuming the investor uses the investor's personal funds to make the contribution or borrows the funds on a recourse basis from a lender unrelated to the Fund, and amounts borrowed for use in the Fund for which the investor is personally liable. The at-risk amount will be increased by the investor's share of partnership income and gains. An investor will not be at risk with respect to amounts protected against loss through nonrecourse financings, guarantees, stop-loss agreements, or "other similar arrangements" or with respect to amounts borrowed from other parties having an interest in the Fund, family members or other related parties. The at-risk amount is reduced by the amount of the allowable losses for the taxable year and the amount of distributions made to the investor, and the reduced amount determines the extent to which losses sustained in future years will be deductible. Losses deducted in a year are subject to recapture in a later year at ordinary income rates in the event, and to the extent, a taxpayer's adjusted amount at risk falls below zero. Any loss disallowed as a result of the application of the at-risk provisions will carry forward and may be deducted in future years to the extent the investor increases the investor's at-risk amount, provided such losses do not exceed the investor's tax basis in the investor's Units. Upon the taxable disposition of a Unit, any gain recognized by an investor may be offset by losses that were previously suspended by the at-risk limitation. Any loss previously suspended by the at-risk limitation in excess of that gain would no longer be utilizable.

Passive Activities

Generally, under Section 469 of the Code, individuals, estates, trusts and some closely-held corporations and personal service corporations may deduct losses and credits from passive activities only to the extent of their income from other passive activities, including passive activity income from unrelated activities. A passive activity is generally defined as any activity involving the conduct of a trade or business in which the taxpayer does not materially participate. Excess passive activity losses and passive activity credits may not be used to reduce other income, including salary, active business income, portfolio income (e.g., dividends or interest). Disallowed passive activity losses and passive activity credits in any year may be carried forward indefinitely and used to offset future passive activity income or may be deducted in full when an investor disposes of the investor's entire interest in the activity to an unrelated person in a fully taxable transaction. The Fund generally expects an investment in Units to constitute an investment in a passive activity.

Sale of Property

When the Fund sells property, it will recognize gain to the extent that the amount realized on the sale exceeds its adjusted basis in the property and will recognize loss to the extent that its adjusted basis in the property exceeds the amount realized. In the case of a sale of a property, each investor will compute their gain or loss individually based on their share of the amount realized, as allocated to them under the Operating Agreement, and their share of the adjusted basis in such property. The amount realized will include the amount of money received and the fair market value of any other property received. If the purchaser assumes a liability in connection with the sale or takes the property subject to a liability, the amount realized will include the amount of such liability. The Fund anticipates that gain from the sale of Fund Investments will be taxable to investors at ordinary income rates, subject to any applicable deductions that may be available to the investors pursuant to Section 199A of the Code.

Termination of the Fund

When the Fund is terminated, each investor will be taxable, in the taxable year in which the termination occurs, on their share of income, gain, loss, and deduction arising prior to the date of termination from the Fund. Investors must also take into account their shares of gains or losses resulting from the sale or other disposition of partnership assets in liquidation of the Fund.

Upon the termination of the Fund, each investor will be required to recognize gain to the extent that the amount of money distributed to him exceeds the basis of their interests or their amount at risk with respect to the Fund. An investor will recognize no loss unless the investor receives only money, unrealized receivables, and inventory. In such a case, the investor could recognize loss to the extent that the adjusted basis of the investor's Units exceeds the aggregate of the money and the partnership basis of the property distributed to the investor.

An investor's basis in any distributed property will be equal to the basis of such investor's Units, reduced by any money received. The investor's basis will first be allocated to ordinary income assets (unrealized receivables and inventory) in an amount equal to the Fund's adjusted basis in such assets. Any remaining basis will be allocated, in general, to other properties to the extent of the Fund's basis in those properties subject to reallocation among properties designed to reduce basis-value disparities to the extent possible.

Sale of Interests

An investor may be unable to sell any of its Units by reason of the restrictions on transfer set forth in the Operating Agreement and the absence of any market therefor. In the event that an investor sells a Unit, the investor will recognize gain or loss measured by the difference between the amount realized on the sale and the investor's adjusted basis in the Units sold. The investor's amount realized will be the selling price plus the investor's share of any of the Fund liabilities that increased the investor's basis in such Units.

To the extent that the portion of the amount realized attributable to ordinary income items (generally, unrealized receivables, inventory and depreciation recapture) exceeds the portion of the basis allocable to such items, the gain will be taxable as ordinary income. Therefore, a substantial portion, if not all, of any gain realized upon the sale of Units may constitute ordinary income. So long as the investor holds her, his or its Units as a capital asset (generally, an asset held for investment), the remainder of the gain, if any, will be capital gain and any loss will be capital loss. The investor will be required to recognize the full amount of the ordinary income portion even if it exceeds the overall gain on the sale (in which event the investor will also recognize capital loss to the extent the ordinary income exceeds the overall gain) or there is an overall loss on the sale (in which event the investor will recognize an offsetting capital loss equal to the ordinary income portion and an additional capital loss equal to the overall loss on the sale). The Fund generally expects that the gain or loss realized by an investor upon such a sale will constitute passive income or loss, which passive loss may be used to offset active income only upon a complete disposition of all of the investor's Units to a person who is not related to the investor (as more fully described in Section 469(g)(1)(B) of the Code).

Net capital gains of individual taxpayers are currently taxed at a minimum statutory rate (generally up to 20% for 2021 for capital assets held for more than 12 months), which is less than the highest effective U.S. income tax rate for individuals, trusts and estates in 2021 (37%). Net capital gains mean the excess of net long-term capital gains over net short-term capital losses.

Upon the sale of Units of the Fund, the Fund's basis in its assets will be adjusted for the benefit of the purchaser to reflect the gain or loss realized by the selling partner upon the sale of Units of the Fund only if the Fund has made an election under Section 754 of the Code or the Fund's adjusted basis in its property exceeds the fair market value of such property by more than \$250,000. As a result of the tax accounting complexities inherent

in, and the substantial expense attendant to, the election to adjust the tax basis of partnership property upon sales of Units, the Manager does not currently intend to make this election on behalf of the Fund. The absence of any such election and of the power to compel the making of such an election may reduce the value of Units to a potential transferee and may be an additional impediment to the transferability of Units. In addition, the Fund may be required to bear the tax accounting complexities and expenses attendant to adjusting the tax basis of the Fund's property upon the sale of Units of the Fund if the fair market value of the Fund's property declines below the Fund's adjusted basis in that property.

An investor who sells Units must notify the Fund of the transaction in accordance with the Operating Agreement and the Code and Treasury Regulations thereunder. Such notice must be given in writing and must include the names and addresses of the buyer and seller, the taxpayer identification numbers of the buyer and seller, if known, and the date of the sale. An investor who fails to furnish the relevant information to the Fund may be penalized for such failure, unless it is shown that such failure was due to reasonable cause and not willful neglect. In addition, the Fund will be required to notify the IRS of any sale of Units of which it has notice or knowledge and to report the names, addresses, and taxpayer identification numbers of the buyer and seller, along with other required information. The Fund is also required to provide copies of the information it provides to the IRS to the buyer and seller. Investors should consult with their own tax advisors, however, regarding their particular reporting requirements.

Medicare Contribution Tax

A 3.8% Medicare tax is imposed upon certain net investment income earned by individuals, estates and trusts. For these purposes, net investment income generally includes an investor's allocable share of the Fund's income and gain realized by an investor from a sale of Units, assuming the investment in Units is an investment in a passive activity and the investor is not subject to self-employment tax on the investor's allocable share of the Fund's income. In the case of an individual, the tax will be imposed on the lesser of (i) the investor's net investment income or (ii) the amount by which the investor's modified adjusted gross income exceeds \$250,000 (if the investor is married and filing jointly or a surviving spouse), \$125,000 (if the investor is married and filing separately) or \$200,000 (in any other case). In the case of an estate or trust, the tax will be imposed on the lesser of (i) undistributed net investment income, or (ii) the excess adjusted gross income over the dollar amount at which the highest income tax bracket applicable to an estate or trust begins.

Alternative Minimum Tax

Each investor will be required to take into account such investor's distributive share of any items of income, gain, loss or deduction for purposes of the alternative minimum tax. The current minimum tax rate for non-corporate taxpayers is 26% on the first \$194,800 of alternative minimum taxable income (or, in the case of a married individual taxpayer filing a separate return, the first \$97,400 of alternative minimum taxable income) in excess of the exemption amount and 28% on any additional alternative minimum taxable income, which thresholds change annually. Prospective investors are urged to consult with their tax advisors as to the impact of an investment in units on their liability for the alternative minimum tax.

Changes in Federal Income Tax Laws

Significant and fundamental changes in the nation's federal income tax laws have been made in recent years and additional changes are likely. Any such change may affect the Fund and the investors. Moreover, judicial decisions, regulations or administrative pronouncements could unfavorably affect the tax consequences of an investment in the Fund. See "Risks Related to Tax Matters Generally."

Consistency Requirements

An investor must generally treat partnership items on such investor's federal income tax returns consistently with the treatment of such items on the information return of the Fund, unless the investor files a statement with the IRS identifying the inconsistency or otherwise satisfies the requirements for waiver of the consistency requirement. Failure to satisfy this requirement will result in an adjustment to conform the investor's treatment of the item with the treatment of the item on the partnership return. Intentional or negligent disregard of the consistency requirement may subject an investor to substantial penalties.

Social Security Benefits; Self-Employment Tax

An investor's share of any income or loss attributable to the Units may constitute "net earnings from self-employment." If it does not, no quarters of coverage or increased benefits under the Social Security Act would be earned by the investor. If an investor is receiving Social Security benefits and if such investor's share of such items are net earnings from self-employment, the investor's taxable income attributable to the investor's investment in Units may be taken into account in determining any reduction in benefits because of "excess earnings."

State Law Tax Aspects

The Fund may operate in states and localities that impose taxes on the Fund's assets, transactions or income or on each investor based upon each investor's share of any income derived from partnership activities in such jurisdictions. The investor may be required to file state tax returns and to pay the taxes described in the preceding sentence and may be subject to penalties for failure to comply with these requirements. Depending upon the location of the Fund's properties and applicable state and local laws, deductions or credits available to an investor for federal income tax purposes may not be available for state or local income tax purposes. Pursuant to the income tax rules of the states in which the Fund operates, the Manager may be required, or may elect, to withhold or pay tax with respect to income allocable to, or from distributions otherwise payable to, Members if such Members are not residents of such states.

In certain jurisdictions, estate or inheritance taxes may be payable therein upon the death of an investor due to the operations of the Fund in those jurisdictions. Therefore, an investor may be subject to income taxes, estate or inheritance taxes or both in states or localities in which the Fund does business as well as in the investor's own state or domicile.

A discussion of state, local and estate or inheritance taxes is beyond the scope of this Memorandum. However, because of the possibility that such taxes may have an impact on the economic value of the Fund and on the value of an investor's interests therein, prospective investors should consult with their own tax advisors to determine the effect of such taxes.

INDIVIDUAL TAX ADVICE SHOULD BE SOUGHT

THE TAX CONSIDERATIONS ATTENDANT TO AN INVESTMENT IN THE PARTNERSHIP ARE COMPLEX AND VARY WITH INDIVIDUAL CIRCUMSTANCES. EACH PROSPECTIVE INVESTOR SHOULD REVIEW SUCH TAX CONSEQUENCES WITH HIS, HER, OR ITS TAX ADVISOR.

NOTICES TO CERTAIN U.S. AND NON-U.S. PERSONS

FOR INVESTORS IN THE UNITED STATES

IN MAKING AN INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE ISSUER AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

THESE SECURITIES ARE SUBJECT TO RESTRICTIONS ON TRANSFERABILITY AND RESALE AND MAY NOT BE TRANSFERRED OR RESOLD EXCEPT AS PERMITTED UNDER THE SECURITIES ACT, AND THE APPLICABLE STATE SECURITIES LAWS, PURSUANT TO REGISTRATION OR EXEMPTION THEREFROM. INVESTORS SHOULD BE AWARE THAT THEY MAY BE REQUIRED TO BEAR THE FINANCIAL RISKS OF THIS INVESTMENT FOR AN INDEFINITE PERIOD OF TIME.

FOR ALL NON-U.S. INVESTORS

NO ACTION HAS BEEN OR WILL BE TAKEN IN ANY JURISDICTION OUTSIDE THE UNITED STATES OF AMERICA THAT WOULD PERMIT AN OFFERING OF THE INTERESTS, OR POSSESSION OR DISTRIBUTION OF OFFERING MATERIAL IN CONNECTION WITH THE ISSUE OF THE INTERESTS, IN ANY COUNTRY OR JURISDICTION WHERE ACTION FOR THAT PURPOSE IS REQUIRED. IT IS THE RESPONSIBILITY OF ANY PERSON WISHING TO PURCHASE THE INTERESTS TO SATISFY HIMSELF OR HERSELF AS TO FULL OBSERVANCE OF THE LAWS OF ANY RELEVANT TERRITORY OUTSIDE THE UNITED STATES OF AMERICA IN CONNECTION WITH ANY SUCH PURCHASE, INCLUDING OBTAINING ANY REQUIRED GOVERNMENTAL OR OTHER CONSENTS OR OBSERVING ANY OTHER APPLICABLE FORMALITIES.

SUPPLEMENTAL SALES LITERATURE

In addition to this Memorandum, additional information may be provided to prospective investors in connection with the offering of the Units, although only when accompanied or preceded by the delivery of this Memorandum. The offering of Units is made only by means of this Memorandum and the Operating Agreement and prospective investors should not rely on any other information provided when making a decision to invest in the Units offered hereby. Although the Manager does not believe that the information contained in any such additional materials conflicts with any of the information contained in this Memorandum or the Operating Agreement, in the event of such conflict, the information contained in the Memorandum and the Operating Agreement will be deemed to govern.

ADDITIONAL INFORMATION

Certain additional documentation relating to the Fund, the Manager and its principals is attached as Appendices hereto and is available for inspection at the Manager's offices by prior written request. Members of the staff of the Manager are also available to meet with potential investors to provide supplemental information to assist investors, or their representatives, in evaluating a potential investment in the Units.

APPENDIX I
COMPANY OPERATING AGREEMENT

APPENDIX II

OVERVIEW OF AFFILIATED ENTITIES

<u>ENTITY</u>	<u>MEMBERS/PRINCIPALS</u>	<u>MANAGERS / DIRECTORS</u>
DF Distressed Opportunities Fund, LLC (“ <u>Fund</u> ”)	<ul style="list-style-type: none">• Members, including certain principals and affiliates of the Manager	<ul style="list-style-type: none">• DF Manager, LLC
DIVERSYFUND, INC. (“ <u>Sponsor</u> ”)	<ul style="list-style-type: none">• Majority owned by Craig Cecilio and Alan Lewis	<ul style="list-style-type: none">• Craig Cecilio and Alan Lewis, Directors
DF MANAGER, LLC (“ <u>Manager</u> ”)	<ul style="list-style-type: none">• Wholly-owned by DiversyFund, Inc.	<ul style="list-style-type: none">• DiversyFund, Inc.

APPENDIX III
SUBSCRIPTION AGREEMENT