

CONFIDENTIAL

PRIVATE PLACEMENT MEMORANDUM

For

Hawthorne Income Fund, LLC
A Delaware Limited Liability Company

Effective Date: April 23, 2021

This confidential private placement memorandum (“**Memorandum**”) is being furnished by the Manager solely for use by prospective subscribers (“**Investors**”, or “**Subscribers**” or “**Members**” as the context requires) in evaluating Hawthorne Income Fund, LLC (the “**Fund**”) and this Offering of interests. Capitalized terms used in this Memorandum but not otherwise defined herein have the meanings set forth in the Fund’s company agreement (the “**Company Agreement**”).

THE MANAGER WILL **NOT** RECEIVE ANY COMMISSIONS OR FEES FOR THE SALE OF INTERESTS PURSUANT TO THE MEMORANDUM BUT MAY RETAIN AN INTEREST IN THE FUND, EITHER DIRECTLY OR INDIRECTLY. **THE INVESTMENT DESCRIBED IN THIS MEMORANDUM INVOLVES RISK – NOTHING IN THIS MEMORANDUM SHOULD BE CONSIDERED AS INVESTMENT ADVICE, BUT RATHER MATERIAL INFORMATION IN EVALUATING THE FUND AND THE PROJECT. THIS MEMORANDUM DOES NOT PURPORT TO HAVE ALL INFORMATION THAT A PROSPECTIVE SUBSCRIBER WOULD CONSIDER MATERIAL; EACH PROSPECTIVE SUBSCRIBER SHOULD MAKE THEIR OWN DECISION TO INVEST BASED ON FACTORS INDEPENDENTLY IMPORTANT TO THEM.**

All documents relevant to the Fund’s Offering of interests outside of this Memorandum and its exhibits, and any additional information that is reasonably available or that can be obtained without unreasonable expense may be made available at the discretion of the Manager, subject to considerations of confidentiality, trade secrets, and proprietary information to any prospective investor or the investor’s advisors upon request to the Manager, and all such documents shall be subject to the disclaimers and disclosures in this Memorandum.

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Exhibit Schedule

- Exhibit A: Pitch and Marketing Project Materials; Financial Projections
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GENERAL NOTICES

This Memorandum is furnished on a confidential basis to eligible prospective subscribers (the prospective “**Investors**”) to provide certain information about an investment in limited liability company equity interests (the “**Interests**”) of the Fund, specifically its membership interests. This Memorandum is to be used *only* by the Person to whom it has been delivered solely in connection with the consideration of the purchase of the Interests described in this Memorandum. The information contained in the Memorandum should be treated in a confidential manner and may not be reproduced, transmitted, or used in whole or in part for any other purpose, nor may it be disclosed to any third party (except such Person’s advisors who also agree to such confidentiality terms) without the prior written consent of the Manager. Each prospective investor in accepting this Memorandum hereby agrees to return it to the Manager, along with any copies (and to destroy any electronic copies), promptly upon request.

THIS MEMORANDUM DOES NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY IN ANY STATE OR OTHER JURISDICTION TO ANY PERSON TO WHOM IT IS UNLAWFUL TO MAKE SUCH OFFER OR SOLICITATION IN SUCH STATE OR JURISDICTION. THE INTERESTS OFFERED HEREBY HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION (THE “**SEC**”) OR BY THE SECURITIES REGULATORY AUTHORITY OF ANY STATE OR ANY OTHER JURISDICTION, NOR HAS THE SEC OR ANY SUCH SECURITIES REGULATORY AUTHORITY PASSED ON THE ACCURACY OR ADEQUACY OF THIS MEMORANDUM. ANY REPRESENTATION TO THE CONTRARY MAY BE A CRIMINAL OFFENSE. THIS MEMORANDUM IS NOT, AND UNDER NO CIRCUMSTANCES IS TO BE CONSTRUED AS, A PROSPECTUS OR ADVERTISEMENT FOR A PUBLIC OFFERING OF THE SECURITIES REFERRED TO IN THIS MEMORANDUM.

The Interests have also not been registered under the Securities Act, or the securities laws of any state or any other jurisdiction, nor is such registration contemplated, as this offering is intended to be exempt from such requirements. The Interests will be offered and sold only to “accredited investors” as defined in Rule 501(a) of Regulation D (“**Accredited Investors**”). The Fund may also require that the Interests be sold only to “qualified purchasers” as defined in Section 2(a)(51) of the Investment Company Act of 1940, as amended (“**Qualified Purchasers**”). The Interests will be sold in accordance with the exemption provided by Section 4(a)(2) of the Securities Act and Regulation D promulgated under the Securities Act, and other exemptions of similar import in the laws of the states where this Offering will be made. The Fund will **not** be registered as an Investment Company under the Investment Company Act of 1940, as amended (the “**Investment Company Act**”), by way of exemption from the definition of an investment company thereof. THIS FUND IS ORGANIZED AS A REAL ESTATE LENDING FUND.

The rights, preferences, privileges, and restrictions arising out of an investment in an Interest, the rights and responsibilities of the Manager, and each person subscribing for Interests (each, a “**Subscriber**” or “**Investor**” or “**Member**” as the context requires), and the terms and conditions of this Offering are governed by the Company Agreement of the Fund, and the Subscription Agreement between each Subscriber and the Fund (the “**Subscription Agreement**”), all of which will be provided to the Subscribers. The description of any matter in the text of this Memorandum is subject to and qualified in its entirety by reference to those documents. In particular, terms related to an investment in the Fund may vary from those set forth in this Memorandum as a result of negotiated changes in the Company Agreement or the Subscription Agreement after the date of this Memorandum. The Manager reserves the right to enter into “side letter agreements” with particular Subscribers, and not others, and has no obligation to share such preferred terms with all prospective Subscribers. **The Manager reserves the right to modify the terms of this Offering and of the Interests described in this Memorandum, and the Interests are offered subject to the Manager’s ability to reject any subscription for Interests in whole or in part.**

There is no public market for the Interests and no public market is expected to develop in the future. The Interests may not be sold or transferred unless they are a) approved for transfer by the Manager and/or b) registered under the Securities Act or an exemption from that registration under the Securities Act and under any other applicable securities law registration requirements is available. Furthermore, there are further limitations on the transfer of interests as contained in the Company Agreement.

The information contained in this Memorandum is given as of the date on the cover page, unless another time is specified. Investors may not infer from either the subsequent delivery of this Memorandum or any sale of Interests that there has been no change in the facts described since that date. Certain economic, financial, and market information contained in this Memorandum and its exhibits (including certain Forward-looking Statements and information) may have been obtained from third-party (or published) sources or prepared by persons other than the Manager. **While that information is believed to be reliable for the purposes used in this Memorandum, none of the Fund, the Manager, or any of their respective managers, officers, employees, partners, representatives, owners, or affiliates assume any responsibility for the accuracy of that information.**

POTENTIAL INVESTORS SHOULD PAY PARTICULAR ATTENTION TO THE INFORMATION PRESENTED IN THE “INVESTMENT CONSIDERATIONS” SECTION IN THIS MEMORANDUM. INVESTMENT IN THE FUND IS SUITABLE ONLY FOR ACCREDITED INVESTORS AND REQUIRES THE FINANCIAL ABILITY AND WILLINGNESS TO ACCEPT THE RISKS AND LACK OF IMMEDIATE LIQUIDITY INHERENT IN AN INVESTMENT IN THE FUND. INVESTORS IN THE FUND MUST BE PREPARED TO BEAR THOSE RISKS FOR AN INDEFINITE PERIOD OF TIME.

IN MAKING AN INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE FUND, THE PROJECT, AND THE TERMS OF THIS OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. PROSPECTIVE INVESTORS SHOULD NOT CONSTRUE THE CONTENTS OF THIS MEMORANDUM AS LEGAL, TAX, INVESTMENT, OR ACCOUNTING ADVICE. **PROSPECTIVE INVESTORS ARE URGED TO CONSULT WITH THEIR OWN ADVISORS WITH RESPECT TO THE LEGAL, TAX, REGULATORY, FINANCIAL, AND ACCOUNTING CONSEQUENCES OF THEIR INVESTMENT IN THE FUND.**

Each Subscriber is invited to meet with a representative of the Fund and to discuss with, ask questions of and receive answers from that representative concerning the terms and conditions of this Offering, and to obtain any additional information, to the extent that the representative possesses that information or can acquire it without unreasonable effort or expense, necessary to verify the information contained in this Memorandum.

No person that is not the Manager or an authorized representative thereof has been authorized in connection with this Offering to give any information or make any representations other than as contained in this Memorandum, and any representation or information not contained in this Memorandum must not be relied on as having been authorized by the Fund, the Manager, the managers of the Manager, or any of their affiliates.

Certain information contained in this Memorandum constitutes “**Forward-looking Statements**,” which can be identified by the use of forward-looking terminology such as “may,” “will,” “should,” “expect,” “anticipate,” “estimate,” “intend,” “continue,” or “believe,” or the negatives or other variations or comparable terminology. Due to various risks and uncertainties, including those set forth under the “Investment Considerations” Section of this Memorandum, actual events or results may differ materially from those reflected in the Forward-looking Statements. Any Forward-looking Statements or information

contained in this Memorandum should be considered with these risks and uncertainties in mind. Accordingly, undue reliance should not be placed on any Forward-looking Statements and information.

In considering the prior performance information of the Manager and its principal/affiliates (if any) contained in this Memorandum, including its exhibits, prospective investors should bear in mind that past or projected performance is not necessarily indicative of future results, and there can be no assurance that the fund will achieve comparable results or that the fund will be able to implement its strategy or achieve its investment objectives.

Except as otherwise noted, all references herein to “\$” or monetary amounts refer to United States (“*U.S.*”) dollars.

I. SUMMARY OF PRINCIPAL TERMS

The following information is presented as a summary of principal terms of the offer and sale of the Interests (the “**Offering**”) only and is qualified in its entirety by the detailed information appearing elsewhere in this Memorandum, and by the terms and conditions of the Fund’s Company Agreement and the Company’s Subscription Agreement, a copy of which will be provided to each Subscriber prior to acceptance of any subscription. Capitalized words that are used but not defined herein have the meaning given them in the Company Agreement. This Memorandum, the Company Agreement, the Subscription Agreement, and the accompanying Investor Suitability Questionnaire shall together constitute the “**Offering Documents**”. Prior to making any investment in the Fund, the Offering Documents should be reviewed carefully and completely.

The Fund: Hawthorne Income Fund, LLC (the “**Fund**”) is a newly formed Delaware limited liability company. The Fund is governed by the terms of its company agreement (the “**Company Agreement**”).

The Manager: The **Manager** is *Hawthorne Income Fund Manager, LLC*, a Texas limited liability company.

**The Offering;
Offering Period:** The Fund is organized as an “evergreen” fund model, in that it shall perpetually exist and continuously raise and deploy capital on an ongoing basis. In such a situation, investors are simply being paid fixed returns on contributed capital. That being the case, the Fund will still hold this Offering as its initial Offering as stated herein, and then will continue to offer continuous investment opportunities to prospective investors over the term of the Fund.

Initially, the Fund is offering its limited liability company membership interests for all Classes of Membership (collectively, the “**Interests**”) on a private placement basis to investors who satisfy the eligibility standards described in this Memorandum. At present, the Fund anticipates selling its Interests to raise a minimum/maximum of \$5,000,000.00 - \$15,000,000.00 in total subscriptions (the initial “**Offering**”). The Offering shall commence as of the Effective Date of this Memorandum (April 23, 2021), and shall continue for a period of twelve (12) months, provided, however, that the Manager may extend the offering period at its sole discretion (initially and as may be extended, the “**Offering Period**”). During the Offering Period, the Company may accept subscriptions from prospective Investors in accordance with the terms of its Subscription Agreement (the “**Subscription Agreement**”) on a rolling basis during this Offering (each subscription to be accepted at a Closing, defined in the Subscription Agreement).

By the expiration of the Offering Period, if the Fund is unable to meet at least the minimum amount sought under the Offering then this Offering may (but is not obligated to), at the discretion of the Manager, terminate and all subscriber funds shall be returned to Investors, with interest.

Persons whose subscriptions are accepted by the Fund will be admitted as Members of the Fund (“**Members**”, who in some cases referred to as “**Investors**” or “**Subscribers**” as the context requires) and shall belong to that particular Class of Membership indicated at the Closing for that Member, *provided, however*, that the Offering is successfully closed and not terminated

by the Manager. Each Interest includes the right of that Member to all benefits to which a Member may be entitled pursuant to the Company Agreement with respect to such Member's designated Class and under applicable law, together with all obligations of the Member to comply with the terms and provisions of the Company Agreement and applicable law.

**Classes of
Membership**

At present, there are three Membership Classes for which the Interests are being offered:

Class A10: Membership Interests of this Class will be entitled to all rights as stated in the Company Agreement, equal to that of all other Classes, *except, however,* that the **Preferred Return for this Class shall be 10.00%**. All prospective Investors, except as otherwise identified by the Manager (per below), shall be admitted by default to this Class of Membership.

Class A13: Membership Interests of this Class will be entitled to all rights as stated in the Company Agreement, equal to that of all other Classes, *except, however,* that the **Preferred Return for this Class shall be 13.00%**. This Class shall only be comprised of Members identified by the Manager as those who are current investors in an Affiliate fund of the Manager or whom have had a pre-existing relationship with the principal of the Manager in which they have previously loaned or conducted business. **Not all Prospective Subscribers will qualify for this Class, such determination to be within the sole discretion of the Manager. In addition thereof, on June 30, 2022, this Membership Class shall cease to exist and all Members of this Class shall become Members of Class A10, automatically, unless otherwise delayed or postponed by the Manager in its sole discretion.**

Class A8: Membership Interests of this Class will be entitled to all rights as stated in the Company Agreement, equal to that of all other Classes, *except, however,* that the **Preferred Return for this Class shall be 8.00%**.

Transfer of Classes by Manager. The Manager is permitted, at its sole discretion and without the consent of any Member, to re-classify any Member's Interests to a different Class, *provided, however,* that in doing so it must: 1) notify such Member at least thirty (30) days prior to, and 2) offer such Member the option to withdraw, without refusal, from the Fund instead (withdrawal per the terms of the Company Agreement, and as stated below). Notwithstanding the foregoing, the automatic transfer of all A13 Class Members shall occur without the provisions of this paragraph.

From time to time in the future, the Fund may establish additional Classes at its discretion and admit new Members thereof.

**Commitment Period
and Calls;
Withdrawal;
Additional Partners**

Each prospective Investor shall contribute such percentage of its Capital Commitment as initially called by the Manager (its **Capital Contribution**) upon subscription. The Manager shall, as reasonably determined necessary, make a Capital Call (of remaining Capital Commitments), and may permit certain Members, but not all, to contribute such additional Capital Contributions

from time to time. The Manager also has the authority to admit additional Members after the initial Offering at its sole discretion.

The Term of the Fund shall be perpetual (an “*evergreen*” fund model), and the **Commitment Period** for each Investor is flexible and the Fund may exist perpetually until terminated by the Manager; Members may be permitted provide additional Capital Contributions or to withdraw all or some of their Interests at any time pursuant to the terms of the Company Agreement, reproduced as follows:

A Withdrawing Member must provide a Notice of Withdrawal that includes a Withdrawal Amount. To the extent not already completed pursuant to distributions, the Withdrawing Member shall be entitled to receive distributions equaling its Withdrawal Amount, whereupon if it withdraws all of its interest in the Fund, it shall cease to be a Member of the Company, provided, however, that until such time as it receives such amount of distributions, it shall continue to earn its Preferred Return commensurate with its Membership Class on all Withdrawal Amounts.

The Fund will provide the Withdrawing Member its Withdrawal Amount pursuant to the preceding paragraph in Tranches. Each Tranche shall be the lesser of \$100,000 or Unallocated Withdrawal Amount, and the sum of all Tranches for a particular Notice of Withdrawal shall not exceed the Withdrawal Amount for that Notice of Withdrawal. Each Tranche shall have a Tranche Request Date and a Tranche Completion Date to be listed on a Tranche Schedule for the Withdrawing Member. Capital shall be returned to the Withdrawing Member in the order of Tranche Completion Date for the respective Withdrawing Member, from earliest to latest. The Tranche Completion Date for each Tranche shall be as follows:

- If there are no Outstanding Unreturned Tranches, the Tranche Completion Date shall be set to 120 days from the Tranche Request Date.
- If there are Outstanding Unreturned Tranches, the Tranche Completion Date shall be set to 120 days from the Tranche Request Date or 60 days from the Tranche Completion Date for Last Tranche, whichever is later.

Should the Manager be unable to return a particular Tranche by the Tranche Completion Date therein specified, the Withdrawing Member shall be entitled to a fee equal to 0.10%/month calculated on the amount actually due within such Tranche by the expiration of such Tranche Completion Date, or \$100/month, whichever is less, until such Tranche is complete and paid out to the Withdrawing Member. There shall be no prorating of fees. The fee due shall be based on the amount due for a particular Tranche on the date a fee is assessed.

If a Member desires to cancel a request of withdrawal, it must inform the Manager immediately in writing, and cancellation will apply to Tranches from the earliest Tranche Request Date to the latest.

It is important to note that the Manager may be unable to fully withdraw a Member and provide the corresponding distribution immediately and may take time for the Manager to be able to effectuate such withdrawal. Accordingly, Members may be required to hold their Membership Interests until a withdrawal is complete, and such hold may be for an undefined period of time, during which, however, such Investor will continue to earn its Preferred Return. In addition thereof, if at any time any Member has been accruing fees pursuant to its withdrawal Tranches for a consecutive period of 24-months or more, fees will stop being assessed and the Fund shall no longer be permitted to make any additional Project Loans and all excess capital not utilized must be utilized to provide distributions to all Members on a pro rata basis in accordance with their Capital Contributions.

(Definitions used in this Section are defined in the Company Agreement)

Fund Thesis; Project and Project Loans:

The Fund has been formed for the primary purpose of engaging in the **Project**, which means the lending of capital as business loan financing capital to certain **Borrowers** upon agreed terms resulting in interest revenue for the Fund, pursuant to a certain **Master Credit Agreement** (the “Master Credit Agreement” and each such loan a “**Project Loan**”).

At present, there shall be only two Borrowers of the Fund: a certain *Hawthorne Land, LLC*, a Texas limited liability company (“**Hawthorne Land**”), and a certain *Hawthorne Interests, LLC*, a Texas limited liability company (“**Hawthorne Interests**”).

- Hawthorne Land shall acquire land, primarily rural land that is located within a 100-mile radius of metropolitan areas in Texas, although it will consider properties outside of this criteria should promising investment opportunities arise. The target property: (a) is rural land that is raw or mostly unimproved, (b) is located within about 100 miles of a large or mid-sized metro area in Texas, (c) is over 50 acres in size, ideally much larger, (d) can legally be used for residential purposes, (e) is or can be made habitable and desirable for future housing and (f) can be generally purchased for between \$500,000 and \$5 million.
- Hawthorne Interests is in the business of acquiring and servicing loans that are collateralized by real estate. Hawthorne Interests is expected to buy many of its loans from Hawthorne Land and other entities associated or affiliated with Hawthorne Land, Hawthorne Interests and Douglas Lee Smith. Hawthorne Interests shall buy loans from Hawthorne Land and other sellers at purchase prices that such parties mutually agree to. Hawthorne Interests will borrow from the Fund under the Credit Facility described below in order to finance the purchase of such loans. Hawthorne Interests may also refinance such loans pursuant to the terms of the Credit Facility.

The above thesis and criteria for both Hawthorne Land and Hawthorne Interests are reflective of typical business conducted by them, respectively, and are not hard mandates; Hawthorne Land and Hawthorne Interests may from time to time pursue different opportunities with different criteria at the discretion of its

operators (*i.e.*, the Manager or an affiliate thereof). Further, though the two above identified Borrowers are the only presently identified Borrowers, it is possible, and within the discretion of the Manager, to provide Project Loans to additional Borrowers, whether or not such Borrowers are Affiliated with the Manager or not.

It is important to note that in almost every case, the Borrowers will be affiliate entities with the Manager, in that the principal of the Manager is also a principal and majority owner/operator of the Borrower(s), and thereby, the principal of the Manager will almost always directly benefit from the making of the Project Loans to the Borrowers. **Acknowledging this conflict, in subscribing to the Fund all Members will be required to agree that such affiliation, and the making of such Project Loans shall not, by itself, be construed as, or operate as, an impermissible conflict or a violation of any fiduciary duties by the Manager or its principal/sponsor, and that the making of such Project Loans shall not be voidable solely on this basis.** All Members will have to further expressly and affirmatively waive claims against the Manager and its principal with respect to this conflict. Other than the terms contained in the Master Credit Agreement (including any revisions or amendments thereof) and any Project Loan documents in connection therewith, the principal of the Borrowers shall have no obligation to share or otherwise waive any benefit it receives thereof.

As a result of the foregoing, the Manager shall be mandated to foreclose on any Project Loan that remains in default for a period of more than 90 days following a delivery of notice from the Fund to the Borrowers. This mandate is in place to ensure fairness with respect to the Investors and the Fund, given the relationship between the Manager and the Borrowers.

In addition to the foregoing, the Manager has the full right, at its sole discretion, to lend or invest in other Borrowers/Persons from time to time, whether or not such Borrowers are Affiliates of the Manager or not. Such Project Loans or investments may or may not be in line with the current thesis of the Fund, which is always subject to change without notice to the Members. The Fund may establish multiple holding entities for direct investments into real estate holdings as well. Such decisions and investment considerations, and in general decisions with respect to the deployment or investment of capital as Project Loans, will be at the sole discretion of the Manager.

More details regarding the Fund's Project and thesis are contained in an attachment to this Memorandum as Exhibit A – Marketing and Pitch Materials.

Management:

All management decisions regarding the business of the Fund, the Project Loans, and the Project in general will be made by the Manager, and the Members will have no rights to vote, approve, or otherwise participate in the business and affairs of the Fund, except as may be outlined in the Company Agreement.

To the fullest extent permitted under applicable law, the Manager may not owe any fiduciary duties of any kind whatsoever to the Fund, or to any of the Subscribers, by virtue of its role as the Manager, including, but not limited to, the duties of due care and loyalty, whether those duties were established as of

the date of the Company Agreement or any time hereafter, and whether established under common law, at equity, or legislatively defined. By signing the Company Agreement, Subscribers will agree that the fiduciary duties, to the extent permissible under law, are affirmatively waived.

The Manager may only be removed: 1) for Cause (as defined in the Company Agreement, and generally to mean “bad acts”); *and* 2) by a vote of the holders of a Super Majority of the Membership Interests, *provided, however*, that the same is also approved by a Majority of the actual total number of Members as well. In addition thereof, for purposes of such vote, the Membership Interests of Manager and its principal shall be excluded from participation and calculation of votes. As used in this paragraph, the determination of Cause shall result from a binding arbitration as specified in the Company Agreement.

**Investment
Minimum:**

The minimum Subscription Amount is **ONE HUNDRED THOUSAND DOLLARS AND NO/100 (\$100,000.00)**, although the Manager may accept subscriptions of lesser amounts, in its sole discretion.

**Investment
Procedure:**

An eligible investor may subscribe for Interests by delivering to the Fund, on or prior to the Closing (as defined in the Subscription Agreement): 1) a properly and fully executed Subscription Agreement, together with all required supporting documentation, if any; 2) a properly executed Company Agreement as a Member; and 3) the total purchase price for its subscription as called for by the Manager. **NO SUBSCRIPTION SHALL BE DEEMED ACCEPTED UNLESS ALL REQUIREMENTS HEREIN OUTLINED ARE MET.**

All subscription amounts by Investors shall be provided to and held in an account managed and controlled by the Fund, pending either the successful completion of the Offering or its termination, in accordance with the terms of the Subscription Agreement.

Upon the acceptance of a subscription by the Manager at the Closing, and provided that the Offering is successful and not terminated, the Subscriber will be admitted as a Member of the Fund and will have an Interest representing a proportionate share of the net assets of the Fund based on relative contributions (capital or otherwise) of all Members (including the Manager) at the Closing.

Under the terms of the Subscription Documents and the Company Agreement, Subscribers and Members may, from time to time, at the discretion of the Manager, be required to provide representations, documentation, instruments, or information to facilitate a Closing, satisfy Closing Conditions, satisfy applicable anti-money laundering requirements and for certain other purposes.

**Acceptance /
Rejection of
Subscriptions:**

The Manager reserves the right to accept or reject any subscription, in whole or in part, for any reason, or for no reason at all. The Manager will notify each Subscriber as to whether it has accepted its subscription, which may only occur upon the successful completion of the Offering and if all conditions of the Subscription Agreement are met.

Fund Operating Expenses: All organizational and operating expenses of the Fund will be paid by the Manager. The Fund or the Members will **not** be responsible for any fees or expenses in relation to the operation of the Fund, or the Project. The Manager, in its discretion, may have its Affiliate entities pay or reimburse the same for such expenses, so long as the Fund itself is not responsible thereof.

Fee Disclosure: The Manager will **not** receive any fees, whether management, advisory, or otherwise, in connection with its service as a manager of the Company.

Loan Financing for the Fund The Fund itself will **not** be permitted to take loans from financial institutions, as the priority protection for all Loans are due to the Investors. However, the Borrowers may take loans from third-party lenders other than the Fund, provided, however, that the Fund shall always have a first priority lien as security for all loans provided to the Borrowers.

Preferred Return The Fund shall provide the Preferred Return at a rate equal to the Preferred Return Rate for each Class, respectively, on each Member's Unrecovered Capital as a distribution, *understanding that the Preferred Return is calculated at a different rate for each Membership Class*. The Preferred Return shall be cumulative, non-compounded, and shall begin to accrue for each Member when such Member becomes a Member. The distribution/payment of the Preferred Return shall not be considered Recovered Capital Contributions. Each Member may, at its election and notice to the Company, receive the Preferred Distribution (when available) directly or elect to have it paid to a reserve account in its name in the books of the Company, which in turn may be utilized and applied as additional Capital Contributions for such Member (a "re-investment").

The **Preferred Return Rate** for each Class is as follows:

Class A10: 10.00%

Class A12: 13.00%

Class A8: 8.00%

Distributions All distributions shall be as stated in the Company Agreement and are outlined as follows:

(i) **First**, 100% to all Members on a pro-rata basis in accordance with their Capital Contributions (pari passu) up to an amount equal to the accrued and unpaid Preferred Return; then

(ii) **Second**, 100% to all the Members on a pro rata basis (pari passu) in accordance with the Membership Interest Percentages of the Members until all Members have received distributions equaling their total Unrecovered Capital Contributions; then

(iii) **Third and finally**, all remaining cash (or cash equivalent), if any (though none expected) shall be distributed to the Manager, in full.

Notwithstanding the foregoing, distributions required to be made to Withdrawing Members, if any as shall occur from time to time, may be made

outside of the distribution priority mandated above at the discretion of the Manager.

Prior to making any distributions, the Fund will first use available cash and assets to pay obligations, if any. The Fund may also set aside a reasonable contingency reserve should the Manager determine it to be necessary.

Allocations: The Fund's items of income, gain, loss, or credit recognized by the Fund will be allocated to each Member's Capital Account in a manner generally consistent with the distribution procedures stated in "Distributions" and the allocation rules as stated in the Company Agreement.

Capital Account: The Fund will establish and maintain a capital account ("**Capital Account**") for each Member. The Capital Account of a Member will be (i) increased by (a) the amount of all capital contributions by that Member to the Fund and (b) any Profits (or items of gross income) allocated to that Member; and (ii) decreased by (a) the amount of any Losses (or items of loss) allocated to that Member and (b) the amount of any distributions to that Member. Capital Accounts will be maintained in accordance with U.S. federal income tax guidelines.

Securities Laws: The Interests will **not** be registered under the Securities Act. Offers of Interests will be made solely to investors that are Accredited Investors, and in some cases may also be required to be Qualified Purchasers. *See* Section V: "Offering Compliance."

This Offering shall be conducted in reliance of an exemption from registration of the Securities provided for under R.506(b) of Regulation D of the Securities Act.

The Fund intends to rely on the exemption from registration under the Investment Company Act of 1940, as amended (the "**Investment Company Act**") by reason of the exemption specified in Section 3(c)(1) (for issuers whose securities are beneficially owned by 100 or fewer investors, or by 250 or fewer investors for a "qualifying venture capital fund" as defined in that Section) or Section 3(c)(5) (for issuers who are not investing in securities, but rather real estate within the meaning of the Investment Company Act). Only "*accredited investors*" will be admitted as Subscribers. For the Fund to avoid classification as an "*investment company*" under the Investment Company Act, the Manager may limit ownership by any other investment company (even if it is exempt from the definition under Section 3(c)(1) or Section 3(c)(7) of the Investment Company Act) to less than 10% of the outstanding Interests at the time that entity invests in the Fund. If the entity subscribes for Interests, the Manager may limit, in its sole discretion, the Interest sold to that entity to less than 10% of the value of the total Interests after that entity's investment. If the entity's subscription is for a greater amount, the difference will, in the Manager's discretion, be rejected and refunded.

Other Business Activities of Manager: The Manager, for as long as it remains the Manager, will devote time to the Fund as is reasonably necessary to effectively manage its affairs. The Manager and its principal and affiliates are **not** otherwise precluded from engaging in or

pursuing, directly or indirectly, any interest in other business ventures of any kind, nature, or description, independently or with others.

Manager Not Exclusive:

The Manager and its affiliates and principal are permitted to create and manage one or more subsequent funds having a substantially similar investment strategy without any notice or consent of the Members (a “**Subsequent Fund**”).

Exculpation and Indemnification; Limitation of Liability

Neither the Manager or the Fund Representative (as defined in the Company Agreement), nor their respective Members, managers, managing members, shareholders, partners, employees, directors, officers, advisors, consultants, personnel or agents or affiliates (collectively, “**Indemnified Persons**”) will be liable to the Fund or any Member any losses, liability, claims, damages or expense (“**Losses**”) so long as (i) that Indemnified Person acted in good faith and believed that conduct was in the best interests of the Fund and (ii) that conduct did not constitute gross negligence, willful misconduct, bad faith or fraud.

In addition, the Fund may pay the expenses incurred by the Indemnified Person in defending an actual or threatened civil or criminal action in advance of the final disposition of that action, *provided* that person agrees to repay those expenses if found by final adjudication not to be entitled to indemnification. The Fund may obtain insurance for (at the Fund’s expense) the Indemnified Persons for any Losses except those attributable to conduct in the foregoing clause (ii).

Transfer of Interests

The transfer of any Interests is subject to several restrictions, including the consent of the Manager. The transferee of any Interests must be approved by the Manager, must meet all investor suitability standards, complete subscription documents, and comply with any applicable anti-money laundering requirements. The Manager will be allowed to transfer its Interest to an affiliate, provided the principal(s) of the Manager continue to control the Interest. Members will be able to withdraw from the Fund as provided in the Company Agreement.

Dissolution:

The Fund will dissolve and be liquidated upon the earliest of: (a) the Manager’s sole discretion to dissolve the Fund; or (b) entry of a judicial decree of dissolution pursuant to Delaware law or the occurrence of a nonwaivable event under the terms of the Delaware Limited Liability Company Act (“**DLLCA**”) which requires the Fund to be terminated.

Compulsory Redemption:

The Manager may, by notice to a Member, force the sale of all or a portion of that Member’s Interest on terms as the Manager determines to be fair and reasonable, or take other actions as it determines to be fair and reasonable in the event that the Manager determines or has reason to believe that: (i) the Member has attempted to effect a Transfer of, or a Transfer has occurred with respect to, any portion of that Member’s Interest in violation of the Company Agreement; (ii) continued ownership of that Interest by that Member is reasonably likely to cause the Fund to be in violation of securities laws of the United States or any other relevant jurisdiction or the rules of any self-regulatory organization applicable to the Manager, or their affiliates; (iii) continued ownership of that Interest by that Member may be harmful or injurious to the business or reputation of the Fund, the Manager, or may subject the Fund or any Members

to a risk of adverse tax or other fiscal consequence, including without limitation, adverse consequence under ERISA; (iv) any of the representations or warranties made by that Member in connection with the acquisition of that Member's Interest was not true when made or has ceased to be true; or (v) that Member's Interest has vested in any other person by reason of the bankruptcy, dissolution, incompetency or death of that Member.

Reports:

The Fund's fiscal year will end on December 31. Within 90 days after the end of each Fiscal Year, or as soon as practicable, the Fund expects to furnish to each Member sufficient information from its information return as is necessary for each Member to complete U.S. federal and state income tax returns with respect to its Interest, along with any other tax information required by law, *provided, however*, that the Manager may, in its sole discretion, elect to extend the Fund's tax filings, and consequently such reports may be delayed to the Members accordingly and as reasonably necessary. Schedule K-1 will be furnished to Members no later than the end of the month of March each fiscal year, *subject, however*, to an extension filed by the Fund at the Manager's sole discretion.

Following the close of each fiscal quarter, within 60 days (or as soon as practicable) the Manager shall endeavor to provide a statement of account(s) for each Member (subject, however, to delays in the receipt of any information which the Manager requires to complete such reports).

Tax returns, reports, summaries, financials, and other relevant documents due each Member by the Manager may only be provided electronically.

Confidentiality:

A Subscriber's rights to access or receive any information about the Fund or its business will be conditioned on the Subscriber's willingness and ability to assure that the information will be used solely by the Subscriber for purposes of monitoring its Interest, and that the information will not become publicly available as a result of the Subscriber's rights to access or receive that information. Each Subscriber will be required to maintain information provided to it about the Fund or its business in confidence and not to disclose the information except in certain limited circumstances. The Manager will be entitled to withhold certain Fund information from Subscribers who are unable to comply with the Fund's confidentiality requirements. The Manager may limit the information that is made available to investors regarding a Project investment.

Certain Tax Considerations:

As a partnership, the Fund generally will not be subject to U.S. federal income tax, and each Member subject to U.S. income tax will be required to include in computing its U.S. federal income tax liability its allocable shares of the items of income, gain, loss, and deduction of the Fund, regardless of whether and to what extent distributions are made by the Fund to that Member.

Risk Factors:

An investment in the Fund and the Fund's investment strategy involves risks, including those associated with investments in the Fund's targeted industry, market, and particular type of contemplated investments into Project Loans. An investor could lose some of their investment in the Fund. The Fund has limited liquidity and is suitable only for persons who have limited need for immediate

liquidity and who meet the suitability standards set forth in this Memorandum. There is no assurance that the Fund's investment objective will be achieved, including the successful completion of the Project or a successful performance of the Borrowers thereof. No secondary market for the Interests is expected to develop, and there are restrictions on an Investor's ability to withdraw and transfer Interests. See "**Investment Considerations**" in this Memorandum for a detailed list of risk factors, which, in no way are meant to be exhaustive or exclusive.

Each potential Investor should not construe the contents of this Memorandum as legal, tax, investment, or other advice. Each recipient should carefully review this Memorandum and obtain the advice of legal, accounting, tax, and other advisors in connection therewith before deciding to invest in the Fund.

Investments by Non-U.S. Investors: Investments from non-U.S. investors are permitted at the discretion of the Manager.

Legal Counsel to the Fund: M&W Law, PLLC is the counsel for the Fund. *It must be noted that M&W Law is also the counsel for the Manager, but not the Borrowers.*

Accountants to the Fund: The accountant for the Fund is Brad R. Smith CPA, PC.

The Manager **may, but is not required to**, obtain annual audits from an independent accountant. Though the Fund's fiscal year will end on December 31, it is likely that all audits will be conducted during the summer months (May, June, July, August or September). Further, inspection rights and annual/quarterly reporting shall be as stated in the Company Agreement only.

The Fund Administrator The Fund Administrator shall be Cobalt Fund Services, LP (the Fund "**Administrator**"), though the Manager has the right, in its sole discretion, to change the Administrator. The Members may be required, from time to time, to provide the Fund Administrator with such information as reasonably requested, including contact information, tax identification information, banking information, and other information reasonably required for the proper administration of the Fund.

The Fund Administrator shall provide and perform such services as are desired by the Fund and/or as may be customary for such administrator, including, without limitation, the preparation and filing of tax returns, quarterly and annual reports, and other such services. The Fund Administrator shall also assist with the onboarding of all Investors.

Amendments The Company Agreement provides broad discretion to the Manager to amend the Company Agreement without the consent of the Members. Subscribers are encouraged to read the provisions of the Company Agreement relating to amendments. Additionally, the Manager may waive or modify any provision of the Company Agreement with respect to any Member or prospective Member by agreement.

**Project Disclosure
Material**

Other than what is contained in this Memorandum, including all exhibits hereof, any of the other Offering Documents, any related pitch material or webinars, or other literature regarding the Fund as distributed directly by the Fund or the Manager, and as may be requested by the subscriber, Members have not been provided any disclosure materials or related information relating to the Project as part of this Offering. Investors will be required to acknowledge and represent that they are subscribing for Interests based on their own assessment and knowledge of the industry and of the Project, and as Accredited Investors. All material provided, whether expressly stated or not, shall be subject to the disclaimers in this Memorandum.

**Limited Voting
Rights**

Members will have limited management rights. Members will not have voting rights except under the limited circumstances expressly provided in the Company Agreement.

II. PROJECT DETAILS

Project Loans to the Borrowers; Thesis and Goals

The presently contemplated strategy of the Fund is to provide Project Loans to Borrowers in exchange for a fixed interest return (as more detailed in the attached Exhibit A). At present, there are only two identified Borrowers: *Hawthorne Land*, and *Hawthorne Interests*, provided, however, that the Fund may identify and engage with additional Borrowers over time, or make such other direct investments deemed in the best interest of the Fund by the Manager at any time. The goals, strategies, and the Project is subject to change and alteration based on conditions affecting the implementation of the investments and other factors outside the Fund's control, or at the discretion of the Manager.

Terms used in this Section II and not otherwise defined herein or the Fund's Company Agreement shall have the meaning ascribed to them in the Master Credit Agreement.

Hawthorne Land, LLC

Hawthorne Land shall acquire land, primarily rural land that is located within a 100-mile radius of metropolitan areas in Texas, although it will consider properties outside of this criteria should promising investment opportunities arise. The target property: (a) is rural land that is raw or mostly unimproved, (b) is located within about 100 miles of a large or mid-sized metro area in Texas, (c) is over 50 acres in size, ideally much larger, (d) can legally be used for residential purposes, (e) is or can be made habitable and desirable for future housing and (f) can be generally purchased for between \$500,000 and \$5 million.

Hawthorne Land will acquire properties meeting the above criteria. Hawthorne Land will subdivide the land into smaller parcels and will typically improve such properties by adding power, water wells, gates, driveways, and other improvements. Hawthorne Land will borrow from the Fund to finance the purchase and improvement of such properties under the Credit Facility described below. The purchase of such properties will take place at licensed title agencies and fee attorney offices and Hawthorne Land and the Fund shall be issued customary title policies in connection with the purchase of the land. Hawthorne Land will subsequently sell most parcels to buyers through owner financed loans (where Hawthorne Land will be the lender and such buyers will be the borrowers). Hawthorne Land will typically sell such loans to Hawthorne Interests and other entities associated or affiliated with Hawthorne Interests, Hawthorne Land or Douglas Lee Smith. Such owner finance loans shall be documented by promissory notes, first lien deeds of trust and other customary loan documents for secured real estate loans.

Hawthorne Interests, LLC

Hawthorne Interests is in the business of acquiring and servicing loans that are collateralized by real estate. Hawthorne Interests is expected to buy many of its loans from Hawthorne Land and other entities associated or affiliated with Hawthorne Land, Hawthorne Interests and Douglas Lee Smith. Hawthorne Interests shall buy loans from Hawthorne Land and other sellers at purchase prices that such parties mutually agree to. Hawthorne Interests will borrow from the Fund under the Credit Facility described below in order to finance the purchase of such loans. Hawthorne Interests may also refinance such loans pursuant to the terms of the Credit Facility.

Criteria for Project Loans; Security; The Credit Facility

The Fund shall provide a revolving credit facility to Hawthorne Land and Hawthorne Interests under the Master Credit Agreement (as co-borrowers under the facility) (the "**Credit Facility**"). The Credit Facility shall have a total commitment amount equal to the amount of capital that the Fund has raised and such total commitment amount may increase or decrease from time to time. The interest rate on loans under the Credit Facility shall be the lesser of (1) 10% per annum and (2) the weighted averaged of the preferred returns

accrued by investors in the Fund during the prior month, excluding the impacts of new amounts invested during a partial month.

The term of the loans on the purchase of land and land development under the Credit Facility (“**Land Loans**”) shall be equal to the length of time Hawthorne Land projects to take to develop and sell the land. Additionally, the payments due on Land Loans under the Credit Facility shall be interest only and shall be paid on a monthly basis in arrears as further described below.

The term of the loans on owner financed loans (“**Pledged Note Loans**”) under the Credit Facility shall be equal to the remaining term of the applicable owner financed loan that is pledged as collateral under the Credit Facility (the “**Owner Financed Loan**”). Additionally, the payments due on Pledged Note Loans under the Credit Facility shall be principal and interest and shall be paid on a monthly basis in arrears as further described below.

Hawthorne Land may request loans from the Credit Facility pursuant to the criteria and terms and conditions below:

- 1) Hawthorne Land may borrow a maximum of the lesser of (a) 65% of the projected after improved value of the property (“**Projected After Improved Value**”) and (b) the sum of the (i) total purchase price of the property (“**Total Purchase Price**”) and (ii) property related expenses (“**Property Related Expenses**”) made by Hawthorne Land.

Property Related Expenses include without limitation: closing costs, survey costs, property taxes, insurance, legal fees, marketing expenses, salesperson commissions, renovations, improvements, equipment leasing fees, permitting costs, notary fees and courier fees.

Projected After Improved Value shall be determined by Hawthorne Land based on sales of comparable properties that Hawthorne Land or an affiliate has likely already sold on owner financing in prior transactions. Hawthorne Land shall provide information to substantiate the Projected After Improved Value as requested by the Fund.

- 2) After the purchase of the land, Hawthorne Land may request additional loan capital from the Fund for Property Related Expenses incurred after the closing. Hawthorne Land shall provide invoices and receipts as requested by the Fund to substantiate the Property Related Expenses.
- 3) At no time shall loans from the Fund relating to a certain project exceed the lesser of (a) 65% of Projected After Improved Value and (b) the sum of (i) the Purchase Price of the property and (ii) Property Related Expenses. If there is an excess, Hawthorne Land shall prepay the loan to cure such excess within a time period acceptable to the Fund.

Hawthorne Land shall have the ability to prepay the loans at any time, and shall be required to do so when it has sold a parcel of land that is encumbered by a lien granted to the Fund. A partial payoff shall be calculated pro rata in the instance of a sale of a parcel, i.e., if 5% of a project is tied to a \$1 million loan from the Fund, and such 5% of the project is sold, \$50,000 of the principal amount of the relevant loan shall be required to be prepaid.

Hawthorne Interests may request loans from the Credit Facility pursuant to the criteria below:

- 1) Hawthorne Interests may borrow a maximum of the lesser of (a) the unpaid principal balance of such Owner Financed Loan that is being pledged as collateral under the Credit Facility and (b) a principal amount such that the interest and principal payment due to the Fund on a monthly basis is 10% less than the amount of scheduled interest and principal that Hawthorne Interests expects to receive from the borrower under the Owner Financed Loan (e.g. if Hawthorne Interests expects to

receive \$1,000 a month on an Owner Financed Note, then Hawthorne Interests will expect to pay \$900 a month to the Fund as interest on the applicable Pledged Note Loan).

- 2) Hawthorne Interests may request additional loans or increases of existing loans from the Fund. At no time shall loans from the Fund relating to a certain project exceed the Maximum Loan Amount for a Pledged Note Loan. If there is an excess, Hawthorne Interests shall prepay the loan to cure such excess within a time period acceptable to the Fund.
- 3) Hawthorne Interests may also refinance such loans pursuant to the terms of the Credit Facility. Hawthorne Interests shall have the ability to prepay the loans at any time, and shall be required to do so if it has sold an Owner Financed Loan or if it has received an additional amortization payment on an Owner Financed Loan from the relevant borrower that causes the total amount of loans to exceed the Maximum Loan Amount.

Market conditions, viability of the Project and of the Borrowers, and such other factors as outlined (on a non-exhaustive basis) in this Memorandum, may affect the Fund's currently contemplated strategy with respect to these two Borrowers. Either of the Borrowers may succeed or fail, or alter their given strategy at any time to accommodate market shifts and demands.

III. DETAILS REGARDING MANAGEMENT OF THE FUND

The Manager is responsible for overseeing and managing the day-to-day administration and operations of the Fund. The Borrowers are also managed by the same principal of the Manager, but such operations are **not** subject to the Fund's Company Agreement and exist as their own going concerns. The Company Agreement contains limitations on the liability of the Manager and its affiliates for any action taken, or any failure to act, on behalf of the Fund unless there is a judgment or other final adjudication adverse to the Manager and those affiliates establishing that the Manager's acts or omissions involve gross negligence, willful misconduct, bad faith, or fraud. The Company Agreement also provides for indemnification of the Manager, its principal, and their affiliates and advance of certain expenses for any losses for which the Manager is absolved from liability under the terms of the Company Agreement.

IV. SOURCES AND USES OF INVESTMENTS

The Project Loans shall be made in the name of and held by the Fund as the lender of such loans; the Fund will be the holder of all notes and security instruments relating to the Project Loans.

The currently anticipated and projected (though not guaranteed) sources and uses of the investments into the Fund are as follows: 100% of all capital raised under this Offering shall be utilized to make Project Loans, all expenses being covered by the Manager. Notwithstanding the foregoing, not all of the capital raised under this Offering will be immediately utilized or deployed; there may, at all times, be cash capital in the account of the Fund which has not yet been deployed to a Project Loan.

V. OFFERING COMPLIANCE

Eligible Investors and Suitability Standards

Interests are offered only to certain accredited investors as that term is defined in Rule 501(a) of Regulation D of the Securities Act. Accordingly, in addition to representing and certifying such status, investors will also be required to provide documentation to verify such status, acceptable to the Manager and as required by applicable regulations.

In addition to the net worth, income and investments standards described in the Subscription Agreement, each Member must have funds adequate to meet personal needs and contingencies, must have no need for prompt liquidity from investment in the Fund, and must purchase Interests for investment only and not with a view to resale or distribution. A Member's Capital Contributions (as adjusted to reflect the allocation of income and losses of the Fund) may **only be** withdrawn subject to the limitations as set forth in the Company Agreement.

Each investor, either alone or with a purchaser representative, must also have sufficient knowledge and experience in financial and business matters generally, in securities investments, and in particular, real estate development investments and venture investments to be capable of evaluating the merits and risks of investing in the Fund. Because of the restrictions on withdrawing funds from the Fund and the risks of investment (some of which are discussed under Section VII – “Investment Considerations”), an investment in the Fund is not suitable for an investor that does not meet the suitability standards as outlined in the Subscription Agreement. A prospective investor may not, however, rely on the Manager to determine the suitability of its investment in the Fund. The Manager assumes no liability for a Subscriber's decision to invest in the Fund.

Reliance on Subscriber Information

Representations and requests for information regarding the satisfaction of investor suitability standards are included in the Subscription Agreement that each Subscriber must complete, and the Fund and the Manager shall rely on such information provided by the Subscriber. The Interests have not been registered under the Securities Act. The Interests are being offered in reliance on Section 4(a)(2) and Regulation D of the Securities Act, and in reliance on applicable exemptions from state law registration or qualification provisions. Accordingly, before selling Interests to any offeree, the Manager may make all inquiries reasonably necessary to satisfy itself that the prerequisites of those exemptions have been met. Subscribers will also be required to provide additional evidence as deemed necessary by the Manager to substantiate information or representations contained in their respective Subscription Agreements. The standards set forth above are only minimum standards. The Manager reserves the right, in its exclusive discretion, to reject any Subscription Agreement for any reason, regardless of whether a Subscriber meets the suitability standards contained in this Memorandum. In addition, the Manager reserves the right, in its exclusive discretion, to waive minimum suitability standards not imposed by law.

The Manager will impose suitability standards comparable to those contained in this Memorandum in connection with any resale or other transfer of Interests permitted under the Company Agreement.

Plan of Distribution

Interests are being offered and will be sold directly by the Manager on behalf of the Fund. As of the Effective Date, no underwriters, brokers, dealers, or finders have been engaged by the Manager or the Fund to offer or sell Interests. Notwithstanding the foregoing, it is possible that in the future, additional investment advisors, placement agents, brokers, dealers, finders, or other agents may be engaged for the same purposes.

VI. TAX MATTERS

General

The following is a brief summary of certain U.S. federal income tax considerations that may be relevant to an investment in the Fund. This summary does not contain a comprehensive discussion of all U.S. federal income tax consequences that may be relevant to a Member in view of that Member's particular circumstances or (unless otherwise indicated) to certain Members subject to special treatment under U.S. federal income tax laws – such as regulated investment companies, personal holding companies, brokers or

dealers in securities, banks and certain other financial institutions, tax-exempt organizations, trusts and insurance companies – nor does it address any state, estate, local, foreign or other tax consequences of an investment in the Fund, except as otherwise provided in this Memorandum. This summary is based on the assumptions that (i) each Member (and each of its beneficial owners, as necessary under U.S. federal income tax withholding and backup withholding rules) will provide all appropriate certifications to the Fund in a timely fashion to minimize withholding (or backup withholding) on each Member’s distributive share of the Fund’s gross income and (ii) each Member will hold its Interest as a capital asset for U.S. federal income tax purposes. Each Subscriber should also note that, except as otherwise provided in this Memorandum, this summary does not address the interaction of U.S. federal tax laws and any income or estate tax treaties between the U.S. and any other jurisdiction.

For purposes of this discussion, the term “**U.S. person**” generally means any U.S. citizen or resident individual, any corporation, limited liability company or partnership organized under U.S. law, any estate (other than an estate the income of which, from sources outside the U.S. that is not effectively connected with a trade or business within the U.S., is not includible in its gross income for U.S. federal income tax purposes) and any trust if a court within the U.S. is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust. The term “**U.S. Member**” means any Member that is a U.S. person and, unless the context otherwise requires, includes any U.S. person that holds an equity Interest through one or more partnerships or other entities treated as transparent for U.S. federal income tax purposes. The term “**Non-U.S. Member**” means a Member that is not a U.S. person.

No assurance can be given that the Internal Revenue Service (the “**IRS**”) will concur with the tax consequences set forth below. Each prospective investor is advised to consult its own tax counsel as to the specific U.S. federal income tax consequences of an investment in the Fund and as to applicable foreign, state, estate, and local taxes. Also, *see* the discussion of tax matters under “Investment Considerations” in Section VII.

BE ADVISED THAT THE RECEIPT BY THE FUND OF CERTAIN DISTRIBUTABLE INCOME, WILL LIKELY RESULT IN ORDINARY TAXABLE INCOME OR SHORT-TERM CAPITAL GAINS, AND NOT IN LONG-TERM CAPITAL GAINS, PER IRS REGULATIONS. Prospective investors should confer with their tax advisors regarding the tax consequences of investment in the Fund, including the impact of state, local and foreign tax laws, considering the prospective investors’ particular circumstances and the particular nature and purpose of the Fund, as stated in this Memorandum and as may be subject to change. The Manager and the Fund assume no responsibility for the tax consequences of this transaction to any Investor.

Non-U.S. Investors

As discussed in more detail below, a non-U.S. investor generally should not be subject to taxation by the United States (other than certain withholding taxes) with respect to its investment in the Fund so long as that investor does not spend more than 182 days in the United States during its taxable year, does not otherwise have a substantial connection with the United States, and is not engaged, or deemed to be engaged, in a U.S. trade or business.

Non-U.S. investors who are resident alien individuals of the United States (generally, individuals lawfully admitted for permanent residence, or who have a substantial presence, in the United States) or for whom their allocable share of Fund income and gain, and the gain realized on the sale or disposition of a Fund interest is otherwise effectively connected with their conduct of a U.S. trade or business will be subject to U.S. federal income taxation on the income and gains.

The tax aspects of the Fund summarized above are general in nature, and this discussion is not intended to include a complete explanation of the federal income tax results of investing in the Fund. Each prospective investor should consult with its own tax advisor for detailed information.

To ensure compliance with IRS Circular 230, Investors are hereby notified that (i) any discussion of federal tax issues in this Memorandum is not intended or written to be relied on, and cannot be relied on by any Investor or any other Person, for the purpose of avoiding penalties that may be imposed under the Code; (ii) that discussion is written to support the promotion or marketing (within the meaning of IRS Circular 230) of the transactions or matters addressed herein; and (iii) each investor should seek advice based on the Investor's particular circumstances from an independent tax advisor.

VII. INVESTMENT CONSIDERATIONS

An investment in the Fund involves risks and is suitable only for accredited investors of substantial means who have no immediate need for liquidity in the amount invested, and who understand and can afford a risk of loss of all or a substantial part of the investment. In addition, potential investors should be aware that there will be occasions when the Manager and their affiliates may encounter potential conflicts of interest in connection with the structure and operation of the Fund. None of the agreements and arrangements between the Fund and the Manager and their affiliates, including the compensation payable by the Fund to the Manager and its principal/affiliates, or their affiliates, are the result of arm's-length negotiations. Accordingly, potential investors should carefully consider the following factors, among others, before making an investment in the Fund.

Investment Risks

The below list, plus the risks outlined in the attached Exhibit Materials, do not purport to be an all-inclusive or exhaustive list of risk factors. Prospective Investors should evaluate the merits and risks of an investment into the Fund themselves.

Risks Associated with The Project and the Borrowers: Real Estate Lending

Lending in real estate can present unique risks. It is possible that a Borrower may default on its loan obligations to the Fund, whether by missing a single payment or defaulting on the entire obligation. Often, the Project Loans may offer repayment structures that include interest-only payments for the term, with a balloon payment at the maturity only. In these situations, it is typically the case that the Borrower is only paying off the Project Loan upon a successful sale of the underlying assets loaned against, which may also be delayed or not occur for several reasons, including the marketability of the underlying assets, or the success of the Borrower's development or operational efforts. In any case, the risk of default is always present, in which case the Fund may not recoup its Project Loan given to a Borrower on a consistent basis, or at all. Investors should be aware of these risks.

Further, pursuant to the Master Credit Agreement the Fund is entitled to set interest rates and returns on a loan-by-loan basis. Such returns, if greater than the fixed and agreed upon returns, will not be credited to, or payable to, the Fund, as is customary in any lending situation, but shall be kept by the Borrower, who, again, is a direct affiliate of the Manager.

In addition, it is also important to note that all Project Loans will be non-recourse loans, in that the principal of the Borrower (and of the Manager herein) will not be personally guaranteeing such loans or providing other personal recourse; the only security for the Project Loans will be a first priority lien on the underlying assets of the Project Loan.

However, the principal will endeavor to use best efforts and good faith to ensure repayment of the Project Loan. In view thereof, Douglas Lee Smith (“**Smith**”), the principal of the Manager and of the Borrower, on behalf of the Borrower will enter into a Keep Well Agreement with the Fund pursuant to which Smith shall take all actions necessary to ensure that the Borrowers shall have sufficiently available funds to pay and discharge, when due and payable, the Project Loans pursuant to the Master Credit Agreement. However, the Keep Well Agreement shall not be deemed to constitute a guaranty by Smith of any obligation, indebtedness or liability of any kind or character whatsoever of the Borrowers or the Fund.

Risks Associated with Environmental Concerns for Real Estate

The Project Loans are given to the Borrowers for the ultimate purpose of real estate investments, which means the Fund will be indirectly involved in real estate. With real estate comes environmental concerns, which if discovered on any underlying investment or asset, would present significant risks to the Borrowers and the Project Loans, and the ultimate viability and success of the Project. There may be undiscovered hazardous materials in any real estate in which the Fund has provided a Project Loan against or come into ownership of by way of defaults and foreclosures. There may be undiscovered or later transpiring issues with such real estate. If such substances or issues are later discovered, this would significantly harm the viability and outlook of any particular Project Loan or result in a significant decrease in value of the underlying assets, which in turn would result in unsuccessful Borrowers. Ultimately, the Borrowers may require additional investment/loans thereof to cover the significant extra capital to cure, if such situation is even curable at all.

That being the case, the Borrowers will conduct all commercially reasonable due diligence in an effort to minimize such risks, though of course, positive results in this regard cannot be guaranteed. Further, it is possible that should contamination of any kind be discovered, it may only affect a small portion of the property.

In general, real estate assets are subject to numerous statutes, rules, and regulations relating to environmental protection. Under various federal, state, and local environmental laws, ordinances, and regulations, a current or previous owner or operator of real estate may be liable for non-compliance with applicable environmental and health and safety requirements and may be required to investigate and clean up any hazardous or toxic substances at such properties. An owner or operator may also be liable to a governmental entity or to third parties for noncompliance with applicable environmental and health and safety requirements and for property damage and for investigation, monitoring, removal, remediation, and clean-up costs incurred by the parties in connection with contamination. These laws typically impose clean up responsibility and liability without regard to whether the owner or operator knew of, was responsible for, or caused the presence of, the contaminants. The cost of investigation, remediation or removal of substances may be substantial, and the presence of substances or the failure to properly remedy the contamination on any real estate asset owned or controlled by the Fund or the Borrowers may adversely affect the Fund’s projected success in a significant way.

The Borrowers will certainly own and operate real estate, utilizing the proceeds of the Project Loans to do so. In certain limited circumstances, the Fund itself may also have direct interests in real estate. Real estate holdings, assets, or investments present unique risks inherent to their nature, as different from other ventures. Such risks include, but are not limited to, additional regulatory and compliance burdens, including additional city or state ordinances.

Risks Associated with Real Estate Lending and Foreclosures

Lending means the possibility of default on a loan exists, and from time-to-time the Fund may have to retain legal counsel and incur fees to enter litigation over a default loan. Such litigation can include sending demand letters or proceeding with judicial or non-judicial foreclosures on any loan that is in default. Such

actions present costly risks from which the Fund may not recover the full principal and interest on its loans or its lending objectives in which case returns to the Fund will be impacted.

Another such related risk is with respect to the affiliate relationship between the principal of the Borrowers and the Manager of the Fund. Given that the principal of both is one and the same, Smith, a potential conflict exists between the Borrowers and the Manager of the Fund. While all Members, in joining the Fund, agree to waive claims related to such conflict, a further step the Fund is taking is to implement protocols in which if a Project Loan remains in default for a period of more than 90 days following a notice of default delivered to the Borrowers, the Fund must foreclose on the Project Loan to protect the interest of Investors. Again, the results of any such actions cannot be guaranteed.

Risk of Eminent Domain; Casualty Losses

Municipalities and other government subdivisions may, in certain circumstances, seek to acquire real estate that is secured by the Fund through eminent domain proceedings. While each Borrower (or the Fund, if applicable) may seek to contest these proceedings, which may be costly and may divert the attention of management from the operation of the Project, there can be no assurance that a municipality or other government subdivision will not succeed in acquiring the subject real estate. There is a risk that a Borrower will not receive adequate compensation for the subject real estate, or that a Borrower will not be able to recover all charges associated with divesting the subject real estate, resulting in the Borrower being in default of the Project Loan without sufficient capital to repay its obligations thereon.

The Fund may or may not maintain insurance on the Project Loans, and a Borrower may similarly not maintain insurance on its underlying real estate, which would cover it in emergent situations including terrorism, liability, fire, and extended coverage, in amounts believed appropriate relative to the risks to the Borrower, subject to applicable deductibles. Insurance policies may have an overall cap on coverage, and insurable events may occur sequentially in time while subject to a single overall cap. To the extent insurance proceeds for one event are applied towards a cap and a Borrower experiences an insurable loss after the event, a Borrower's receipts from an insurance policy may be diminished or it may not receive any insurance proceeds. There are certain types of losses, however, generally of a catastrophic nature, including those due to earthquakes, floods, hurricanes, pandemics, and other acts of God, which may be uninsurable or not economically insurable. Inflation, changes in building or zoning codes and ordinances, environmental considerations, and other factors may also make it infeasible to use insurance proceeds to repair or replace the subject property if it is damaged or destroyed. Under these circumstances, the insurance proceeds received by a Borrower might not be adequate to restore its economic position with respect to subject real estate and the Project Loan. There is the potential for exposure in the event of an uninsured or underinsured liability. In addition, a Borrower may need to initiate litigation in order to collect from an insurance provider, which may be lengthy and expensive, and which ultimately may not result in a financial award. In such cases, the Borrower may end up in default on the Project Loan.

All of the above, though directly impacting the Borrowers, would of course, impact the Fund's anticipated returns on its Project Loans made to the Borrowers so affected.

Risks Due to Global COVID-19 and Other Potential Pandemics

As of the Effective Date of this Memorandum, the world is undergoing adverse impacts stemming from the COVID-19 pandemic, which has caused untold and unforeseen consequences on the global economy in virtually every industry. Future pandemics, whether similar or not, may also occur in the world and present new and evolving risks to the global economy, potentially impacting the Project. All Investors should keep in mind the material and often unforeseeable risks such events present, knowing that it may be impossible to predict and plan strategies to adapt or plan around.

Risks Associated with being Passive Investors; Management of the Fund

Although the Manager will be managing the Project actively, investors will be passive Members, making their capital investments through a passive strategy with limited control or participation rights. All capital investments are speculative in nature, and the possibility of loss of capital will exist.

The Members have limited right or power to take part in the management of the Fund. Accordingly, the Members will have very limited opportunity to control the day-to-day operations, including investment, Project Loan, and disposition decisions, of the Fund. The Members will not receive the detailed financial information issued by a Project that is typically available to the Manager. Accordingly, no person should purchase Interests unless that person is willing to entrust all aspects of the management of the Fund to the Manager. The Manager may be removed and/or replaced only by a vote of the holders of Super Majority of the Members (provided such composition also includes at least a majority of the actual number of Members), and only for Cause (*i.e.*, bad acts, as more particularly described in the Company Agreement).

Further, it is very important to note that though the principal of the Manager is also a principal of both Hawthorne Interests and Hawthorne Land, the Fund and the Members will have little to no participation or control with respect to the business and operations of any Borrower. Each Borrower must be seen as an independent operation and Members will have no direct or indirect control with respect to how such Borrower conducts or directs its business. The Fund will not generally have any control with respect to the management of the underlying assets it lends against. Such lack of control, and inherent conflict therein, may affect the overall performance of any such investment.

Limited Financial Updates; Forward Looking Projections

The Fund will provide financials and other updates regarding the Project to the Members in accordance with Article 9 of the Company Agreement.

In addition, the only available information that may be provided to prospective subscribers are the financial statements and projections attached to this Memorandum as Exhibit A. NOTE THAT ALL SUCH FINANCIAL DOCUMENTS AND ANALYSIS ARE PROVIDED “AS IS” AND ARE FORWARD-LOOKING STATEMENTS. THE FUND, THE MANAGER DOES NOT, AND CANNOT, GUARANTEE THE ACCURACY, COMPLETENESS, OR VIABILITY OF SUCH PROJECTIONS AND CALCULATIONS – INVESTORS MUST NOT RELY ON SUCH INFORMATION BUT MUST INSTEAD CONDUCT THEIR OWN DUE DILLIGENCE SATISFACTORY TO THEMSELVES PRIOR TO MAKING AN INVESTMENT DECISION HEREUNDER.

Projections. The Subscriber understands that, in connection with the Subscriber’s decision as to whether to subscribe to this Offering, the Subscriber has received certain financial information and forward-looking statements from the Fund containing, among other things, projections and other forecasts or certain business plan information and other data related to the Fund or the Project. The Subscriber understands that (i) such information is based upon certain assumptions and risks, variables, and uncertainties and is intended to be indicative of only certain possible results and not as guaranteed results, (ii) the Fund’s actual performance may differ from those projected, and (iii) such information shall not be deemed to include representations or warranties of the Fund. The Subscriber represents to the Fund that such Subscriber is not relying on any such information in deciding as to whether to subscribe to Interests in this Offering, and the Subscriber will make its own investigation and evaluation of the adequacy and accuracy of any such information, and base its decision as to whether to subscribe to Interests in this Offering based upon its own investigation and experience, and that the Subscriber shall have no claim against the Fund or its Managers, officers, or representatives with respect thereto.

Reliance on Project Management

Each Borrower will likely hire and rely on employees and contractors to manage its operations. To the extent that management so engaged performs poorly, or if a key person terminates their engagement, the Fund's investment could be adversely affected. The returns of the Fund will depend in large part on the performance and good faith of these unrelated individuals and entities and could be adversely affected by the unfavorable performance of those individuals.

Availability of Investment Capital; Loan Financing

The Fund is **not** permitted to receive loan financing. However, the Borrowers may obtain loan financing from third parties other than the Fund from time to time, provided that the Fund still retains a first priority lien with respect to the underlying assets loaned against.

If the Borrower requires additional capital and is unable to properly or timely source it, it may have a negative impact on a Project as well as the value of the Fund's investment.

Long-Term Investment

An investment in the Fund is a long-term commitment, subject to an Investor's right to withdraw as provided herein, and there is no assurance of any distribution to the Members. There is not now and there is not expected to be a public market for the Interests. The Interests may not be assigned, transferred, or encumbered without the prior written consent of the Manager (except in limited circumstances provided for in the Company Agreement), though withdrawals may be allowed. However, a Member may not be able to liquidate its investment promptly and must be prepared to bear the risks of owning its Interest for an extended or indefinite period of time. The Interests will not be registered under the Securities Act, or under the various "Blue Sky" or securities laws of the state or jurisdiction of residence of any Member. The inability to transfer Interests in the Fund may limit the availability of estate planning strategies.

Though the Fund has established protocols to allow Members to withdraw, it is important to note that the Manager may be unable to fully withdraw a Member and provide the corresponding distribution immediately and may take time for the Manager to be able to effectuate such withdrawal. Accordingly, Members may be required to hold their Interest until a withdrawal is complete, and such hold may be for an undefined period of time, during which, however, such Investor will continue to earn its Preferred Return. Another possible risk is a "flood gate" situation in which multiple Members may request a withdrawal at the same time. In such a situation, it is more than likely that the Manager will require significant time to be able to effectuate the withdrawal of all withdrawing Members and may only occur on a pro rata basis with all Members so wishing to withdraw. Accordingly, Members should be aware that withdrawal may not always be immediate.

Limited Information

Accordingly, an investment decision to purchase the Interests must be made based solely on the investor's own assessment of the Project, the Borrowers, the Manager, and its principal based on the information available in the Offering Documents, which may not include information that in the context of other investment decisions might be a necessary part of an investor's appraisal of the investment's advisability. Investors considering an investment in the Fund must be aware that there is a risk that: (i) there are facts or circumstances pertaining to the Project that the public (including the Manager) and the investor are not aware of; and (ii) publicly available information concerning the Project and the Manager upon which the investor relies may prove to be inaccurate, and, as a result of (i) or (ii), the investor may suffer a loss on its investment.

Fund Not Registered

The Fund is not expected to be registered under the Investment Company Act pursuant to an exemption set forth in Section 3(c)(1) and/or Section 3(c)(5) of the Investment Company Act, as applicable. The Investment Company Act provides certain protection to investors and imposes certain restrictions on registered investment companies (including, for example, limitations on the ability of registered investment companies to incur debt), none of which will be applicable to the Fund. The Manager is not registered as a broker/dealer under the Securities Exchange Act of 1934, as amended (the “**Exchange Act**”), or with the Financial Industry Regulatory Authority (“**FINRA**”) and is consequently not subject to the record keeping and specific business practice provisions of the Exchange Act and the rules of FINRA. Neither the Fund nor its counsel can assure investors that, under certain conditions, changed circumstances, or changes in the law, the Fund may not become subject to the Investment Company Act or other burdensome regulation.

The Manager is Not Registered as an Investment Advisor

Neither the Manager nor any of their respective affiliates are a state or SEC registered investment adviser under the U.S. Investment Advisers Act of 1940, nor do they intend to be. The Manager may qualify as an exempt investment advisor.

Taxation Risks

The revenue received from the Project is likely to be taxed by the US Government as ordinary income and not capital gains. An investment in the Fund may involve U.S. federal income tax considerations that will differ for each Member. Members who choose the reinvestment option will likely be required to recognize taxable income in a taxable year for U.S. federal income tax purposes, even if they received no distributions or distributions that were less than the amount of income taxes due. There can be no assurance Fund distributions will be made to cover those taxes. Accordingly, a Member may be required to use cash from sources other than the Fund to pay that Member’s allocable share of the Fund’s taxable income. Certain risks related to these matters are discussed in Section VI: “Tax Matters,” which Subscribers should read carefully. The Fund will file an annual information return on IRS Form 1065 and will provide information on Schedule K-1 to each Member following the close of the Fund’s taxable year if deemed necessary by the Manager. In the event that the Fund does not receive all of the underlying tax information necessary to prepare the Form 1065 and Schedule K-1 on a timely basis, the Fund will be unable to provide timely final tax information to the Members. Each Member will be responsible for the preparation and filing of that Member’s own income tax returns, and Members should expect to file for extensions for the completions of their U.S. federal, state, local, non-U.S. and other income tax returns.

No assurance can be given that current tax laws, rulings and regulations will not be changed during the life of the Fund. Subscribers should consult their tax advisors for further information about the tax consequences of purchasing an Interest.

The Manager intends to structure the Fund’s investments in a manner that is intended to achieve the Fund’s investment objectives. Notwithstanding anything contained in this Memorandum to the contrary, there can be no assurance that the structure of any investment will be tax efficient for any particular investor or that any particular tax result will be achieved. In addition, tax reporting requirements may be imposed on Members under the laws of the jurisdictions in which Members are liable for taxation or in which the Fund makes investments in the Project. Subscribers should consult their own professional advisors with respect to the tax consequences to them of an investment in the Fund.

Taxable “Phantom” Income to Investors

Investors must accept the risk that they may realize taxable income without a corresponding distribution from the Fund, to pay any taxes due. No assurance can be provided that any Investor will receive

corresponding distributions from the Fund in order to assist the Investor in satisfying any such tax obligation payments, and each Investor should expect to be required to pay such tax obligations from the Investor's own, separate assets, rather than from amounts paid to the Investor by the Fund. This situation is particularly likely when a Member chooses to re-invest their distributions as additional Capital Contributions, in which case distributions will not be actually paid to the Member but will be credited on the Member's behalf to their capital account as additional Capital Contributions.

Confidential Information

The Company Agreement will contain confidentiality provisions intended to protect proprietary and other information relating to the Fund and the Project. To the extent that the information is publicly disclosed, competitors of the Fund or competitors of its Project, and others, may benefit from that information, thereby adversely affecting the Fund, the Project and the Manager, and the economic interests of Members.

Litigation Risks

The Fund will be subject to a variety of litigation risks, particularly in consequence of the likelihood that the Project may face financial or other difficulties, or that some aspect of Borrowers or their respective underlying business, assets, and operations may be defective. In the event of a dispute arising from any of the foregoing activities (or other activities relating to the operation of the Fund or the Manager), it is possible that the Borrowers, the Fund, the Manager, or its Members may be named as defendants. The Fund may indemnify the Manager and the Members for any costs they incur in connection with those disputes. Beyond direct costs, those disputes may adversely affect the Fund in a variety of ways, including by distracting the Manager and harming relationships between the Fund and other investors in the Project.

Recourse to the Fund's Assets

The Fund's assets, including any Project Loans, promissory notes and security instruments thereof, made by the Fund to the Borrowers, are available to satisfy all liabilities and other obligations of the Fund. If the Fund becomes subject to a liability, parties seeking to have the liability satisfied may have recourse to the Fund's assets generally and will not be limited to any particular assets, such as the asset representing the investment giving rise to the liability. Accordingly, Members could find their Interest adversely affected by a liability arising out of an investment of the Fund.

Factual Statements; Presented Pitch Deck; No Guarantee of Results or Projections

Certain factual statements made in this Memorandum are based upon information from various sources believed by the Manager to be reliable, however the Manager and the Fund will have no liability for any inaccuracy or inadequacy of the information. In particular, neither legal counsel nor any other party has been engaged to verify any statements relating to the experience, track record, skills, contacts or other attributes of the Manager or any agents/contractors/managers they may hire to develop the project, or to the anticipated future performance of the Fund.

During the term of the Fund, the Manager will provide to the Members reports and other information regarding the condition and prospects of the Fund and the Project. The Manager's duties, obligations, and liability to the Members with respect to the content, completeness and accuracy of the information will be determined solely under the Company Agreement.

The Manger may present a certain "Pitch Deck" or other similar presentation regarding future projections, plans, financial pro formas, or other forward-looking statements. Such Pitch Deck or Pitch Decks shall be

incorporated by reference into this Memorandum and shall include the same disclaimers made available throughout this Memorandum.

Projections. The Subscriber understands that, in connection with the Subscriber's decision as to whether to subscribe to this Offering, the Subscriber has received certain financial information and forward-looking statements from the Fund. The Subscriber understands that (i) such information is based upon certain assumptions and risks, variables, and uncertainties and is intended to be indicative of only certain possible results and not as guaranteed results, (ii) the Fund's actual performance may differ from those projected, and (iii) such information shall not be deemed to include representations or warranties of the Fund. The Subscriber represents to the Fund that such Subscriber is not relying on any such information in deciding as to whether to subscribe to Interests in this Offering, and the Subscriber will make its own investigation and evaluation of the adequacy and accuracy of any such information, and base its decision as to whether to subscribe to Interests in this Offering based upon its own investigation and experience, and that the Subscriber shall have no claim against the Fund or its Managers, officers, or representatives with respect thereto.

Uncertainty of Future Results

This Memorandum may contain certain financial projections, estimates, and other forward-looking information. This information was prepared by the Manager based on its experience in the industry and on assumptions of fact and opinion as to future events which the Manager believed to be reasonable when made. There can be no assurance, however, that assumptions made are accurate, that the financial and other results projected or estimated will be achieved. Prior investment returns are not indicative of future success.

Allocation of Management Resources

Although the Manager has agreed under the terms of the Company Agreement to devote sufficient time (in its discretion) to the business and affairs of the Fund, its other respective business commitments, any parallel fund, and any Subsequent Fund, conflicts may arise in the allocation of management resources, and the Manager may not be liable for such situations. The Manager may create and manage other investment funds that have similar investment strategies and objectives. Those activities would require the time and attention of the Manager.

Manager Interests in the Project

The principal behind the Manager does, in fact, currently own a direct and majority interest in each Borrower, and is also likely, though not obligated, to invest in the Fund as a Member.

Waiver of Fiduciary Duties; Exculpation and Indemnification

Members will be relying on the good-faith integrity of the Manager and its principal in all of their dealings with the Fund. The Company Agreement grants the Manager broad discretion as to many matters and contains provisions that relieve the Manager and its Members of liability for certain improper acts or omissions. The Manager does not and will not owe any fiduciary duties of any kind whatsoever to the Fund, or to any of the Members, by virtue of its role as the Manager, including, but not limited to, the duties of due care and loyalty, whether those duties were established as of the date of the Company Agreement or any time in future, and whether established under common law, at equity or legislatively defined. For example, the Manager and its principal generally will not be liable to the Members or the Fund for acts or omissions that constitute ordinary negligence, for conflicts of interest or for engaging in related transactions. Moreover, the Fund will defend, indemnify, and hold harmless the Manager from and against virtually all liabilities other than those arising out of acts or omissions made in fraud or constituting gross

negligence or willful misconduct. Under certain circumstances, the Fund may even indemnify the Manager and its principal against liability to third parties resulting from those improper acts or omissions. By signing the Subscription Agreement and entering into the Company Agreement, each Member acknowledges and consents to the exercise of the Manager's discretion, including when the Manager has a conflict of interest.

Return of Distributions

Under the Act, each Member that receives a distribution in violation of such Act will, under certain circumstances, be obligated to re-contribute that distribution to the Fund.

Definitive Terms and Conditions

Portions of this Memorandum describe specific terms and conditions expected to be set forth in the Fund's Company Agreement. The actual terms and conditions set forth in the Company Agreement may vary materially from those described in this Memorandum for a variety of reasons, including negotiations between the Manager and prospective investors prior to the Fund's Closing as well as formal amendments to the Company Agreement following that closing. Moreover, the Company Agreement will contain highly detailed terms and conditions, many of which are not described fully (or at all) in this Memorandum. In those cases, the Fund's Company Agreement will supersede this Memorandum. Subscribers are urged to carefully review the Fund's Company Agreement, and must also be aware that, pursuant to the rules governing amendments set forth in the Company Agreement, certain types of amendments to the Company Agreement may be adopted with the consent of fewer than all Members or at the Manager's discretion.

Conflicts of Interest

The Fund's Manager (and its principal) may be subject to various conflicts of interest in undertaking the Project. A number of these potential conflicts are outlined throughout this Memorandum, and also include the following below:

In particular, and of important note, **THE PRINCIPAL OF THE MANAGER, SMITH, IS THE SAME PRINCIPAL OWNER AND OPERATOR OF BOTH HAWTHORNE LAND AND HAWTHORNE INTERESTS.** In other words, Project Loans from the Fund will be given to Mr. Smith's entities (the Borrowers). Though the Manager is not taking any fees with respect to the management of the Fund, the principal of the Manager is directly benefiting from the Project Loans. In these situations, a potential conflict exists where the Borrower and the Manager of the Fund, as Borrower and Lender, are controlled by the same person.

The terms of the Project Loans are governed by the certain Master Credit Agreement, but may be amended or revised from time to time, and generally provide for a fixed return on a loan-by-loan basis. Should a Borrower succeed in its business for greater amounts than what is due to the Fund, the Borrower will retain such excess and will not be obligated to share it with the Fund.

It is also likely that the Borrowers may hire one or more affiliate entities (affiliated with the Borrowers and the Manager) to perform services for which the affiliates would receive compensation. The Project Loans, being given to the Borrowers, would of course be utilized for such payments, and in some cases, the Borrowers may even receive additional loans from the Fund for expressly such purpose. In all such cases, it is important to note that as with the Borrowers, the affiliate entities will also benefit from the making of the loans, meaning Mr. Smith will indirectly benefit from the Project Loans being utilized in this manner. Mr. Smith, on behalf of any affiliate entity so engaged, is not required to waive or otherwise share in the fees received for the performance of services rendered.

None of the agreements and arrangements among the Fund, the Manager, its principal, and the Borrowers, are the result of arm's-length negotiations. Members ultimately will be heavily dependent upon the good faith of the Manager and its principal.

This Memorandum does not purport to identify all conflicts of interest. The Fund, from time to time, may enter into other transactions not specifically described in this Memorandum with affiliates, officers, managers, Members, employees, agents and representatives of the Manager. If applicable, all funds of the Fund will be deposited with banks or other financial institutions in that account or accounts of the Fund as may be determined by the Manager who will ensure records are maintained for the Fund assets associated with the Fund separately from the assets of any other Person. The Manager or its affiliates may perform services with respect to the Borrowers. Likewise, the Manager and their affiliates may acquire or possess interests in other companies or business ventures that are competitive with the Project. Neither the Fund nor any Member will have the right, by virtue of this Memorandum or the Company Agreement, to share or participate in those other investments or activities of the Manager or its affiliates or to the income derived from those investments. The Manager and their affiliates may engage in or possess any interest in other business ventures of any kind, nature, or description, independently or with others, whether those ventures are competitive with the Fund or otherwise.

Additionally, M&W Law, PLLC, serves as counsel to the Fund and to the Manager, as well as to the principal of the Manager, but is **not** the counsel to any of the Borrowers.

THE FOREGOING LIST OF RISK FACTORS DOES NOT PURPORT TO BE A COMPLETE EXPLANATION OF THE RISKS INVOLVED IN THIS OFFERING. PROSPECTIVE INVESTORS ARE URGED TO READ THIS ENTIRE MEMORANDUM BEFORE DETERMINING TO INVEST IN THE FUND.

VIII. ACCESS TO INFORMATION

Subscribers are invited to contact the Manager to review any written materials or documents relating to the Offering or the Fund, **including any financial information available concerning the Project, the Fund, or the Manager.** The Manager will answer all reasonable inquiries from prospective investors relative to the Offering and will provide additional information (to the extent that the Manager possesses such information or can acquire it without unreasonable effort or expense) necessary to verify the accuracy of any representations or information set forth in this Memorandum.

The Fund is newly established in order to undertake this Project, and therefore has limited to no financial history or records. Subscribers are invited to request financial documentation related to the Project, to the extent such information is available to the Manager.

IX. PRIVACY POLICY

The Fund collects nonpublic, personal data about Subscribers from (i) information it receives from Subscription Agreements, (ii) information disclosed to the Manager through conversations or correspondence and (iii) any additional information the Manager may request from Subscribers. All information regarding the personal identity, account balance, financial status, and other financial information of Subscribers ("*personal information*") will be kept strictly confidential. The Fund maintains physical, electronic, and operational safeguards to protect this information.

In the normal course of business, it is sometimes necessary for the Fund to provide personal information about Subscribers to the Manager, attorneys, accountants, and auditors in furtherance of the Fund's

business, and entities that provide a service on behalf of the Fund, such as banks or title companies. The Manager will only disclose personal information to these third parties if those parties agree to protect the personal information and use the personal information only for the purposes of providing services to the Fund.

Other than for the purposes discussed above, the Fund does not disclose any nonpublic, personal information of its Subscribers unless the Fund is directed by the Subscriber to provide it or the Fund is legally required to provide it to a governmental agency. Notwithstanding the foregoing, the Fund may disclose personal information to the Manager and its agents, which may use that information in connection with any explanation of services rendered to professional organizations to which the Manager or its affiliated persons belong.

X. SUBSCRIPTION PROCEDURES

The procedure to subscribe to the Interests of the Fund are as outlined in the Subscription Agreement. By way of summary, to subscribe for Interests a Subscriber must complete in full, execute and deliver to the Fund a fully completed, dated, and signed Company Agreement and Subscription Agreement, together with (i) exhibits and (ii) any other documents requested by the Manager for the purpose of satisfying the Manager's due diligence obligations on or prior to the Closing (including the Investor Suitability Questionnaire). Any Subscription Agreement that is submitted to the Fund without all applicable submissions (or submissions otherwise contains incomplete information) will not be processed by the Fund until submitted by the Subscriber. The delay could result in a Subscriber not being admitted to the Fund until a Subsequent Closing.

The Manager may accept or reject any subscription in whole or in part, in its sole discretion, for any reason whatsoever, and to withdraw the Offering at any time. In the event the Manager refuses to accept a Subscriber's subscription, any subscription funds received will be returned without interest.

XI. 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.

NOTICE TO RESIDENTS OF COLORADO

THIS INFORMATION IS DISTRIBUTED PURSUANT TO AN EXEMPTION FOR SMALL OFFERINGS UNDER THE RULES OF THE COLORADO SECURITIES DIVISION. THE SECURITIES DIVISION HAS NEITHER REVIEWED NOR APPROVED ITS FORM OR CONTENT. THE SECURITIES DESCRIBED MAY ONLY BE PURCHASED BY “ACCREDITED INVESTORS” AS DEFINED BY RULE 501 OF SEC REGULATION D AND THE RULES OF THE COLORADO SECURITIES DIVISION.

NOTICE TO RESIDENTS OF CONNECTICUT

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE BANKING COMMISSIONER OF THE STATE OF CONNECTICUT NOR HAS THE COMMISSIONER PASSED UPON THE ACCURACY OR ADEQUACY OF THE OFFERING. ANY REPRESENTATION TO THE CONTRARY IS UNLAWFUL.

NOTICE TO RESIDENTS OF FLORIDA THE INTERESTS OFFERED HEREBY HAVE NOT BEEN REGISTERED UNDER THE FLORIDA SECURITIES ACT. EACH OFFEREE WHO IS A FLORIDA RESIDENT SHOULD BE AWARE THAT SECTION 517.061(11)(A)(5) OF THE FLORIDA SECURITIES AND INVESTOR PROTECTION ACT PROVIDES, IN RELEVANT PART, AS FOLLOWS: WHEN SALES ARE MADE TO FIVE OR MORE PERSONS IN FLORIDA, ANY SALE IN FLORIDA MADE PURSUANT TO SECTION 517.061(11) IS VOIDABLE BY THE PURCHASER IN SUCH SALE WITHIN THREE DAYS AFTER THE FIRST TENDER OF CONSIDERATION IS MADE BY THE PURCHASER TO THE ISSUER. AN AGENT OF THE ISSUER OR AN ESCROW AGENT OR WITHIN THREE DAYS AFTER THE AVAILABILITY OF THAT PRIVILEGE IS COMMUNICATED TO SUCH PURCHASER, WHICHEVER OCCURS LATER. THE AVAILABILITY OF THE PRIVILEGE TO VOID SALES PURSUANT TO SECTION 517.061 OF THE FLORIDA ACT IS HEREBY COMMUNICATED TO EACH FLORIDA OFFEREE.

NOTICE TO RESIDENTS OF GEORGIA

THESE SECURITIES HAVE BEEN ISSUED OR SOLD IN RELIANCE ON PARAGRAPH (13) OF CODE SECTION 10- 5-9 OF THE “GEORGIA SECURITIES ACT OF 1973,” AND MAY NOT BE SOLD OR TRANSFERRED EXCEPT IN A TRANSACTION WHICH IS EXEMPT UNDER SUCH ACT OR PURSUANT TO AN EFFECTIVE REGISTRATION UNDER SUCH ACT.

NOTICE TO RESIDENTS OF MARYLAND

THE SECURITIES REPRESENTED BY THIS DOCUMENT HAVE BEEN ISSUED PURSUANT TO A CLAIM OF EXEMPTION FROM THE REGISTRATION PROVISIONS OF FEDERAL AND STATE SECURITIES LAWS AND MAY NOT BE SOLD OR TRANSFERRED WITHOUT COMPLIANCE WITH THE REGISTRATION PROVISIONS OF APPLICABLE FEDERAL AND STATE SECURITIES LAWS OR APPLICABLE EXEMPTIONS THEREFROM.

NOTICE TO RESIDENTS OF NEW HAMPSHIRE

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE NEW HAMPSHIRE SECRETARY OF STATE

THAT ANY DOCUMENT FILED UNDER NEW HAMPSHIRE RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY, OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER, OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

NOTICE TO RESIDENTS OF NEW MEXICO

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 RISK 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.

NOTICE TO RESIDENTS OF NEW YORK

THIS IS NOT A FIRM OFFER IN THE STATE OF NEW YORK. NO FIRM OFFER MAY BE MADE IN NEW YORK, AND NO SUBSCRIPTION PAYMENT, DEPOSIT, OR SUBSCRIPTION COMMITMENT MAY BE RECEIVED UNLESS AN EXEMPTION IS GRANTED FROM THE FILING OF AN OFFERING STATEMENT OR PROSPECTUS UNDER NEW YORK LAW. THIS PRELIMINARY OFFERING LITERATURE IS SUBJECT TO REVISION AND AMENDMENT.

NOTICE TO RESIDENTS OF NORTH DAKOTA

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES COMMISSIONER OF THE STATE OF NORTH DAKOTA NOR HAS THE COMMISSIONER PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

NOTICE TO RESIDENTS OF OREGON

(a) THE SECURITIES OFFERED ARE REGISTERED WITH THE DIRECTOR OF THE DEPARTMENT OF CONSUMER AND BUSINESS SERVICES FOR THE STATES OF OREGON UNDER PROVISIONS OF OAR 441-65-060 THROUGH 441-65-230. THE DIRECTOR REVIEWED THE REGISTRATION STATEMENT ONLY BRIEFLY AND HAS NOT REVIEWED THIS DOCUMENT. IN DECIDING WHETHER OR NOT TO INVEST IN THESE SECURITIES, YOU SHOULD RELY ON YOUR OWN EXAMINATION OF THE COMPANY ISSUING THE SECURITIES AND THE TERMS OF THE OFFERING INCLUDING THE MERITS AND RISKS INVOLVED.

(b) IN MAKING AN INVESTMENT DECISION INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE PERSON OR ENTITY CREATING THE SECURITIES 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 OF 1933, AS AMENDED, PURSUANT TO REGISTRATION OR EXEMPTION THEREFROM. INVESTORS SHOULD BE AWARE THAT THEY WILL BE REQUIRED TO BEAR THE FINANCIAL RISKS OF THIS INVESTMENT FOR AN INDEFINITE PERIOD OF TIME.

(c) IN DECIDING WHETHER OR NOT TO INVEST IN THE SECURITIES OFFERED, YOU SHOULD RELY ON YOUR OWN EXAMINATION OF THE COMPANY ISSUING THE SECURITIES AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR OTHER REGULATORY AUTHORITY. ALSO, NO SUCH AGENCY HAS DETERMINED IF THIS DOCUMENT IS TRUTHFUL OR COMPLETE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

YOU WILL NOT BE ABLE TO TRANSFER OR RESELL THESE SECURITIES EXCEPT PURSUANT TO REGISTRATION UNDER THE FEDERAL SECURITIES ACT OF 1933 OR AN EXEMPTION FROM REGISTRATION IF AVAILABLE. CONSEQUENTLY, YOU MAY BE REQUIRED TO BEAR THE FINANCIAL RISKS OF THIS INVESTMENT FOR AN INDEFINITE PERIOD OF TIME.

NOTICE TO RESIDENTS OF PENNSYLVANIA

ACCORDING TO SECTION 207(M)(2) OF THE PENNSYLVANIA SECURITIES ACT OF 1972: "IF YOU HAVE ACCEPTED AN OFFER TO PURCHASE THESE SECURITIES AND HAVE RECEIVED A WRITTEN NOTICE EXPLAINING YOUR RIGHT TO WITHDRAW YOUR ACCEPTANCE PURSUANT TO SECTION 207(M)(2) OF THE PENNSYLVANIA SECURITIES ACT OF 1972, YOU MAY ELECT, WITHIN TWO BUSINESS DAYS FROM THE DATE OF RECEIPT BY THE ISSUER OF YOUR BINDING CONTRACT OF PURCHASE OR, IN THE CASE OF A TRANSACTION IN WHICH THERE IS NO BINDING CONTRACT OF PURCHASE, WITHIN TWO BUSINESS DAYS AFTER YOU MAKE THE INITIAL PAYMENT FOR THE SECURITIES BEING OFFERED, TO WITHDRAW YOUR ACCEPTANCE AND RECEIVE A FULL REFUND OF ALL MONEYS PAID BY YOU. YOUR WITHDRAWAL OF ACCEPTANCE WILL BE WITHOUT ANY FURTHER LIABILITY TO ANY PERSON. TO ACCOMPLISH THIS WITHDRAWAL, YOU NEED ONLY SEND A WRITTEN NOTICE (INCLUDING A NOTICE BY FACSIMILE OR ELECTRONIC MAIL) TO THE ISSUER (OR PLACEMENT AGENT IF ONE IS LISTED ON THE FRONT PAGE OF THE OFFERING MEMORANDUM) INDICATING YOUR INTENTION TO WITHDRAW.

NOTICE TO RESIDENTS OF SOUTH CAROLINA

THESE SECURITIES ARE OFFERED PURSUANT TO A CLAIM OF EXEMPTION UNDER ONE OR MORE SECURITIES ACTS.

IN MAKING AN INVESTMENT DECISION INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE PERSON OR ENTITY CREATING THE SECURITIES AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSIONER 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 OF 1933, AS AMENDED, AND THE APPLICABLE STATE SECURITIES LAWS, PURSUANT TO REGISTRATION OR EXEMPTION THEREFROM. INVESTORS SHOULD BE

AWARE THAT THEY WILL BE REQUIRED TO BEAR THE FINANCIAL RISKS OF THIS INVESTMENT FOR AN INDEFINITE PERIOD OF TIME.

NOTICE TO RESIDENTS OF TENNESSEE

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 OF 1933, AS AMENDED, 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 RISK OF THIS INVESTMENT FOR AN INDEFINITE PERIOD OF TIME.

NOTICE TO RESIDENTS OF VERMONT

(I) INVESTMENT IN THESE SECURITIES INVOLVES SIGNIFICANT RISKS AND IS SUITABLE ONLY FOR PERSONS WHO HAVE NO NEED FOR IMMEDIATE LIQUIDITY IN THEIR INVESTMENT AND WHO CAN BEAR THE ECONOMIC RISK OF A LOSS OF THEIR ENTIRE INVESTMENT. INVESTORS SHOULD BE AWARE THAT THEY MAY BE REQUIRED TO BEAR THE FINANCIAL RISKS OF THIS INVESTMENT FOR AN INDEFINITE PERIOD OF TIME.

(II) 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.

(III) THESE SECURITIES ARE SUBJECT TO RESTRICTIONS ON TRANSFERABILITY AND RESALE AND MAY NOT BE TRANSFERRED OR RESOLD EXCEPT AS PERMITTED UNDER THE SECURITIES ACT OF 1933 AND THE VERMONT SECURITIES ACT, PURSUANT TO REGISTRATION OR EXEMPTION THEREFROM.

NOTICE TO RESIDENTS OF VIRGINIA

THE SECURITIES REPRESENTED BY THIS DOCUMENT HAVE BEEN ISSUED PURSUANT TO A CLAIM OF EXEMPTION FROM THE REGISTRATION OR QUALIFICATION PROVISIONS OF FEDERAL AND STATE SECURITIES LAWS AND SHALL NOT BE SOLD OR TRANSFERRED WITHOUT COMPLIANCE WITH THE REGISTRATION OF QUALIFICATION PROVISIONS OF

APPLICABLE FEDERAL AND STATE SECURITIES LAWS OR APPLICABLE EXEMPTIONS THEREFROM.

PROSPECTIVE FOREIGN INVESTORS SHOULD CAREFULLY CONSIDER THE APPLICABLE LEGENDS STATED BELOW PRIOR TO DECIDING WHETHER OR NOT TO INVEST IN THE FUND.

FOR ALL NON-U.S. INVESTORS GENERALLY

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.

YOUR INVESTMENT WILL BE DENOMINATED IN UNITED STATES DOLLARS (\$) AND, THEREFORE, WILL BE SUBJECT TO ANY FLUCTUATION IN THE RATE OF EXCHANGE BETWEEN UNITED STATES DOLLARS (\$), THE CURRENCY OF YOUR OWN JURISDICTION AND THE CURRENCY OF THE JURISDICTION IN WHICH ANY FUND PROJECT OPERATES OR GENERATES INVESTMENT PROCEEDS, AS APPLICABLE. SUCH FLUCTUATIONS MAY HAVE AN ADVERSE EFFECT ON THE VALUE, PRICE OR INCOME OF YOUR INVESTMENT.

End of Document. Exhibits follow.

CONFIDENTIAL

**Exhibit A to PPM
For
Hawthorne Income Fund, LLC**

Project marketing and pitch materials delivered to prospective investors follow this cover sheet.

*BE ADVISED THAT ALL SUCH MATERIAL IS QUALIFIED IN ITS ENTIRETY BY, AND SUBJECT TO,
THE TERMS OF THIS MEMORANDUM.*

CONFIDENTIAL

**Exhibit B to PPM
For
Hawthorne Income Fund, LLC**

Fund Company Agreement follows this Cover Sheet.

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**Exhibit C to PPM
For
Hawthorne Income Fund, LLC**

*Subscription Agreement and Investor Suitability Questionnaire
follows this cover sheet.*