

CONFIDENTIAL PRIVATE PLACEMENT MEMORANDUM

MARCH 2020

PRE-FUNDING NOTE FUND, LLC

PRE-FUNDING NOTES

Pre-Funding Note Fund, LLC (the “Fund”) is making a private offering of pre-funding notes (the “Notes”) solely to accredited investors. The Fund is indirectly wholly owned by Fund That Flip, Inc. (“FTF”), which owns and manages a real estate investment platform, www.fundthatflip.com (the “FTF Platform”). The Fund’s affiliate, FTF Lending, LLC (“FTF Lending”), also wholly owned by FTF, originates whole residential mortgage loans and issues borrower dependent notes on the FTF Platform (“BDNs”). FTF Fund Management, LLC (“FTF Fund Management”), the manager and sole member of the Fund, is wholly owned by FTF.

The Notes are being offered through www.fundthatflip.com. On an ongoing basis, the Fund will issue separate series of Notes. Each time the Fund offers a series of Notes, the Fund will also prepare a series disclosure supplement (which will be posted on www.fundthatflip.com) with information about the applicable series of Notes, which the Fund refers to as a “Series Disclosure Supplement. ”

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Notices to Potential Investors

Neither the Securities and Exchange Commission (the “SEC”) nor any state securities commission has approved or disapproved of the Notes or passed upon the adequacy or accuracy of this Confidential Private Placement Memorandum (as may be modified and/or supplemented from time to time, this “Memorandum”). Any representation to the contrary is a criminal offense. This offering is made in reliance on an exemption from registration with the SEC provided by Section 4(a)(2) of the Securities Act of 1933, as amended (the “Securities Act”), and Rule 506(c) of Regulation D promulgated thereunder.

This offering is highly speculative and the Notes involve a high degree of risk. Investing in the Notes should be considered only by persons who can afford to sustain the loss of their entire investment, including principal invested. This offering is open only to investors who qualify as “accredited investors” under Rule 501 of Regulation D under the Securities Act.

The Notes have not been qualified or registered in any state in reliance upon the exemptions from such qualification or registration under state law. The Notes are “restricted securities” and may not be resold or otherwise disposed of unless a registration statement covering such disposition is in effect, or an exemption from such registration is available.

There is no public market for the Notes and none is expected to develop in the future. The Notes are also subject to substantial restrictions upon withdrawal and transfer. The Notes offered hereby should be purchased only by investors who have no need for liquidity in their investment.

This Memorandum has been prepared solely for the benefit of authorized persons interested in the offering. It contains confidential information and may only be disclosed by a potential investor to persons such as accountants, financial planners or attorneys retained for the purpose of rendering professional advice related to the evaluation of an investment in the Notes. It may not be reproduced or used for any other purpose without the advance written consent of the Fund.

Prospective investors should not regard the contents of this Memorandum or any other communication from the Fund and/or its affiliates as tax, legal or investment advice. Prior to purchasing Notes, each potential investor is encouraged to consult with his, her or its own independent legal counsel, accountant and other professionals with respect to the legal, tax and other aspects of an investment in the Notes and with specific reference to his, her or its own tax situation. The Fund is not providing the prospective investor with any investment advice and makes no representations regarding whether an investment in the Notes is suitable or appropriate for a particular investor.

Neither the delivery of this Memorandum nor any sales hereunder shall, under any circumstances, create an implication that there has been no change in the affairs of the Fund or in the information set forth herein since the date set forth above. In making an investment decision, investors must rely on their own examination of the Notes and the terms of the offering, including the merits and risks involved.

Special Note Regarding Forward-Looking Statements

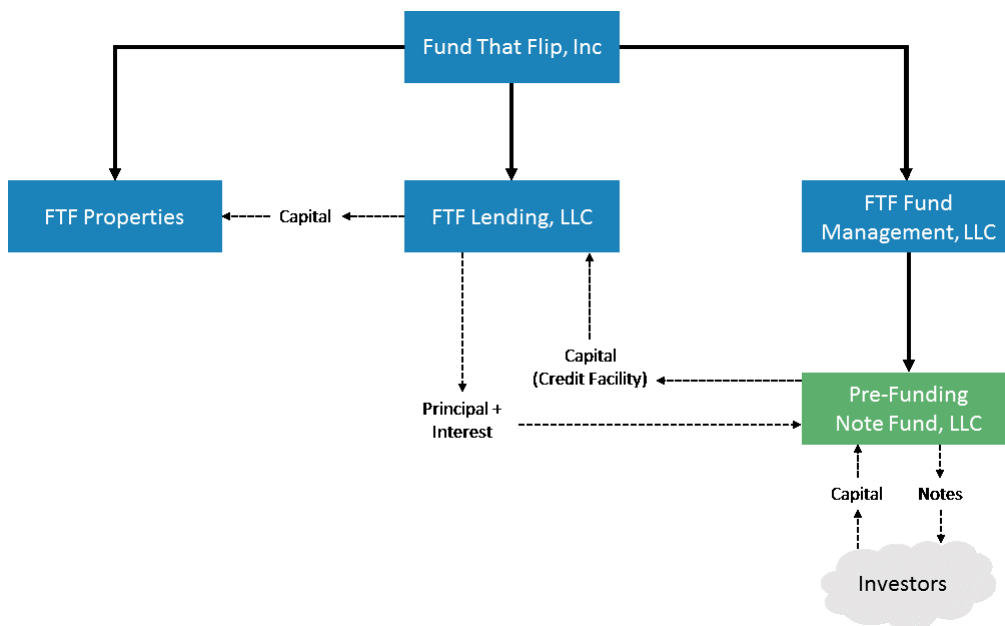
This Memorandum contains forward-looking statements that involve substantial risks and uncertainties. All statements, other than statements of historical facts, included in this Memorandum regarding real estate investments, real estate companies, the Fund’s strategy, future operations, future financial position, future revenue, projected costs, prospects, plans, objectives of management and expected market growth are forward-looking statements. The words “anticipate,” “believe,” “estimate,” “expect,” “intend,”

“may,” “plan,” “predict,” “project,” “will,” “would” and similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain these identifying words.

The Fund may not actually achieve the plans, intentions or expectations disclosed in forward-looking statements, and prospective investors should not place undue reliance on forward-looking statements. Actual results or events could differ materially from the plans, intentions and expectations disclosed in forward-looking statements. The Fund has included important factors in the cautionary statements included in this Memorandum, particularly in the “*Risk Factors*” section, that could cause actual results or events to differ materially from forward-looking statements contained in this Memorandum.

The Fund does not assume any obligation to update any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

Structure of the Company and the Fund That Flip Group of Entities



Www.fundthatflip.com (the “FTF Platform”) is an online investment platform that facilitates the financing of residential redevelopment projects. There are multiple entities involved and affiliated with the FTF Platform that interact with each other, as pictured above and described below.

Fund That Flip, Inc. (“FTF”), a Delaware corporation, is the parent entity that employs staff, owns the intellectual property utilized by www.fundthatflip.com, earns all revenues, incurs all operating expenses, owns all subsidiaries and operates www.fundthatflip.com.

FTF Lending, LLC (“FTF Lending”), a Delaware limited liability company, is a wholly owned subsidiary of FTF that originates loans and issues borrower dependent notes (“BDNs”) purchased by “accredited investors” on www.fundthatflip.com and sells whole loans to institutional investors. Its assets and liabilities are limited to first-lien mortgages and corresponding BDNs.

FTF Fund Management, LLC (“FTF Fund Management”), a Delaware limited liability company, is a wholly owned subsidiary of FTF that manages both the Residential Bridge Note Fund, LLC and the Pre-Funding Note Fund, LLC.

Pre-Funding Note Fund, LLC (the “Fund”), a Delaware limited liability company, is indirectly wholly owned by FTF and managed by FTF Fund Management. The Fund intends to extend a credit facility to FTF Lending to be used solely for originating residential mortgages (as described herein).

FTF Properties, LLC (“FTF Properties”), a Delaware limited liability company, is a wholly owned subsidiary of FTF that purchases properties to fix and flip or rent. In the future, the Fund may finance the purchase of these homes.

Summary of Terms

The following summary is qualified in its entirety by, and should be read in connection with, the more detailed information appearing elsewhere in this Confidential Private Placement Memorandum, the series disclosure supplement for the specific series of Notes, the form of pre-funding note, the investor agreement entered into between the Fund and each investor, the indenture entered into between the Fund and the indenture trustee and other documentation.

Note Issuer

The pre-funding notes (the “Notes”) are issued by Pre-Funding Note Fund, LLC, a Delaware limited liability company (the “Fund”). The Fund is indirectly wholly owned by Fund That Flip, Inc. (“FTF”), which owns and manages a real estate investment platform, (www.fundthatflip.com (the “FTF Platform”). The Fund’s affiliate, FTF Lending, LLC (“FTF Lending”), also wholly owned by FTF, originates whole residential mortgage loans and issues borrower dependent notes (“BDNs”) that are sold to “accredited investors” on the FTF Platform.

FTF Fund Management, LLC (“FTF Fund Management”), the manager and sole member of the Fund, is wholly owned by FTF. **FTF Fund Management is not providing prospective investors with investment advice, nor is it making any representation that an investment in the Notes is suitable for a particular investor.**

Investment Objective

The Fund seeks to provide investors with fixed income by extending a credit facility to FTF Lending, which may be used solely to fund residential mortgage loans. Each series of Notes will offer investors in that series a fixed annual return, set forth in a series disclosure supplement (each, a “Series Disclosure Supplement”). The Fund expects to invest the proceeds of each Note promptly following investment.

Use of Proceeds

The proceeds of each series of Notes will be used to provide capital by extending a credit facility to FTF Lending, the Revolving Line of Credit Promissory Note (the “Credit Facility”). The Credit Facility will earn a fixed rate on any capital drawn by FTF Lending and, while unsecured, may be used by FTF Lending solely to fund residential mortgage loans, not for general operating capital. The Credit Facility is expected to be subject to certain limitations, such as the length of time that capital may be allocated to a loan.

Features of the Notes

The Notes will be obligations of the Fund that are issued in series. The Fund’s assets are solely expected to consist of all the rights, title, claims and interests in and of the Fund in and under the Credit Facility, whether now owned or hereafter arising or acquired and wherever located from the Credit Facility and all cash and non-cash proceeds and products thereof (the “Collateral”).

Each series of Notes will have its own set of terms set forth in the specific Series Disclosure Supplement. Generally, each Note will bear

interest from the date of issuance, but different series of Notes may have different interest rates and terms to maturity. Investors must consult the applicable Series Disclosure Supplement in respect of each series of Notes, a copy of which will be posted on the FTF Platform, to review and evaluate the specific terms and conditions associated with any particular series of Notes.

There is no maximum number of series of Notes that may be issued and there is no maximum amount of Notes that may be issued with respect to a particular series of Notes.

Security for the Credit Facility

The Credit Facility will be unsecured, but may be used solely to fund whole mortgages, not for general operating capital. The Notes will be secured by a pledge to the indenture trustee of the Collateral. The Notes are not obligations of FTF Lending as a borrower with respect to the Credit Facility. As further described below, only the indenture trustee, not the holders of Notes, has a security interest in the Collateral for the Credit Facility for the benefit of the holders of the Notes.

Protections Upon Bankruptcy

In the event of a bankruptcy of FTF, FTF Fund Management, the Fund and/or their affiliates, the cash flows that the Fund is entitled to receive from Credit Facility should be shielded from claims by the creditors of such entities, thereby protecting the interests of the Note holders in the payments generated by the Credit Facility. The Fund has granted the indenture trustee, for the benefit of the Note holders, a security interest in the Collateral. The indenture trustee may exercise its legal rights to the Collateral only if an “Event of Default” has occurred under the indenture for the Notes (the “Indenture”), which would include the Fund or the entities that directly or indirectly control it becoming subject to a bankruptcy or similar proceeding.

Only the indenture trustee, not the Note holders, has a security interest in the Collateral for the benefit of the holders of the Notes.

If the indenture trustee were to exercise its legal rights to the Collateral, the Indenture provides that amounts collected with respect to the Credit Facility (minus allowable fees and expenses) are to be applied to amounts due and owing to the Note holders. There can be no assurance, however, that the indenture trustee, or ultimately the Note holders, would realize any amounts from the cash flows due to the Fund under the Credit Facility.

**The Underlying Borrowers:
Real Estate Developers**

FTF Lending will make whole mortgage loans secured by real property to borrowers, as well as issue BDNs. The Fund expects to extend a Credit Facility to FTF Lending pursuant to which FTF Lending will draw capital to make whole mortgage loans secured by real property to borrowers. FTF Lending will pay the Fund a fixed interest rate on amounts drawn on the Credit Facility. Loans made

under the Credit Facility are expected to be subject to certain requirements and restrictions, such as the maximum length of time of the loans that FTF Lending may make with capital drawn on the Credit Facility and loans may only be made with respect to properties that have no other line of credit in order to assure FTF Lending's priority with respect to the collateral. The Credit Facility will not be secured by the underlying loans made with amounts drawn on the Credit Facility, but may not be used for general operating capital.

Interest on the Notes

The Fund will make interest only monthly payments to each Note holder on or around the fifteenth (15th) day of each calendar month or on such other date as may be disclosed in the applicable Series Disclosure Supplement.

Maturity Date; Payment

Generally, the term of each Series of Notes will be between three (3) to twelve (12) months (the end of a given term, the "Maturity Date"), as set forth in the Series Disclosure Supplement for that series. Outstanding principal and accrued and unpaid interest on a series of Notes will be paid by a single payment to the investor's account on or around the fifteen (15th) day of the calendar month following the Maturity Date unless the Fund chooses to prepay the Note in whole or in part without penalty, in its discretion.

Investor Qualifications

An investment in Notes is available only to accredited investors under Regulation D, Rule 506(c) promulgated under the Securities Act of 1933, as amended (the "Securities Act"). Each prospective Note holder will be required to make certain additional representations in its Investor Agreement executed in respect of the purchase of Notes.

The Notes are not registered under the Securities Act or the securities laws of any state or any other jurisdiction, nor is any such registration contemplated.

Investment Process

The Notes are sold to investors ("Investors") who remit funds and execute an Investor Agreement relating to a particular Series Disclosure Supplement on the FTF Platform. FTF Fund Management may accept or reject such funds and Investor Agreement in its sole discretion. Notes are issued in the principal amount of Investors' respective investments. After a Series Disclosure Supplement is posted, Investors can place investments on that listing until the listing has received investments totaling the requested funding amount. The Fund currently accepts investments in a minimum amount of \$5,000 (and in subsequent \$1,000 denominations); although in some cases these amounts may change or be waived in the Fund's discretion with respect to either a particular Investor or a series of Notes. Investors begin to accrue interest as of the date all the following steps are completed: (1) receipt and clearing of funds into the Fund's account; (2) execution of the Investor Agreement and Note; and (3) verification of an Investor's status as an accredited investor.

Expenses and Fees

Each of FTF Lending, FTF Fund Management and the Fund are wholly owned by FTF. Accordingly, all fees these entities are entitled to are, in effect, “passed through” to FTF as described below.

Expenses. The holders of Notes do not pay any expenses of the Fund. Rather, FTF employs the staff that acts on behalf of FTF Fund Management and FTF Lending with respect to originating whole mortgage loans, operates the FTF Platform and owns the intellectual property utilized by the FTF Platform, and incurs all operating expenses of its subsidiaries (e.g., FTF Lending, FTF Fund Management, the Fund). Accordingly, FTF pays for these overhead expenses out of the fees to which FTF is indirectly entitled.

Management Fees. There is no management fee or other performance-related compensation paid to FTF Fund Management with respect to its activities performed on behalf of the Fund. Rather, FTF, which wholly owns FTF Lending, FTF Fund Management and the Fund earns revenue a variety of sources, as follows:

First, FTF Lending is paid an origination fee (points) for each loan that is funded on the FTF Platform. This is charged to the real estate developer/borrower and is collected when the loan closes. The fee is typically 1.0%-3.5% of the total amount borrowed. Since FTF Lending and the Fund are wholly owned by FTF, the origination fee is ultimately retained by FTF, which uses the money to pay the expenses described above.

Second, FTF Lending earns revenue from an “interest rate spread.” This is the difference between the interest rate that FTF Lending charges each real estate borrower on the FTF Platform and the rate paid to the Fund (or other investor, in the case of BDNs). This amount is typically 1%-3% of the amount borrowed.

Third, FTF Lending “pre-funds” each underlying loan on the FTF Platform with its own assets (which may be assets borrowed pursuant to the Credit Facility). This means that FTF Lending lends money to a borrower for the full amount of the loan prior to the borrower’s loan being offered for sale to investors in the form of BDNs on the FTF Platform. FTF Lending earns the full interest rate on the loan until the loan is sold as BDNs on the FTF Platform and FTF Lending is required to pay interest to the purchaser of the BDNs corresponding to that loan. Since FTF Lending is wholly owned by FTF, the full amount of “pre-funded” interest earned on the underlying loans is “passed through” to FTF.

Finally, pursuant to the Credit Facility, FTF Lending is obligated to repay principal plus interest to the Fund. As indirectly wholly owned by FTF, the difference between the interest paid to the Fund and the interest that the Fund must pay to Investors pursuant to the Notes is ultimately retained by FTF.

Other fees. FTF Lending, as the loan originator and as the issuer of the BDNs, earns other fees in connection with such loans, such as application fees, underwriting fees and processing fees.

Conflicts of Interest; Risks

The structure of the FTF group of entities (including the Fund) and its business activities are subject to conflicts of interest due to the following relationships:

- through its utilization of the Credit Facility, FTF Lending will finance whole mortgage loans on the FTF Platform, to borrowers that have been approved by FTF, and FTF receives origination and other fees with respect to such whole mortgage loans;
- the Fund intends to extend the Credit Facility to FTF Lending, which is an affiliate of the Fund;
- FTF Lending (or another FTF entity) will likely service the whole mortgage loans that the Fund finances; and
- FTF, its affiliates (including directors and/or officers of FTF or its affiliates) or an entity over which FTF or one of its affiliates has control may purchase BDNs issued by FTF Lending for their own account.

Additionally, FTF, FTF Fund Management or one or more affiliates may, in the future, offer additional vehicles for investment (including single-investor vehicles and/or multiple-investor vehicles) that have similar or substantially similar investment objectives as the Fund. Currently, it is contemplated that Residential Bridge Note Fund, LLC (“RBNF”) will be offered. RBNF intends to purchase whole mortgage loans and BDNs originated by FTF Lending.

The conflicts of interests described above subject the Fund to risk because, although the transactions between and among affiliates described are intended to be conducted at prevailing market rates, FTF and/or its affiliates expect to determine such rates.

Investment in the Fund involves significant risks and there can be no assurance that the Fund’s investment objectives will be achieved.

See “*Conflicts of Interest*” and “*Risk Factors.*”

U.S. Federal Income Tax Consequences

The Notes have been designed to be treated as debt for U.S. federal income tax purposes. The Notes will pay interest at a fixed rate at the times specified in the Series Disclosure Supplement for that series of Notes. Investors must report interest as income on their federal, state and local income tax returns.

Prospective purchasers of the Notes should consult their own tax advisors regarding the U.S. federal, state, local and non-U.S. tax

consequences of the purchase and ownership of the Notes, including any possible differing treatment of the Notes.
See “Federal Income Tax Considerations.”

Investment Considerations

Each prospective investor should consult its own advisers as to legal, business, tax, accounting and other related matters concerning an investment in the Fund. FTF Fund Management is not providing prospective investors with investment advice, nor is it making any representation that an investment in the Notes is suitable for a particular investor.

Investment Objective and Strategy

Investment Objective

The Fund seeks to provide Investors with fixed income by extending the Credit Facility to its affiliate, FTF Lending. FTF Lending will use amounts drawn on the Credit Facility exclusively to fund residential mortgages and will repay principal plus interest to the Fund. Each series of Notes will offer Investors in that series a fixed annual return for a fixed term, as, set forth in the Series Disclosure Supplement related to such series of Notes.

Investment Strategy

The Fund's investment strategy seeks to provide investors with passive diversification, high utilization, short-term exposure, and an attractive yield.

Passive Diversification

Through its extension of the Credit Facility, FTF Lending will use amounts borrowed to originate a diverse portfolio of whole mortgage loans. The various types of investments and diversification are intended to dilute the effects of default on FTF Lending (and, therefore, indirectly the Fund and the Investors) by one or even several underlying borrowers.

High Utilization

Investors will begin earning interest upon purchase of their Notes because the Fund expects to extend credit to FTF Lending on a revolving basis through the Credit Facility, as FTF Lending finances mortgages and then sells them whole to third parties or packages them in the form of BDNs and sells them on the FTF Platform. Because the Fund is affiliated with FTF Lending, the Fund has visibility into the pipeline of newly originated loans as well as loans that are expected to be repaid. This allows the Fund to minimize cash "drag" (delayed deployment of invested capital) by appropriately timing the raising of new capital to match demand.

Short-Term Exposure

The term of each series of Notes is set forth in each Series Disclosure Supplement, but is expected to be three (3) to twelve (12) months. The Fund seeks to provide investors with fixed, regular income for such period. As the interest rate environment changes, the short duration of the underlying loans made by FTF Lending using amounts borrowed under the Credit Facility are able to be adjusted to interest rates supported by the market. Similarly, Notes offered by the Fund are able to be matched, reducing interest rate risk for both the Fund and Note holders.

Attractive Yield

The interest rate for each series of Notes will likely vary, as set forth in the applicable Series Disclosure Supplement. The interest rate on the Notes may depend on such factors as the rate at which FTF Lending can finance whole mortgage loans, and the interest rate that FTF Lending pays with respect to the Credit Facility. Relative to other fixed income investments that are asset-backed and short duration, the Fund intends to offer Investors an attractive risk-adjusted return.

Underlying Loan Process

The process of FTF Lending originating a loan or “pre-funding” a loan starts with real estate developers submitting projects for funding via an online application on www.fundthatflip.com. FTF’s underwriting team analyzes projects that pass initial screening and stress tests for project profitability in worst-case events. FTF conducts a detailed examination of the project and its borrower including a third party appraisal, title review and background and credit checks. Finally, the loan is originated and perfected, including a first position mortgage with title insurance, property and casualty insurance and a personal guarantee by the borrower.

Management

The manager of the Fund is FTF Fund Management, which is wholly owned by FTF. The principals of FTF are Matthew Rodak, Aaron Feldon and Alex Goodwin:

Matthew Rodak

Matt is the Founder and CEO of Fund That Flip, Inc. He is primarily responsible for leading the strategic direction of FTF. Over the past five years, Matt has built FTF from an idea to well over 1,000 originated loans that have raised hundreds of millions of dollars of capital. Prior to founding FTF and the FTF Platform, Matt spent seven years with a leading risk management firm, where he held leadership positions in sales, marketing and product development. Matt has a finance degree from John Carroll University.

Paul McFadyen

Paul is the Fund Manager for FTF Fund Management LLC. He has over 20 years of residential real estate and finance experience in the U.S. and U.K. and managed one of the largest privately held residential portfolios in the United Kingdom, (30,000 units). Paul has a degree in Land Management from the University of East London.

Alex Goodwin

Alex is the Senior Vice President of Finance & Accounting at Fund That Flip, Inc. He and his team are responsible for managing FTF’s cash, preparation of FTF’s financial statements, capital budgeting, and strategic financial analysis. Alex has over 10 years of experience in finance, accounting, and operations. He earned his M.B.A. at UCLA, a Masters of Accounting from the University of Southern California, and is a licensed CPA.

Investor Qualifications

For each investment, an Investor will be required to sign an Investor Agreement pursuant to which he, she or it represents (among other things) that the Investor meets certain requirements related to private offerings made to accredited investors, and must produce evidence of such Investor’s accredited status to the reasonable satisfaction of the Fund. Each person acquiring a Note will also be required to represent that he, she, or it is purchasing for his, her, or its own account for investment purposes and not with a view to resale or distribution. Only Investors with adequate assets should invest in the Notes and should understand the risks involved in such an investment (See the section entitled “*Risk Factors*”).

The discussion contained in this Memorandum is directed to U.S. investors and assumes an investment in the Notes is being made by an Investor with a domicile in the United States. While not prohibited from

investing in one or more series of Notes, the Fund recommends that non-U.S. investors consult with independent tax and legal counsel to evaluate any investment in the Notes from the perspective of a non-U.S. investor. This Memorandum does not address international laws, rules or regulations (such as, without limitation, taxation, securities and/or investment laws, rules or regulations of any foreign jurisdiction).

The Notes and the Indenture

In March 2020, the Fund and Delaware Trust Company, as indenture trustee, entered into the Indenture. The Indenture contains provisions that define Note holders' rights under the Notes. In addition, the Indenture governs the obligations of the Fund under the Notes. The terms of the Notes include those stated in the Indenture (including the form of Note attached to the Indenture). The Indenture is governed by the laws of the State of New York.

The Notes will be secured by a pledge to the indenture trustee of cash flows from the Credit Facility. The Notes are not obligations of the underlying real estate developer borrowers, or of FTF Lending as a borrower with respect to the Credit Facility.

The Notes will be denominated in U.S. dollars and will be issued in series under the Indenture. The Indenture does not limit the aggregate principal amount of Notes that the Fund can issue under the Indenture. In addition, the Indenture does not contain any provisions that limit the Fund's ability to incur indebtedness in addition to the Notes.

The exact form of Note for each particular series of Notes offered to Investors will vary based on the terms and conditions of the specific transaction. Because certain terms (*e.g.*, issuance date) of a Note may not be known until funds have been received, the form of Note will be posted on www.fundthatflip.com along with the Series Disclosure Supplement and this Memorandum, and Investors will need to execute only an Investor Agreement for the Note amount desired. Investors can check the applicable date and any updated terms of their Note through their investor account, but clerical alterations to the final form of Notes will be reflected in the Fund's internal records without further Investor notification.

All Notes will be issued in electronic form only, through the FTF Platform. The registration, processing and payment systems are automated and electronic. None of the Fund, FTF Fund Management, FTF Lending or their affiliates has any physical branches, deposit taking or interest payment activities. The website will provide detailed information about the Note offerings, as well as the Series Disclosure Supplement applicable to each series of Notes. The Series Disclosure Supplement will provide Investors with a description of the Notes, including the issue date, the maturity date, the interest rate and the frequency of payments. The website provides various forms of customer support should the Investor have any questions about the mechanics of investing or navigation on the FTF Platform.

For each series, the Notes will be sold to Investors who remit funds and execute an Investor Agreement relating to a particular Series Disclosure Supplement on the FTF Platform, which funds and Investor Agreement may be ultimately accepted or rejected by the Fund. Notes are issued in the principal amount of Investors' respective investments. After a Series Disclosure Supplement is posted on the FTF Platform, Investors can place investments on that listing until the listing has received investments totaling the requested loan amount. The Fund currently accepts investments in amounts of as little as \$5,000 (and in additional increments of \$1,000), although in some cases the minimum investment amounts may change or be waived in the Fund's discretion with respect to a series or a specific Investor. There is no maximum number of series of Notes that may be issued and there is no maximum amount of Notes that may be issued with respect to a particular series of Notes.

The Fund expects to earn money by its extension of the Credit Facility to FTF Lending. The credit facility will earn a fixed rate on any capital drawn by FTF Lending and may be used by FTF Lending solely to fund mortgages. The Credit Facility will be subject to certain limitations, such as the length of time that capital may be allocated to a loan.

The Credit Facility will be unsecured, but will be subject to certain limitations, such as the length of time that capital may be allocated to a loan. With respect to whole mortgages that FTF Lending finances, borrowers generally will be required to maintain satisfactory property casualty insurance, whereby the FTF Lending will generally be named as the primary loss payee on such insurance, and title insurance will be obtained.

The Indenture contains provisions permitting the Fund and the indenture trustee, with the consent of the holders of not less than a majority in aggregate principal amount of each series of Notes affected thereby at the time outstanding, evidenced as provided in the Indenture, to execute supplemental indentures adding any provisions to, or changing in any manner or eliminating any of the provisions of, the Indenture or of any indenture supplemental thereto or modifying in any manner the rights of the holder of a Note. However, no such supplemental indenture may: (1) change the Maturity Date or reduce the principal amount of any Note or the rate of interest on any Note that would be due and payable upon a declaration of acceleration or maturity thereof or change the place of payment where, or change the coin or currency in which, any installment of principal and interest on any this Note is payable or impair the right to institute suit for the enforcement of any such payment on or after the Maturity Date thereof, (2) reduce the percentage in principal amount of the Notes deemed Outstanding (as defined in the Indenture), the consent of whose holders is required for any such amendment or supplemental indenture, or the consent of whose holders is required for any waiver (of compliance with certain provisions of the Indenture or certain defaults thereunder and their consequences) with respect to the Notes, or (3) modify any of the provisions of Sections 5.4 (clauses (a) and (b)) or 5.7 of the Indenture, except to increase the percentage of Notes deemed Outstanding required for such actions to provide that certain other provisions of the Indenture cannot be modified or waived without the consent of the holder of each Outstanding Note affected thereby. The Indenture also contains provisions permitting the holders of at least a majority in aggregate principal amount of the Notes of all affected series at the time Outstanding, on behalf of the holders of all the Notes of such series, to waive, insofar as those series are concerned, compliance by the Fund with certain provisions of the Indenture and certain past defaults under the Indenture and their consequences.

Notes held by the Fund or its affiliates are considered “outstanding” for purposes of the Indenture and are counted in determining whether the threshold for actions by holders have been met.

Pursuant to the Indenture, the Fund agrees to indemnify the indenture trustee for, and to hold it harmless against, any and all loss, liability, damage, claim or expense (including legal fees and expenses and all fees and expenses incurred in connection with enforcement of its rights under the Indenture, including the indenture trustee’s enforcement of the indemnification pursuant to the Indenture) incurred without negligence or willful misconduct on its part, arising out of or in connection with the acceptance or administration of the trust, including the costs and expenses of defending itself against any claim (whether asserted by the Fund, a Note holder or any other person) or liability in connection with the exercise or performance of any of its powers or duties under the Indenture. To secure the Fund’s payment obligations pursuant to the Indenture, the indenture trustee shall have a lien prior to the Notes on all money or property held or collected by the indenture trustee, except that held in trust to pay the Principal of or interest, if any, on particular Notes.

Upon an Event of Default, the holders of a majority in aggregate Principal Amount of the Outstanding Notes may direct the time, method and place of conducting any proceeding for any remedy available to the indenture trustee or of exercising any trust or power conferred on the indenture trustee with respect to the Notes. Such direction may not be in conflict with any rule of law or with the Indenture, and may not involve

the indenture trustee in personal liability in circumstances where indemnity would not in the indenture trustee's reasonable discretion be adequate. Before proceeding to exercise any right or power pursuant to the Indenture at the direction of such holders, the indenture trustee is entitled to receive from such holders reasonable security or indemnity, against the costs, expenses and liabilities which might be incurred by it in compliance with any such direction. However, the indenture trustee may refuse to follow any direction that conflicts with law or the Indenture or that the indenture trustee determines in good faith is unduly prejudicial to the rights of other Noteholders or would involve the indenture trustee in personal liability.

The Indenture prohibits the Fund from consolidating with or merging into another business entity or conveying, transferring or leasing its properties and assets substantially as an entirety to any business entity, unless: (1) (a) the Fund is the continuing corporation or limited liability company after such consolidation, merger or sale of assets, or (b) (i) the surviving or acquiring entity is a U.S. corporation, limited liability company, partnership or trust, and (ii) it expressly assumes the Fund's obligations with respect to the outstanding Notes by executing a supplemental indenture; (2) immediately after giving effect to the transaction, no default shall have occurred or be continuing; and (3) the Fund has delivered to the indenture trustee an officers' certificate and an opinion of counsel stating that the transaction, and if a supplemental indenture is required in connection with such transaction, such supplemental indenture, complies with the Indenture and all conditions precedent relating to such transaction have been complied with.

Investors can review the Series Disclosure Supplement describing a series of Notes on the FTF Platform. The Series Disclosure Supplement will, together with this Memorandum the form of Note and the Indenture contain the authoritative description of any series of Notes offered by the Fund.

Denominations, Form and Registration

The Fund will issue the Notes only in registered, electronic form. This means that each Note will be stored on the FTF Platform. An Investor can view a record of the Notes that the Investor owns and the form of the Investor's Notes online and print copies by visiting the Investor's secure, password-protected section of the FTF Platform. The Fund will not issue certificates for the Notes. Investors will be required to hold their Notes through the Fund's electronic Note register.

The Fund will treat the Investors in whose names the Notes are registered as the owners thereof for the purpose of receiving payments and for all other purposes.

Interest Rates

The interest rate applicable for each series of Notes will be set forth in the Series Disclosure Supplement. The Fund expects that the proceeds provided to Investors in the Notes will be *less* than the proceeds paid to the Fund by FTF Lending with respect to the Credit Facility. (See "*Compensation*" in the Summary of Terms.)

The interest rate will vary for each series of Notes, and the yield an Investor earns on one series of Notes may differ from the yield earned by other Investors on other series of Notes. In addition, in some cases, the interest paid to all Investors will not be the same. The Fund is permitted to enter into investment agreements with certain Investors as it may from time to time deem advisable. For example purposes only, such agreements might stipulate certain incentives to be provided where an Investor contributes a particularly significant amount to the Fund.

Maturity

Each series of Notes will have varying Maturity Dates. Most of the Notes will have a typical duration of between three (3) to twelve (12) months.

Each Note will mature on the Maturity Date set forth in the applicable Series Disclosure Supplement. Prior to an Event of Default (as described below and detailed more fully in the Indenture), the Fund will act as the paying agent, registrar and authentication agent and the indenture trustee shall have no responsibility for any payments under the Notes and shall be entitled to rely on information provided by the Fund as to amounts outstanding on any Note.

On the date on which the outstanding principal of a Note and all accrued interest thereon have been paid and performed in full (whether through the payments required under the Note or under the Indenture in the case of an Event of Default), the holder will, upon request, execute and deliver to the Fund a proper instrument or instruments acknowledging the satisfaction of the Note.

Ranking; Sinking Fund

In the event of a bankruptcy or similar proceeding of the Fund, the relative rights of the holder of a Note as compared to the holders of other indebtedness of the Fund is uncertain. See the section entitled “*Risk Factors*.” The Notes will not have the benefit of a sinking fund.

Servicing and Payments

The Fund will make payments of the interest on the unpaid principal balance on a Note as provided in the Series Disclosure Supplement (“Note Payments”) on or around the fifteenth (15th) day of each calendar month (the “Payment Date”). Principal and received but unpaid interest on each Note will be paid by a single payment on or around the fifteen (15th) day of the calendar month following the Maturity Date unless the Fund chooses to prepay the Note in whole or in part without penalty, in its discretion. Investors can review their account statements online and see that they have received Note Payments with respect to each Payment Date. While the Fund does not generally accommodate requests for payments by wire, a fee not to exceed \$100 may be applied to any special requests for payment by wire transfer. The Fund reserves the right to refuse any request for payment by wire transfer.

Prepayments

The Fund may prepay a Note in whole or in part at any time without any penalty.

Events of Default and Right of Action

Unless otherwise specified as provided in a Company Order (as defined in the Indenture) pursuant to the Indenture for a series Notes, with respect to any series of Notes, an “Event of Default” occurs, with respect to each series of the Notes individually, if:

- (a) the Fund defaults in the payment of any principal of, or interest on, any Note of such series when the same becomes due and payable and continuance of such default for a period of thirty (30) days;
- (b) the Fund fails to comply with any of its agreements in the Notes or the Indenture (other than those referred to in clause (a) above and other than a covenant or warranty a default in whose performance or whose breach is elsewhere in the Indenture specifically dealt with or which has been expressly included in the Indenture solely for the benefit of a series of Notes other than such series) and such failure continues for ninety (90) days after receipt by the Fund of a Notice of Default; provided, however, that if the Fund proceeds to take curative action which, if begun and prosecuted with due diligence, cannot be completed

within a period of ninety (90) days then such period will be increased to such extent as will be necessary to enable the Fund diligently to complete such curative action;

(c) there has been the entry by a court of competent jurisdiction of (1) a decree or order for relief in respect of the Fund in an involuntary case or proceeding under any applicable Bankruptcy Law (as defined below) or (2) a decree or order adjudging the Fund bankrupt or insolvent, or seeking reorganization, arrangement, adjustment or composition of or in respect of the Fund under any applicable federal or state law, or appointing a custodian, receiver, liquidator, assignee, trustee, sequestrator (or other similar official) of the Fund or of any substantial part of its property, or ordering the wind up or liquidation of its affairs, and any such decree or order for relief continues to be in effect, or any such other decree or order remains unstayed and in effect, for a period of sixty (60) consecutive days;

(d) (1) the Fund commences a voluntary case or proceeding under any applicable Bankruptcy Law or any other case or proceeding to be adjudicated bankrupt or insolvent, (2) the Fund consents to the entry of a decree or order for relief in respect of the Fund in an involuntary case or proceeding under any applicable Bankruptcy Law or to the commencement of any bankruptcy or insolvency case or proceeding against it, (3) the Fund files a petition or answer or consent seeking reorganization or substantially comparable relief under any applicable federal state law, (4) the Fund (x) consents to the filing of such petition or the appointment of, or taking possession by, a custodian, receiver, liquidator, assignee, trustee, sequestrator or similar official of the Fund or of any substantial part of its property, (y) makes an assignment for the benefit of creditors or (z) admits in writing its inability to pay its debts generally as they become due or (5) the Fund takes any action in furtherance of any such actions in this clause (d); or

(e) any other event of default provided with respect to Notes of that Series.

For purposes of the foregoing, “Bankruptcy Law” means Title 11, United States Code, or any similar federal or state law for the relief of debtors. “Custodian” means any receiver, trustee, assignee, liquidator, custodian or similar official under any Bankruptcy Law.

A Default under clause (b) above is not an Event of Default until the indenture trustee notifies the Fund, or the Holders of at least twenty five percent (25%) in aggregate Principal Amount of the Outstanding Notes of all series for which such Default exists notify the Fund and the indenture trustee, of the Default and the Fund does not cure such Default within the time specified in clause (b) above after receipt of such notice. Any such notice must specify the Default, demand that it be remedied and state that such notice is a “Notice of Default.”

If an Event of Default specified in clauses (c) or (d) above occurs and is continuing, the principal (or portion thereof) of all the Notes will become and be immediately due and payable without any declaration or other act on the part of the indenture trustee or any Noteholders. The Holders of a majority in aggregate Principal Amount of all Outstanding Notes, by notice to the indenture trustee (and without notice to any other Noteholder) may rescind an acceleration and its consequences if (i) the rescission would not conflict with any judgment or decree, and (ii) all Events of Default specified in clauses (c) or (d) above have been cured or waived. No such rescission will affect any subsequent Default or impair any right consequent thereto. For avoidance of doubt, there will be no acceleration of the Principal (or portion thereof) of any Notes upon the occurrence of an Event of Default other than an Event of Default specified in clauses (c) or (d) above.

If an Event of Default with respect to a series of Outstanding Notes occurs and is continuing, the indenture trustee may pursue, at the written direction of a majority in aggregate Principal Amount of the Outstanding Notes of such series, any available remedy to (a) collect the payment of the whole amount then due and payable on such Notes for principal and interest, with interest upon the overdue principal and, to the extent that payment of such interest is legally enforceable, upon overdue installments of interest from the date

such interest was due, at the rate or rates prescribed in such Notes and, in addition thereto, such further amount as will be sufficient to cover the costs and expenses of collection, including amounts due the indenture trustee under the Indenture, (b) exercise any and all rights of a secured party under the Uniform Commercial Code and other applicable law pursuant to the security interest granted to the indenture trustee under the Indenture or (c) enforce the performance of any provision of the Notes or the Indenture.

The indenture trustee may maintain a proceeding even if the indenture trustee does not possess any of the Notes or does not produce any of the Notes in the proceeding. A delay or omission by the indenture trustee or any Noteholder in exercising any right or remedy accruing upon an Event of Default will not impair the right or remedy or constitute a waiver of, or acquiescence in, the Event of Default. No remedy is exclusive of any other remedy. All available remedies are cumulative.

The Holders of a majority in aggregate Principal Amount of the Outstanding Notes of any series, by notice to the indenture trustee (and without notice to any other Noteholder), may on behalf of the Holders of all the Notes of such series waive an existing Default with respect to such series and its consequences except (a) an Event of Default described in clause (a) above with respect to such series or (b) a Default in respect of a provision that under Section 8.2 of the Indenture cannot be amended without the consent of the Holder of each Outstanding Note of such series affected. When a Default is waived, it is deemed cured, but no such waiver will extend to any subsequent or other Default or impair any consequent right.

To limit the risk of the Fund's insolvency, the Fund has granted the indenture trustee a security interest in the cash flows due by FTF Lending to the Fund pursuant to the Credit Facility. The indenture trustee may exercise its legal rights to the collateral only if an "Event of Default" has occurred under the Indenture. Only the indenture trustee, not the Holders of the Notes, will have a claim to the collateral.

Notes held or purchased by the Fund or its affiliates are considered "outstanding" for purposes of the Indenture.

Satisfaction and Discharge of the Indenture

The Indenture will generally cease to be of any further effect with respect to a series of Notes if (1) all of the Notes of that series (with certain limited exceptions) have been delivered for cancellation or (2) all Notes of that series not previously delivered for cancellation have become due and payable or will become due and payable within one year and the Fund has deposited with the indenture trustee as trust funds the entire amount sufficient to pay at maturity all of the amounts due with respect to those Notes. In either case, the Fund must also pay or cause to be paid all other sums payable under the Indenture by it and deliver to the indenture trustee an officers' certificate and opinion of counsel stating that all conditions precedent to the satisfaction and discharge of the indenture have been complied with.

The Indenture does not contain any provisions for legal or covenant defeasance of the Notes.

Risk Factors

Investing in the Notes involves a high degree of risk. In deciding whether to purchase Notes, a prospective Investor should carefully consider the following risk factors, while keeping in mind that these risk factors only represent some of the risks to which an Investor will be exposed if he, she or it invests in the Notes. The Fund believes these risk factors are illustrative of some, but not all, of the various risks involved in this type of investment. Any of the following risks could have a material adverse effect on the value of the Notes an investor purchases and could cause the Investor to lose all or part of his, her or its initial purchase price or could adversely affect future payments the investor expects to receive on the Notes. Only Investors who can bear the loss of their entire purchase price should purchase Notes.

Risks Related to the Notes and the Borrowers

The Fund will extend the Credit Facility to FTF Lending, which may be used exclusively to originate residential mortgages. FTF Lending will attempt finance mortgages with high enough interest rates that it can sustain a certain level of default by underlying borrowers and still maintain its ability to pay interest and principal on the Credit Facility and, therefore, the Fund will also be able to maintain its ability to pay principal and interest on the Notes. However, the following risk factors describe risks with respect to borrowers of the underlying loan, including with respect to FTF Lending's ability to repay principal and interest pursuant to the Credit Facility, that, if defaults occur in significant enough amounts or with respect to loans in high enough amounts, may ultimately compromise the Fund's ability to repay interest and/or principal on the Notes.

The Fund does not have significant historical performance data about performance of the underlying loans. Loss rates on the loans may increase or be higher than expected.

If FTF Lending is unsuccessful at sourcing enough loans at rates to provide a "cushion" against default, or if FTF Lending's projections regarding the default rate are inaccurate, FTF Lending may be unable to repay amounts owed to the Fund under the Credit Facility and the Fund may be compromised in its ability to pay interest and principal on the Notes.

The Fund's assets are limited to the contract pursuant to which FTF Lending is obligated to repay the Fund on amounts drawn with respect to the Credit Facility. If payments to FTF Lending on the underlying loans representing a significant amount of FTF Lending's assets become past due or are otherwise in default, it is possible that FTF Lending may not be able to repay amounts due pursuant to the Credit Facility and Investors may not receive the full principal and interest payments that such Investors expected to receive on their Notes, and Investors may not recover the original purchase price.

The whole mortgages that FTF Lending originates are expected to be secured by a mortgage, deed of trust, security agreement, or legal title and FTF Lending expects to collect an amount equal to three months' interest from each underlying borrower. The Credit Facility will not be secured by the underlying loans made with amounts FTF Lending draws with respect to the Credit Facility. While the Fund will pledge the Collateral to the indenture trustee, there is no guarantee that the value of such Collateral will be enough to honor the full principal and interest payments due under the Notes. The Notes are obligations of the Fund and do not represent an obligation of FTF Lending, any underlying borrower to FTF Lending or any other party except the Fund. The Notes are not guaranteed or insured by any governmental agency, instrumentality or any third party. Investors in the Notes may look only to the Fund for payment of the Notes. To the extent that borrowers of underlying loans fail to pay FTF Lending and, in turn, FTF Lending fails to pay amounts due under the Credit Facility, Investors will not be able to pursue collection against such borrowers and are prohibited from contacting any borrower about a default or failure to pay.

If an event of default under the Indenture were to occur, the Note holders would be dependent on the indenture trustee's ability to realize on amounts due to the Fund pursuant to the Credit Facility and the paying agent to make payments on the Notes in the manner contemplated by the Indenture. In addition, although the Fund will take all actions that it believes are required under applicable law to perfect the security interest of the indenture trustee in the Collateral, if its analysis of the required actions is incorrect or if it fails timely to take any required action, the indenture trustee's security interest may not be adequately perfected and holders of the Notes could be required to share the amounts paid under the Credit Facility with the Fund's other creditors, or, if a bankruptcy court were to order the substantive consolidation of the Fund and its direct or indirect parent entities, those entities' creditors.

Management discretion of the Credit Facility extended to FTF Lending is with the Fund and not investors.

The Fund will manage the Credit Facility as it sees fit. FTF Lending (with respect to the underlying loans) may use strategies that are not described herein, and these strategies may subject the amounts to be paid under the Credit Facility to additional risks.

Usury laws may affect the investment.

Certain states where the properties are located have usury laws in place that limit the maximum interest rate FTF Lending may charge underlying loans. At times, these laws may effectively affect payments by preventing the recovery of certain payment amounts. Further, usury laws may be subject to change at the hands of state legislators. If a borrower were to succeed in bringing a claim against FTF Lending for a state law usury violation, and the court were to find that the rate charged exceeded the maximum allowable rate applicable in such state, that underlying loan (and possibly many others) would not receive the anticipated full value of its loan investment and, accordingly, in sufficient amount, could compromise the FTF Lending's ability to pay amounts due under the Credit Facility and, in turn, the Fund's ability to repay principal and interest on the Notes.

Information supplied by borrowers may be inaccurate or intentionally false.

Borrowers supply a variety of information regarding the property valuations, market data, their own construction and real estate development experience, personal identifying information, and other information. FTF Lending makes an attempt to verify some of this information, but as a practical matter, cannot verify the majority of it, which may be incomplete, inaccurate or intentionally false. Borrowers may also misrepresent their intentions for the use of loan proceeds. FTF Lending does not verify any statements by applicants as to how loan proceeds are to be used. If borrowers representing a significant portion of FTF Lending's portfolio supply false, misleading or inaccurate information, FTF Lending's ability to collect on underlying loans may suffer, which may impact FTF Lending's ability to repay amounts due to the Fund pursuant to the Credit Facility.

When FTF Lending finances a mortgage, the primary assurances that the financing proceeds will be properly spent by the borrower are the contractual covenants agreed to by the borrower, along with the borrower's business history and reputation. Should the proceeds of a financing be diverted improperly, the borrower might become insolvent, which could compromise FTF Lending's ability to collect sufficient funds to make principal and interest payments under the Credit Facility and, accordingly, the Fund's ability to make principal and interest payments under the Notes.

Neither the indenture trustee nor holders of any Notes will have any contractual or other relationship with any borrower that would enable the indenture trustee or such holder to make any claim against such

borrower for fraud or breach of any representation or warranty in relation to any false, incomplete or misleading information supplied by such borrower in relation to any underlying mortgage or loan.

The success of the underlying loans is dependent on the performance of the borrower (and, accordingly, FTF Lending's success with respect to repayment of amounts due under the Credit Facility) and other third parties over which the Fund has no control.

With respect to a particular property, the borrower is responsible for various business, management, and legal functions that are essential to the success of the Project, including budgeting, proper construction and rehabilitation, property marketing (and leasing rates if an equity deal), payment of bills, maintenance of insurance, and property management generally. Poor management on the part of the borrower could adversely affect the financial performance of its or expose it to unanticipated operating risks, which could reduce the property's cash flow and adversely affect the borrower's ability to repay its loan. If enough borrowers experience such unanticipated risks, FTF Lending may not be able to repay amounts due under the Credit Facility and, accordingly, the Fund's ability to pay principal and interest on the Notes may be compromised.

The property valuation models used by FTF Lending in determining whether to make a loan to a borrower may be deficient and may increase the risk of default.

Real estate valuation is an inherently inexact process and depends on numerous factors, all of which are subject to change. Appraisals or opinions of value may prove to be insufficiently supported, and FTF Lending's review of the value of the underlying property in determining whether to make a loan and the value of the underlying security may be based on information that is incorrect or opinions that are overly optimistic.

The real property security for underlying mortgages may decline in value.

The value of the real property security for mortgages will be subject to the risks generally incident to the ownership of improved and unimproved real estate, including changes in general or local economic conditions, increases in interest rates for real estate financing, physical damage that is not covered by insurance, zoning, entitlements, and other risks. Many borrowers expect to use resale proceeds to repay their mortgages. A decline in property values could result in mortgage amounts being greater than the property value, which could increase the likelihood of borrower default.

Insurance against risks faced by a property could become more costly or could become unavailable altogether.

Real estate properties are typically insured against risk of fire damage and other typically insured property casualties, but are sometimes not covered by severe weather or natural disaster events such as landslides, earthquakes, or floods. Changes in the conditions affecting the economic environment in which insurance companies do business could affect the borrower's ability to continue insuring the property at a reasonable cost or could result in insurance being unavailable altogether. Moreover, any hazard losses not then covered by the borrower's insurance policy would result in underlying loans becoming significantly under-secured, and the Fund's ability to collect on such loans could sustain a significant reduction.

Environmental issues may affect the operation of a borrower property.

If toxic environmental contamination is discovered to exist on a property, it might affect the borrower's ability to repay its underlying loan and FTF Lending could suffer from a devaluation of the loan security,

which would impact its ability to repay amounts due under the Credit Facility. To the extent that FTF Lending is forced to foreclose and/or operate such a property, potential additional liabilities include reporting requirements, remediation costs, fines, penalties and damages, all of which would adversely affect the likelihood that FTF Lending would be repaid the underlying loan.

Of particular concern may be those properties that are, or have been, the site of manufacturing, industrial or disposal activity. These environmental risks may give rise to a diminution in value of the security property or liability for clean-up costs or other remedial actions. This liability could exceed the value of the real property or the principal balance of the related mortgage loan. For this reason, the Fund may choose not to foreclose on contaminated property rather than risk incurring liability for remedial actions, in which event the Fund would lose its entire investment other than payments received prior to the event-giving rise to a foreclosure right.

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

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

Loss rates on underlying loans may increase as a result of economic conditions, natural disasters, war, terrorist attacks, or acts of God beyond FTF Lending's or the Fund's control and beyond the control of the borrower.

Borrower loan loss rates may be significantly affected by economic downturns or general economic conditions, natural disasters, war, terrorist attacks, or acts of God beyond FTF Lending's or the Fund's control and beyond the control of individual borrowers. In particular, loss rates on underlying loans may increase due to factors such as (among other things) local real estate market conditions, prevailing interest rates, the rate of unemployment, the level of consumer confidence, the value of the U.S. dollar, energy prices, changes in consumer spending, the number of personal bankruptcies, disruptions in the credit markets and other factors. Loss rates may also increase due to certain natural disasters, such as fires, floods, hurricanes, tornados, tsunamis, or earthquakes, war, terrorist attacks, or other acts of God.

FTF Lending may have an incentive to fund as many underlying loans as possible, which could impair its ability to devote adequate attention and resources to collection of the loans.

In order to offset the possibility of default or nonpayment by a significant portion of underlying borrowers, FTF Lending may have an incentive to finance as many projects as possible to diversify its portfolio and "hedge" against large amounts of default. Increased project volume increases the demands on FTF's management resources and its ability to devote adequate attention and resources to the collection of the underlying loans. In the event that FTF and/or FTF Lending take on loan volumes that exceed its ability to service such loans, FTF Lending's ability to collect payments on such loans may suffer, which could impact its ability to repay amounts due under the Credit Facility.

Security of the underlying loans does not remove the risks associated with foreclosure.

Different property types involve different types of risk in terms of realizing on the collateral in the event that the borrower defaults. These risks include completion costs in the case of an incomplete project (including potential payments to third-parties involved in the project), partial resale for condominiums and tracts and lease-up (finding tenants) for multifamily residential, small commercial and industrial properties. FTF Lending may not be able to sell a foreclosed commercial property, for example, before expending efforts to find tenants to make the property more fully leased and more attractive to potential buyers.

Moreover, foreclosure statutes or other recovery methods vary widely from state to state. Properties underlying defaulted loans will need to be foreclosed upon in compliance with the laws of the state where such property is located. Many states require lengthy processing periods or the obtaining of a court decree before a mortgaged property may be sold or otherwise foreclosed. Further, statutory rights to redemption and the effects of anti-deficiency and other laws may limit the ability of FTF Lending to timely recover the value of a loan in the event that a borrower defaults.

A bankruptcy of the borrower will delay or prevent FTF Lending from exercising its foreclosure remedy promptly.

If the borrower enters bankruptcy, an automatic stay of all proceedings against the borrower's property will be in effect. This stay will prevent FTF Lending from foreclosing on the property unless relief from the stay can be obtained from the bankruptcy court, and there is no guarantee that any such relief will be obtained. Significant legal fees and costs may be incurred in attempting to obtain relief from a bankruptcy stay from the bankruptcy court and, even if such relief is ultimately granted, it may take several months or more to obtain. In such event, FTF Lending will be unable to promptly exercise its foreclosure remedy and realize any proceeds from a property sale.

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

Charging origination fees may increase amount of borrower indebtedness.

To the extent that an originating entity, such as FTF Lending, charges a borrower an origination fee, the principal amount of a mortgage may be increased, which may adversely affect the ability of the borrower to repay the loan. In addition, origination fees (when added to the amount of the loan) will increase the gross amount of the loan thereby decreasing the borrower's equity in his or her property and correspondingly decreasing the loan security.

Purchasers of Notes will not have the protection of the provisions of the Trust Indenture Act of 1939.

Because this offering is being made in reliance on an exemption from registration under the non-public offering exemption of Section 4(2) of the Securities Act, it is not subject to the Trust Indenture Act of 1939. Consequently, purchasers of Notes will not have the protection of the provisions of the Trust Indenture Act of 1939.

The Fund does not intend initially to provide Investors with audited financial statements.

The Fund does not intend to make the large expenditures necessary to provide audited financial statements to Investors, at least with respect to its first year or two of operations or until it sells \$30 million in Notes. Accordingly, until such time there will be no independent certified public account reviewing the Fund's

finances and Investors will thus not be in a position to independently evaluate the Fund's financial health in determining whether to purchase the Notes.

The Notes are restricted securities, are subject to significant transfer restrictions, will not be listed on any securities exchange, and no liquid market for the Notes is expected to develop.

The Notes are not being registered under the Securities Act, but rather are being offered in reliance on Rule 506 under the "non-public" offering exemption of Section 4(2) of the Securities Act. The Notes will not be listed on any securities exchange or interdealer quotation system. There is no trading market for the Notes, and the Fund does not expect that such a trading market will develop in the foreseeable future, nor does the FTF Platform intend in the near future to offer any features to facilitate or accommodate such trading. Although the Notes by their terms are pre-payable at any time without penalty, there is no obligation on the Fund's part to repurchase or otherwise prepay any Notes at the election of an Investor. Further, the Notes generally may not be transferred without the prior written consent of the Fund, which may be granted or withheld in the Fund's sole discretion. Therefore, any investment in the Notes will be highly illiquid, and Investors in the Notes may not be able to sell or otherwise dispose of their Notes in the open market. Accordingly, an Investor should be prepared to hold the Notes until the applicable Maturity Date.

The Fund may enter into agreements with Investors that provide for different terms.

The Fund may in the future enter into separate agreements with certain investors, including affiliates or those deemed to involve a significant or strategic relationship, to waive certain terms, or allow such investors to invest on different terms than those specifically described in this Memorandum, including, without limitation, with respect to returns, liquidity or depth of information provided to such investors concerning the Fund. Under certain circumstances, these agreements create or could create preferences or priorities for such Note holders or with respect to other Note holders.

FTF Fund Management may offer other clients additional or different information and reporting than that offered to Note holders. Similarly, the Fund may offer certain Note holders additional or different information and reporting than that offered to other Note holders. Such information may provide the recipient greater insights into the Fund's activities than is included in standard reports to Note holders, thereby enhancing the recipient's ability to make investment decisions with respect to the Fund.

Risks Related to the Fund, the FTF Platform and the FTF Group of Entities

The FTF group of entities and the business arrangements among them are subject to numerous conflicts of interest.

The structure of the FTF group of entities (including the Fund) and its business activities are subject to conflicts.

The Fund expects to extend the Credit Facility to FTF Lending, which will use amounts drawn on the Credit Facility solely to originate residential mortgages, the borrowers with respect to which have met the FTF underwriting standards (which may change from time to time). FTF receives origination fees with respect to such mortgage loans. Accordingly, FTF may have an incentive to approve more loans than can reasonably be serviced.

The Fund intends to extend Credit Facility to FTF Lending, its affiliate, in exchange for a fixed interest rate return. While the Fund expects to extend credit to FTF Lending at prevailing market rates, such prevailing market rates are determined by FTF Fund Management based on industry standards and expectations of what FTF Fund Management would be able to negotiate with a third party on an arm's length basis.

The Fund and FTF Lending are both wholly owned by FTF. While the interest rate on the Credit Facility is expected to be at prevailing market rates, the *terms* of the credit facility are not expected to be negotiated at arms' length. Additionally, FTF and certain of its management team may invest in the Notes. These affiliations may give rise to conflicts of interest among such parties when transacting business related to the Fund, including the issuance of Credit Facility to FTF Lending.

FTF, FTF Fund Management or one or more affiliates may, in the future, offer additional vehicles for investment (including single-investor vehicles and/or multiple-investor vehicles) that have similar or substantially similar investment objectives as the Fund.

Underwriting standards were developed by FTF, are not subject to regulatory oversight and may change.

The underwriting standards upon which FTF Lending determine which borrowers should receive loans were developed internally based on factors deemed to be important by FTF and the FTF Platform. There is no regulatory oversight with respect to such underwriting standards and they may change at any time. Further, FTF Lending may, in its discretion, grant loans to borrowers that fall outside of the risk parameters.

The Fund is reliant on FTF, FTF Lending and the operation of the FTF Platform.

The Fund is dependent on the FTF Platform to maintain current listings and transactions in Notes. FTF also expects to constantly update its software and website, expand its customer support services and retain an appropriate number of employees to maintain the operations of the website. If FTF is unable to maintain the necessary infrastructure, Investors may experience delays in receipt of payments on the Notes and periodic downtime of FTF's systems.

If FTF, FTF Lending and/or the Fund were to become subject to a bankruptcy or similar proceeding, the rights of the Fund and the rights of the holders of the Notes vis-à-vis the Fund could be uncertain, and the recovery, if any, of the Fund or a holder on a Note, as applicable, may be substantially delayed and/or substantially less than the amounts due and/or to become due on the underlying loans and/or the Note, as the case may be.

In the event of the bankruptcy or similar proceeding of FTF, FTF Lending and/or the Fund, the rights of the Fund (with respect to the Credit Facility) or the Investors (with respect to the Notes) could be subject to the following risks and uncertainties:

- Interest may not accrue during a bankruptcy proceeding. Accordingly, any recovery might be based on claims for principal and interest accrued only up to the date the proceeding commenced.
- The obligation to make payments may be suspended. Because a bankruptcy or similar proceeding may take months or years to complete, even if the suspended payments were resumed, the suspension might effectively reduce the value of any recovery by the time such recovery occurs.
- If underlying borrowers have made payments with respect to the underlying loans before the bankruptcy proceedings are commenced and those funds are held in a clearing account, there can be no assurance that such funds will be used to make payments to FTF Lending, which may compromise FTF Lending's ability to make payments due under the Credit Facility.

- If a bankruptcy proceeding commences after the purchase price of Notes has been paid, the Fund or the Investors may not be able to obtain a return of the purchase price even if the offering proceeds have not yet been used by FTF Lending under the Credit Facility to fund a project.
- The ability of FTF, FTF Lending or the Fund to transfer its obligations to a back-up entity may be limited and subject to the approval of the bankruptcy court or other presiding authority. The bankruptcy process may delay or prevent the implementation of back-up services, which may impair the collection of underlying loans to the detriment of FTF Lending and, accordingly, the Fund and/or the Notes.

If FTF Lending or the Fund were to enter bankruptcy proceedings, their respective activities would be interrupted.

If FTF, FTF Lending or the Fund were to enter bankruptcy proceedings or were to cease operations, such entity or entities would be required to find other ways to meet their respective obligations. Such alternatives could result in delays in the disbursement of payments to the Fund or to the holders of Notes or could require the payments of significant fees to another company engaged to perform such services.

In a bankruptcy or similar proceeding there may be uncertainty regarding the Fund's rights or the rights of a holder of a Note, if any, to access funds.

If FTF, FTF Lending or the Fund became a debtor in a bankruptcy proceeding, the legal right to administer funds would vest with the bankruptcy trustee or debtor in possession. In that case, holders of Notes may have to seek a bankruptcy court order lifting the automatic stay and permitting them to withdraw their funds. Investors may suffer delays in accessing their funds. Moreover, U.S. bankruptcy courts have broad powers and a bankruptcy court could determine that some or all of such funds were beneficially owned by the bankrupt entity or entities, and therefore that they became available to the creditors of such entities.

"Events of Default" under the Notes are limited to narrow circumstances.

Under the Notes and the Indenture, the Fund's bankruptcy or a similar event related to the Fund's insolvency is deemed to be an Event of Default, upon which the entire outstanding principal balance of the Notes and all accrued and unpaid interest thereon will become immediately due and payable. Other acts or omissions by the Fund that may represent breaches of contract, including the Fund's failure to act in good faith in collecting on the Credit Facility, do not represent Events of Default under the Notes and do not result in the entire principal balance becoming due and payable.

Noteholders must provide an indemnity to the indenture trustee in order to act.

Upon an Event of Default, noteholders of a majority in aggregate Principal Amount of the Outstanding Notes may direct the time, method and place of conducting any proceeding for any remedy available to the indenture trustee or of exercising any trust or power conferred on the indenture trustee with respect to the Notes. However, before proceeding to exercise any right or power pursuant to the Indenture at the direction of such holders, the holders must provide to the indenture trustee reasonable security or indemnity, against the costs, expenses and liabilities which might be incurred by it in compliance with any such direction. It may provide difficult for noteholders to coordinate the provision of security and/or an indemnity to the indenture trustee in order to direct it to move forward with a remedy. In such case,

the noteholders may not receive the full payments to which they are entitled as they may have been able to receive if such holders could individually initiate a remedy against the Fund directly.

FTF, FTF Lending and the Fund rely on third-party banks and on third-party computer hardware and software. If FTF, FTF Lending and/or the Fund is unable to continue utilizing these services, FTF, FTF Lending and/or the Fund may have difficulty servicing the underlying loans.

FTF, FTF Lending and the Fund rely on third party and FDIC-insured depository institutions to process transactions, including payments of underlying loans and remittances to holders of the Notes. Under the ACH rules, FTF, FTF Lending and/or the Fund experiences a high rate of reversed transactions (known as “chargebacks”), they may be subject to sanctions and potentially disqualified from using the ACH system to process payments. FTF, FTF Lending and the Fund also rely on computer hardware purchased and software licensed from third parties that operates the FTF Platform. The purchased or licensed hardware and software may be physically located off-site, as is often the case with “cloud services,” and may not continue to be available on commercially reasonable terms, or at all. If the FTF Platform cannot continue to obtain such services elsewhere, or if it cannot transition to another processor quickly, the ability of FTF, FTF Lending and/or the Fund to process payments will suffer and the ability of Investors to receive payments may be delayed or impaired.

If the security of Investors’ confidential information is breached or otherwise subjected to unauthorized access, secure information may be stolen.

The FTF Platform may store Investors’ bank information and other personally identifiable sensitive data. However, any accidental or willful security breach or other unauthorized access could cause secure information to be stolen and used for criminal purposes, and Investors would be subject to increased risk of fraud or identity theft. Because techniques used to obtain unauthorized access or to sabotage systems change frequently and generally are not recognized until they are launched against a target, the platform and its third party hosting facilities may be unable to anticipate these techniques or to implement adequate preventative measures.

Operational risks, including the risk of cyberattacks, could disrupt FTF’s and its affiliates’ business and materially and adversely affect their business, results of operations and financial condition.

Financial, accounting, communications and other data processing systems of FTF and its affiliates may fail to operate properly or become disabled as a result of tampering or a breach of the network security systems or otherwise. In addition, such systems may be from time to time subject to cyberattacks and other cybersecurity incidents, which may continue to increase in sophistication and frequency in the future.

Breaches of network security systems could involve attacks that are intended to obtain unauthorized access to FTF’s and its affiliates’ proprietary information or personal identifying information of holders of Notes and/or borrowers, destroy data or disable, degrade or sabotage systems, including through the introduction of computer viruses and other malicious code, network failures, computer and telecommunication failures, infiltration by unauthorized persons and security breaches, usage errors by their respective professionals or service providers. If unauthorized parties gain access to such information and technology systems, they may be able to steal, publish, delete or modify private and sensitive information. Although FTF and its affiliates take various measures to ensure the integrity of such systems, there can be no assurance that these measures will provide protection. Breaches such as those involving covertly introduced malware, impersonation of authorized users and industrial or other espionage may not be identified even with sophisticated prevention and detection systems, potentially resulting in further harm and preventing it from being addressed appropriately.

Moreover, FTF, the Fund and their affiliates are highly dependent on information systems and technology. Information systems and technology may not continue to be able to accommodate FTF's growth, and the cost of maintaining such systems may increase from its current level. Such a failure to accommodate growth, or an increase in costs related to such information systems, could have a material adverse effect on FTF's (and, accordingly, the Fund's) business.

FTF and its affiliates are headquartered in New York, New York, a city which has already been the target of more than one terrorist attack, as well as numerous power outages. A disruption in the infrastructure that supports FTF's and its affiliates' business, including a disruption involving electronic communications or other services used by FTF and its affiliates or third parties with whom they conduct business, or directly affecting their headquarters, could have a material adverse impact on their ability to continue to operate their business without interruption. Their disaster recovery programs may not be sufficient to mitigate the harm that may result from such a disaster or disruption. Insurance and other safeguards might only partially reimburse FTF and its affiliates for their losses, if at all.

In addition, FTF and its affiliates rely on third-party service providers for certain aspects of their business, including software vendors for portfolio management and accounting software, outside financial institutions for back office processing and custody of securities and third-party broker-dealers for the execution of trades. An interruption or deterioration in the performance of these third parties or failures of their information systems and technology could cause system interruptions, delays, loss, corruption or exposure of critical data or intellectual property and impair the quality of our operations, which could impact their reputation and hence adversely affect their business.

Any such interruption or deterioration in FTF's or its affiliates' operations could result in substantial recovery and remediation costs and liability. While FTF has implemented backup systems to lessen the risk of any material adverse impact, its planning may not be sufficient to mitigate the harm and cannot account for all eventualities, and a catastrophic event that results in the destruction or disruption of any data or critical business or information technology systems could severely affect FTF's (and its affiliates') ability to conduct business operations, and as a result, their future operating results could be materially and adversely affected.

None of the Fund, FTF Lending, FTF or any of their affiliates is subject to the banking regulations of any state or federal regulatory agency.

None of the Fund, FTF Lending, FTF or any of their affiliates is subject to the periodic examinations to which commercial banks and other thrift institutions are subject. Consequently, the entities' financing decisions and decisions regarding establishing loan loss reserves are not subject to period review by any governmental agency. Moreover, none of the FTF entities is subject to regulatory oversight relating to capital, asset quality, management or compliance with laws.

The Fund is dependent on certain key personnel for its future success, and their continued service is not guaranteed.

FTF's (and its affiliates, including the Fund's) future success depends on the continued service of key personnel and FTF's ability to attract new skilled personnel. The departure of key personnel, until suitable replacements could be identified and hired, if at all, could have a material and adverse effect on FTF's (and its affiliates, including the Fund's) business, results of operations and financial condition.

FTF's (and the Fund's) inability to manage future growth effectively could have an adverse impact on its business, results of operations and financial condition.

FTF's (and the Fund's) ability to grow will depend on FTF's ability to originate and/or acquire investor real estate loans. In order to do this, FTF and/or its affiliates will need to identify, hire, train, supervise and manage new employees. Any failure to effectively manage future growth, including a failure to successfully expand FTF's loan origination activities could have a material and adverse effect on its business, results of operations and financial condition.

If FTF and its affiliates fail to develop, enhance and implement strategies to adapt to changing conditions in the real estate and capital markets, FTF's business, results of operations and financial condition may be materially and adversely affected.

The manner in which FTF and its affiliates compete and the loans for which they compete are affected by changing conditions, which can take the form of trends or sudden changes in the real estate industry, regulatory environment, changes in the role of government-sponsored entities, changes in the role of credit rating agencies or their rating criteria or process or the United States economy more generally. If FTF and its affiliates do not effectively respond to these changes, or if their strategies to respond to these changes are not successful, their business, results of operations and financial condition may be materially and adversely affected.

The Fund and FTF operate under a new business model.

FTF operates a real estate crowdfunding (or peer-to-peer lending) portal, a business that did not exist before the JOBS Act of 2012. Consequently, FTF's business model is new and relatively untested. The website and other crowdfunding portals are developing the business model, trying to build successful businesses by connecting investors with real estate entrepreneurs as permitted by the JOBS Act. However, FTF has no model to follow and, moreover, no proof that a successful model can be built. If FTF and the website are unsuccessful, the Fund's operations and future viability will be significantly adversely affected.

FTF has incurred net losses in the past and expects to incur net losses in the future.

FTF has incurred net losses in the past and expects to incur net losses in the future. Its failure to become profitable could impair the operations of the website by limiting its access to working capital to operate the website. FTF has not, to date, been profitable, and it may not become profitable. In addition, it expects its operating expenses to increase in the future as it expands its operations. If FTF's operating expenses exceed its expectations, its financial performance could be adversely affected. If its revenue does not grow to offset these increased expenses, it may never become profitable. In future periods, the Fund may not have any revenue growth, or its revenue could decline. As noted above, the ability of the Fund to operate and issue Notes is dependent on FTF's success.

FTF's business will suffer if it is unable to attract investors to the website, who may be skeptical of this form of real estate investment.

FTF's and the Fund's business plan depends on attracting qualified accredited investors to the FTF Platform, and assumes that such investors will invest in the real estate projects listed on the FTF Platform in large numbers. The success of the business model depends on a fundamental and unprecedented change in consumer behavior, where investors are persuaded to register and invest through crowdfunding sites on the Internet. Although FTF and the Fund are optimistic, there is no certainty that sufficient investor interest will occur or will be maintained.

FTF's and the Fund's business is dependent on results of returns for investors.

Although FTF is selective about the investment opportunities it offers on the website, investing in real estate is imprecise and there is no way of knowing whether the projects will be successful. If projects funded through the FTF Platform are unsuccessful, whether relative to an industry benchmark, relative to projects listed by other crowdfunding platforms, relative to the stock market or mutual funds, or simply because investors are uninterested, FTF's and, ultimately, the Fund's business will be adversely affected.

FTF and the Fund may suffer if the website is unable to attract or access quality real estate investment opportunities.

Just as the website could have difficulty attracting investors, FTF could also have difficulty finding quality real estate investments to list. If FTF cannot attract investors then it will not be able to attract quality investments, and *vice versa*. While there exists a healthy pool of institutional capital, both domestic and international, searching for U.S. real estate investment opportunities, it has become increasingly difficult to identify investment opportunities, and prices continue to increase.

FTF faces competition from other real estate crowdfunding portals.

There exist other real estate crowdfunding portals with relatively low barriers to entry and FTF expects more portals to be created in the coming years. Because the portal business is, by definition, conducted online, every one of these new portals will compete with the website. Some competitors could have superior technology, better marketing plans, greater access to capital, management that is more experienced, better brand recognition, and other advantages.

FTF and the Fund face competition from institutions.

FTF and the Fund do not compete only with other real estate crowdfunding portals. Broadly speaking, FTF competes with banks, private equity funds, real estate investment trusts, traditional hard money or private money lenders, and other investors for real estate projects; and it competes with mutual funds, financial advisors; investing banking firms, and a host of others for investors and investment dollars.

Risks Related to Compliance and Regulation

If the Fund is required to register under the Investment Company Act or became subject to the SEC's regulations governing broker-dealers, its ability to conduct its business could be materially and adversely affected.

The SEC heavily regulates the manner in which "investment companies" and "broker-dealers" are permitted to conduct their business activities. The Fund believes it has conducted its business in a manner that does not result in it being characterized as an investment company or broker-dealer, as it does not believe that it engages in any of the activities described under Section 3(a)(1) of the Investment Fund Act of 1940, as amended, or in the business of (i) effecting transactions in securities for the account of others as described under Section 3(a)(4)(A) of the Securities Exchange Act of 1934, as amended (the "Exchange Act") or any similar provisions under state law or (ii) buying and selling securities for our own account, through a broker or otherwise as described under Section 3(a)(5)(A) of the Exchange Act or any similar provisions under state law. If, however, the Fund is deemed to be an investment company or a broker-dealer, it may be required to institute burdensome compliance requirements, incur significant disclosure obligations and its activities may be restricted, which would affect its business to a material degree.

U.S. state licensing requirements may change.

The Fund believes that it and its affiliates have obtained all licenses necessary for participating lawfully in the business of online real estate lending in each state in which it plans to make loans prior to commencing operations, based on current assessment of the regulatory requirements of each such state. However, the online lending regulatory landscape is still developing. While the Fund may believe that that the Fund's and/or its affiliates' practices in a particular state are compliant with that state's current regime, it is possible that that regime might come under question from state or other regulatory authorities, and/or be changed in such a way as to adversely affect the ability of the Fund and/or its affiliates to continue lending or conducting business in that state. The Fund intends to monitor such regulatory activity closely, but may fail to correctly or adequately anticipate regulatory action in this developing arena.

Laws intended to prohibit money laundering may require the Fund to disclose Investor information to regulatory authorities.

The Uniting and Strengthening America By Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (the "PATRIOT Act") requires that financial institutions establish and maintain compliance programs to guard against money laundering activities, and requires the Secretary of the U.S. Treasury ("Treasury") to prescribe regulations in connection with antimoney laundering policies of financial institutions. The Financial Crimes Enforcement Network ("FinCEN"), an agency of the Treasury, has announced that it is likely that such regulations would subject certain pooled investment vehicles to enact anti-money laundering policies. It is possible that there could be promulgated legislation or regulations that would require the Fund or its service providers to share information with governmental authorities with respect to prospective investors in connection with the establishment of anti-money laundering procedures. Such legislation and/or regulations could require the Fund to implement additional restrictions on the transfer of the Notes. The Fund reserves the right to request such information as is necessary to verify the identity of prospective Investors and the source of the payment of subscription monies, or as is necessary to comply with any customer identification programs required by FinCEN and/or the SEC. In the event of delay or failure by a prospective investor to produce any information required for verification purposes, an application for or transfer of the Notes may be refused.

As Internet commerce develops, federal and state governments may adopt new laws to regulate Internet commerce, which may negatively affect the Fund's business.

As Internet commerce continues to evolve, increasing regulation by federal and state governments becomes more likely. The business of the Fund, FTF Lending, FTF and/or its affiliates could be negatively affected by the application of existing laws and regulations or the enactment of new laws applicable to lending. The cost to comply with such laws or regulations could be significant and/or increase operating expenses, and the Fund and/or its affiliates may determine to pass along those costs to borrowers and Investors in the form of increased fees.

Failure of third-party vendors to meet compliance requirements could have an adverse effect on the Fund.

The Fund either internally conducts or contracts out certain compliance services to meet KYC, AML, OFAC, and Rule 501 accredited investor compliance. The Fund believes its internal procedures and vendors meet industry compliance standards. However, the SEC or other regulatory agencies could determine, for example, that the Fund has failed to use "reasonable steps" for verification of accreditation status. This determination could result in penalties to the Fund, a loss of some or all returns for certain Investors, a

potential revocation right for affected Investors, as well as a delay in payments to Investors, cessation of operations of the Fund, or other adverse effects towards Investors or the Fund.

Conflicts of interest could affect the Fund's decision-making.

The Fund expects to extend Credit Facility to FTF Lending, which will be unsecured. Accordingly, the Fund's ability to collect interest payments and principal from FTF Lending drawn on the Credit Facility will be subject to FTF Lending's ability to pay.

Some of the Investors and principals in the Fund may be affiliated with or part of entities or organizations with which the Fund may hold a past, present or future business or commercial relationship. The Fund may, in its sole discretion, conduct business with such affiliated parties, and without any notice or disclosure thereof to Investors. These arrangements may create a potential conflict of interest for investors.

General Investment Risk Factors

Investments are generally risky and offer no guarantee of success.

All investments generally bear the risk of loss of capital. There is no guarantee that an investment will be profitable.

Changes in capital markets and the economy generally may materially and adversely affect operations.

Any of the underlying loans (e.g., those that FTF Lending originates and/or the Credit Facility) could be affected by conditions in the global capital markets and the economy generally. Concerns over inflation, energy costs, geopolitical issues, the availability and cost of credit have contributed to increased volatility and diminished expectations for the economy and the markets going forward. These factors, combined with volatile oil prices, wavering business and consumer confidence and sustained unemployment, have resulted in an unstable economy. All of these factors can contribute to an increased likelihood of borrower default.

There are risks in investing in instruments linked to real estate.

An investment in the Notes is intended to be a somewhat diversified indirect investment in a group of underlying loans, determined in the discretion of FTF Fund Management, to directly or indirectly fund real estate projects. The ability of the borrowers (including FTF Lending with respect to the Credit Facility) to pay will be subject to the general risks inherent in the ownership of real property. In particular, the value of real property and the ability to generate income from real property is affected by many factors, such as general and local economic conditions, energy supplies, the supply of and demand for, property, environmental regulations, federal and local controls and real property tax rates. Certain expenditures associated with real estate investments, principally mortgage payments, real estate taxes and some maintenance costs, generally remain constant despite a decrease in income derived from such investments. Thus, the cost of operating a given property may exceed the income earned therefrom. The ability of a borrower (including FTF Lending) to pay on their respective underlying loans in a timely manner will depend on factors such as these.

Real estate values are volatile.

A borrower's ability to repay principal and interest on its underlying loan may be dependent upon the value of the underlying real estate. Real estate values are subject to volatility and may be affected adversely by a number of factors, including, without limitation: national, regional and local economic conditions (which may be adversely affected by plant closings, industry slowdowns and other factors as

well as general macro-economic trends); local real estate conditions (such as an oversupply of housing, retail, industrial, office or other commercial space); changes or continued weakness in specific industry segments; convenience, services and attractiveness of the property; the willingness and ability of the property's owner to provide capable management and adequate maintenance; construction quality, age and design; demographic factors; retroactive changes to building or similar codes; and increases in construction costs. Adverse changes in the factors above could affect borrowers' ability (including that of FTF Lending) to make payments on their loans.

THE FOREGOING RISKS ARE NOT A COMPLETE EXPLANATION OF ALL RISKS INVOLVED IN INVESTING IN THE NOTES. PROSPECTIVE INVESTORS ARE URGED TO READ THIS ENTIRE MEMORANDUM AND TO CONSULT WITH THEIR BUSINESS, TAX AND LEGAL ADVISORS, BEFORE MAKING A DETERMINATION OF WHETHER TO INVEST IN THE NOTES.

Documentation and Information Available to the Investors

In addition to this Memorandum, the following documentation will be available to each Investor on www.fundthatflip.com:

- A form of the Note;
- The Investor Agreement for the Investor to execute;
- The Indenture; and
- The Series Disclosure Supplement.

Certain U.S. Federal Income Tax Considerations

The following discussion contains certain U.S. federal income tax considerations generally applicable to purchasers of the Notes. This discussion is based on the U.S. Internal Revenue Code of 1986, as amended (the "Code"), Treasury regulations promulgated thereunder (the "Treasury Regulations"), administrative pronouncements of the U.S. Internal Revenue Service (the "IRS") and judicial decisions, all as currently in effect and all of which are subject to change and to different interpretations. Changes to any of the foregoing authorities could apply on a retroactive basis, and could affect the U.S. federal income tax consequences described below.

This discussion does not address all of the U.S. federal income tax considerations that may be relevant to a particular Note holder's circumstances, and does not discuss any aspect of U.S. federal tax law other than income taxation or any state, local or non-U.S. tax consequences of the purchase, ownership and disposition of the Notes. This discussion does not address all of the U.S. federal income tax considerations that might be applicable to Note holders in light of their particular circumstances, including alternative minimum tax and Medicare contribution tax consequences, and differing tax consequences applicable to Investors that are, for instance:

- securities dealers or brokers, or traders in securities electing mark-to-market treatment;
- banks, thrifts or other financial institutions;
- insurance companies;
- regulated investment companies or real estate investment trusts;
- tax-exempt organizations;

- persons holding Notes as part of a “straddle,” “hedge,” “synthetic security,” or “conversion transaction” for U.S. federal income tax purposes, or as part of some other integrated investment;
- partnerships or other pass-through entities;
- persons subject to the alternative minimum tax; certain former citizens or residents of the United States;
- Non-U.S. Holders (as defined below); and
- U.S. Holders (as defined below) whose functional currency is not the U.S. dollar.

If a partnership holds Notes, the U.S. federal income tax treatment of a partner will generally depend on the status of the partner and the activities of the partnership. A partnership holding Notes, and partners in such a partnership, should consult their own tax advisors with regard to the U.S. federal income tax consequences of the purchase, ownership and disposition of the Notes by the partnership.

This discussion applies only to U.S. Holders. A “U.S. Holder” is a beneficial owner of Notes that is, for U.S. federal income tax purposes, (i) an individual citizen or resident of the United States, (ii) a corporation (or any other entity treated as a corporation for U.S. federal income tax purposes) created or organized in or under the laws of the United States, any state thereof or the District of Columbia, (iii) an estate whose income is subject to U.S. federal income tax regardless of its source, or (iv) a trust if (A) a United States court has the authority to exercise primary supervision over the administration of the trust and one or more U.S. persons (as defined under the Code) are authorized to control all substantial decisions of the trust or (B) it has a valid election in place to be treated as a U.S. person.

This discussion of certain U.S. federal income tax considerations of the purchase, ownership and disposition of the Notes is not intended to be, nor should it be construed to be, legal or tax advice to any particular person. Accordingly, all prospective investors are urged to consult their own tax advisors with respect to the U.S. federal, state, local and non-U.S. tax consequences relating to the purchase, ownership and disposition of the Notes based on their particular circumstances.

Taxation of the Notes

In General

The Fund intends to treat the Notes as indebtedness for U.S. federal income tax purposes.

No assurance can be given that the IRS or a court will agree with the tax characterizations and tax consequences described below, and the IRS or a court may take contrary positions. Where the form of a transaction does not reflect the economic realities of the transaction, the substance rather than the form should determine the tax consequences.

Any differing treatment of the Notes could significantly affect the amount, timing and character of income, gain or loss in respect of an investment in the Notes and may affect our ability to make payments on the Notes. Accordingly, all prospective purchasers of the Notes are advised to consult their own tax advisors regarding the U.S. federal, state, local and non-U.S. tax consequences of the purchase, ownership and disposition of the Notes (including any possible alternative treatments of the Notes).

The following discussion is based upon the assumption that each Note will be treated as indebtedness of the Fund for U.S. federal income tax purposes. Unless otherwise noted, the following discussion assumes that the Notes will not be subject to the rules governing contingent payment debt instruments.

Taxation of Payments on the Notes

A U.S. holder of the Notes will be required to report interest payments at the time they are received. Interest payments will be included in the U.S. Note holder's income for the year in which the payments are received, and will be taxed at ordinary income rates.

Payments of principal will be treated for U.S. income tax purposes as a return of capital and, as such, will not be subject to income tax.

Sale, Retirement or Other Taxable Disposition of Notes

Upon the sale, retirement or other taxable disposition of a Note, you generally will recognize gain or loss equal to the difference, if any, between the amount realized upon the sale, retirement or other taxable disposition and your adjusted tax basis in the Note. In general, your adjusted tax basis in the Note will equal your cost for the Note, reduced by any principal payments previously received by the U.S. Holder in respect of the Note. An investor's gain or loss on the taxable disposition of the Note generally will be long-term capital gain or loss if the Note has been held for more than one year and short-term otherwise. The deductibility of capital losses is subject to limitations.

Additional Tax on Net Investment Income

Certain non-corporate U.S. Holders are subject to a 3.8% tax, in addition to regular tax on income and gains, on some or all of their "net investment income," which generally will include interest realized on a Note and any net gain recognized upon a sale or other disposition of a Note. U.S. Holders should consult their tax advisors regarding the applicability of this tax in respect of the Notes.

Prepayments

If we prepay a Note in full, the Note will be treated as retired and, as described above, you will generally have gain or loss equal to the difference, if any, between the amount realized upon the retirement and your adjusted tax basis in the Note. If we prepay a Note in part, a portion of the Note will be treated as retired. Generally, for purposes of determining the gain or loss attributable to the portion of the Note retired and the U.S. note holder's adjusted tax basis will be allocated between the two portions of the Note based on the portion of the Note that is treated as retired. The yield to maturity of a Note is not affected by a partial prepayment.

Losses as a Result of Worthlessness

If a Note becomes wholly worthless, a U.S. Holder should generally be entitled to deduct its loss on the Note as a capital loss in the taxable year the Note becomes wholly worthless.

Backup Withholding and Reporting

In general, we will provide information returns to non-corporate U.S. Holders, and corresponding returns to the IRS, with respect to (i) payments of interest and (ii) payments with respect to proceeds from a sale, retirement or other taxable disposition of a Note. In addition, a non-corporate U.S. Holder may be subject to backup withholding (currently at a twenty-four percent (24%) rate) on such payments if the U.S. Holder (i) fails to provide an accurate taxpayer identification number to the applicable withholding agent; (ii) has been notified by the IRS of a failure to report all interest or dividends required to be shown on its U.S.

federal income tax returns; or (iii) in certain circumstances, fails to comply with applicable certification requirements or otherwise establish an exemption from backup withholding.

Backup withholding is not an additional tax and any amounts withheld under the backup withholding rules will be allowed as a refund or a credit against a U.S. Holder's U.S. federal income tax liability provided the required information is furnished to the IRS on a timely basis. U.S. Holders should consult their tax advisors regarding the application of information reporting and backup withholding rules in their particular situations.

ERISA Considerations

The Employee Retirement Income Security Act of 1974, as amended ("ERISA"), and corresponding provisions of the Internal Revenue Code, imposes certain requirements on pension, profit sharing, and other employee benefit plans to which it applies, including individual retirement accounts and annuities, Keogh plans, and other tax-exempt plans ("Plans"), and on those persons who are fiduciaries or "parties in interest" with respect to such Plans. In considering an investment of assets of a Plan in the Notes, a Plan fiduciary should consider, among other things: (i) the purposes, requirements, and liquidity needs of such Plan; (ii) the definition of Plan assets under ERISA and applicable U.S. Department of Labor regulations; (iii) whether the investment would satisfy the ERISA fiduciary requirements as they relate to the Plan, including but not limited to the "prudence" requirements of Section 404(a)(1)(B) of ERISA and the diversification requirements of Section 404(a)(1)(C) of ERISA; and (iv) whether such an investment is appropriate for the Plan and solely in the interest of Plan participants, considering the nature of the investment.

In addition, Sections 406 and 407 of ERISA and Section 4975 of the Internal Revenue Code prohibit certain transactions that involve a Plan and a "party in interest" under ERISA or "disqualified persons" under the Internal Revenue Code with respect to the Plan and Plan assets (a "prohibited transaction"). Consequently, a Plan contemplating an investment in the Notes should consider whether Fund, or any affiliate of Fund, is or might become a party in interest or a disqualified person with respect to the Plan, or if the investment might in some other way be a prohibited transaction with respect to the Plan. Potential Plan Investors are strongly urged to consult with, and rely upon, their own advisors and counsel for advice on the ERISA and Internal Revenue Code issues relating to a Plan's investment in the Notes.

Restrictions on Transfers

The Notes are not being registered under the Securities Act. The Notes may not be sold or transferred unless they are registered under the Securities Act and the applicable securities laws of any appropriate jurisdiction, or unless exemptions from such registration requirements are available. Accordingly, the Notes will not be listed on any securities exchange, nor do we have plans to establish any kind of trading platform to assist investors who wish to sell their Notes. There is no public market for the Notes, and none is expected to develop. Accordingly, Investors may be required to hold Notes to maturity.

As a condition to this offering, the Note, the Investor Agreement and the Indenture impose various restrictions upon the ability of Investors to resell or otherwise dispose of any Notes purchased, including without limitation the following:

1. No Investor may resell or otherwise transfer any Notes except to a person or entity that meets the eligibility standards described herein (See the section entitled "*Investor Qualifications*").
2. A transfer fee may be charged for every transfer request made by Investor to the Fund for administrative and legal costs.

3. No sale or transfer shall be effective unless the buyer or transferee has executed and delivered to the Fund all documents required by the Fund, in its discretion, for investing in the Notes and paid to the Fund any expenses incurred by the Fund in connection with the transfer.

4. All transfers must be approved by the Fund and the Fund may, in its discretion, grant or withhold such approval.

The Notes will be registered electronically with the Fund and the Fund does not anticipate issuing physical Notes or related instruments. The form of Note that will be available online will contain one or more legends stating that the Notes have not been registered under the Securities Act and describing the applicable limitations on resale.

Additional Information and Undertakings

The Fund undertakes to make available to each potential Investor every opportunity to obtain any additional information from the Fund necessary to verify the accuracy of the information contained in this Memorandum. The Fund will provide such information to the extent that it possesses such information or can acquire it without unreasonable effort or expense. Should you have any questions, please do not hesitate to contact the Fund as follows:

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