Redwood Real Estate Fund, LLC

October 15, 2014

Private Placement Memorandum

For the Exclusive Use of: _____ Memorandum No._____

Redwood Real Estate Fund, LLC

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SECTION 1: Synopsis of Operations

INTRODUCTION

Redwood Real Estate Fund, LLC (the "Company" or the "Fund") was formed for the purpose of acquiring and managing multi-family and apartment class real estate assets. The Company will seek to acquire and manage high quality real estate assets with the intention of providing participating investors with a real estate focused investment opportunity that combines income, principal investment growth, and elements of capital preservation. The Fund is managed by Redwood Management Group LLC ("RMG" or the "Fund Manager"), a California company formed in 2004 that specializes in real estate asset acquisition and management. RMG is managed by three highly experienced real estate and finance professionals with a combined 54 years of experience in the California real estate market.

The Fund's primary focus is creating and maintaining investor wealth through local alternative real estate investment strategies. The management team's collective abilities provide an advantage over investing individually by allowing the Fund to quickly and efficiently address any real estate acquisition and management issues. The Fund's ability to invest with aggregated capital also provides greatly enhanced negotiation leverage as the Fund can close acquisitions quickly and without the typical financing delays encountered with other purchasers that require institutional financing to close on a property. Since the Fund's primary managers are directly involved in the placement of investment funds into select real estate assets, we can manage our investments more actively than large institutional investors. By investing in a Fund with experienced and specialized management, investors are freed from the complexities and time required for individual property ownership.

Over the years, our individual Fund managers have seen extreme market fluctuations; because of this, the Fund management team is always researching market trends to develop strategies allowing us to mitigate this volatility and reduce negative effects on our investors. This experience has also better positioned the Fund to take advantage of market opportunities presented in times of uncertainty. This proactive approach sets Redwood Real Estate Fund, LLC apart from our competition.

The Fund's management team has identified compelling market opportunities for the acquisition of multi-family and apartment assets in certain markets within California and Washington. This prospectus will outline the Fund's proprietary strategies for executing on these opportunities and the pertinent details regarding investment in the Fund's securities.

Fund Management Methodology

The Fund will pursue investments by utilizing the extensive expertise of the Fund Manager in acquiring and managing compelling multi-family and apartment assets that meet the Fund's asset acquisition criteria. The Fund may also target certain off-market, bank owned non-performing distressed multi-family assets to achieve attractive risk-adjusted returns. The Fund will target investment opportunities in the primary target markets of San Diego, California, San Francisco, California and Seattle, Washington (the "Target Markets").

Fund Management Track Record

The Fund Manager believes that its core industry expertise in implementing a balanced investment ideology coupled with consistent focused approach to property management, leasing and timely disposition of assets has strongly impacted its past performance. Since 2004, the Fund Manager, while jointly investing nearly $62.7 million of capital with private investors, has successfully acquired and managed over fifty off-market, bank owned properties and executed over sixty two real estate asset acquisition transactions including office buildings, shopping centers, industrial, medical and multi-family properties. The Fund Manager previously managed a successful real estate focused investment fund originating in 2009 and closed in 2012. The prior real estate focused fund, Altrian Property Fund, LP, achieved a 53% net internal rate of return and a 1.42x multiple in sold properties on realized $20 million of invested equity. The Fund Manager believes that these returns are particularly compelling on a risk-adjusted basis as conservative leverage was utilized on average across all investments within the operational model for the Altrian Property Fund.

The Fund Manager intends to deploy a similar, non-leveraged investment methodology in the Redwood Real Estate Fund to produce superior anticipated returns for investors.

Geographic Focus

In the opinion of the Fund Manager, the California multi-family real estate markets of San Diego and San Francisco provide a compelling opportunity for the purchase, management, and disposition of under valued and distressed multi-family and apartment class real estate assets. The Fund Manager's construction and distressed real estate mitigation background provides it the capability to accurately evaluate certain acquisition opportunities with the intent to rehabilitate the asset, engage in a reposition and lease-up, and then ultimately sell the improved asset for a net gain. Certain secondary markets in the Seattle, Washington area also offer similar opportunities and are also areas wherein the Fund Manager has significant market operating history and expertise.

MARKET FOCUS

Geographic Market Focus for the Fund

Market Focus: San Diego, California

The San Diego multi-family market experienced an increase in apartment construction in 2013. Most real estate analysts project that the market will easily absorb the new units, and recent data appears to verify this projection. At the end of 2013, the market's occupancy rate was 96.2 percent, and rents increased 3.6 percent year-over-year, according to MPF Research.

"Unlike the rest of Southern California, this one didn't really lose ground meaningfully during the downturn so today's revenues are close to 6 percent above pre-recession levels," Matt Willett of MPR Research says. "Other parts of the region are just now getting back to the revenues posted in mid-2008." Willett expects multi-family activity to continue to be strong in 2014. MPR Research estimates that 5,200 units are scheduled to deliver in the near term. But that number only adds 1.9 percent to the current inventory and is manageable, he contends.

San Diego has the fifth-highest concentration of people between the ages of 25 and 34 in the nation, roughly 500,000 people who are likely to be renters. Moreover, San Diego continues to be one of the country's most expensive and desirable housing markets, and more than half of its residents are renters. This presents an attractive opportunity for the acquisition and reposition of distressed multi-family assets targeted at the middle market tier rental unit consumer.

The Fund Manager expects rental growth to be stronger in lower and middle market properties than in top-tier market communities. Affordability is a more significant challenge in San Diego than in most metro areas which is why the Fund will focus on low and mid market tier properties to maximize available market and absorption. Based on market research performed by the Fund Manager, the 2014 performance outlook for the San Diego multi-family market remains attractive with expected occupancy loss limited to 20 basis points and rents likely to climb 2.8 percent, according to MPR Research.

Market Focus: San Francisco, California

San Francisco has been a top multi-family market for the past several years, and the city continues to attract high-paying jobs and well educated residents. San Francisco led the nation in tech jobs from 2007 to 2012, with tech-related employment rising 51.8 percent over that period, according to Bloomberg Technology Summit. San Francisco County also boasts the lowest unemployment rate in the state.

Demand for apartments is extremely strong since single-family housing in San Francisco is not affordable for most people with median incomes. High levels of occupancy rates provides pricing power to multi-family property owners and operators. San Francisco has experienced some of the strongest year over year rental rate growth over the past 3 years.

MPR Research reports that San Francisco's multi-family stock is 96.5 percent full, and rent growth in the past year was recorded at 6 percent. Ongoing construction of multi-family units is approximately 5,800 units, or 2.6 percent inventory growth.

Current apartment completions will be very concentrated in the southern portion of the target market area. While San Francisco's top tier market is strong, it is the Fund Manager's belief that the middle tier market will experience the strongest growth over the next five years.

Market Focus: Seattle, Washington

According to many analysts, Seattle arguably has the strongest apartment demand on the West Coast. In 2013, the market absorbed nearly 7,000 units, trailing only Houston, Dallas and Atlanta, according to MPR Research. At the end of the year, occupancy was 95.7 percent and rent growth over the past year reached 5.5 percent.

"I think even local real estate professionals were cautiously optimistic, but most didn't see all this new product absorbing so successfully," says Steve Yancy, director at Woodgate Partners. "It speaks to the strength of the economy and the desirability of living in the Puget Sound."

The local economy of Seattle and the surrounding Puget Sound area is very strong and current consensus projections have the economy expanding 3.5% in 2014 and 4.3% in 2015. On average, it has added 30,000 to 40,000 jobs annually for the past several years and employment growth is expected to average 2.1 percent annually, according to ICC Data Research. The market has seen significant growth in technology jobs, drawing millennials to the area.

The Fund Management team has identified the strong employment market occurring in the heart of the city and apartment construction in and around downtown Seattle driving a metro area that appears likely to be the next U.S. metro that will offer a vibrant urban core similar to the environments seen in Manhattan and the downtowns of San Francisco and Chicago.

Sharps and Willen Apartment Advisors, LLC expects 33,000 new units to be introduced to the market in the next five years, but that job growth will create 42,000 new renters over the next five years. Research completed by the Fund Manager indicates that the region added approximately 52,000 jobs in 2013 and is poised to add another 52,000 jobs in 2014, with a total of 194,200 jobs over the next five years.

Conclusion: Targeted Opportunities Sourced through a Proprietary Methodology

The Fund Manager believes that opportunities exist for the purchase, rehabilitation, and re-positioning of distressed and below market properties located in desirable multi-family geographic areas with strong internal fundamentals.

The collective experience of the Fund Management team lends itself to evaluating these opportunities and executing on a short and long term investment plan that involves no external financial leverage and assets purchased in trending urban markets with strong core fundamentals.

Furthermore, the principals of the Fund Management entity have established core long term relationships with real estate sector and banking sector professionals in the target markets that will provide the Fund with the capability to source and acquire off-market and bank owned properties that would be difficult for competing real estate investment funds and real estate investors to source for acquisition. The distinct advantage of aggregated investment capital deployed through the Fund, combined with an asset sourcing methodology that is relationship based, provides the Fund the capability to acquire properties with high return potential and acquire properties in bulk. Purchasing bulk packages of properties from an institution provides additional capacity for the Fund to negotiate an attractive cost basis for the acquired assets.

The Fund Manager maintains a strict adherence to its real estate asset vetting and underwriting process. This process has been developed and refined over a ten year period and was successfully deployed through the Altrian Property Fund previously managed by the Fund Manager. The Fund Manager will perform physical asset vetting along with financial modeling, market research, and projected expense, capital gains, and revenue forecasts to assist in properly vetting a target asset for inclusion into the Fund. This process ensures that only certain assets that meet strict metrics will be considered for acquisition. While no vetting process can completely eliminate market or asset re-positioning risks, the process deployed by the Fund Manager is expected to significantly reduce unexpected property improvement expenses and position the Fund properly to achieve its stated long term investment and Fund performance goals.

The Fund Manager believes in operating only in areas where it holds a strategic advantage. The Fund Manager has significant experience in the San Francisco, San Diego, and Seattle real estate markets and will exploit the strategic advantages it holds to maximize returns for investors while deploying vetting and underwriting policies designed to reduce execution and market risk.

WHY REAL ESTATE?

Investing in Multifamily and Apartment Assets

Multi-unit properties, such as apartment buildings, offer more income diversification and income stability than investing in single family residences. If a tenant vacates a single family residence, the vacancy is 100% and there is zero incoming net income from the unit. Conversely, for a multi-unit property, the residents typically do not vacate at the same time. Thus, apartment buildings and multi-family properties tend to provide increased stability of net income from the real estate asset as opposed to single family assets.

In addition to a near-constant income stream, in any economic environment there is a constant need for affordable housing. In a poor or mediocre economy, there is arguably an increased need for affordable housing especially when the process of home ownership is more expensive or simply unattractive due to other factors. Therefore, apartments tend to be more recession resistant given that rental units offer more affordable housing as opposed to owning and maintaining a traditional single family home.

Equity creation, or "forced equity", can also be created by either increasing revenue or decreasing expenses of the property. Either action ultimately increases the operating profit of the property, or the Net Operating Income ("NOI"). For every additional dollar created in NOI, this accomplishment creates a multiplier in equity value depending upon the capitalization rate (valuation multiple) when the property is sold.

A large, multi-unit property can afford a competent and focused property manager on-site. A property manager can tend to tenants' immediate needs and also conduct key marketing activities to find new tenants when required. Therefore, a property manager, and other related resources, helps manage the property and monitors the investment through all phases of the holding period. Also, any given property will have a certain amount of fixed costs, and as the size of the building increases, the fixed costs decrease as a percentage of revenue which is a benefit to investors.

Putting in place the most appropriate capital structure for the property can optimize the property's income and ultimately the value. If the property is bought at the right time and for the right price, rents will increase over time, typically more than expenses, and this increase in income will increase the value of the property. In some cases, there is also a change in valuation multiples or other metrics that can provide a valuation increase for the asset. If an asset is purchased at one valuation multiple, and then later on when the market changes, sells for a higher valuation multiple versus the purchase price multiple, equity will be created without any other changes needing to occur.

In the opinion of the Fund Manager, multi-family and apartment real estate assets can provide a compelling return on investment with lower risk exposure than other related investment sectors. By deploying its proprietary strategies within select high-demand markets, the Fund Manager intends to acquire and manage a portfolio of high quality assets in areas with compelling market and demographic advantages.

U.S. MACRO FORECAST

The outlook for growth in the U.S. economy over the next three years looks stronger than that of three months ago, according to 45 forecasters surveyed by the Federal Reserve Bank of Philadelphia. On an annual-average over annual-average basis, the forecasters predict stronger real GDP growth in 2014, 2015, and 2016. The forecasters see real GDP growing 2.8 percent in 2014, up from their prediction of 2.6 percent in the last survey. The forecasters predict real GDP will grow 3.1 percent in 2015, higher than their prediction of 2.8 percent in the last survey. For 2016, the forecast for real GDP growth, at 3.1 percent, is 0.4 percentage point higher than the last survey.

A brighter outlook for the unemployment rate accompanies the more positive outlook for growth. The forecasters predict that the unemployment rate will be an annual average of 6.5 percent in 2014, before falling to 6.1 percent in 2015, 5.7 percent in 2016, and 5.5 percent in 2017. The projections for 2014, 2015, and 2016 are below those of the last survey.

On the jobs front, the forecasters see little change in job growth in 2014. The forecasters' projections for the annual-average level of non-farm payroll employment suggest job gains at a monthly rate of 187,700 in 2014 and 206,900 in 2015.

Source: *Third Quarter 2014 Survey of Professional Forecasters, Federal Reserve Bank of Philadelphia*

THE OPPORTUNITY

Portfolio Depth through Multi-family & Apartment Real Estate

The Fund Manager believes that opportunities exist to generate superior, risk-adjusted returns through a decisive investment course primarily focusing on compelling open market and off-market multi-family real estate opportunities and distressed over-leveraged, income-producing multi-family and apartment real estate assets (each, an "Asset" and collectively, the "Assets").

After the onset of the Great Recession, broad-based measures of commercial property prices in the U.S. declined over 40% taking most real estate investment management firms by surprise [4]. (Source: *Moody's RCA CPPI*) Returns from commercial related real estate as a whole, however, increased to 2.57 percent. Multi-family loan originations index fell 20 percent from 224 to 187 in the third quarter, according to Mortgage Bankers Association (MBA). The index is still higher than the 182 index in the second quarter 2014.

Data from the National Association of Home Builders' (NAHB) Multi-family Production Index (MPI), which measures multi-family builder sentiment and tracks housing starts in buildings with five or more units, fell by seven points in the third quarter of 2014 and now stands at 54. Despite the quarter-over-quarter decline, this is the seventh consecutive quarter that the index has exceeded 50. The index of multifamily builder sentiment is now 38 points above the trough that was reached in the third quarter of 2008, according to NAHB.

Despite the worst economy in a generation, apartments have remained a positive economic force, contributing to the nation's economic recovery with every dollar spent by the businesses that build and operate apartments and the people who call them home. According to a report titled "The Trillion Dollar Apartment Industry" by George Mason University Professor Stephen S. Fuller, Ph.D., the combined spending by the apartment industry and its 35 million residents generated an economic contribution of $1.1 trillion to the national economy and supported 25.4 million jobs in 2011, the most recent year for which data are available.

The collective economic impact of apartments and apartment residents is only set to grow as greater economic stability and stronger job creation lead to stronger household formations. In fact, as many as seven million new renter households could be created this decade, driving more demand for apartments—both new and existing—and ultimately fueling critical spending for the economy.

There also are some indications that the rising level of average asking rents has been helped by a large volume of higher quality new apartments coming online, rather than strong, underlying fundamental demand. And, despite a large volume of new apartments completed, it appears that overall vacancy levels were virtually unchanged during the 3rd quarter of 2014.

"The collective economic impact of apartments and apartment residents is only set to grow."

- National Multifamily Housing Council

PROPRIETARY ACQUISITION MODEL

1. Conservative Acquisition Criteria

- Confirm needed infrastructure to support sustainable repositioning
- In-depth market research and analysis
- Begin asset data aggregation: year built, construction type, repositioning costs
- Analyze market specific economic indicators and trends

2. Inquiries - Asset Discovery

- Internet Services, CoStar, LoopNet, Multi-Housing industry networking, auction and bulk sales
- Leverage Fund Manager's extensive relationships with brokers, banking institutions, and property managers
- Leverage local and regional bank REO contacts

3. Property Underwriting

- Site visit, in-house appraisal, enviromental
- Analyze neighborhood and community market characteristics and trend data
- Generate conservative estimates for re-positioning costs
- Generate five year income and valuation projections

4. Negotiation & Pricing Strategies

- Exploit expertise of Fund Manager in real estate negotiations
- Analyze pricing parameters and competitive sales
- Leverage advantages of expedited closing as an "all cash" buyer
- Leverage distressed property situations

5. Closing Process

- Execute final legal review of all documents
- Initiate property revitalization plan
- Obtain needed inspection reports
- Final site walk-through
- Closing Documentation
- Initiate property enhancement program

6. Property Enhancement Programs

- Renovation, design and remodel
- Deploy sustainable technology systems
- Execute external property revitalization plan
- Train and hire talented and motivated on-site management
- Community involvement and integration

7. Leasing and Marketing

- Comprehensive tenant interview
- Complete rental history assessment
- Execute property specific social media campaign
- Review and deploy upgraded marketing
- Review and upgrade lease terms

8. Management & Disposition

- Opportunistic Disposition as Market Rebounds
- Multiple Exit Strategies - Bulk Sale Potential
- Institutional and Individual Buyers
- Seller Financing Opportunities

THE METHODOLOGY

The Fund intends to operate as a hybrid real estate investment fund with a certain portion of allocated capital being utilized for shorter term opportunities and the balance for acquisitions that will mature over a five year period. The Fund's execution strategy for those opportunities is detailed below:

Short Term Investments (under 18 months): The Fund Manager anticipates that thirty percent (30%) of capital from the Offering will be allocated towards opportunities that involve acquisition, reposition and/or rehabilitation, and asset disposition in under 18 months. Many of these opportunities will be sourced from distressed sellers or "special circumstance" type acquisitions (package Bank REO, seller joint venture, etc.) wherein a significant amount of equity and value is present from the time of acquisition and additional equity and profit is realized through the reposition, rebranding, and rehabilitation process.

Properties in this category are anticipated to require more repositioning and rehabilitation work and would be reflected in the distressed level acquisition costs. The construction and rehabilitation experience of the Fund Manager is a critical part of this process as that expertise will allow the Fund to fully assess expected costs, timeframes, and other important metrics to maximize net profit and minimize risks related to unexpected rehabilitation costs and re-position expenses.

Long Term Investments (3 to 5 years): The Fund Manager intends to allocate approximately seventy percent (70%) of invested capital towards acquisitions that will require a longer duration of time to mature prior to disposition. The Fund Manager expects that these assets will still be sourced at attractive acquisition rates, however the properties may not require as much rehabilitation or may be located in areas that demand a higher acquisition premium and thus the Fund Manager expects less initial equity immediately post-acquisition. The Fund Manager still intends to deploy elements of rehabilitation and repositioning to maximize value and allow for maximum rental rates per square foot. Assets in this category will typically be held in the Fund's portfolio for three to five years prior to disposition.

TRENDS IN 2014

1 Growing mortgage rates

Online real estate database Zillow predicts rates will reach 5% by the end of 2014. While this will make homes more expensive to finance - the monthly payment on a $200,000 loan will rise by roughly $160 – it's important to remember that mortgage rates in the 5 percent range are still very low, according to Erin Lantz, Zillow's director of mortgages.

2 Ever more mobile

Consensus among apartment marketing leaders is that apartment operators that haven't already focused on mobile have been left behind the pack. "The key is the integration of the systems," sayas Israel Carunungan, director of marketing at Charleston, S.C.-based management powerhouse Greystar. "It's not just that your mobile system is functioning, but how are all of the systems connected?

3 Online ratings and reviews

Internet ratings and reviews have been around for a long time, but the industry is just now figuring out how to monitor and manage them. Multifamilybiz.com reports that knowing how to optimize search engines such as Google, as well as pure-play rating sites such as Apartmentratings.com, factors into effective reputation management, but good ratings ultimately are a reflection of good, old-fashioned customer service.

4 Good news for apartments

The National Association of REALTORS' Home Affordability Index, which compares home prices with income, dropped to a five-year low in 2013 as price increases outpaced income growth. If the U.S. economy begins to grow at a faster pace and incomes begin to rise, though, the affordability index will slide further from rising mortgage rates.

5 Gold star for occupancy rates

Year-end 2013 United States apartment occupancy rates came in at 95 percent, off slightly from 95.4 percent as of third quarter. Late 2013's annual rent growth pace of 2.8 percent was down mildly from the 3.2 percent figure posted a quarter earlier. Those findings reflect the performances seen across more than 7 million apartment units tracked by MPF Research.

6 E-commerce and real estate

Throughout the years, e-commerce has been integrated into just about every major market except real estate. Be it shopping for groceries or clothes or gadgets, it's been available to do electronically. Fox News Business predicts that integrating a smooth e-commerce forefront into the real estate market could be something to look forward to in the coming years.

7 There should be apps for this

Property specific mobile device applications are beginning to show up in the virtual marketplace. Property specific apps could not only generate decent leads, but could also improve the residents' experience and providing prospects with real time information. Apps provide another opportunity for communication with residents and prospective residents as well.

8 The wealthy turn to real estate

About 77 percent of investors with at least $1 million in assets own real estate, according to a survey released in January by the New York-based investment bank's wealth-management unit. Direct ownership of residential and commercial properties was the No. 1 alternative-investment pick for 2014, with a third of millionaires surveyed saying they plan to buy this year. Twenty-three percent said they expect to invest in real estate investment trusts, the second-most popular choice.

THE MANAGEMENT TEAM

Invest With Real Estate Sector Professionals

The Company is managed by seasoned business professionals with extensive business and real estate sector experience. The management team is dedicated to the success of the Company and to maximizing the investment performance of the real estate assets to be acquired.

At the present time, one Fund Management entity and three individuals are actively involved in the management of the Company.

Fund Management Entity (the "Fund Manager"): Redwood Management Group, LLC
A California Limited Liability Company formed in 2004 and serving as the Managing Member for the Fund and Fund Management Entity.

Steve Miller, Senior Manager of Acquisitions

Steve Miller serves as a Principal and Senior Manager of Redwood Real Estate Fund. Mr. Miller has enjoyed a career in the real estate industry spanning 26 years with a broad array of expertise in the acquisition and management of real estate assets. Mr. Miller is responsible for overall management of the Fund and has senior approval responsibilities for the inclusion of assets into the Fund's portfolio.

Prior to serving as a primary principal with Redwood Management Group, Mr. Miller worked for Centurion Estates, Inc., a Nevada based Real Estate Investment Trust, as Senior Analyst for Acquisitions, where he was responsible for analysis and underwriting all asset acquisitions for the REIT. Currently he serves on the Board of Directors of two publicly traded companies; Fortress Realty Holdings, Inc. and BTTM Condominium REIT, Inc. Mr. Miller has a Bachelors Degree in Economics from the University of Maryland and a Masters of Business Administration degree from Duke University. He currently resides in San Francisco, California.

Jeff Wiler, Manager of Acquisitions and Construction

Jeff Wiler has over 17 years of corporate and real estate construction management experience. Mr. Wiler is the former CEO of Dallas, Texas based real estate construction firm W.T. Trowbridge Inc., which provides real estate construction and real estate development consulting services throughout the Texas and Nevada areas. Mr. Wiler helped build this ten year old company into a thriving construction conglomerate and served as its CEO from 2002 to 2009. In 2009 Mr. Wiler took a position as a principal in Redwood Management Group.

Mr. Wiler is responsible for oversight of all rehabilitation and construction activities performed by the Fund on portfolio assets. His expertise in evaluating real estate assets and determining construction and improvement costs are an invaluable asset to the Fund. Mr. Wiler has significant experience in the vetting of real estate assets and the management of small and large scale construction activities for such assets.

Mr. Wiler has a Bachelors of Science Degree from Northwestern University and currently resides in San Francisco, California.

James Washburn, Fund Real Estate Analyst and Asset Marketing Coordinator

Mr. Washburn has held several executive level operational, financial and management positions since 1999. Mr. Washburn most recently served as Chief Financial Officer for Alturas Brokerage Services from 2005 to 2008. Alturas Brokerage Services is a California based real estate brokerage and correspondent mortgage lender. Mr. Washburn has significant expertise in the areas of real estate asset valuation and marketing tactics for disposition of assets. Mr. Washburn will be responsible for assisting in valuation and financial modeling for Fund assets and also for coordinating the marketing of assets available for disposition from the Fund. In 2010, Mr. Washburn became a principal with Redwood Management Group and has served as a senior real estate analyst and marketing coordinator for the company.

Mr. Washburn graduated from the University of North Carolina in 1994 and received a Masters in Economics from Florida State University in 1997. He is a certified California real estate appraiser and also holds a Certified Commercial Investment Member designation. Mr. Washburn also serves on the Board of Directors of Century Real Estate, Inc., a NASDAQ listed real estate investment company. Mr. Washburn currently maintains residences in San Francisco, California and Breckenridge, Colorado.

SECTION 2: Private Placement Memorandum

REDWOOD
real estate fund

Redwood Real Estate Fund, LLC

$35,000,000

Class A Preferred Limited Liability Company Membership Units

October 15, 2014

Redwood Real Estate Fund, LLC (the "Company" or "Redwood Real Estate Fund"), a California company, is offering a minimum of 5,000 and a maximum of 35,000 Class A Membership Units for $1,000 per unit. The offering price per unit has been arbitrarily determined by the Company. See "Risk Factors: Offering Price".

THESE ARE SPECULATIVE SECURITIES, WHICH INVOLVE A HIGH DEGREE OF RISK. ONLY THOSE INVESTORS WHO CAN BEAR THE LOSS OF THEIR ENTIRE INVESTMENT SHOULD INVEST IN THESE UNITS.

THE SECURITIES OFFERED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"), THE SECURITIES LAWS OF THE STATE OF CALIFORNIA, OR UNDER THE SECURITIES LAWS OF ANY OTHER STATE OR JURISDICTION IN RELIANCE UPON THE EXEMPTIONS FROM REGISTRATION PROVIDED BY THE ACT AND REGULATION D RULE 506(c) PROMULGATED THEREUNDER, AND THE COMPARABLE EXEMPTIONS FROM REGISTRATION PROVIDED BY OTHER APPLICABLE SECURITIES LAWS.

	Sales Price	Offering Expenses (2)	Proceeds to Company
Unit Price	$1,000	$50	$950
Maximum	$35,000,000	$1,750,000	$33,250,000
Minimum	$5,000,000	$250,000	$4,750,000

(1) The Company reserves the right to waive the twenty five (25) Unit ($25,000) minimum subscription for any investor. The Offering is not underwritten. The Units are offered on a "best efforts" basis by the Company through its officers and directors. The Company has set a minimum offering amount of 5,000 Units with minimum gross proceeds of $5,000,000 for this Offering. All proceeds from the sale of Units up to $5,000,000 will be deposited in a non-interest bearing investment escrow account managed by Western Continental Bank. Upon the sale of $5,000,000 of Units, all proceeds will be delivered directly to the Company's corporate operating account and be available for use by the Company at its discretion.

Should the Offering be terminated prior to reaching the minimum offering amount, then all funds held in the account will be immediately returned to each respective investor, without interest, and the subscription agreement between the Fund and the subscribing investor terminated.

(2) Units may also be sold by FINRA member brokers or dealers who enter into a Participating Dealer Agreement with the Company, who will receive commissions of up to 10% of the price of the Units sold. The Company reserves the right to pay expenses related to this Offering from the proceeds of the Offering. See "Plan of Placement" and "Use of Proceeds" section.

The Offering will terminate on the earliest of: (a) the date the Company, in its discretion, elects to terminate, or (b) the date upon which all Units have been sold, or (c) March 15, 2015, or such date as may be extended from time to time by the Company, but not later than 180 days thereafter (the "Offering Period").

THIS OFFERING IS NOT UNDERWRITTEN. THE OFFERING PRICE HAS BEEN ARBITRARILY SET BY THE MANAGEMENT OF THE COMPANY. THERE CAN BE NO ASSURANCE THAT ANY OF THE SECURITIES WILL BE SOLD.

THE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES AGENCY, NOR HAS ANY SUCH REGULATORY BODY REVIEWED THIS PRIVATE PLACEMENT MEMORANDUM FOR ACCURACY OR COMPLETENESS. BECAUSE THESE SECURITIES HAVE NOT BEEN SO REGISTERED, THERE MAY BE RESTRICTIONS ON THEIR TRANSFERABILITY OR RESALE BY AN INVESTOR.

EACH PROSPECTIVE INVESTOR SHOULD PROCEED ON THE ASSUMPTION THAT HE MUST BEAR THE ECONOMIC RISKS OF THE INVESTMENT FOR AN INDEFINITE PERIOD, SINCE THE SECURITIES MAY NOT BE SOLD UNLESS, AMONG OTHER THINGS, THEY ARE SUBSEQUENTLY REGISTERED UNDER THE APPLICABLE SECURITIES ACTS OR AN EXEMPTION FROM SUCH REGISTRATION IS AVAILABLE.

THERE IS NO TRADING MARKET FOR THE COMPANY'S MEMBERSHIP UNITS AND THERE CAN BE NO ASSURANCE THAT ANY MARKET WILL DEVELOP IN THE FUTURE OR THAT THE UNITS WILL BE ACCEPTED FOR INCLUSION ON NASDAQ OR ANY OTHER TRADING EXCHANGE AT ANY TIME IN THE FUTURE.

THE COMPANY IS NOT OBLIGATED TO REGISTER FOR SALE UNDER EITHER FEDERAL OR STATE SECURITIES LAWS THE UNITS PURCHASED PURSUANT HERETO, AND THE ISSUANCE OF THE UNITS IS BEING UNDERTAKEN PURSUANT TO RULE 506(c) OF REGULATION D UNDER THE SECURITIES ACT.

ACCORDINGLY, THE SALE, TRANSFER, OR OTHER DISPOSITION OF ANY OF THE UNITS, WHICH ARE PURCHASED PURSUANT HERETO, MAY BE RESTRICTED BY APPLICABLE FEDERAL OR STATE SECURITIES LAWS (DEPENDING ON THE RESIDENCY OF THE INVESTOR) AND BY THE PROVISIONS OF THE SUBSCRIPTION AGREEMENT REFERRED TO HEREIN. THE OFFERING PRICE OF THE SECURITIES HAS BEEN ARBITRARILY ESTABLISHED BY THE COMPANY AND DOES NOT NECESSARILY BEAR ANY SPECIFIC RELATION TO THE ASSETS, BOOK VALUE OR POTENTIAL EARNINGS OF THE COMPANY OR ANY OTHER RECOGNIZED CRITERIA OF VALUE.

No person is authorized to give any information or make any representation not contained in the Memorandum and any information or representation not contained herein must not be relied upon. Nothing in this Memorandum should be construed as legal or tax advice and interested investors are encouraged to seek counsel from tax and legal professionals prior to investing in this Offering.

The primary managers of the Fund have provided all of the information stated herein. The Company makes no express or implied representation or warranty as to the completeness of this information or, in the case of projections, estimates, future plans, or forward looking assumptions or statements, as to their attainability or the accuracy and completeness of the assumptions from which they are derived, and it is expected that each prospective investor will pursue his, her, or its own independent investigation. It must be recognized that estimates of the Company's performance are necessarily subject to a high degree of uncertainty and may vary materially from actual results.

Other than the Company's Management, no one has been authorized to give any information or to make any representation with respect to the Company or the Units that is not contained in this Memorandum. Prospective investors should not rely on any information not contained in this Memorandum.

This Memorandum does not constitute an offer to sell or a solicitation of an offer to buy to anyone in any jurisdiction in which such offer or solicitation would be unlawful or is not authorized or in which the person making such offer or solicitation is not qualified to do so. This offering is only available to suitable "accredited" investors as defined by Rule 501 of Regulation D and all subscriptions for purchase of securities will be subject to verification by the Company of the investors status as an accredited investor.

This Memorandum does not constitute an offer if the prospective investor is not qualified under applicable securities laws. For purposes of disclosure, this entire bound prospectus booklet, including Section 1: Synopsis of Operations, shall be considered the Private Placement Memorandum.

This offering is made subject to withdrawal, cancellation, or modification by the Company without notice and solely at the Company's discretion. The Company reserves the right to reject any subscription or to allot to any prospective investor less than the number of Units subscribed for by such prospective investor.

This Memorandum has been prepared solely for the information of the person to whom it has been delivered by or on behalf of the Company. Distribution of this Memorandum to any person other than the prospective investor to whom this Memorandum is delivered by the Company and those persons retained to advise them with respect thereto is unauthorized. Any reproduction of this Memorandum, in whole or in part, or the divulgence of any of the contents without the prior written consent of the Company is strictly prohibited. Each prospective investor, by accepting delivery of this Memorandum, agrees to return it and all other documents received by them to the Company if the prospective investor's subscription is not accepted or if the Offering is terminated.

By acceptance of this Memorandum, prospective investors recognize and accept the need to conduct their own thorough investigation and due diligence before considering a purchase of the Units. The contents of this Memorandum should not be considered to be investment, tax, or legal advice and each prospective investor should consult with their own counsel and advisors as to all matters concerning an investment in this Offering.

Redwood Real Estate Fund, LLC

The date of this Private Placement Memorandum is October 15, 2014.

OFFERING SUMMARY

The following material is intended to summarize information contained elsewhere in this Private Placement Memorandum (the "Memorandum", the "Prospectus", or the "PPM"). This summary is qualified in its entirety by express reference to this Memorandum and the materials referred to and contained herein.

Each prospective subscriber should carefully review the entire Memorandum and all materials referred to herein and conduct his or her own due diligence before subscribing for Membership Units.

THE COMPANY

Redwood Real Estate Fund, LLC ("Redwood Real Estate Fund", the "Fund", or the "Company"), began operations on June 1, 2014 with the purpose of acquiring, managing, and engaging in the disposition of multi-family and other commercial real estate assets. The Company's legal structure was formed as a limited liability company (LLC) under the laws of the State of California on May 1, 2014.

Its principal offices are presently located at 316 Briar Court, Suite 303, San Francisco, CA 94133. The Company's telephone number is (415) 226-1176. The Managing Member and Fund Management Entity of the Company is Redwood Management Group, LLC, a California Limited Liability Company. The individual primary managers of the Fund are Steve Miller, James Washburn, and Jeff Wiler.

BENEFITS OF LLC MEMBERSHIP

The limited liability company (LLC) is a relatively new form of doing business in the United States (in 1988 all 50 states enacted LLC laws).

The LLC is a hybrid that combines the characteristics of a corporate structure and a partnership structure. It is a separate legal entity like a corporation but it has entitlement to be treated as a partnership for tax purposes and therefore carries with it certain tax benefits for the investors. The owners and investors are called members and can be virtually any entity including individuals (domestic or foreign), corporations, other LLCs, trusts, pension plans etc. Unlike corporate stocks and shares, members purchase Membership Units. Typically, Members who hold the majority of the voting class membership units maintain controlling management of the LLC as specified in the LLC operating agreement.

The primary advantage of an LLC is limiting the liability of its members. Unless personally guaranteed, members are not personally liable for the debts and obligations of the LLC. Additionally, "pass-through" or "flow-through" taxation is available, meaning that (generally speaking) the earnings of an LLC are not subject to double taxation unlike that of a "standard" corporation. However, they are treated like the earnings from partnerships, sole proprietorships and S corporations with an added benefit for all of its members. There is greater flexibility in structuring the LLC than is ordinarily the case with a corporation, including the ability to divide ownership and voting rights in unconventional ways while still enjoying the benefits of "pass-through" taxation.

THE OFFERING

The Company is offering a minimum of five thousand (5,000) and a maximum of thirty-five thousand (35,000) Class A Preferred Membership Units at a price of One Thousand Dollars ($1,000.00) per Class A Preferred Membership Unit. Upon completion of the Offering between 5,000 and 35,000 Class A Preferred Membership Units will be issued. Holders of Class A Membership Units may also be referred to in this Memorandum, and certain Exhibits, as "Class A Members".

Preferred Return: The Class A Preferred Units sold through this Offering shall be provided a six percent (6%) non-compounding cumulative Preferred Return Distribution (the "Preferred Return") paid to Class A Members semi-annually with bi-annual three percent (3%) Preferred Return distribution payments. The distribution of the Preferred Return will be subject to the financial performance of the Company and Fund Manager approval. The Preferred Return, and any accrued Preferred Return, shall be paid prior to the Fund Manager participating in the Incentive Fee due management (See "Management Compensation").

Participation in Net Income and Capital Gains: The Class A Members shall also participate in a pro-rata percentage of seventy percent (70%) any additional net income approved for distribution to the Class A Members. The Fund Manager shall, by the terms of the Operating Agreement (See "Exhibit B - Operating Agreement"), declare and distribute at least ninety percent (90%) of realized net income from Fund operations to the Members of the LLC and according to the Net Income Distribution schedule as defined in the Fund's Operating Agreement. Realized net income is defined in the Operating Agreement and shall consist of, but not be limited to, income derived from real estate leasing activities and capital gains from the sale of real estate assets.

The Fund Manager intends to retain five percent (5%) of net income initially as a reserve (the "Working Capital Reserve") for unexpected expenses related to Fund operations. Any accrued Working Capital Reserve not utilized by the Fund will be treated as income and distributed to the Members of the LLC upon termination and winding down of the Fund's operations.

USE OF PROCEEDS

Proceeds from the sale of Units will be used for acquisition of real estate assets and certain operational expenses of the Fund including appraisals and real estate closing cost expenses. See "Use of Proceeds" section.

MINIMUM OFFERING PROCEEDS; ESCROW OF SUBSCRIPTION FUNDS

The Company has set a minimum offering proceeds figure of $5,000,000 (the "minimum offering proceeds") for this Offering. The Company has set a minimum offering amount of 5,000 Units with minimum gross proceeds of $5,000,000 for this Offering. All proceeds from the sale of Units up to $5,000,000 will be deposited in a non-interest bearing investment escrow account managed by Western Continental Bank. Upon the sale of $5,000,000 of Units, all proceeds will be delivered directly to the Company's corporate operating account and be available for use by the Company at its discretion.

Should the Offering be terminated prior to reaching the minimum offering amount, then all funds held in the account will be immediately returned to each respective investor, without interest, and the subscription agreement between the Fund and the subscribing investor terminated.

REGISTRAR

The Company will serve as its own registrar and transfer agent with respect to its Membership Units.

MEMBERSHIP UNITS

Upon the sale of the maximum number of Units from this Offering, the number of as-adjusted and issued Membership Units of the Fund will be held as follows:

Fund Management Entity (Class B Voting)	30%
New Investor Members (Class A Preferred Non-Voting)	70%

SUBSCRIPTION PERIOD

The Offering will terminate on the earliest of: (a) the date the Company, in its discretion, elects to terminate, or (b) the date upon which all Units have been sold, or (c) March 15, 2015, or such date as may be extended from time to time by the Company, but not later than 180 days thereafter (the "Offering Period".)

CERTAIN NOTICES

FOR RESIDENTS OF ALL STATES:

THE SECURITIES OFFERED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED ("SECURITIES ACT"), OR THE SECURITIES LAWS OF CERTAIN STATES AND ARE BEING OFFERED AND SOLD IN RELIANCE ON EXEMPTIONS OF SAID ACT AND SUCH LAWS. THE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR OTHER REGULATORY AUTHORITY, NOR HAVE ANY OF THE FOREGOING AUTHORITIES PASSED UPON OR ENDORSED THE MERITS OF THIS OFFERING OR THE ACCURACY OR ADEQUACY OF THIS PRIVATE PLACEMENT MEMORANDUM. ANY REPRESENTATION TO THE CONTRARY IS UNLAWFUL.

THIS OFFERING IS SUBJECT TO RESTRICTIONS ON TRANSFERABILITY AND RESALE AND MAY NOT BE TRANSFERRED OR RESOLD EXCEPT AS PERMITTED UNDER THE SECURITIES ACT, AND THE APPLICABLE STATE SECURITIES LAWS, PURSUANT TO REGISTRATION OR EXEMPTION THEREFROM. INVESTORS SHOULD BE AWARE THAT THEY MIGHT BE REQUIRED TO BEAR THE FINANCIAL RISKS OF THIS INVESTMENT FOR AN INDEFINITE PERIOD OF TIME. AN INVESTOR MUST REPRESENT THAT THE SECURITIES ARE BEING ACQUIRED FOR INVESTMENT PURPOSES ONLY, AND NOT WITH A VIEW TO OR PRESENT INTENTION OF DISTRIBUTION.

THIS PRIVATE PLACEMENT MEMORANDUM DOES NOT CONSTITUTE AN OFFER OR SOLICITATION IN ANY STATE OR OTHER JURISDICTION IN WHICH SUCH AN OFFER OR SOLICITATION IS NOT AUTHORIZED OR IN WHICH THE PERSON MAKING SUCH OFFER OR SOLICITATION IS NOT QUALIFIED TO DO SO. IN ADDITION, THIS CONFIDENTIAL PRIVATE PLACEMENT MEMORANDUM CONSTITUTES AN OFFER ONLY TO THE OFFEREE NAMED.

EXCEPT AS OTHERWISE INDICATED, THIS MEMORANDUM SPEAKS AS OF THE DATE OF THE MEMORANDUM AND NEITHER THE DELIVERY HEREOF NOR ANY SALE MADE HEREUNDER SHALL, UNDER ANY CIRCUMSTANCES, CREATE ANY IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE CONDITION OF THE COMPANY SINCE THE DATE HEREOF.

NO PERSON HAS BEEN AUTHORIZED TO MAKE REPRESENTATIONS OR PROVIDE ANY INFORMATION OTHER THAN THAT CONTAINED IN THIS PRIVATE PLACEMENT MEMORANDUM AND ACTUAL DOCUMENTS (SUMMARIZED HEREIN), WHICH ARE FURNISHED UPON REQUEST TO AN OFFEREE, OR HIS REPRESENTATIVE MAY BE RELIED UPON IN CONNECTION WITH THIS OFFERING.

PROSPECTIVE PURCHASERS OF THE SECURITIES ARE NOT TO CONSTRUE THE CONTENTS OF THIS PRIVATE PLACEMENT MEMORANDUM AS LEGAL OR TAX ADVICE. EACH PROSPECTIVE PURCHASER SHOULD CONSULT HIS OWN PROFESSIONAL ADVISORS AS TO LEGAL, TAX, AND RELATED MATTERS CONCERNING HIS INVESTMENT. THIS PRIVATE PLACEMENT MEMORANDUM HAS BEEN PREPARED FROM DATA SUPPLIED BY SOURCES DEEMED RELIABLE AND DOES NOT KNOWINGLY OMIT ANY MATERIAL FACT OR KNOWINGLY CONTAIN ANY UNTRUE STATEMENT OF ANY MATERIAL FACT. IT CONTAINS A SUMMARY OF THE MATERIAL PROVISIONS OF DOCUMENTS REFERRED TO HEREIN. STATEMENTS MADE WITH RESPECT TO THE PROVISIONS OF SUCH DOCUMENTS ARE NOT NECESSARILY COMPLETE AND REFERENCE IS MADE TO THE ACTUAL DOCUMENTS FOR COMPLETE INFORMATION AS TO THE RIGHTS AND OBLIGATIONS THERETO.

DISCLOSURES

THERE IS NO TRADING MARKET FOR THE COMPANY'S SECURITIES AND THERE CAN BE NO ASSURANCE THAT ANY MARKET WILL DEVELOP IN THE FUTURE OR THAT THE UNITS WILL BE ACCEPTED FOR INCLUSION ON NASDAQ OR ANY OTHER TRADING EXCHANGE AT ANY TIME IN THE FUTURE. THE COMPANY IS NOT OBLIGATED TO REGISTER FOR SALE UNDER EITHER FEDERAL OR STATE SECURITIES LAWS THE SECURITIES PURCHASED PURSUANT HERETO, AND THE ISSUANCE OF THE UNITS IS BEING UNDERTAKEN PURSUANT TO RULE 506(c) OF REGULATION D UNDER THE SECURITIES ACT.

ACCORDINGLY, THE SALE, TRANSFER, OR OTHER DISPOSITION OF ANY OF THE UNITS, WHICH ARE PURCHASED PURSUANT HERETO, MAY BE RESTRICTED BY APPLICABLE FEDERAL OR STATE SECURITIES LAWS (DEPENDING ON THE RESIDENCY OF THE INVESTOR) AND BY THE PROVISIONS OF THE SUBSCRIPTION AGREEMENT REFERRED TO HEREIN.

THIS MEMORANDUM HAS BEEN PREPARED SOLELY FOR THE INFORMATION OF THE PERSON TO WHOM IT HAS BEEN DELIVERED BY OR ON BEHALF OF THE COMPANY. DISTRIBUTION OF THIS MEMORANDUM TO ANY PERSON OTHER THAN THE PROSPECTIVE INVESTOR TO WHOM THIS MEMORANDUM IS DELIVERED BY THE COMPANY AND THOSE PERSONS RETAINED TO ADVISE THEM WITH RESPECT THERETO IS UNAUTHORIZED.

ANY REPRODUCTION OF THIS MEMORANDUM, IN WHOLE OR IN PART, OR THE DIVULGENCE OF ANY OF THE CONTENTS WITHOUT THE PRIOR WRITTEN CONSENT OF THE COMPANY IS STRICTLY PROHIBITED. EACH PROSPECTIVE INVESTOR, BY ACCEPTING DELIVERY OF THIS MEMORANDUM, AGREES TO RETURN IT AND ALL OTHER DOCUMENTS RECEIVED BY THEM TO THE COMPANY IF THE PROSPECTIVE INVESTOR'S SUBSCRIPTION IS NOT ACCEPTED OR IF THE OFFERING IS TERMINATED.

NASAA LEGEND

NASAA LEGEND

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

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

NOTICE TO NON-UNITED STATES RESIDENTS

IT IS THE RESPONSIBILITY OF ANY ENTITIES WISHING TO PURCHASE THE UNITS TO SATISFY THEMSELVES AS TO FULL OBSERVANCE OF THE LAWS OF ANY RELEVANT TERRITORY OUTSIDE THE UNITED STATES IN CONNECTION WITH ANY SUCH PURCHASE, INCLUDING OBTAINING ANY REQUIRED GOVERNMENTAL OR OTHER CONSENTS OR OBSERVING ANY OTHER APPLICABLE FORMALITIES.

BY ACCEPTANCE OF THIS MEMORANDUM, PROSPECTIVE INVESTORS RECOGNIZE AND ACCEPT THE NEED TO CONDUCT THEIR OWN THOROUGH INVESTIGATION AND DUE DILIGENCE BEFORE CONSIDERING A PURCHASE OF THE UNITS. THE CONTENTS OF THIS MEMORANDUM SHOULD NOT BE CONSIDERED TO BE INVESTMENT, TAX, OR LEGAL ADVICE AND EACH PROSPECTIVE INVESTOR SHOULD CONSULT WITH THEIR OWN COUNSEL AND ADVISORS AS TO ALL MATTERS CONCERNING AN INVESTMENT IN THIS OFFERING.

PATRIOT ACT RIDER

THE INVESTOR HEREBY REPRESENTS AND WARRANTS THAT THE INVESTOR IS NOT, NOR IS IT ACTING AS AN AGENT, REPRESENTATIVE, INTERMEDIARY OR NOMINEE FOR, A PERSON IDENTIFIED ON THE LIST OF BLOCKED PERSONS MAINTAINED BY THE OFFICE OF FOREIGN ASSETS CONTROL, U.S. DEPARTMENT OF TREASURY. IN ADDITION, THE INVESTOR HAS COMPLIED WITH ALL APPLICABLE U.S. LAWS, REGULATIONS, DIRECTIVES, AND EXECUTIVE ORDERS RELATING TO ANTI-MONEY LAUNDERING, INCLUDING BUT NOT LIMITED TO THE FOLLOWING LAWS:

(1) THE UNITING AND STRENGTHENING AMERICA BY PROVIDING APPROPRIATE TOOLS REQUIRED TO INTERCEPT AND OBSTRUCT TERRORISM ACT OF 2001, PUBLIC LAW 107-56, AND (2) EXECUTIVE ORDER 13224 (BLOCKING PROPERTY AND PROHIBITING TRANSACTIONS WITH PERSONS WHO COMMIT, THREATEN TO COMMIT, OR SUPPORT TERRORISM) OF SEPTEMBER 11, 2001.

EACH PROSPECTIVE INVESTOR WILL BE GIVEN AN OPPORTUNITY TO ASK QUESTIONS OF, AND RECEIVE ANSWERS FROM, MANAGEMENT OF THE COMPANY CONCERNING THE TERMS AND CONDITIONS OF THIS OFFERING AND TO OBTAIN ANY ADDITIONAL INFORMATION, TO THE EXTENT THE COMPANY POSSESSES SUCH INFORMATION OR CAN ACQUIRE IT WITHOUT UNREASONABLE EFFORTS OR EXPENSE, NECESSARY TO VERIFY THE ACCURACY OF THE INFORMATION CONTAINED IN THIS MEMORANDUM.

IF YOU HAVE ANY QUESTIONS WHATSOEVER REGARDING THIS OFFERING, OR DESIRE ANY ADDITIONAL INFORMATION OR DOCUMENTS TO VERIFY OR SUPPLEMENT THE INFORMATION CONTAINED IN THIS MEMORANDUM, PLEASE WRITE OR CALL THE COMPANY AT THE ADDRESS AND PHONE NUMBER LISTED IN THIS PRIVATE PLACEMENT MEMORANDUM.

THE MANAGEMENT OF THE COMPANY HAS PROVIDED ALL OF THE INFORMATION STATED HEREIN.

THE COMPANY MAKES NO EXPRESS OR IMPLIED REPRESENTATION OR WARRANTY AS TO THE COMPLETENESS OF THIS INFORMATION OR, IN THE CASE OF PROJECTIONS, ESTIMATES, FUTURE PLANS, OR FORWARD LOOKING ASSUMPTIONS OR STATEMENTS, AS TO THEIR ATTAINABILITY OR THE ACCURACY AND COMPLETENESS OF THE ASSUMPTIONS FROM WHICH THEY ARE DERIVED, AND IT IS EXPECTED THAT EACH PROSPECTIVE INVESTOR WILL PURSUE HIS, HER, OR ITS OWN INDEPENDENT INVESTIGATION.

IT MUST BE RECOGNIZED THAT ESTIMATES OF THE COMPANY'S PERFORMANCE ARE NECESSARILY SUBJECT TO A HIGH DEGREE OF UNCERTAINTY AND MAY VARY MATERIALLY FROM ACTUAL RESULTS.

PRELIMINARY RISK DISCLOSURE STATEMENT

YOU SHOULD CAREFULLY CONSIDER WHETHER YOUR FINANCIAL CONDITION PERMITS YOU TO PARTICIPATE IN THIS INVESTMENT.

IN DOING SO, YOU SHOULD BE AWARE THAT AN INVESTMENT WITH OUR COMPANY MAY BE VOLATILE AND LOSSES FROM ITS BUSINESS ACTIVITIES MAY REDUCE THE NET ASSET VALUE OF THE FUND.

INVESTORS MAY LOSE ALL OR PART OF THEIR INVESTMENT. IN ADDITION, RESTRICTIONS ON REDEMPTIONS MAY AFFECT THE COMPANY'S ABILITY TO REDEEM YOUR MEMBERSHIP UNITS.

THIS BRIEF STATEMENT CANNOT DISCLOSE ALL THE RISKS AND OTHER FACTORS NECESSARY TO EVALUATE YOUR PARTICIPATION IN THIS COMPANY. THEREFORE, BEFORE YOU DECIDE TO PARTICIPATE IN AN INVESTMENT IN THIS COMPANY, YOU SHOULD CAREFULLY STUDY THIS DISCLOSURE DOCUMENT, INCLUDING A DISCUSSION OF POTENTIAL RISKS RELATED TO THIS INVESTMENT.

PLAN OF OPERATIONS

Redwood Real Estate Fund, LLC (the "Company" or the "Fund") was formed for the purpose of acquiring and managing multi-family and apartment class real estate assets. The Company will seek to acquire and manage high quality real estate assets with the intention of providing participating investors with a real estate focused investment opportunity that combines income, principal investment growth, and elements of capital preservation. The Fund will pursue both short term and long term opportunities with the majority of capital deployed into long term, lower risk asset acquisitions. The Fund is managed by Redwood Management Group LLC ("RMG" or the "Fund Manager"), a California based real estate management firm that specializes in real estate asset acquisition and management. RMG is managed by three highly experienced real estate and finance professionals with a combined 54 years of experience in the California real estate market.

Once capitalized, the Fund will commence principal acquisition and management operations. The Fund has developed a specific methodology for sourcing, vetting, acquiring, and disposing of real estate assets.

Asset Sourcing

The Fund Manager engages with entities that control multiple properties, such as lenders, servicers, and operators, and seeks to find assets in their portfolios that would be potential investment opportunities. Concurrently, the Fund Manager employs its value-add methodology that focuses on specific assets that it believes are or soon will be distressed or are otherwise attractive investment opportunities. The Senior Principals of the Fund Manager have an extensive network of relationships with local and national brokers, lenders, special servicers developed out of the last several years of distressed commercial real estate industry experience that provides the Fund with superior access to investment opportunities.

The Fund believes that these relationships will allow the Fund to: (i) view many assets before they are marketed to the wider investment community, (ii) consummate transactions with distressed property owners, (iii) achieve favorable pricing by avoiding "auction" processes, and (iv) gain a competitive edge in marketed assets due to a strong track record of closing transactions. The Fund Manager expects that over 60% of the assets acquired by the Fund will be off-market properties sourced through proprietary contacts.

Acquisition Criteria

- Property Type: Multi-family and Apartment Complexes
- Mostly class "A" and "B" properties with select "C" class property acquisitions possible
- Average Property Size: 10-75 units
- Estimated Average Age of Target Properties: 5-30 years old
- Deferred maintenance and rehabilitation expected on certain properties
- San Diego, CA, San Francisco, CA, and Seattle, WA are primary target markets
- Ideal locations situated near public transportation, shopping, and employment centers
- At least 20,000 population or greater within a 3-mile radius
- Individual unit matrices with a large percentage of 2+ bedroom floor plans and individual electric meters
- Acquisition price less than 80% of Fair Market Value
- Upside rent and valuation potential from asset enhancements and re-positioning

OPERATIONS CONTINUED

Asset Acquisition - Due Diligence

The Fund Manager will complete a methodical evaluation of each asset targeted for potential acquisition. Each asset will be subject to the following general vetting process prior to acquisition and inclusion into the Fund's portfolio:

(a) A full real estate appraisal is completed internally. The Fund Manager has a California licensed appraiser on staff to generate the Fund's internal appraisal of current and expected market value. The appraisal is then reviewed externally by a third party California certified appraiser to insure the integrity of the valuation and provide an additional opinion of value and projected value after rehabilitation and re-positioning.

(b) A complete property inspection is executed by a third party inspector to identify any material defects in the property. The inspectors utilized by the Fund are trained to report critical areas of risk, relevant to the rehabilitation and operation of the property. The scope of the inspectors report is expanded to beyond the typical criteria found in a typical property inspection. The results of the inspection will assist in generating the terms of an acquisition offer and provide clarity on projected refurbishment expenses.

(c) The Fund Manager may order additional inspection reports such as roof, termite, septic, engineering, and environmental as needed to verify the integrity of the property.

(d) Any planned structural improvements and rehabilitation work will be identified and addressed through the Fund Manager's internal staff. Cost and time frame estimates will be internally generated along with researching any regulatory code or permit issues that may need to be addressed prior to closing.

(e) The Fund will retain Marcus Holbrook, Esq., Managing Partner of The Law Firm of Holbrook and Smith, LLP, to review the draft asset purchase contract to determine any potential risks to the Fund.

(f) This data is compiled into a feasibility study of the project and scored against other assets under consideration and against assets previously purchased by the Fund. Properties that yield the highest net potential for value are selected and moved to the closing phase.

Closing and Settlement

The Fund Manager will utilize specific protocols, and deploy the services of title, settlement, and property closing professionals, to ensure that the closing and purchase of Fund properties is executed properly and legally.

(a) Prior to closing the Fund may secure a builders risk policy against the asset to to help shelter the Fund from various liability, loss and theft risks that may materialize during the renovation process.

(b) The Fund will also implement a general liability umbrella policy for the property.

(c) A title policy and municipal lien search will be required and verified clear prior to closing.

(d) A property survey will be requested and completed when applicable.

(e) The Fund's retained real estate attorney will subsequently review title policy, municipal lien search, survey and closing documents prior to execution of the asset purchase contract and final closing.

(f) Design and construction planning will begin so that any renovation or construction can begin on day one of Fund ownership.

Construction and Renovation

The Fund may acquire properties that require the completion of deferred maintenance and rehabilitation of systems and structural features. Further, the Fund expects to acquire properties that may require substantial renovation and re-positioning. As such, all

OPERATIONS CONTINUED

renovation and construction activities on Fund assets will be completed following certain protocols:

(a) All renovation and construction work will be performed by experienced licensed general contractors that meet strict standards of quality and experience. Jeff Wiler, the Fund's Manager of Acquisitions and Construction, will be tasked with the approval and oversight of all general contractors utilized by the Fund. The Fund Manager has established relationships with general contractors in the target markets identified and has utilized the services of these contractors on various other property acquisitions executed through the Altrian Property Fund that was previously managed by Redwood Management Group.

(b) Property site inspection by a senior manager of the Fund will be executed several times per week to ensure all renovation work is progressing on schedule and on budget.

(c) Renovation work will be focused on improving core property value, maximizing rental appeal, modernization of fixtures and mechanicals, and external physical improvements to structure and surrounding property.

Asset Re-Positioning and Marketing

Once any renovation required is complete, the Fund will proceed with re-positioning the asset and marketing the asset to potential rental consumers. The Fund expects that many of the properties acquired will not be in a physical condition or managed such that the asset is attractive to a rental consumer willing to pay an increased rental rate. In part, much of the re-positioning process occurs with the modernization of the property and the inclusion of aesthetic features that will appeal to the core target rental audience in the selected markets. The Fund Manager has extensive experience in rehabilitating properties such that they have significant rental appeal to a mid and upscale rental consumer. This increase in appeal allows for increased rental rates, higher expected net operating income, and equity accretion.

Oversight of the re-branding and marketing of Fund real estate assets will be the primary responsibility of James Washburn, Senior Manager of Asset Marketing for the Fund. The marketing process involves networking with local real estate specialists, local advertising and social media promotion, and on-site rental management personnel tasked with previewing units to potential customers.

Disposition of Assets

Short Term Investments (under 18 months): The Fund Manager anticipates that thirty percent (30%) of capital from the Offering will be allocated towards opportunities that involve acquisition, reposition and/or rehabilitation, and asset disposition in under 18 months. Many of these opportunities will be sourced from distressed sellers or "special circumstance" type acquisitions (package Bank REO, seller joint venture, etc.) wherein a significant amount of equity and value is present from the time of acquisition and additional equity and profit is realized through the reposition, re-branding, and rehabilitation process.

Long Term Investments (3 to 5 years): The Fund Manager intends to allocate approximately seventy percent (70%) of invested capital towards acquisitions that will require a longer duration of time to mature prior to disposition. The Fund Manager expects that these assets will still be sourced at attractive acquisition rates, however the properties may not require as much rehabilitation or may be located in areas that demand a higher acquisition premium and thus the Fund Manager expects less initial equity immediately post-acquisition. Assets in this category will typically be held in the Fund's portfolio for three to five years prior to disposition.

Real estate assets will be sold through traditional sales channels and follow typical real estate sales protocols. The Fund intends to use the services of Steven Gann, Managing Broker of Gann Real Estate, Inc. to list and market the Fund's properties for sale. The Fund may also engage in direct sales of assets without use of a real estate broker on certain transactions. Direct sale transactions will be reviewed and contracts drafted by the Fund's real estate attorney, Marcus Holbrook, Esq.

Capital gains from the sale of assets will be distributed to the Members of the Fund as outlined in this Memorandum and the Fund's Operating Agreement (See Exhibit B - Operating Agreement). Principal capital retained from the sale of assets will either be used to redeem Class A Membership Units from investors or, if the asset sale is executed prior to the planned liquidation of the Fund, may be deployed back into new asset purchases.

OPERATIONS CONTINUED

Financial and other Fund Specific Reports

The Fund will furnish to the Members (i) unaudited annual financial statements within 90 days after the end of each of the Fund's fiscal years, (ii) unaudited quarterly financial statements within 45 days after the end of each of the three fiscal quarters of each of the Fund's fiscal years; and (iii) information reasonably necessary for each Member to complete federal and state income tax or information returns, and a copy of the Fund's federal, state, and local income tax or information returns, within 90 days after the end of each of the Fund's fiscal years.

Subsequent Capital Contributions

The Class A Members will not be required to make additional capital contributions in excess of their Initial Capital Contributions.

Valuations

The Fund will provide annual reports to the Members setting forth a valuation summary for the Fund's assets. The Manager generally intends to obtain third party appraisals at the time of acquisition of a property.

Reinvestment into Additional Assets

If, during the Term, the Fund receives proceeds from the sale, financing or refinancing of a Fund Asset, the Fund may elect to treat such capital as "Returned Capital," in which case the Returned Capital shall not be distributed pursuant to the "Distributions" provisions above (other than as may be required to pay the Preferred Return), but instead may be reinvested in other Fund Assets.

Capital Accounts

A capital account shall be established and maintained for each Member. The capital account for each Member will be adjusted and maintained in accordance with section 704(b) of the United States Internal Revenue Code and Treasury Regulations promulgated thereunder, and generally will be (i) increased from time to time by (A) the amount of cash and the fair market value of any assets contributed by such Member to the Fund, and (B) items of income and gain of the Fund allocated to such Member, and (ii) decreased from time to time by (A) the amount of money and the fair market value of any other assets distributed to the Member by the fund, and (B) all items of deduction or loss of the Fund allocated to the Member. See "Exhibit B - Operating Agreement".

Fund Termination

The Manager may not terminate the Fund prior to the expiration of the Term without the approval of 75% in interest of the Members of the Fund. The planned Term of the Fund is five (5) years from the start of principal Fund activities subject to extension to up to two (2) successive one-year periods at the discretion of the Fund Manager in order to allow for an orderly liquidation of the Fund's assets.

Fund Investment Limitations

The Fund shall engage in the acquisition of real estate assets with the following underwriting limitations, and subject to the vetting and underwriting processes described in this Memorandum:

(i) no less than $300,000 may be invested in a single real estate asset;

(ii) no more than thirty percent (30%) of aggregate Capital Contributions or amounts received from the sale of Fund Assets may be invested in a single real estate asset;

(iii) the Fund will seek to invest in any real estate related assets that constitute primarily Multi-family Real Estate Assets. For this purpose, "Multi-family Real Estate Assets" are any assets that are commonly considered as income producing multi-unit residential investment properties such as multi-family dwellings and apartment building structures. The Fund may not invest in any single family housing.

EXECUTIVE SUMMARY OF TERMS

The Fund	Redwood Real Estate Fund, LLC
Investment Objective	To acquire, reposition, manage, and dispose of multi-family real estate assets (each an "Asset" and collectively, the "Assets") with a primary focus in acquisition of: (a) bank owned defaulted assets; (b) real estate from distressed sellers and (c) value-add properties, where it can add value through hands-on management and its relationships with financial institutions in or near the high-quality major metropolitan markets of San Diego, California, San Francisco, California, and Seattle, Washington (collectively, the "Target Markets"). The Fund intends to earn returns by: (i) improving and selling real estate assets, (ii) acquiring and managing real estate assets, (iii) real estate asset lease income (iv) improving property value as a result of enhanced asset management, (v) selling properties when they are stabilized at the discretion of the Fund Manager when they can be sold profitably.
Targeted Return	11% to 13% gross annual internal rate of return at close of the Fund (1)

(1) The target estimated returns are estimates only, not any promise or prediction, and based upon a series of factors, including without limitation in an analysis of (i) the prior track record of the Fund Manager, (ii) currently available investment opportunities, and (iii) reasonable expectations and assumptions about future investment opportunities, and performance of such opportunities.

Fund Size	Maximum: $35,000,000 Minimum: $5,000,000
Fund Manager	Redwood Management Group, LLC - A California Limited Liability Company formed in 2004 with management consisting of three primary principals with expertise in real estate acquisition and management, finance, and real estate construction.
Asset Focus	Multi-family and apartment real estate assets located in San Francisco, California, Seattle, Washington, and San Diego, California. Average asset size will be ten to seventy-five unit existing structures with significant unrealized net income and capital gains potential through rehabilitation and re-positioning.
Term of the Fund	Five (5) years from the date of initial Fund investment activities, subject to extension to up to two (2) successive one-year periods at the discretion of the Fund Manager in order to allow for an orderly liquidation of the Fund's assets.
Leverage	The Fund will not utilize any leverage or external financing in the acquisition of the Fund's real estate assets.

Distributions, Participation and Return of Capital	**Preferred Return:** 6% non-compounding cumulative Preferred Return paid bi-annually **Participation:** Class A Units shall participate in seventy percent (70%) of any additional cash distributions declared by the Fund. The Fund Manager shall participate in thirty percent (30%) of any declared distributions of net income after payment of the Preferred Return for the fiscal period. **Capital Return:** One hundred percent (100%) return of cumulative capital contributions over the life of the Fund paid out at the discretion of the Fund Manager. The Fund Manager anticipates a principal capital return to occur upon termination of the Fund's activities, liquidation of assets and execution of a redemption of the Class A Membership Units for the original offering price of $1,000 per Unit.
Incentive Fee	The Fund Manager shall be due an Incentive Fee equal to thirty percent (30%) of any realized and distributable net income derived by the Fund, calculated annually, and subject to the payment of the Preferred Return and any accrued cumulative Preferred Return due Class A Members.
Management Fee	Two percent (2%) per annum of invested capital under management of the Fund. See "Management Compensation".
Projected Transaction and Portfolio Expenses	Property Management Fees: Estimated six percent (6%) of gross rent revenues received payable monthly to Allied Property Management, LLC, (the "Property Manager"). Asset Disposition Expenses: Estimated six percent (6%) of the value of real estate assets sold to include anticipated real estate closing costs and real estate brokerage sales commissions.

Accounting and Fund Administration	The Fund has retained the accounting firm of Harris and Smith, P.C. to prepare reviewed annual statements of financial performance for the Fund. These statements will be prepared to GAAP standards and provided to all Members of the LLC at the termination of each fiscal year. Harris and Smith, P.C.: 221 Front Street, Suite 3, San Francisco, CA 22112 (404) 223-3321 The Fund has retained Provident Advisors, Inc. to provide certain Fund administration services including development of quarterly reports and certain investor relations. Provident Advisors: 332 West Third Street, Charlotte, NC 33244 (910) 543-9988
Claw Back of Management Fees	The Fund Manager is required to return any net income distributions that it receives in excess of those permitted above. Upon liquidation and termination of the Fund, the Fund Manager will be required to return a certain portion of Incentive Fees earned should participating Class A Members receive less than $1,000.00 per Class A Membership Unit in a redemption of Class A Membership Units by the Fund and a return of invested capital contributions.
Property Management	The Fund intends to utilize Allied Property Management, LLC ("APM"), a Los Angeles, California based property management company, for the management of the Company's real estate portfolio. APM is located at 231 Derham Street, Los Angeles, California 22322 and the main office number is (800) 432-1121. The projected property management fee is 6% of gross annual rental income.
Liquidation	The Fund anticipates beginning liquidation of Fund assets and terminating Fund operations starting in year 5 of Fund operations with the provision of two additional years provided for disposition of assets.

CURRENT MEMBERS

The following table contains certain information as of October 15, 2014 as to the number of units beneficially owned by (i) each person known by the Company to own beneficially more than 5% of the Company's Units, (ii) each person who is a Managing Member of the Company, (iii) all persons as a group who are Managing Members and/or Officers of the Company, and as to the percentage of the outstanding Units held by them on such dates and as adjusted to give effect to this Offering.

The Managing Member shall, upon close of the Offering or prior to the calculation and distribution of any net income, execute an adjustment of Fund Management Entity held Units such that the Fund Management Entity and Managing Member shall hold a perpetual and continually adjusted thirty percent (30%) ownership in the total issued Membership Units of the Fund entity.

Name	Position	Current %	Adjusted Post Offering %
Redwood Management Group, LLC	Managing Member	100%	30%

LITIGATION

The Company is not presently a party to any material litigation, nor to the knowledge of Management is any litigation threatened against the Company, which may materially affect the business of the Company or its assets.

DESCRIPTION OF MEMBERSHIP UNITS

The Company is offering a minimum of five thousand (5,000) and a maximum of thirty five thousand (35,000) Class A Preferred Membership Units at a price of One Thousand Dollars ($1,000) per Membership Unit. Upon completion of the Offering between 5,000 and 35,000 Class A Membership Units will be issued.

Class A Membership Unit Preferred Return: The Class A Preferred Units sold through this Offering shall be provided a six percent (6%) non-compounding cumulative Preferred Return Distribution (the "Preferred Return") paid to Class A Members semi-annually with bi-annual three percent (3%) Preferred Return distribution payments. The distribution of the Preferred Return will be subject to the financial performance of the Company and Management approval. The Preferred Return, and any accrued Preferred Return, shall be paid prior to the Fund Manager participating in the Incentive Fee due management (See "Management Compensation").

Class A Membership Unit Participation in Net Income and Capital Gains: The Class A Members shall also participate in a pro-rata percentage of seventy percent (70%) any additional net income approved for distribution to the Class A Members. The Fund Manager shall, by the terms of the Operating Agreement (See "Exhibit B - Operating Agreement"), declare and distribute at least ninety percent (90%) of realized net income from Fund operations to the Members of the LLC and according to the Net Income Distribution schedule as defined in the Fund's Operating Agreement. Realized net income is defined in the Operating Agreement and shall consist of, but not be limited to, income derived from real estate leasing activities and capital gains from the sale of real estate assets.

The Fund Manager intends to retain ten percent (10%) of net income initially as a reserve (the "Working Capital Reserve") for unexpected expenses related to Fund operations. Any accrued Working Capital Reserve not utilized by the Fund will be treated as income and distributed to the Members of the LLC upon termination and winding down of the Fund's operations. Each Class B Member is entitled to one vote for each unit held on each matter submitted to a vote of the members. Class A Members do not have voting rights. Class A Membership Units are not redeemable unless such redemption is approved by the Fund Manager.

MANAGEMENT COMPENSATION

The Fund Management Entity shall participate in certain fees and distributions of realized net income generated by the Fund's real estate investment activities. There is no accrued compensation that is due any member of Management or the Fund Management entity. The individual Fund Managers and Fund Management entity will be entitled to reimbursement of expenses incurred while conducting Company business.

Fund Management Fee: The Fund Management Entity shall be paid an annual Fund Management Fee equal to two percent (2%) of capital under management calculated and payable bi-annually.

Participation in Net Income ("Incentive Fee"): The Fund Manager shall participate in thirty percent (30%) of any realized annual net income available for distribution to the Members of the Fund. Payment of the Incentive Fee shall occur only after the Class A Members Preferred Return has been paid and any accrued Preferred Return due has also been distributed to Class A Members. The Incentive Fee is also subject to certain clawback provisions. See "Exhibit B - Operating Agreement".

Management Incentive Fee Clawback Provision:
To the extent the Class A Members have not received by the end of the Fund Term the Preferred Return described in "The Offering" section of this Memorandum and the Operating Agreement, the Class B Members will be required to return to the Fund, for distribution to the Class A Members, such portion of the cumulative amounts received as distributions to the Class B Members as may be required for the Class A Members to receive such return (the "Carried Interest Clawback"). The Carried Interest Clawback may not exceed the total amount of distributions actually received by the Class B Members.

BOARD OF ADVISORS

The Fund has established a Board of Advisors, which includes highly qualified business and industry professionals. The Board of Advisors will assist the Management team in making appropriate decisions and taking effective action; however, the Board of Advisors will not be responsible for Management decisions and has no legal or fiduciary responsibility to the Company. Currently there are three members of the Board of Advisors:

Heather Gentry, Managing Broker - Feldstrom Real Estate, Inc.

Heather Gentry has spent the last 10 years as a real estate broker in San Diego, California. She is consistently ranked in the top 2% of California real estate agents and last year earned the prestigious Platinum Service award from the California Realtor Commission. She is currently Senior Managing Broker and Managing Partner at Feldstrom Real Estate, Inc. ("FRE") headquartered in San Diego, California. FRE specializes in real estate brokerage services for apartment and condominium properties in California and Washington and is one of the top firms in this sector.

Ms. Gentry will provide the Fund strategic advice regarding certain valuation and marketing issues the Fund may encounter in its target markets. Her knowledge and expertise in the market will be a valuable asset to the Fund.

Ms. Gentry graduated with a Bachelors in Business Administration from Campbell University and earned a Masters in Business Administration from Rutgers University in 2002.

BOARD OF ADVISORS CONTINUED

Marcus Holbrook, Esq., Managing Partner - The Law Firm of Holbrook and Smith, LLP

Marcus Holbrook serves as general counsel to the Fund and will provide advice, counsel, and contract review services to the Fund. Mr. Holbrook graduated from Colorado State University in 1998 and earned a law degree from North Carolina State University in 2002. In 2003, Mr. Holbrook began work at Cedar and Stravinsky Law Firm in Seattle, Washington where he worked in the field of real estate and environmental law. In 2007, Mr. Holbrook and three partners from Cedar and Stravinsky formed Holbrook and Smith, LLP and began providing legal services to real estate clients in Washington, California, and Nevada.

Mr. Holbrook specializes in real estate law and is admitted and active in California, Washington, and Nevada. Mr. Holbrook's extensive experience in California and Washington real estate law will be a tremendous asset to the Fund as it executes asset acquisitions and disposes of real estate assets.

William Reynolds, President - RET Appraisal Services, LLC

William Reynolds is the President and Founder of RET Appraisal Services, LLC ("RET") located in San Jose, California. RET is a commercial real estate appraisal firm with 15 offices located across California, Washington, and Arizona. RET is considered a tier one appraisal servicer and is utilized by J.P. Morgan Chase Bank and Wells Fargo Bank, among others, for critical appraisal services on commercial and multi-family properties. Mr. Reynolds will provide advice and counsel to the Fund regarding current and forward valuations regarding prospective Fund assets.

Mr. Reynolds has a Bachelors Degree in Science from the University of Oklahoma and has 30 years of experience in real estate valuation and appraisal services. It is expected that Mr. Reynolds will provide support and advice regarding valuations developed by James Washburn, the Fund Manager's internal appraiser and valuation specialist.

LIQUIDATION PREFERENCES

In the event of the dissolution, liquidation or winding up of the Fund, the assets then legally available for distribution to the Members will be distributed ratably amongst; (a) the Class A Members until such time as their original capital contributions plus any accrued Preferred Return has been paid and; (b) to all Members of the LLC in proportion to their Membership Unit holdings with seventy percent (70%) of income distributed to Class A Members and thirty percent (30%) distributed to the Class B Member (the Fund Manager).

Any shortfall experienced in providing the Preferred Return to Class A Members may be fulfilled by requiring the Fund Manager to return a portion, or all Fund related Incentive Fees remitted to the Fund Manager during the Term of the Fund to provide for distribution of any accrued Preferred Return due Class A Members.

Members are only entitled to profit distributions when and if declared by the Managing Member out of funds legally available therefore. Future profit distribution policies are subject to the discretion of the Managing Member and will depend upon a number of factors, including among other things, the capital requirements and the financial condition of the Company.

INVESTOR SUITABILITY STANDARDS

Prospective purchasers of the Units offered by this Memorandum should give careful consideration to certain risk factors described under "Certain Risk Factors" section and especially to the speculative nature of this investment and the limitations described under that caption with respect to the lack of a readily available market for the Units and the resulting long term nature of any investment in the Company. This Offering is available only to suitable Accredited Investors having adequate means to assume such risks and of otherwise providing for their current needs and contingencies.

GENERAL

The Units will not be sold to any person unless such prospective purchaser or his or her duly authorized representative shall have represented in writing to the Company in a Subscription Agreement that:

• The prospective purchaser has adequate means of providing for his or her current needs and personal contingencies and has no need for liquidity in the investment of the Units;

• The prospective purchaser's overall commitment to investments which are not readily marketable is not disproportionate to his, her, or its net worth and the investment in the Units will not cause such overall commitment to become excessive; and

• The prospective purchaser is an "Accredited Investor" (as defined on the next page) suitable for purchase in the Units.

Each person acquiring Units will be required to represent that he, she, or it is purchasing the Units for his, her, or its own account for investment purposes and not with a view to resale or distribution.

ACCREDITED INVESTORS

The Company will conduct the Offering in such a manner that Units may be sold only to "Accredited Investors" as that term is defined in Rule 501(a) of Regulation D promulgated under the Securities Act of 1933 (the "Securities Act"). In summary, a prospective investor will qualify as an "Accredited Investor" if he, she, or it meets any one of the following criteria:

• Any natural person whose individual net worth, or joint net worth with that person's spouse, at the time of his purchase, exceeds $1,000,000.

Except as provided in paragraph (2) of this section, for purposes of calculating net worth under this paragraph:
(i) The person's primary residence shall not be included as an asset;

(ii) Indebtedness that is secured by the person's primary residence, up to the estimated fair market value of the primary residence at the time of the sale of securities, shall not be included as a liability (except that if the amount of such indebtedness outstanding at the time of the sale of securities exceeds the amount outstanding 60 days before such time, other than as a result of the acquisition of the primary residence, the amount of such excess shall be included as a liability); and (iii) Indebtedness that is secured by the person's primary residence in excess of the estimated fair market value of the primary residence at the time of the sale of securities shall be included as a liability.

• Any natural person who had an individual income in excess of $200,000 in each of the two most recent years or joint income with that person's spouse in excess of $300,000 in each of those years and who has a reasonable expectation of reaching the same income level in the current year;

Any bank as defined in Section 3(a)(2) of the Act, or any savings and loan association or other institution as defined in Section 3(a)(5)(A) of the Securities Act, whether acting in its individual or fiduciary capacity; any broker or dealer registered pursuant to Section 15 of the Securities and Exchange Act of 1934 (the "Exchange Act"); any insurance company as defined in Section 2(13) of the Exchange Act; any investment company registered under the Investment Company Act of 1940 or a business development company as defined in Section 2(a)(48) of that Act; any Small Business Investment Company (SBIC) licensed by the U.S. Small Business Administration under Section 301(c) or (d) of the Small Business Investment Act of 1958; any plan established and maintained by a state, its political subdivisions, or any agency or instrumentality of a state or its political subdivisions, for the benefit of its employees, if such plan has total assets in excess of $5,000,000; any employee benefit plan within the meaning of the Employee Retirement Income Security Act of 1974, if the investment decision is made by a plan fiduciary, as defined in Section 3(21) of such Act, which is either a bank, savings and loan association, insurance company, or registered investment advisor, or if the employee benefit plan has total assets in excess of $5,000,000 or, if a self directed plan, with investment decisions made solely by persons who are Accredited Investors;

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

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

- Any director or executive officer, or general partner of the issuer of the securities being sold, or any director, executive officer, or general partner of a general partner of that issuer;

- Any trust, with total assets in excess of $5,000,000, not formed for the specific purpose of acquiring the securities offered, whose purchase is directed by a sophisticated person as described in Section 501(b)(2)(ii) of Regulation D adopted under the Act; and
- Any entity in which all the equity owners are Accredited Investors.

OTHER REQUIREMENTS

No subscription for the Units will be accepted from any investor unless he is acquiring the Units for his own account (or accounts as to which he has sole investment discretion), for investment and without any view to sale, distribution or disposition thereof.

Each prospective purchaser of Units may be required to furnish such information as the Company may require to determine whether any person or entity purchasing Units is an Accredited Investor.

FORWARD LOOKING INFORMATION

Some of the statements contained in this Memorandum, including information incorporated by reference, discuss future expectations, or state other forward looking information. Those statements are subject to known and unknown risks, uncertainties and other factors, several of which are beyond the Company's control, which could cause the actual results to differ materially from those contemplated by the statements.

The forward looking information is based on various factors and was derived using numerous assumptions. In light of the risks, assumptions, and uncertainties involved, there can be no assurance that the forward looking information contained in this Memorandum will in fact transpire or prove to be accurate.

Important factors that may cause the actual results to differ from those expressed within may include, but are not limited to:

- The success or failure of the Company's efforts to successfully execute its real estate investment activities as scheduled;
- The Company's ability to attract a customer base for the real estate units acquired or developed;
- The effect of changing economic conditions including the real estate market in the area of operation for the Company;
- The reliance of the Company on certain key members of management

These along with other risks, which are described under "RISK FACTORS" may be described in future communications to Members. The Company makes no representation and undertakes no obligation to update the forward looking information to reflect actual results or changes in assumptions or other factors that could affect those statements.

CERTAIN RISK FACTORS

Redwood Real Estate Fund, LLC commenced preliminary business development operations in June 1, 2014 and is organized as a Limited Liability Company under the laws of the State of California. Accordingly, the Company has only a limited history upon which an evaluation of its prospects and future performance can be made. The Company's proposed operations are subject to all business risks associated with new enterprises. The likelihood of the Company's success must be considered in light of the problems, expenses, difficulties, complications, and delays frequently encountered in connection with the acquisition of real estate, operation in a competitive industry, and the continued development of advertising, promotions and a corresponding customer base for the Fund's real estate assets. There is a possibility that the Company could sustain losses in the future.

There can be no assurances that Redwood Real Estate Fund, LLC will operate profitably. An investment in our Units involves a number of risks. You should carefully consider the following risks and other information in this Memorandum before purchasing our Units. Without limiting the generality of the foregoing, Investors should consider, among other things, the following risk factors:

Inadequacy Of Funds:
Gross offering proceeds of a minimum of $5,000,000 and a maximum of $35,000,000 may be realized. Management believes that such proceeds will capitalize and sustain Redwood Real Estate sufficiently to allow for the implementation of the Company's forward business plans. If only a fraction of this Offering is sold, or if certain assumptions contained in Management's business plans prove to be incorrect, the Company may have inadequate funds to fully develop its business and may need equity financing or other capital investment to fully implement the Company's business plans.

Dependence On Management:
In the early stages of development the Company's business will be significantly dependent on the Company's management team. The Company's success will be particularly dependent upon Steve Miller, James Washburn, and Jeff Wiler. The loss of any of these individuals from a Fund management position could have a material adverse impact on the Company. See "MANAGEMENT" section.

Risks Associated With Expansion of Operations:
The Company plans on expanding its business through the acquisition and disposition of real estate. Any expansion of operations the Company may undertake will entail risks, such actions may involve specific operational activities which may negatively impact the profitability of the Company. Consequently, the Members must assume the risk that (i) such expansion may ultimately involve expenditures of funds beyond the resources available to the Company at that time, and (ii) management of such expanded operations may divert Management's attention and resources away from its existing operations, all of which factors may have a material adverse effect on the Company's present and prospective business activities.

General Economic Conditions:
The financial success of the Company may be sensitive to adverse changes in general economic conditions in the United States, such as recession, inflation, unemployment, and interest rates. Such changing conditions could reduce demand in the marketplace for the Company's real estate units**.** Redwood Real Estate Fund, LLC has no control over these changes.

Possible Fluctuations In Operating Results:
The Company's operating results may fluctuate significantly from period to period as a result of a variety of factors, including purchasing patterns of customers, competitive pricing, debt service and principal reduction payments, and general economic conditions. Consequently, the Company's revenues may vary by quarter, and the Company's operating results may experience fluctuations.

Fair Housing Act Compliance:
The Fair Housing Amendments Act of 1988 (the "FHAA") requires apartment communities where first occupancy occurred after March 13, 1990, to be accessible to the handicapped. Non-compliance with this Act could result in the imposition of fines or an award of damages to private litigants.

Unanticipated Obstacles To Execution Of The Fund's Investment Objectives:
The Company's business plans may change. Some of the Company's potential business endeavors are capital intensive and may be subject to statutory or regulatory requirements. Management believes that the Company's chosen activities and strategies are achievable in light of current economic and legal conditions with the skills, background, and knowledge of the Company's principals and advisors. Management reserves the right to make significant modifications to the Company's stated strategies depending on future events.

Management Discretion As To Use Of Proceeds:
The net proceeds from this Offering will be used for the purposes described under "Use of Proceeds." The Company reserves the right to use the funds obtained from this Offering for other similar purposes not presently contemplated which it deems to be in the best interests of the Company and its Members in order to address changed circumstances or opportunities. As a result of the foregoing, the success of the Company will be substantially dependent upon the discretion and judgment of Management with respect to application and allocation of the net proceeds of this Offering. Investors for the Membership Units offered hereby will be entrusting their funds to the Company's Fund Manager, upon whose judgment and discretion the investors must depend.

Control By Management:
As of October 15, 2014, the Company's Managing Member owned approximately 100% of the Company's issued Class B

Voting Units. Upon completion of this Offering, the Company's Managing Member will continue to own approximately 100% of then issued and outstanding voting Class B Units, and will be able to continue to control Redwood Real Estate Fund.

Limited Transferability & Liquidity:
To satisfy the requirements of certain exemptions from registration under the Securities Act, and to conform with applicable state securities laws, each investor must acquire his Units for investment purposes only and not with a view towards distribution. Consequently, certain conditions of the Securities Act may need to be satisfied prior to any sale, transfer, or other disposition of the Units. Some of these conditions may include a minimum holding period, availability of certain reports, including financial statements from Redwood Real Estate Fund, LLC, limitations on the percentage of Units sold and the manner in which they are sold. Redwood Real Estate Fund, LLC can prohibit any sale, transfer or disposition unless it receives an opinion of counsel provided at the holder's expense, in a form satisfactory to Redwood Real Estate Fund, LLC, stating that the proposed sale, transfer or other disposition will not result in a violation of applicable federal or state securities laws and regulations. No public market exists for the Units and no market is expected to develop. Consequently, owners of the Units may have to hold their investment indefinitely and may not be able to liquidate their investments in Redwood Real Estate Fund, LLC or pledge them as collateral for a loan in the event of an emergency.

Broker - Dealer Sales Of Units:
The Company's Membership Units are not presently included for trading on any exchange, and there can be no assurances that the Company will ultimately be registered on any exchange. No assurance can be given that the Membership Units of the Company will ever qualify for inclusion on the NASDAQ System or any other trading market. As a result, the Company's Membership Units are covered by a Securities and Exchange Commission rule that opposes additional sales practice requirements on broker-dealers who sell such securities to persons other than established customers and accredited investors. For transactions covered by the rule, the broker-dealer must make a special suitability determination for the purchaser and receive the purchaser's written agreement to the transaction prior to the sale. Consequently, the rule may affect the ability of broker-dealers to sell the Company's securities and may also affect the ability of shareholders to sell their Units in the secondary market.

Long Term Nature Of Investment:
An investment in the Units may be long term and illiquid. As discussed above, the offer and sale of the Units will not be registered under the Securities Act or any foreign or state securities laws by reason of exemptions from such registration which depends in part on the investment intent of the investors. Prospective investors will be required to represent in writing that they are purchasing the Units for their own account for long-term investment and not with a view towards resale or distribution. Accordingly, purchasers of Units must be willing and able to bear the economic risk of their investment for an indefinite period of time. It is likely that investors will not be able to liquidate their investment in the event of an emergency.

No Current Market For Units:
There is no current market for the Units offered in this private Offering and no market is expected to develop in the near future.

Offering Price:
The price of the Units offered has been arbitrarily established by Redwood Real Estate Fund, LLC, considering such matters as the state of the Company's business development and the general condition of the industry in which it operates. The Offering price bears little relationship to the assets, net worth, or any other objective criteria of value applicable to Redwood Real Estate Fund, LLC.

Compliance With Securities Laws:
The Units are being offered for sale in reliance upon certain exemptions from the registration requirements of the Securities Act, applicable California Securities Laws, and other applicable state securities laws. If the sale of Units were to fail to qualify for these exemptions, purchasers may seek rescission of their purchases of Units. If a number of purchasers were to obtain rescission, Redwood Real Estate Fund, LLC would face significant financial demands which could adversely affect Redwood Real Estate Fund, LLC as a whole, as well as any non-rescinding purchasers.

Lack Of Firm Underwriter:
The Units are offered on a "best efforts" basis by the officers and directors of Redwood Real Estate Fund, LLC without compensation and on a "best efforts" basis through certain FINRA registered broker-dealers which enter into Participating Broker-Dealer Agreements with the Company. Accordingly, there is no assurance that the Company, or any FINRA broker-dealer, will sell the maximum Units offered or any lesser amount.

Projections: Forward Looking Information:
Management has prepared projections regarding Redwood Real Estate Fund, LLC's anticipated financial performance. The Company's projections are hypothetical and based upon factors influencing the business of Redwood Real Estate Fund, LLC. The projections are based on Management's best estimate of the probable results of operations of the Company, based on present circumstances, and have not been reviewed by Redwood Real Estate's independent accountants. These projections are based on several assumptions, set forth therein, which Management believes are reasonable. Some assumptions upon which the projections are based, however, invariably will not materialize due the inevitable occurrence of unanticipated events and circumstances beyond Management's control. Therefore, actual results of operations will vary from the projections, and such variances may be material. Assumptions regarding future changes in sales and revenues are necessarily speculative in nature.

In addition, projections do not and cannot take into account such factors as general economic conditions, unforeseen regulatory changes, the entry into the Company's market of additional competitors, the terms and conditions of future capitalization, and other risks inherent to the Company's business. While Management believes that the projections accurately reflect possible future results of Redwood Real Estate Fund, LLC's operations, those results cannot be guaranteed.

Our success will depend upon the acquisition of real estate, and we may be unable to consummate acquisitions or dispositions on advantageous terms, the acquired properties may not perform as we expect, or we may be unable to efficiently integrate assets into our existing operations:

We intend to acquire and sell real estate assets. The acquisition of real estate entails various risks, including the risks that our real estate assets may not perform as we expect, that we may be unable to quickly and efficiently integrate assets into our existing operations and that our cost estimates for the development and/or sale of a property may prove inaccurate.

Reliance On Management To Select and Develop Appropriate Properties:
The Company's ability to achieve its investment objectives is dependent upon the performance of the Management team in the quality and timeliness of the Company's acquisition of real estate properties. Investors in the Units offered will have no opportunity to evaluate the terms of transactions or other economic or financial data concerning the Company's investments. Investors in the Units must rely entirely on the management ability of and the oversight of the Company's principals.

Competition May Increase Costs:
The Company will experience competition from other sellers of real estate and other real estate projects. Competition may have the effect of increasing acquisition costs for the Company and deceasing the sales price or lease rates of developed assets.

Delays In Acquisition Of Properties:
Delays the Manager may encounter in the selection, acquisition and development of properties could adversely affect the profitability of the Company. The Company may experience delays in identifying properties that meet the Company's ideal purchase parameters.

Environmentally Hazardous Property:
Under various Federal, City and local environmental laws, ordinances and regulations, a current or previous owner or operator of real property may be liable for the cost of removal or remediation of hazardous or toxic substances on, under or in such property. Such laws often impose liability whether or not the owner or operator knew of, or was responsible for, the presence of such hazardous or toxic substances. Environmental laws also may impose restrictions on the manner in which property may be used or businesses may be operated, and these restrictions may require expenditures. Environmental laws provide for sanctions in the event of non-compliance and may be enforced by governmental agencies or, in certain circumstances, by private parties. In connection with the acquisition and ownership of its properties, the Company may be potentially liable for such costs. The cost of defending against claims of liability, complying with environmental regulatory requirements or remediation any contaminated property could materially adversely affect the business, assets or results of operations of the Company.

Management's Discretion In The Future Disposition Of Properties:
The Company cannot predict with any certainty the various market conditions affecting real estate investments which will exist at any particular time in the future. Due to the uncertainty of market conditions which may affect the future disposition of the Company's properties, the Company cannot assure you that it will be able to sell its properties at a profit in the future. Accordingly, the timing of liquidation of the Company's real estate investments will be dependent upon fluctuating market conditions.

Real estate investments are not as liquid as other types of assets, which may reduce economic returns to investors:
Real estate investments are not as liquid as other types of investments, and this lack of liquidity may limit our ability to react promptly to changes in economic, financial, investment or other conditions. In addition, significant expenditures associated with real estate investments, such as mortgage payments, real estate taxes and maintenance costs, are generally not reduced when circumstances cause a reduction in income from the investments. Thus, our ability at any time to sell assets or contribute assets to property funds or other entities in which we have an ownership interest may be restricted. This lack of liquidity may limit our ability to vary our portfolio promptly in response to changes in economic financial, investment or other conditions and, as a result, could adversely affect our financial condition, results of operations, and cash flows.

We may be unable to sell a property if or when we decide to do so, including as a result of uncertain market conditions, which could adversely affect the return on an investment in our company:
Our ability to dispose of properties on advantageous terms depends on factors beyond our control, including competition from other sellers and the availability of attractive financing for potential buyers of the properties we acquire. We cannot predict the various market conditions affecting real estate investments which will exist at any particular time in the future. Due to the uncertainty of market conditions which may affect the future disposition of the properties we acquire, we cannot assure our Members that we will be able to sell such properties at a profit in the future. Accordingly, the extent to which our Members will receive cash distributions and realize potential appreciation on our real estate investments will be dependent upon fluctuating market conditions. Furthermore, we may be required to expend funds to correct defects or to make improvements before a property can be sold. We cannot assure our Members that we will have funds available to correct such defects or to make such improvements. In acquiring a property, we may agree to restrictions that prohibit the sale of that property for a period of time or impose other restrictions, such as a limitation on the amount of debt that can be placed or repaid on that property. These provisions would restrict our ability to sell a property.

Illiquidity of real estate investments could significantly impede the company's ability to respond to adverse changes in the performance of the portfolio investments and harm the company's financial condition:
Since real estate investments are relatively illiquid, the Company's ability to promptly sell acquired assets in response to changing economic, financial and investment conditions may be limited. In particular, these risks could arise from weakness in or even the lack of an established market for a property, changes in the financial condition or prospects of prospective purchasers, changes in local, regional national or international economic conditions, and changes in laws, regulations or fiscal policies of jurisdictions in which the property is located. The Company may be unable to realize its investment objectives by sale, other disposition or refinance at attractive prices within any given period of time or may otherwise be unable to complete any exit strategy.

The terms of new or renewal leases may result in a reduction in income:
Should the Company lease its real estate properties, the terms of any such new or renewal leases may be less favorable to

the Company than the previous lease terms. Certain significant expenditures that the Company, as a landlord, may be responsible for, such as mortgage payments, real estate taxes, utilities and maintenance costs generally are not reduced as a result of a reduction in rental revenues. If lease rates for new or renewal leases are substantially lower than those for the previous leases, Company's rental income might suffer a significant reduction that may limited. In particular, these risks could arise from weakness in or even the lack of an established market for a property, changes in the financial condition or prospects of prospective purchasers, changes in local, regional national or international economic conditions, and changes in laws, regulations or fiscal policies of jurisdictions in which the property is located. The Company may be unable to realize its investment objectives by sale, other disposition or refinance at attractive prices within any given period of time or may otherwise be unable to complete any exit strategy.

The terms of new or renewal leases may result in a reduction in income:
Should the Company lease its real estate properties, the terms of any such new or renewal leases may be less favorable to the Company than the previous lease terms. Certain significant expenditures that the Company, as a landlord, may be responsible for, such as mortgage payments, real estate taxes, utilities and maintenance costs generally are not reduced as a result of a reduction in rental revenues. If lease rates for new or renewal leases are substantially lower than those for the previous leases, Company's rental income might suffer a significant reduction that may Additionally, the Company may not be able to sell a property at the price, on the terms or within the time frame it may seek. Accordingly, the timing of liquidation of the Company and the extent to which Class A Members may receive distributions and realize potential appreciation on the Company's real estate investments may be dependent upon fluctuating market conditions. The price the Company obtains from the sale of a property will depend upon various factors such as the property's operating history, demographic trends in the property's locale and available financing for, and the tax treatment of, real estate investments. The Company may not realize significant appreciation and may even incur losses on its properties and other investments. The recovery of any portion or all of an Class A Member's investment and any potential return thereon will depend on the amount of net proceeds the Company is able to realize from a sale or other disposition of its properties.

Property the Company acquires may have liabilities or other problems:
The Company intends to perform certain due diligence for each property or other real estate related investment it acquires. The Company also will seek to obtain appropriate representations and indemnities from sellers in respect of such properties or other investments. The Company may, nevertheless, acquire properties or other investments that are subject to uninsured liabilities or that otherwise have problems. In some instances, the Company may have only limited or perhaps even no recourse for any such liabilities or other problems or, if the Company has received indemnification from a seller, the resources of such seller may not be adequate to fulfill its indemnity obligation. As a result, the Company could be required to resolve or cure any such liability or other problems, and such payment could have an adverse effect on the Company's cash flow available to meet other expenses or to make distributions to Investor Members.

Higher Risks Associated with "Value-Add" and Properties in need of Re-Positioning
The Fund's targeting of financially-distressed properties may result in Fund Assets which are partially leased or completely vacant and thus not generating positive cash flow (or any cash flow). Similarly, under-performing and value-add properties the Fund is targeting may experience unanticipated delays in, or increases of the cost to improve or reposition those properties that may be beyond the control of the Fund Manager. There is no assurance the Fund Manager will be successful in stabilizing such properties in that a significant number of factors beyond the Fund Manager's control, including general or local economic conditions and local market demand may come into play. These types of properties may pose greater investment risk than fully stabilized properties.

Uninsured losses relating to real property may adversely affect an investor member's return:
The Fund Manager will attempt to assure that all of the Company's properties are comprehensively insured (including liability, fire, and extended coverage) in amounts sufficient to permit replacement in the event of a total loss, subject to applicable deductibles. Further, the Company may not have a sufficient external source of funding to repair or reconstruct a damaged property; there can be no assurance that any such source of funding will be available to the Company for such purposes in the future.

Competition for investments may increase costs and reduce returns:
The Company will experience competition for real property investments from individuals, corporations and bank and insurance company investment accounts, as well as other real estate limited partnerships, real estate investment funds, commercial developers, pension plans, other institutional and foreign investors and other entities engaged in real estate investment activities.

The Company will compete against other potential purchasers of properties of high quality commercial properties leased to credit-worthy tenants and residential properties and, as a result of the weakened U.S. economy, there is greater competition for the properties of the type in which the Company will invest. Some of these competing entities may have greater financial and other resources allowing them to compete more effectively. This competition may result in the Company paying higher prices to acquire properties than it otherwise would, or the Company may be unable to acquire properties that it believes meet its investment objectives and are otherwise desirable investments.

In addition, the Company's properties may be located close to properties that are owned by other real estate investors and that compete with the Company for tenants. These competing properties may be better located and more suitable for desirable tenants than the Company's properties, resulting in a competitive advantage for these other properties. The Company may face similar competition from other properties that may be developed in the future. This competition may limit the Company's ability to lease space, increase its costs of securing tenants, limit its ability to charge rents and/or require it to make capital improvements it otherwise might not make to its properties. As a result, the Company may suffer reduced cash flow with a decrease in distributions it may be able to make to Class A Members.

Environmental regulation and issues, certain of which the Company may have no control over, may adversely impact the Company's business:
Federal, state and local laws and regulations impose environmental controls, disclosure rules and zoning restrictions which directly impact the management, development, use, and/or sale of real estate. Such laws and regulations tend to discourage sales and leasing activities and mortgage lending with respect to some properties, and may therefore adversely affect the Company specifically, and the real estate industry in general. Failure by the Company to uncover and adequately protect against environmental issues in connection with a Portfolio Investment may subject the Company to liability as the buyer of such property or asset. Environmental laws and regulations impose liability on current or previous real property owners or operators for the cost of investigating, cleaning up or removing contamination caused by hazardous or toxic substances at the property.

The Company may be held liable for such costs as a subsequent owner and developer of such property. Liability can be imposed even if the original actions were legal and the Company had no knowledge the presence of the hazardous or toxic substances.

The Company may also be held responsible for the entire payment of the liability if the Company is subject to joint and several liability and the other responsible parties are unable to pay. Further, the Company may be liable under common law to third parties for damages and injuries resulting from environmental contamination emanating from the site, including the presence of asbestos containing materials. Insurance for such matters may not be available. Additionally, new or modified environmental regulations could develop in a manner which could adversely affect the Company.

Real estate may develop harmful mold, which could lead to liability for adverse health effects and costs of remediating the problem:
When excessive moisture accumulates in buildings or on building materials, mold growth may occur, particularly if the moisture problem remains undiscovered or is not addressed over a period of time. Some molds may produce airborne toxins or irritants. Concern about indoor exposure to mold has been increasing as exposure to mold may cause a variety of adverse health effects and symptoms, including allergic or other reactions.

As a result, the presence of significant mold at any of our properties could require the Company to undertake a costly remediation program to contain or remove the mold from the affected property. In addition, the presence of significant mold could expose the Company to liability from its tenants, employees of such tenants and others if property damage or health concerns arise.

Terrorist Attacks Or Other Acts Of Violence Or War May Affect The Industry In Which The Company Operates, Its Operations & Its Profitability:
Terrorist attacks may harm the Company's results of operations and a Class A Member's investment. There can be no assurance that there will not be more terrorist attacks against the United States or U.S. businesses. These attacks or armed conflicts may directly or indirectly impact the value of the property the Company owns or that secure its loans. Losses resulting from these types of events may be uninsurable or not insurable to the full extent of the loss suffered. Moreover, any of these events could cause consumer confidence and spending to decrease or result in increased volatility in the United States and worldwide financial markets and economy.

They could also result in economic uncertainty in the United States or abroad. Adverse economic conditions resulting from terrorist activities could reduce demand for space in the Company's properties due to the adverse effect on the economy and thereby reduce the value of the Company's properties.

The Company will be subject to risks related to the geographic location of the property it develops:
The Company intends to acquire and sell real estate assets. If the commercial or residential real estate markets or general economic conditions in this geographic area decline, the Company may experience a greater rate of default by tenants on their leases with respect to properties in these areas and the value of the properties in these areas could decline. Any of these events could materially adversely affect the Company's business, financial condition or results of operations.

Fund Manager's Incentive Fee
A portion of the Fund Manager's compensation is a specified carried (as the holder of Class B Units) interest based on the returns to the Fund. Such carried interest may create incentives for the Manager to make more risky or speculative investments than it would otherwise make.

The Fund Manager will also receive an asset management fee generally based upon the aggregate Capital Contributions invested.

Potential for "Dry Income"
It is possible that a Member's income tax liability with respect to his, her or its allocable share of the Fund's taxable income in a particular taxable year could exceed the cash distributions to the Member for the year (including under circumstances where the Manager determines that the Fund will not make any distributions in a given year). In addition, if the Fund makes distributions to the Members, a Member's allocable share of the Fund's taxable income for the year may not be in proportion to the distributions made by the Fund to such Member. As a result, a Member may be required to satisfy income tax liabilities attributable to the profits of the Fund with cash from sources other than the Fund.

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USE OF PROCEEDS

The Company seeks to raise minimum gross proceeds of $5,000,000 and maximum gross proceeds of $35,000,000 from the sale of Membership Units in this Offering. The Company intends to apply these proceeds substantially as set forth herein, subject only to reallocation by Management in the best interests of the Company.

SALE OF EQUITY

CATEGORY	MAX. PROCEEDS	MIN. PROCEEDS
PROCEEDS FROM SALE OF UNITS	$35,000,000	$5,000,000

OFFERING EXPENSES & COMMISSIONS

CATEGORY	MAX. PROCEEDS	MIN. PROCEEDS
OFFERING EXPENSES	$20,000	$10,000
BROKERAGE COMMISSIONS (2)	$1,750,000	$250,000
TOTAL OFFERING FEES	$1,770,000	$260,000

CORPORATE APPLICATION OF PROCEEDS

CATEGORY	MAX. PROCEEDS	MIN. PROCEEDS
REAL ESTATE REHAB COSTS	$3,500,000	$450,000
REAL ESTATE ACQUISITIONS	$29,000,000	$4,120,000
ASSET UNDERWRITING AND CLOSING COSTS	$500,000	$150,000
WORKING CAPITAL	$250,000	$20,000
TOTAL CORPORATE USE	$33,250,000	$4,740,000

TOTAL USE OF PROCEEDS

CATEGORY	MAX. PROCEEDS	MIN. PROCEEDS
OFFERING EXPENSES & COMMISSIONS	$1,750,000	$260,000
CORPORATE APPLICATION OF PROCEEDS	$33,250,000	$4,740,000
TOTAL PROCEEDS	$35,000,000	$5,000,000

(1) Includes estimated memorandum preparation, filing, printing, legal, accounting and other fees and expenses related to the Offering.
(2) This Offering is being sold by the Fund Manager and Managing Member of the Company. No compensatory sales fees or related commissions will be paid to such Managing Member. Registered broker or dealers who are members of the FINRA and who enter into a Participating Dealer Agreement with the Company may sell units. Such brokers or dealers may receive commissions up to ten percent (10%) of the price of the Units sold. The Company is assuming a 5% commission load on this Offering.

TRANSFER AGENT & REGISTRAR

The Company will act as its own transfer agent and registrar for its units of ownership.

PLAN OF PLACEMENT

The Units are offered directly by the Managing Member of the Company on the terms and conditions set forth in this Memorandum. FINRA brokers and dealers may also offer units. The Company is offering the Units on a "best efforts" basis. The Company will use its best efforts to sell the offered Membership Units to investors. There can be no assurance that any of the Units offered will be sold.

ESCROW OF SUBSCRIPTION FUNDS

Commencing on the date of this Memorandum all funds received by the Company in full payment of subscriptions for Units will be deposited in an escrow account. The Company has set a minimum offering proceeds figure of $5,000,000 (the "minimum offering proceeds") for this Offering. The Company has set a minimum offering amount of 5,000 Units with minimum gross proceeds of $5,000,000 for this Offering. All proceeds from the sale of Units up to $5,000,000 will be deposited in a non-interest bearing investment escrow account managed by Western Continental Bank. Upon the sale of $5,000,000 of Units, all proceeds will be delivered directly to the Company's corporate operating account and be available for use by the Company at its discretion.

Subscriptions for Units are subject to rejection by the Company at any time.

HOW TO SUBSCRIBE FOR UNITS

A purchaser of Units must complete, date, execute, and deliver to the Company the following documents, as applicable:

- An Investor Suitability Questionnaire;

- An original signed copy of the appropriate Subscription Agreement including verification of the investor's accredited status;

- A Redwood Real Estate Fund, LLC Operating Agreement; and

- A check payable to "Redwood Real Estate Fund, LLC" in the amount of $1,000 per Unit for each Unit purchased as called for in the Subscription Agreement (minimum purchase of twenty five (25) Units for $25,000).

Subscribers may not withdraw subscriptions that are tendered to the Company.

ADDITIONAL INFORMATION

Each prospective investor may ask questions and receive answers concerning the terms and conditions of this offering and obtain any additional information which the Company possesses, or can acquire without unreasonable effort or expense, to verify the accuracy of the information provided in this Memorandum. The principal executive offices of the Company are located at 316 Briar Court, Suite 303, San Francisco, CA 94133 and the telephone number is (415) 226-1176.

ERISA CONSIDERATIONS

GENERAL

When deciding whether to invest a portion of the assets of a qualified profit-sharing, pension or other retirement trust in the Company, a fiduciary should consider whether: (i) the investment is in accordance with the documents governing the particular plan; (ii) the investment satisfies the diversification requirements of Section 404(a)(1)(c) of Employee Retirement Income Security Act of 1974, as amended ("ERISA"); and (iii) the investment is prudent and in the exclusive interest of participants and beneficiaries of the plan.

PLAN ASSETS

Under ERISA, whether the assets of the Company are considered "plan assets" is also critical. ERISA generally requires that "plan assets" be held in trust and that the trustee or a duly authorized Manager have exclusive authority and discretion to manage and control the assets. ERISA also imposes certain duties on persons who are "fiduciaries" of employee benefit plans and prohibits certain transactions between such plans and parties in interest (including fiduciaries) with respect to the assets of such plans. Under ERISA and the Code, "fiduciaries" with respect to a plan include persons who: (i) have any power of control, management or disposition over the funds or other property of the plan; (ii) actually provide investment advice for a fee; or (iii) have discretion with regard to plan administration. If the underlying assets of the Company are considered to be "plan assets," then the Manager(s) of the Company could be considered a fiduciary with respect to an investing employee benefit plan, and various transactions between Management or any affiliate and the Company, such as the payment of fees to Managers, might result in prohibited transactions. A regulation adopted by the Department of Labor generally defines plan assets as not to include the underlying assets of the issuer of the securities held by a plan. However, where a plan acquires an equity interest in an entity that is neither a publicly offered security nor a security issued by certain registered investment companies, the plan's assets include both the equity interest and an undivided interest in each of the underlying assets of the entity unless: (i) the entity is an operating company or; (ii) equity participation in the entity by benefit plan investors (as defined in the regulations) is not significant (i.e., less than twenty-five percent (25%) of any class of equity interests in the entity is held by benefit plan investors).

Benefit plan investors are not expected to acquire twenty-five percent (25%) or more of the Units offered by the Company. Management of the Company intends to preclude significant investment in the Company by such plans. Employee benefit plans (including IRAs), however, are urged to consult with their legal advisors before subscribing for the purchase of Units to ensure the investment is acceptable under ERISA regulations.

SECTION 3: Exhibits

EXHIBIT A

SUPPORTING DOCUMENTATION & DATA

Redwood Real Estate Fund, LLC

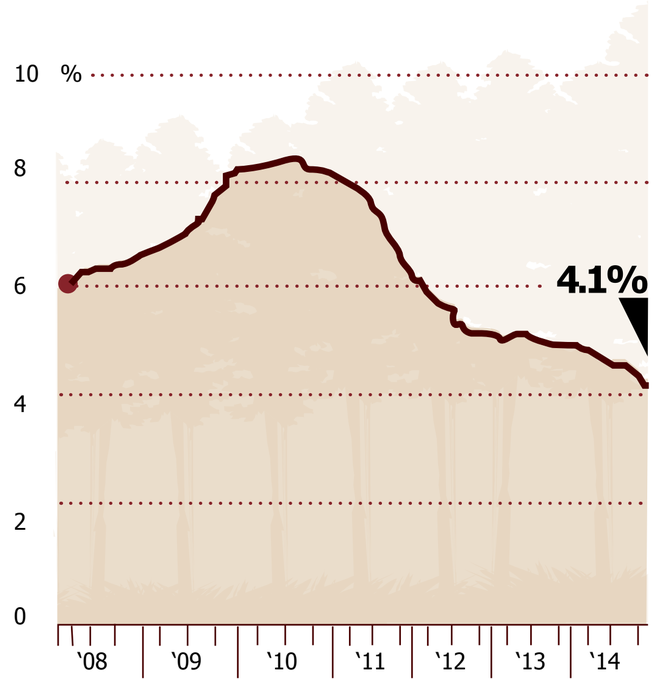
316 Briar Court, San Francisco, CA 94133

Target Market Data

San Diego Real Estate

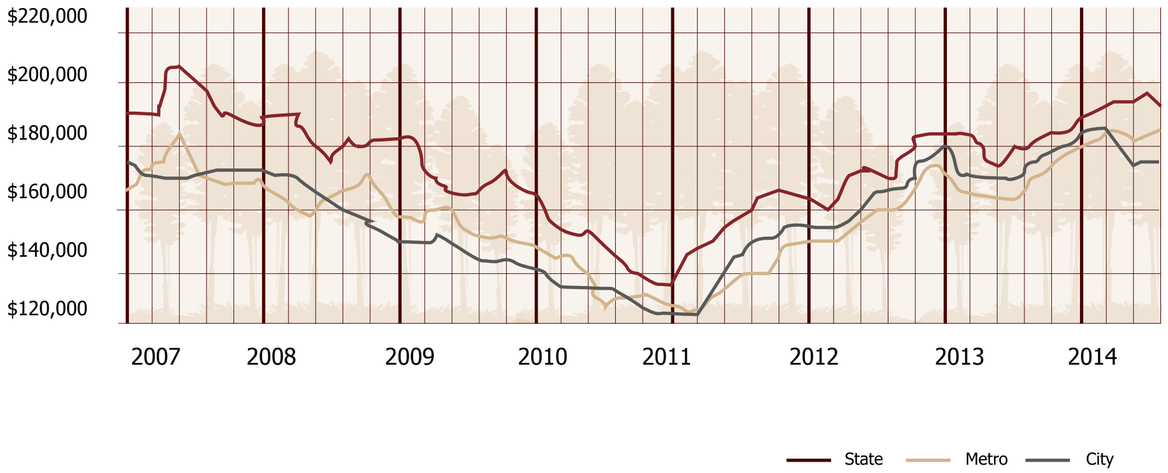
Rent Trends

Vacancy Rate - San Diego



Listing Price - Multi-family Real Estate

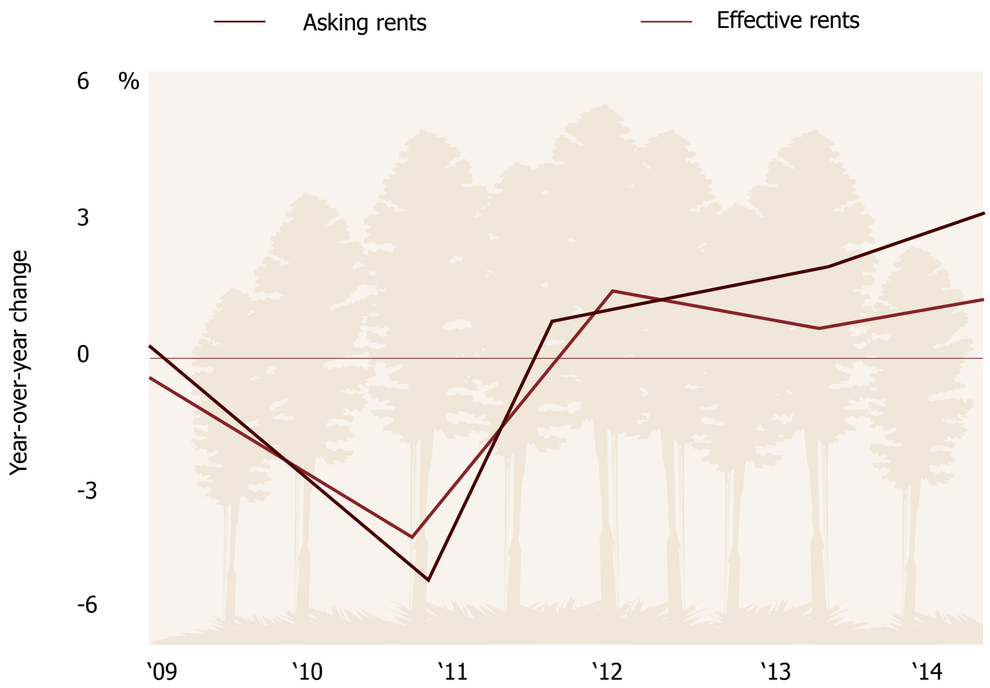
San Diego, California



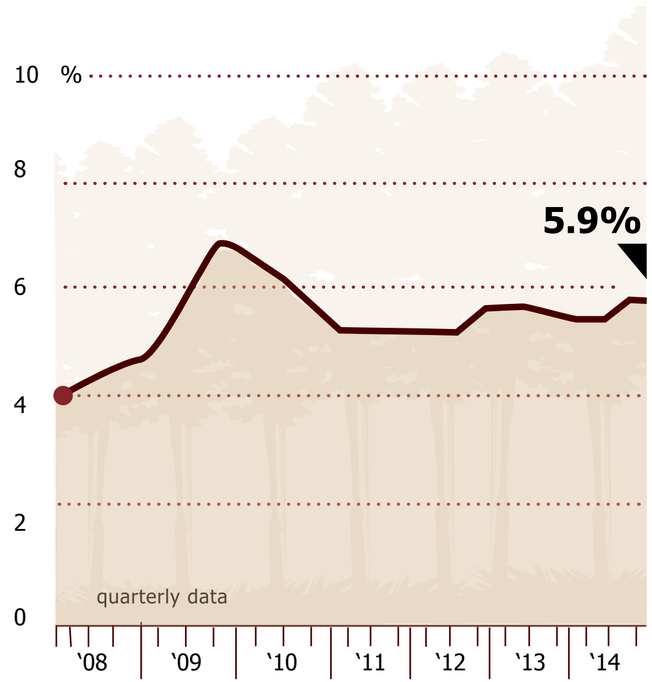
Target Market Data

San Francisco Real Estate

Rent Trends

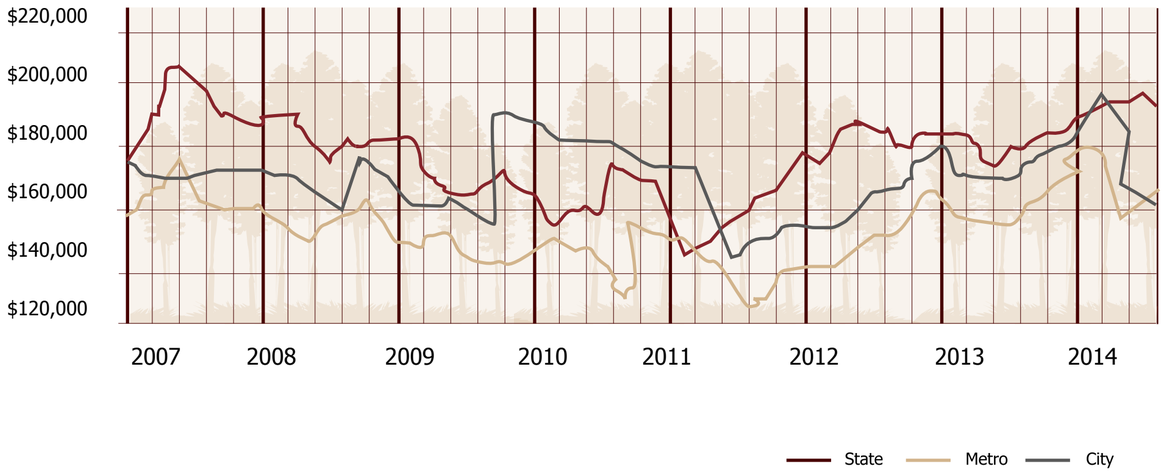


Vacancy Rate - San Francisco



Listing Price - Multi-family Real Estate

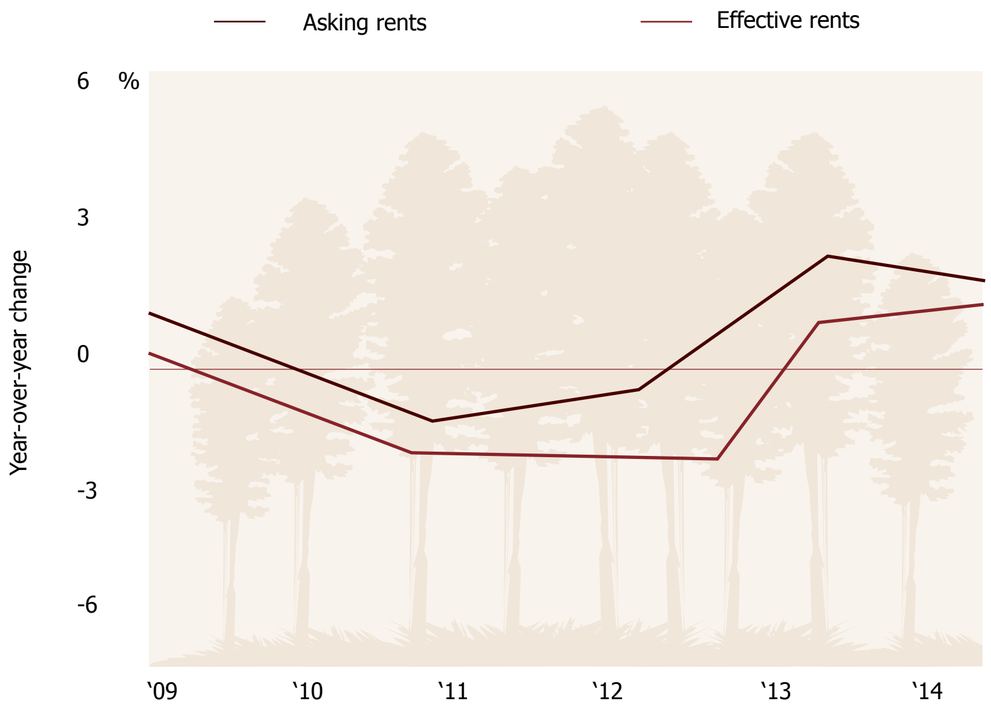
San Francisco, California



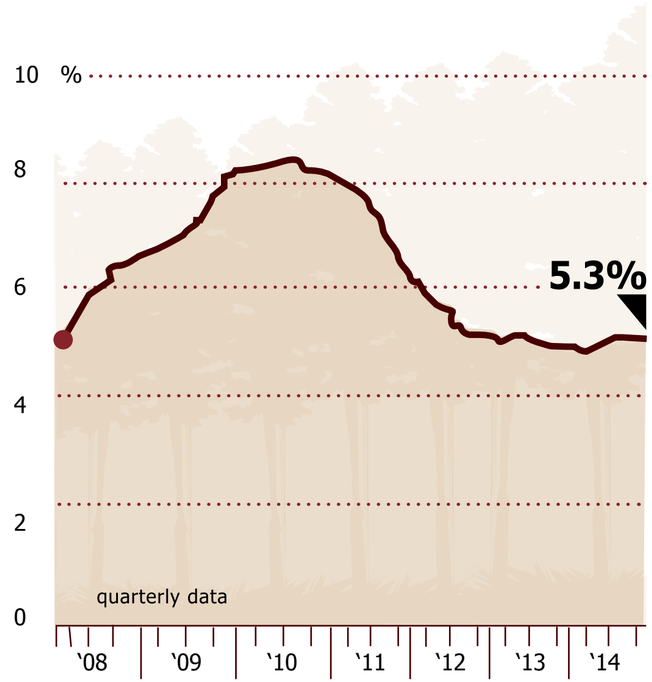
Target Market Data

Seattle Real Estate

Rent Trends - Seattle



Vacancy Rate - Seattle



Listing Price - Multi-family Real Estate

Seattle, Washington

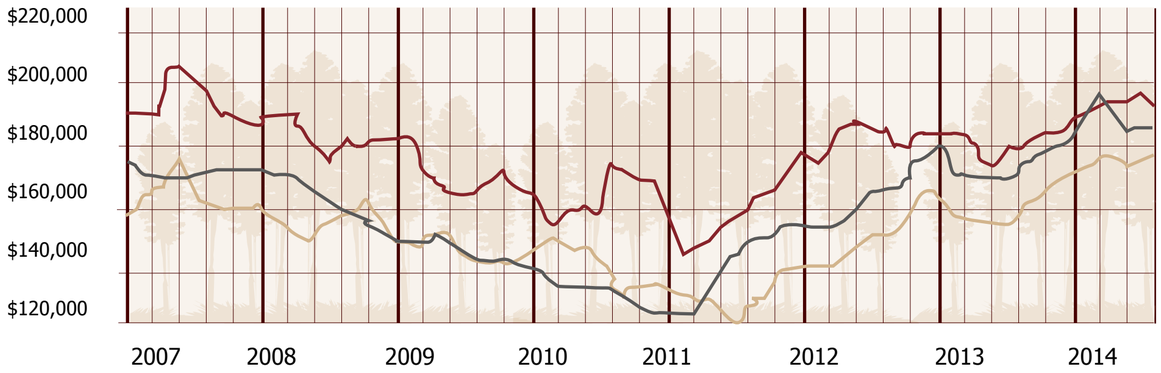


EXHIBIT B

OPERATING AGREEMENT

Redwood Real Estate Fund, LLC

316 Briar Court, San Francisco, CA 94133

OPERATING AGREEMENT

FOR

REDWOOD REAL ESTATE FUND, LLC

A CALIFORNIA LIMITED LIABILITY COMPANY

ORGANIZED ON AUGUST 16, 2014

THE SECURITIES REPRESENTED BY THIS AGREEMENT HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933 NOR REGISTERED NOR QUALIFIED UNDER ANY STATE SECURITIES LAWS. SUCH SECURITIES MAY NOT BE OFFERED FOR SALE, SOLD, DELIVERED AFTER SALE, TRANSFERRED, PLEDGED, OR HYPOTHECATED UNLESS QUALIFIED AND REGISTERED UNDER APPLICABLE STATE AND FEDERAL SECURITIES LAWS OR UNLESS, IN THE OPINION OF COUNSEL SATISFACTORY TO THE COMPANY, SUCH QUALIFICATION AND REGISTRATION IS NOT REQUIRED. ANY TRANSFER OF THE SECURITIES REPRESENTED BY THIS AGREEMENT IS FURTHER SUBJECT TO OTHER RESTRICTIONS, TERMS AND CONDITIONS WHICH ARE SET FORTH HEREIN.

This Operating Agreement, is made as of August 16, 2014, by and among the parties listed on the signature pages hereof, with reference to the following facts:

A. On August 16, 2014, Articles of Organization for Redwood Real Estate Fund, LLC (the "Company"), a limited liability company organized under the laws of the State of California, were filed with the California Secretary of State.

B. The parties desire to adopt and approve an operating agreement for the Company.

NOW, THEREFORE, the parties by this Agreement set forth the operating agreement for the Company under the laws of the State of California upon the terms and subject to the conditions of this Agreement.

ARTICLE 1

DEFINITIONS

When used in this Agreement, the following terms shall have the meanings set forth below (all terms used in this Agreement that are not defined in this Article 1 shall have the meanings set forth elsewhere in this Agreement):

1.1 "Act" shall mean the Beverly-Killea Limited Liability Company Act, codified in the California Corporations Code, Section 17000 et seq., as the same may be amended from time to time.

1.2 "Affiliate" of a Member or Manager shall mean any person, directly or indirectly, through one or more intermediaries, controlling, controlled by, or under common control with a Member or Manager, as applicable. The term "control," as used in the immediately preceding sentence, shall mean with respect to a corporation or limited liability company the right to exercise, directly or indirectly, more than fifty percent (50%) of the voting rights attributable to the controlled corporation or limited liability company, and, with respect to any individual, partnership, trust, other entity or association, the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of the controlled entity.

1.3 "Agreement" shall mean this Operating Agreement, as originally executed and as amended from time to time.

1.4 "Articles" shall mean the Articles of Organization for the Company originally filed with the California Secretary of State and as amended from time to time.

1.5 "Assignee" shall mean the owner of an Economic Interest who has not been admitted as a substitute Member in accordance with Article 7.

1.6 "Bankruptcy" shall mean: (a) the filing of an application by a Member for, or his or her consent to, the appointment of a trustee, receiver, or custodian of his or her other assets; (b) the entry of an order for relief with respect to a Member in proceedings under the United States Bankruptcy Code, as amended or superseded from time to time; (c) the making by a Member of a general assignment for the benefit of creditors; (d) the entry of an order, judgment, or decree by any court of competent jurisdiction appointing a trustee, receiver, or custodian of the assets of a Member unless the proceedings and the person appointed are dismissed within ninety (90) days; or (c) the failure by a Member generally to pay his or her debts as the debts become due within the meaning of Section 303(h)(1) of the United States Bankruptcy Code, as determined by the Bankruptcy Court, or the admission in writing of his or her inability to pay his or her debts as they become due.

1.7 "Capital Account" shall mean with respect to any Member the capital account which the Company establishes and maintains for such Member pursuant to Section 3.3.

1.8 "Capital Contribution" shall mean the total amount of cash and fair market value of property contributed [and/or services rendered or to be rendered] to the Company by Members.

1.9 "Code" shall mean the Internal Revenue Code of 1986, as amended from time to time, the provisions of succeeding law, and to the extent applicable, the Regulations.

1.10 "Company" shall mean Redwood Real Estate Fund, LLC, a California limited liability company.

1.11 "Company Minimum Gain" shall have the meaning ascribed to the term "Partnership Minimum Gain" in the Regulations Section 1.704-2(d).

1.12 "Corporations Code" shall mean the California Corporations Code, as amended from time to time, and the provisions of succeeding law.

1.13 "Dissolution Event" shall mean with respect to any Member one or more of the following: the death, insanity, withdrawal, resignation, retirement, expulsion, Bankruptcy, or dissolution of any Member.

1.14 "Distributable Cash" shall mean the amount of cash which the Managers deem available for distribution to the Members, taking into account all debts, liabilities, and obligations of the Company then due, and working capital and other amounts which the Managers deem necessary for the Company's business or to place into reserves for customary and usual claims with respect to such

business.

1.15 "Economic Interest" shall mean the right to receive distributions of the Company's assets and allocations of income, gain, loss, deduction, credit and similar items from the Company pursuant to this Agreement and the Act, but shall not include any other rights of a Member, including, without limitation, the right to vote or participate in the management of the Company, or except as provided in Section 17106 of the Corporations Code, any right to information concerning the business and affairs of the Company.

1.16 "Fiscal Year" shall mean the Company's fiscal year, which shall be the calendar year.

1.17 "Former Member" shall have the meaning ascribed to it in Section 8.1.

1.18 "Former Member's Interest" shall have the meaning ascribed to it in Section 8.1.

1.19 "Majority Interest" shall mean those Members who hold a majority of the Percentage Interests which all Members hold.

1.20 "Fund Manager" shall mean Redwood Management Company, LLC or any other entity that may succeed it as a manager of the Company.

1.21 "Member" shall mean each Person who (a) is an initial signatory to this Agreement, has been admitted to the Company as a Member in accordance with the Articles or this Agreement or is an Assignee who has become a Member in accordance with Article 7, and (b) has not become the subject of a Dissolution Event or ceased to be a Member in accordance with Article 8 or for any other reason.

1.22 "Member Nonrecourse Debt" shall have the meaning ascribed to the term "Partner Nonrecourse Debt" in Regulations Section 1.704-2(b)(4).

1.23 "Member Nonrecourse Deductions" shall mean items of Company loss, deduction, or Code Section 705(a)(2)(B) expenditures which are attributable to Member Nonrecourse Debt.

1.24 "Membership Interest" or **"Membership Unit"** shall mean a Member's entire interest in the Company including the Member's Economic Interest, the right to vote on or participate in the management, and the right to receive information concerning the business and affairs, of the Company.

1.25 "Net Profits" and "Net Losses" shall mean the income, gain, loss and deductions of the Company in the aggregate or separately stated, as appropriate, determined in accordance with the method of accounting at the close of each Fiscal Year on the Company's information tax return filed for federal income tax purposes.

1.26 "Nonrecourse Liability" shall have the meaning set forth in Regulations Section 1.752-1(a)(2).

1.27 "Percentage Interest" shall mean the percentage of a Member set forth opposite the name of such Member under the column "Member's Percentage Interest" in Exhibit A hereto, as such percentage may be adjusted from time to time pursuant to the terms of this Agreement. [Percentage Interests shall be determined annually, unless otherwise provided herein, in accordance with the relative proportions of the aggregate Capital Contributions of the Members.]

1.28 "Person" shall mean an individual, partnership, limited partnership, limited liability company, corporation, trust, estate, association or any other entity.

1.29 "Regulations" shall, unless the context clearly indicates otherwise, mean the regulations in force as final or temporary that have been issued by the U.S. Department of Treasury pursuant to its authority under the Code, and any successor regulations.

1.30 "Remaining Members" shall have the meaning ascribed to it in Section 8.1.

1.31 "Tax Matters Partner" (as defined in Code Section 6231) shall be Jordan Smith or his successor as designated pursuant to Section 9.8.

ARTICLE 2

ORGANIZATIONAL MATTERS

2.1 Formation. The Members have formed a California limited liability company under the laws of the State of California by filing the Articles with the California Secretary of State and entering into this Agreement, which Agreement shall be deemed effective as of the date the Articles were so filed. The rights and liabilities of the Members shall be determined pursuant to the Act and this Agreement. To the extent that the rights or obligations of any Member are different by reason of any provision of this Agreement than they would be in the absence of such provision, this Agreement shall, to the extent permitted by the Act, control.

2.2 Name. The name of the Company shall be "Redwood Real Estate Fund, LLC." The business of the Company may be conducted under the name or, upon compliance with applicable laws, any other name that the Managers deem appropriate or advisable. The Managers shall file any fictitious name certificates and similar filings, and any amendments thereto, that the Managers consider

appropriate or advisable.

2.3 Term. The term of this Agreement commenced on the filing of the Articles and shall continue unless extended or sooner terminated as hereinafter provided.

2.4 Office Agent. The Company shall continuously maintain an office and registered agent in the State of California. The principal office of the Company shall be 316 Briar Court, Suite 303, San Francisco, CA 94133. The Company may also have such offices, anywhere within the State of California, as the Managers may determine from time to time, or the business of the Company may require. The registered agent shall be as stated in the Articles or as otherwise determined by the Managers.

2.5 Addresses of the Members and the Managers. The respective addresses of the Members and the Managers are set forth in Exhibit A. A Member may change his or her address upon notice thereof to the Managers.

2.6 Purpose and Business of the Company. The purpose of the Company is to engage in any lawful activity for which a limited liability company may be organized under the Act. Notwithstanding the foregoing, without the consent of all of the Members, the Company shall not engage in any business other than the following:

A. The business of acquiring, managing, and selling real estate assets or any other business as deemed fit by the Manager; and

B. Such other activities directly related to and in furtherance of the foregoing business as may be necessary, advisable, or appropriate, in the reasonable opinion of the Managers.

ARTICLE 3

CAPITAL CONTRIBUTIONS

3.1 Initial Capital Contributions. Each member shall contribute such amount as is set forth on Exhibit A as his or her initial Capital Contribution, which Exhibit A shall be revised to reflect any additional contributions made in accordance with Section 3.2.

3.1 Initial Capital Contributions.

A. Members. Upon the formation of the Company, Redwood Management Company, LLC shall contribute cash in the amount of Two Thousand Dollars ($2,000).

3.2 Additional Capital Contributions.

The Members shall contribute additional capital to the Company in such amounts and at such times as the Members shall determine the additional capital is required. The Members shall contribute such additional capital in proportion to their respective Percentage Interests. Upon such determination, the Managers shall give written notice to each Member. Each Member shall have fourteen (14) days from the date such notice is given to contribute his share of the additional capital to the Company. Each Member shall receive a credit to his Capital Account in the amount of any additional capital which is contributed to the company.

3.3 Capital Accounts. The Company shall establish and maintain an individual Capital Account for each Member in accordance with Regulations Section 1.704-1(b)(2)(iv). If a Member transfers all or part of his or her Membership Interest in accordance with this Agreement, such Member's Capital Account attributable to the transferred Membership Interest shall carry over to the new owner of such Membership Interest pursuant to Regulations Section 1.704-1(b)(2)(iv)(1).

3.4 No Interest. No Member shall be entitled to receive any interest on his or her Capital Contributions.

3.5 Failure to Make Contributions.

A. If a Member does not timely contribute capital when required, that Member shall be in default under this Agreement. In such event, the Managers shall send the defaulting Member written notice of such default, giving him or her fourteen (14) days from the date such notice is given to contribute the entire amount of his required capital contribution (if the defaulting Member did not make the required contribution of property or services, the Company may instead require the defaulting Member to contribute cash equal to that portion of the fair market value of the contribution that has not been made). If the defaulting Member does not contribute his or her required capital to the Company within said fourteen (14)-day period, [all/a majority] of the Managers or those non-defaulting Members who bold a majority of the Percentage Interest held by all non-defaulting Members may elect any one or more of the following remedies:

B. The non-defaulting Members may advance funds to the Company to cover the amounts which the defaulting Member fails to contribute. Amounts which a non-defaulting Member advances on behalf of the defaulting Member shall become a loan due and owing from the defaulting Member to such non-defaulting Member and bear interest at the rate of ten percent (10%) per annum, payable monthly. All cash contributions otherwise distributable to the defaulting Member under this Agreement shall instead be paid to the non-defaulting Members making such advances until such advances and interest thereon are paid in full. In any event, any such advances shall be evidenced by a promissory note in a form reasonably acceptable to the Managers,

and be due and payable by the defaulting Member one (1) year from the date that such advance was made. Any amounts repaid shall first be applied to interest and thereafter to principal. Effective upon a Member becoming a defaulting Member, each Member grants to the non-defaulting Members who advance funds under this Section 3.5A a security interest in his or her Economic Interest to secure his or her obligation to repay such advances and agrees to execute and deliver a promissory note as described herein together with a security agreement in a form reasonably acceptable to the Managers and such UCC-1 financing statements and assignments of certificates of membership (or other documents of transfer) as such non-defaulting Members may reasonably request.

C. The Percentage Interests shall be adjusted, in which event each Member's Percentage Interest shall be a fraction, the numerator of which represents the aggregate amount of such Member's Capital Contributions and the denominator of which represents the sum of all Members' Capital Contributions.

D. The non-defaulting Members who hold a majority of the Percentage Interests held by all non-defaulting Members may dissolve the Company, in which event the Company shall be wound-up, liquidated and terminated pursuant to Article 10.

E. The Company or the non-defaulting Members may purchase the defaulting Member's entire Membership Interest in accordance with the same terms and conditions as those set forth in Article 8 except that the purchase price shall be an amount equal to eighty percent (80%) of the purchase price determined in accordance with Section 8.3.

F. The defaulting Members shall have no right to receive any distributions from the Company until the non-defaulting Members have first received distributions in an amount equal to the additional capital contributed by each non-defaulting Member to the Company plus a cumulative, noncompounded return thereon at the rate of ten percent (10%) per annum.

G. The defaulting Member shall lose his or her voting and approval rights under the Act, the Articles and this Agreement until such time as the defaulting Member cures the default.

H. The defaulting Member shall lose his ability (whether as a Member or a Manager) to participate in the management and operations of the Company until such time as the defaulting Member cures the default.

Each Member acknowledges and agrees that (i) a default by any Member in making a required capital contribution will result in the Company and the non-defaulting Members incurring certain costs and other damages in an amount that would be extremely difficult or impractical to ascertain and (ii) the remedies described in this Section 3.5 bear a reasonable relationship to the damages which the Members estimate may be suffered by the Company and the non-defaulting Members by reason of the failure of a defaulting Member to make any required Capital Contribution and the election of any or all of the above described remedies is not unreasonable under the circumstances existing as of the date hereof.

The election of the Managers or non-defaulting Members, as applicable, to pursue any remedy provided in this Section 3.5 shall not be a waiver or limitation of the right to pursue an additional or different remedy available hereunder or of law or equity with respect to any subsequent default.

ARTICLE 4

MEMBERS

4.1 Limited Liability. Except as expressly set forth in this Agreement or required by law, no Member shall be personally liable for any debt, obligation, or liability of the Company, whether that liability or obligation arises in contract, tort, or otherwise.

4.2 Admission of Additional Members. The Managers, with the approval of all Members, may admit to the Company additional Members. Any additional Members shall obtain Membership Interests and will participate in the management, Net Profits, Net Losses, and distributions of the Company on such terms as are determined by the Managers and approved by all Members. Notwithstanding the foregoing, Assignees may only be admitted as substitute Members in accordance with Article 7.

4.3 Withdrawals or Resignations. Any Member who is under an obligation to render services to the Company may withdraw or resign as a Member at any time upon one hundred twenty (120) days prior written notice to the Company, without prejudice to the rights, if any, of the Company or the other Members under any contract to which the withdrawing Member is a party. In the event of such withdrawal, such Member's Membership Interest shall terminate pursuant to Section 4.4. No other Member may withdraw or resign from the Company.

4.4 Termination of Membership Interest. Upon (a) the transfer of a Member's Membership Interest in violation of Article 7, (b) the occurrence of a Dissolution Event as to such Member which does not result in the dissolution of the Company under Article 10, or (c) the withdrawal or resignation of a Member in accordance with Section 4.3, the Membership Interest of a Member shall be terminated by the Managers and thereafter that Member shall be an Assignee only unless such Membership Interest shall be purchased by the Company and/or remaining Members as provided in Article 8. Each Member acknowledges and agrees that such termination or purchase of a Membership Interest upon the occurrence of any of the foregoing events is not unreasonable under the circumstances existing as of the date hereof.

4.5 Competing Activities. The Members and their officers, directors, shareholders, partners, members, managers, agents, employees and Affiliates may engage or invest in, independently or with others, any business activity of any type or description,

including without limitation those that might be the same a or similar to the Company's business and that might be in direct or indirect competition with the Company. Neither the Company nor any Member shall have any right in or to such other ventures or activities or to the income or proceeds derived therefrom. The Members shall not be obligated to present any investment opportunity or prospective economic advantage to the Company, even if the opportunity is of the character that, if presented to the Company, could be taken by the Company. The Members shall have the right to hold any investment opportunity or prospective economic advantage for their own account or to recommend such opportunity to Persons other than the Company. Each Member acknowledges that the other Members and their Affiliates own and/or manage other businesses, including businesses that may compete with the Company and for the Members' time. Each Member hereby waives any and all rights and claims which they may otherwise have against the other Members and their officers, directors, shareholders, partners, members, managers, agents, employees, and Affiliates as a result of any of such activities.

4.6 Transactions With The Company. Subject to any limitations set forth in this Agreement and with the prior approval of the Managers, a Member may lend money to and transact other business with the Company. Subject to other applicable law, such Member has the same rights and obligations with respect thereto as a Person who is not a Member.

4.7 Remuneration to Members. Except as otherwise specifically provided in this Agreement, no Member is entitled to remuneration for acting in the Company business.

4.8 Members Are Not Agents. Pursuant to Section 5.1 and the Articles, the management of the Company is vested in the Managers. The Members shall have no power to participate in the management of the Company except as expressly authorized by this Agreement or the Articles and except as expressly required by the Act. No Member, acting solely in the capacity of a Member, is an agent of the Company nor does any Member, unless expressly and duly authorized in writing to do so by a Manager or Managers, have any power or authority to bind or act on behalf of the Company in any way, to pledge its credit, to execute any instrument on its behalf or to render it liable for any purpose.

4.9 Voting Rights. Except as expressly provided in this Agreement or the Articles, Members shall have no voting, approval or consent rights. Members shall have the right to approve or disapprove matters as specifically stated in this Agreement, including the following:

A. Unanimous Approval. The following matters shall require the unanimous vote, approval or consent of all Members who are not the subject of a Dissolution Event or an assignor of a Membership Interest:

(i) A decision made pursuant to Section 8.1 to continue the business of the Company after the occurrence of a Dissolution Event;

(ii) Except as provided in Section 7.4, the transfer of a Membership Interest and admission of the Assignee as a Member of the Company in accordance with Article 7;

(iii) Any amendment of the Articles or, in accordance with Section 13.15, this Agreement; and

(iv) A decision to compromise the obligation of a Member to make a Capital Contribution or return money or property paid or distributed in violation of the Act.

B. Approval by Members Holding a Majority Interest. Except as set forth in Section 5.3B, in all other matters in which a vote, approval or consent of the Members is required, a vote, consent or approval of a Majority Interest (or, in instances in which there are defaulting or remaining members, non-defaulting or remaining Members who hold a majority of the Percentage Interests held by all non-defaulting or remaining Members) shall be sufficient to authorize or approve such act.

C. Other Voting Rights. Besides the rights granted in Section 4.9A, Members may vote, consent or approve to the extent and on the terms provided in this Agreement in the following Sections:

(i) Section 3.2 on additional Capital Contributions;

(ii) Section 3.5 on remedies for a Member's failure to make a contribution;

(iii) Section 4.2 on admission of new Members;

(iv) Section 5.2 on election and removal of a Manager;

(v) Section 5.3B on a change in the purpose or business of the Company;

(vi) Section 5.3B on reorganization of the Company;

(vii) Section 5.3B on other limitations on the Managers' authority;

(viii) Section 5.7 on transactions with the Managers and Affiliates of the Managers;

(ix) Section 5.9A on management fees payable to Managers;

(x) Section 10.1 on dissolving the Company; and

(xi)Section 11.7 on indemnification by the Company.

D. Approval Standard. Except as otherwise specifically provided in this Agreement, all votes, approvals or consents of the Members may be given or withheld, conditioned or delayed as the Members may determine in their sole [and absolute] discretion.]

4.10 Meetings of Members.

A. Date, Time and Place of Meetings of Members; Secretary. Meetings of Members may be held at such date, time and place within or without the State of California as the Managers may fix from time to time, or if there are two or more Managers and they are unable to agree to such time and place, Members holding a Majority Interest shall determine the time and place. No annual or regular meetings of Members are required. At any Members' meeting, the Managers shall appoint a person to preside at the meeting and a person to act as secretary of the meeting. The secretary of the meeting shall prepare minutes of the meeting which shall be placed in the minute books of the Company.

B. Power to Call Meetings. Meetings of the Members may be called by any Manager, or upon written demand of Members holding more than ten percent (10%) of the Percentage Interests for the purpose of addressing any matters on which the Members may vote.

C. Notice of Meeting. Written notice of a meeting of Members shall be sent or otherwise given to each Member in accordance with Section 4.10D not less than ten (10) nor more than sixty (60) days before the date of the meeting. The notice shall specify the place, date and hour of the meeting and the general nature of the business to be transacted. No other business may be transacted at this meeting. Upon written request to a Manager by any person entitled to call a meeting of Members, the Managers shall immediately cause notice to be given to the Members entitled to vote that a meeting will be held at a time requested by the person calling the meeting, not less than ten (10) days nor more than sixty (60) days after the receipt of the request. If the notice is not given within twenty (20) days after the receipt of the request, the person entitled to call the meeting may give the notice.

D. Manner of Giving Notice; Affidavit of Notice. Notice of any meeting of Members shall be given either personally or by first-class mail or telegraphic or other written communication, charges prepaid, addressed to the Member at the address of that Member appearing on the books of the Company or given by the Member to the Company for the purpose of notice. If no such address appears on the Company's books or is given, notice shall be deemed to have been given if sent to that Member by first-class mail or telegraphic or other written communication to the Company's principal executive office, or if published at least once in a newspaper of general circulation in the county where that office is located. Notice shall be deemed to have been given at the time when delivered personally or deposited in the mail or sent by telegram or other means of written communication.

If any notice addressed to a Member at the address of that Member appearing on the books of the Company is returned to the Company by the United States Postal Service marked to indicate that the United States Postal Service is unable to deliver the notice to the Member at that address, all future notices or reports shall be deemed to have been duly given without further mailing if these shall be available to the Member on written demand of the Member at the principal executive office of the Company for a period of one year from the date of the giving of the notice.

An affidavit of the mailing or other means of giving any notice of any meeting shall be executed by the Manager or any secretary, assistant secretary, or any transfer agent of the Company giving the notice, and shall be filed and maintained in the minute book of the Company.

E. Validity of Action. Any action approved at a meeting, other than by unanimous approval of those entitled to vote, shall be valid only if the general nature of the proposal so approved was stated in the notice of meeting or in any written waiver of notice.

F. Quorum. The presence in person or by proxy of a Majority Interest shall constitute a quorum at a meeting of Members. The Members present at a duly called or held meeting at which a quorum is present may continue to do business until adjournment, notwithstanding the loss of a quorum, if any action taken after loss of a quorum (other than adjournment) is approved by at least Members bolding a Majority Interest Percentage .

G. Adjourned Meeting; Notice. Any Members' meeting, whether or not a quorum is present, may be adjourned from time to time by the vote of the majority of the Membership Interests represented at that meeting, either in person or by proxy, but in the absence of a quorum, no other business may be transacted at that meeting, except as provided in Section 4.10F. When any meeting of Members is adjourned to another time or place, notice need not be given of the adjourned meeting if the time and place are announced at a meeting at which the adjournment is taken, unless a new record date for the adjourned meeting is subsequently fixed, or unless the adjournment is for more than forty-five (45) days from the date set for the original meeting, in which case the Managers shall set a new record date. At any adjourned meeting the Company may transact any business which might have been transacted at the original meeting.

H. Waiver of Notice or Consent. The actions taken at any meeting of Members however called and noticed, and wherever held, have the same validity as if taken at a meeting duly held after regular call and notice, if a quorum is present either in

person or by proxy, and if, either before or after the meeting, each of the Members entitled to vote, who was not present in person or by proxy, signs a written waiver of notice or consents to the bolding of the meeting or approves the minutes of the meeting. All such waivers, consents or approvals shall be filed with the Company records or made a part of the minutes of the meeting.

Attendance of a person at a meeting shall constitute a waiver of notice of that meeting, except when the person objects, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened, and except that attendance at a meeting is not a waiver of any right to object to the consideration of matters not included in the notice of the meeting if that objection is Measly made at the meeting. Neither the business to be transacted nor the purpose of any meeting of Members need be specified in any written waiver of notice except as provided in Section 4.10E.

I. Action by Written Consent without a Meeting. Any action that may be taken at a meeting of Members may be taken without a meeting, if a consent in writing setting forth the action so taken, is signed and delivered to the Company within sixty (60) days of the record date for that action by Members having not less than the minimum number of votes that would be necessary to authorize or take that action at a meeting at which all Members entitled to vote on that action at a meeting were present and voted. All such consent shall be filed with the Managers or the secretary, if any, of the Company and shall be maintained in the Company records. Any Member giving a written consent, or the Member's proxy holders, may revoke the consent by a writing received by the Managers or secretary, if any, of the Company before written consent of the number of votes required to authorize the proposed action have been filed.

Unless the consent of all Members entitled to vote have been solicited in writing, (i) notice of any Member approval of an amendment to the Articles or this Agreement, a dissolution of the Company, or a merger of the Company, without a meeting by less than unanimous written consent, shall be given at least ten (10) days before the consummation of the action authorized by such approval, and (ii) prompt notice shall be given of the taking of any other action approved by Members without a meeting by less than unanimous written consent, to those Members entitled to vote who have not consented in writing.

J. Telephonic Participation by Member at Meetings. Members may participate in any Members' meeting through the use of any means of conference telephones or similar communications equipment as long as all Members participating can bear one another. A Member so participating is deemed to be present in person at the meeting.

K. Record Date. In order that the Company may determine the Members of record entitled to notices of any meeting or to vote, or entitled to receive any distribution or to exercise any rights in respect of any distribution or to exercise any rights in respect of any other lawful action, a Manager, or Members representing more than ten percent (10%) of the Percentage Interests may fix, in advance, a record date, that is not more than sixty (60) days nor less than ten (10) days prior to the date of the meeting and not more than sixty (60) days prior to any other action. If no record date is fixed, the record date shall be as set forth in Section 17104(k).

(i) The record date for determining Members entitled to notice of or to vote at a meeting of Members shall be at the close of business on the business day next preceding the day on which notice is given or, if notice is waived, at the close of business on the business day next preceding the day on which the meeting is held.

(ii) The record date for determining Members entitled to give consent to Company action in writing without a meeting shall be the day on which the first written consent is given.

(iii) The record date for determining Members for any other purpose shall be at the close of business on the day on which the Managers adopt the resolution relating thereto, or the 60th day prior to the date of the other action, whichever is later.

(iv) The determination of members of record entitled to notice of or to vote at a meeting of Members shall apply to any adjournment of the meeting unless a Manager or the Members who called the meeting fix a new record date for the adjourned meeting, but the Manager or the Members who called the meeting shall fix a new record date if the meeting is adjourned for more than 45 days from the date set for the original meeting.

L. Proxies. Every Member entitled to vote for Managers or on any other matter shall have the right to do so either in person or by one or more agents authorized by a written proxy signed by the person and filed with the Managers or secretary, if any, of the Company. A proxy shall be deemed signed if the Member's name is placed on the proxy (whether by manual signature, typewriting, telegraphic transmission, electronic transmission or otherwise) by the Member or the Member's attorney in fact. A proxy may be transmitted by an oral telephonic transmission if it is submitted with information from which it may be determined that the proxy was authorized by the Member or the Member's attorney in fact. A validly executed proxy which does not state that it is irrevocable shall continue in full force and effect unless (i) revoked by the person executing it, before the vote pursuant to that proxy, by a writing delivered to the Company stating that the proxy is revoked, or by a subsequent proxy executed by, or attendance at the meeting and voting in person by, the person executing the proxy; or (ii) written notice of the death or incapacity of the maker of that proxy is received by the Company before the vote pursuant to that proxy is counted; provided, however, that no proxy shall be valid after the expiration of eleven (11) months from the date of the proxy, unless otherwise provided in the proxy. The revocability of a proxy that states on its face that it is irrevocable shall be governed by the provisions of Corporations Code Sections 705(e) and 705(f).

4.11 Certificate of Membership Interest.

A. Certificate. A Membership Interest may be represented by a certificate of membership. The exact contents of a certificate of membership may be determined by action of the Managers but shall be issued substantially in conformity with the following requirements. The certificates of membership shall be respectively numbered serially, as they are issued, shall be impressed with the Company seal or a facsimile thereof, if any, and shall be signed by the Managers or officers of the Company. Each certificate of membership shall state the name of the Company, the fact that the Company is organized under the laws of the State of California as a limited liability company, the name of the person to whom the certificate is issued, the date of issue, and the Percentage Interest represented thereby. A statement of the designations, preferences, qualifications, limitations, restrictions, and special or relative rights of the Membership Interest, if any, shall be set forth in full or summarized on the face or back of the certificates which the Company shall issue, or in lieu thereof, the certificate may set forth that such a statement or summary will be furnished to any holder of a Membership Interest upon request without charge. Each certificate of membership shall be otherwise in such form as may be determined by the Managers.

B. Cancellation of Certificate. Except as herein provided with respect to lost, stolen, or destroyed certificates, no new certificates of membership shall be issued in lieu of previously issued certificates of membership until former certificates for a like number of Membership Interests shall have been surrendered and cancelled. All certificates of membership surrendered to the Company for transfer shall be cancelled.

C. Replacement of Lost, Stolen, or Destroyed Certificate. Any Member claiming that his or her certificate of membership is lost, stolen, or destroyed may make an affidavit or affirmation of that fact and request a new certificate. Upon the giving of a satisfactory indemnity to the Company as reasonably required by the Managers, a new certificate may be issued of the same tenor and representing the same Percentage Interest of membership as was represented by the certificate alleged to be lost, stolen, or destroyed.
destroyed.

ARTICLE 5

MANAGEMENT AND CONTROL OF THE COMPANY

5.1 Management of the Company by Manager Member.

A. Exclusive Management by Manager Member. Subject to the provisions of this Agreement relating to actions required to be approved by the Members, the business, property and affairs of the Company shall be managed and all powers of the Company shall be exercised by or under the direction of the Manager Member and Fund Manager.

B. Agency Authority of Managers. Subject to Section 5.3B:

The Manager is authorized to endorse checks, drafts, and other evidence of indebtedness made payable to the order of the Company, but only for the purpose of deposit into the Company's accounts, and may sign all checks, drafts, and other instruments obligating the Company to pay money, and may sign contracts and obligations on behalf of the Company.

C. Meetings of Managers. Meetings of the Managers may be called by any Manager. All meetings shall be held upon four (4) days notice by mail or forty-eight (48) hours notice delivered personally or by telephone, telegraph or facsimile. A notice need not specify the purpose of any meeting. Notice of a meeting need not be given to any Manager who signs a waiver of notice or a consent to holding the meeting (which waiver or consent need not specify the purpose of the meeting) or an approval of the minutes thereof, whether before or after the meeting, or who attends the meeting without protesting, prior to its commencement, the lack of notice to such Manager. All such waivers, consents and approvals shall be filed with the Company records or made a part of the minutes of the meeting. A majority of the Managers present, whether or not a quorum is present, may adjourn any meeting to another time and place. If the meeting is adjourned for more than twenty-four (24) hours, notice of any adjournment shall be given prior to the time of the adjourned meeting to the Managers who are not present at the time of the adjournment. Meetings of the Managers may be held at any place within or without the State of California which has been designated in the notice of the meeting or at such place as may be approved by the Managers. Managers may participate in a meeting through use of conference telephone or similar communications equipment, so long as all Managers participating in such meeting can hear one another. Participation in a meeting in such manner constitutes a presence in person at such meeting. A majority of the authorized number of Managers constitutes a quorum of the Managers for the transaction of business. Except to the extent that this Agreement expressly requires the approval of all Managers, every act or decision done or made by a majority of the Managers present at a meeting duly held at which a quorum is present is the act of the Managers. A meeting at which a quorum is initially present may continue to transact business notwithstanding the withdrawal of Managers, if any action taken is approved by at least a majority of the required quorum for such meeting.

Any action required or permitted to be taken by the Managers may be taken by the Managers without a meeting, if a majority of the Managers individually or collectively consent in writing to such action, unless the action requires the unanimous vote of the Managers, in which case all Managers must consent in writing. Such action by written consent shall have the same force and effect as a majority vote or unanimous vote, as applicable, of such Managers.

The provisions of this Section 5.1C govern meetings of the Managers if the Managers elect, in their discretion, to hold meetings. However, nothing in this Section 5.1C or in this Agreement is intended to require that meetings of Managers be held, it being the intent of the Members that meetings of Managers are not required.

5.2 Election of Managers.

A. Number, Term, and Qualifications. The Company shall initially have one (1) Manager. The number of Managers of the Company shall be fixed from time to time by the affirmative vote or written consent of a Majority Interest, provided that in no instance shall there be less than one Manager and provided further that if the number of Managers is reduced from more than one to one, the Articles shall be amended to so state, and if the number of Managers is increased to more than one, the Articles shall be amended to delete the statement that the Company has only one Manager. Unless he or she resigns or is removed, each Manager shall hold office until a successor shall have been elected and qualified. Managers shall be elected by the affirmative vote or written consent of Members holding a Majority Interest. A Manager need not be a Member, an individual, a resident of the State of California, or a citizen of the United States.

B. Resignation. Any Manager may resign at any time by giving written notice to the Members and remaining Managers without prejudice to the rights, if any, of the Company under any contract to which the Manager is a party. The resignation of any Manager shall take effect upon receipt of that notice or at such later time as shall be specified in the notice. Unless otherwise specified in the notice, the acceptance of the resignation shall not be necessary to make it effective. The resignation of a Manager who is also a Member shall not affect the Manager's rights as a Member and shall not constitute a withdrawal of a Member.

C. Removal. Any Manager may be removed at any time, with or without cause, by the affirmative vote of a Majority Interest at a meeting called expressly for that purpose, or by the written consent of a Majority Interest. Any removal shall be without prejudice to the rights, if any, of the Manager under any employment contract and, if the Manager is also a Member, shall not affect the Manager's rights as a Member or constitute a withdrawal of a Member. For purpose of this Section, "cause" shall mean fraud, gross negligence, willful misconduct, embezzlement or a breach of such Manager's obligations under this Agreement or any employment contract with the Company.

A Manager also may be removed by the affirmative vote or written consent of a majority of the remaining Managers if such Manager becomes incapable of fulfilling his or her obligations under this Agreement because of injury or physical or mental illness and such incapacity shall exist for thirty (30) working days in the aggregate during any consecutive six (6) month period.

D. Vacancies. Any vacancy occurring for any reason in the number of Managers may be filled by the affirmative vote or written consent of a Majority Interest or by a majority of the remaining Managers.

5.3 Powers of Managers.

A. Powers of Managers. Without limiting the generality of Section 5.1, but subject to Section 5.3B and to the express limitations set forth elsewhere in this Agreement, the Managers shall have all necessary powers to manage and carry out the purposes, business, property, and affairs of the Company, including, without limitation, the power to exercise on behalf and in the name of the Company all of the powers described in Corporations Code Section 17003, including, without limitation, the power to:

(i) Acquire, purchase, renovate, improve, alter, rebuild, demolish, replace, and own real property and any other property or assets that the Managers determine is necessary or appropriate or in the interest of the business of the Company, and to acquire options for the purchase of any such property;

(ii) Sell, exchange, lease, or otherwise dispose of the real property and other property and assets owned by the Company, or any part thereof, or any interest therein;

(iii) Borrow money from any party, including the Managers and their Affiliates, issue evidences of indebtedness in connection therewith, refinance, increase the amount of, modify, amend, or change the terms of, or extend the time for the payment of any indebtedness or obligation of the Company, and secure such indebtedness by mortgage, deed of trust, pledge, security interest, or other lien on Company assets;

(iv) Guarantee the payment of money or the performance of any contract or obligation of any Person;

(v) Sue on, defend, or compromise any and all claims or liabilities in favor of or against the Company; submit any or all such claims or liabilities to arbitration; and confess a judgment against the Company in connection with any litigation in which the Company is involved; and

(vi) Retain legal counsel, auditors, and other professionals in connection with the Company business and to pay therefore such remuneration as the Managers may determine.

B. Limitations on Power of Managers. Notwithstanding any other provisions of this Agreement, no debt or liability of more than $500,000 may be contracted on behalf of the Company except by the written consent of all Managers. Additionally, the Managers shall not have authority hereunder to cause the Company to engage in the following transactions without first obtaining the affirmative vote or written consent of a Majority Interest (or such greater Percentage Interests set forth below) of the Members:

(i) The sale, exchange or other disposition of all, or substantially all, of the Company's assets occurring as part of a single

transaction or plan, or in multiple transactions over a month period, except in the orderly liquidation and winding up of the business of the Company upon its duly authorized dissolution, shall require the affirmative vote or written consent of Members holding at least Fifty (50%) in Percentage Interests;

(ii) The merger of the Company with another limited liability company or limited partnership shall require the affirmative vote or written consent of Members holding at least Fifty percent (50%) in Percentage Interests; provided in no event shall a Member be required to become a general partner in a merger with a limited partnership without his express written consent or unless the agreement of merger provides each Member with the dissenter's rights described in the Act;

(iii) The merger of the Company with a corporation or a general partnership or other Person shall require the affirmative vote or written consent of all Members;

(iv) The establishment of different classes of Members;

(v) An alteration of the primary purpose or business of the Company as set forth in Section 2.6;

(vi) Transactions between the Company and one or more of the Managers or Members or one or more of any Manager's or Members Affiliates, or transactions in which one or more Managers or Members, or one or more of any Manager's or Member's Affiliates, has a material financial interest;

(vii) Without limiting subsection (iv), the lending of money by the Company to any Manager, Member, or officer;

(viii) Any act which would make it impossible to carry on the ordinary business of the Company.

(ix) The confession of a judgment against the Company;

(x) To file a bankruptcy petition on behalf of the Company; and

(xi) Any other transaction described in this Agreement as requiring the vote, consent, or approval of the Members.

5.4 Performance of Duties, Liabilities of Managers. A Manager shall not be liable to the Company or to any Member for any loss or damage sustained by the Company or any Member, unless the loss or damage shall have been the result of fraud, deceit, gross negligence, reckless or intentional misconduct, or a knowing violation of law by the Manager. The Managers shall perform their managerial duties in good faith, in a manner they reasonably believe to be in the best interests of the Company and its Members, and with such care, including reasonable inquiry, as an ordinarily prudent person in a like position would use under similar circumstances. A Manager who so performs the duties of Manager shall not have any liability by reason of being or having been a Manager of the Company.

In performing their duties, the Managers shall be entitled to rely on information, opinions, reports, or statements, including financial statements and other financial data, of the following persons or groups unless they have knowledge concerning the matter in question that would cause such reliance to be unwarranted and provided that the Managers act in good faith and after reasonable inquiry when the need therefore is indicated by the circumstances:

A. One or more officers, employees or other agents of the Company whom the Managers reasonably believe to be reliable and competent in the matters presented;

B. Any attorney, independent accountant, or other person as to matters which the Managers reasonably believe to be within such person's professional or expert competence; or

C. A committee upon which the Managers do not serve, duly designated in accordance with a provision of the Articles or this Agreement, as to matters within its designated authority, which committee the Managers reasonably believe to merit competence.

5.5 Devotion of time. The Managers are not obligated to devote all of their time or business efforts to the affairs of the Company. The Managers shall devote whatever time, effort, and skill as they deem appropriate for the operation of the Company.

5.6 Competing Activities. The Managers and their officers, directors, shareholders, partners, members, managers, agents, employees and Affiliates may engage or invest in, independently or with others, any business activity of any type or description, including without limitation those that might be the same as or similar to the Company's business and that might be in direct or indirect competition with the Company. Neither the Company nor any Member shall have any right in or to such other ventures or activities or to the income or proceeds derived therefrom. The Managers shall not be obligated to present any investment opportunity or prospective economic advantage to the Company, even if the opportunity is of the character that, if presented to the Company, could be taken by the Company. The Managers shall have the right to hold any investment opportunity or prospective economic advantage for their own account or to recommend such opportunity to Persons other than the Company. The Members acknowledge that the Managers and their Affiliates own and/or manage other businesses, including businesses that may compete with the Company and for the Managers' time. The Members hereby waive any and all rights and claims which they may otherwise have against the Managers and their officers, directors, shareholders, partners, members, managers, agents, employees, and Affiliates as a result of any of such activities.

5.7 Transactions Between the Company and the Managers. Notwithstanding that it may constitute a conflict of interest, the Managers may, and may cause their Affiliates to, engage in any transaction (including, without limitation, the purchase, sale, lease, or exchange of any property or the rendering of any service, or the establishment of any salary, other compensation, or other terms of employment) with the Company so long as such transaction is not expressly prohibited by this Agreement and so long as the terms and conditions of such transaction, on an overall basis, are fair and reasonable to the Company and are at least as favorable to the Company as those that are generally available from Persons capable of similarly performing them and in similar transactions between parties operating at arm's length, and provided that a Majority Interest of the Members having no interest in such transaction (other than their interests as Members) affirmatively vote or consent in writing to approve the transaction.

A transaction between the Managers and/or their Affiliates, on the one band, and the Company, on the other band, shall be conclusively determined to constitute a transaction on terms and conditions, on an overall basis, fair and reasonable to the Company and at least as favorable to the Company as those generally available in a similar transaction between parties operating at arm's length if a Majority Interest of the Members having no interest in such transaction (other than their interests as Members) affirmatively vote or consent in writing to approve the transaction. Notwithstanding the foregoing, the Managers shall not have any obligation; in connection with any such transaction between the Company and the Managers or an Affiliate of the Managers, to seek the consent of the Members.

5.8 Liability of Manager Limited to Manager's Assets. Under no circumstances will any director, officer, shareholder, member, manager, partner, employee, agent or Affiliate of any Manager have any personal responsibility for any liability or obligation of the Manager (whether on a theory of alter ego, piercing the corporate veil, or otherwise), and any recourse permitted under this Agreement or otherwise of the Members, any former Member or the Company against a Manager will be limited to the assets of the Manager as they may exist from time to time.

5.9 Payments to Managers. Except as specified in this Agreement, no Manager or Affiliate of a Manager is entitled to remuneration for services rendered or goods provided to the Company. The Managers and their Affiliates shall receive only the following payments:

A. Management Fee. The Company shall pay the Managers, as a guaranteed payment, a monthly fee for services in connection with the management of the Company in the amount that is fair market value as shall be determined by the Members from time to time. Such fee may be changed from time to time only by an affirmative vote of Members holding at least a Majority Interest, and no Manager shall be prevented from receiving any fee because the Manager is also a Member of the Company.

B. Services Performed by Managers or Affiliates. The Company shall pay the Managers or Affiliates of the Managers for services rendered or goods provided to the Company to the extent that the Managers are not required to render such services or goods themselves without charge to the Company, and to the extent that the fees paid to such Managers or Affiliates do not exceed the fees that would be payable to an independent responsible third party that is willing to perform such services or provide such goods.

C. Expenses. The Company shall reimburse the Managers and their Affiliates for the actual cost of materials used for or by the Company. The Company shall also pay or reimburse the Managers or their Affiliates for organizational expenses (including, without limitation, legal and accounting fees and costs) incurred to form the Company and prepare and file the Articles and this Agreement. Except as otherwise provided herein, the Managers and their Affiliates shall not be reimbursed by the Company for the following expenses: (i) salaries, compensation or fringe benefits of directors, officers or employees of the Managers or their Affiliates; (ii) overhead expenses of the Managers or their Affiliates, including, without limitation, rent and general office expenses; and (iii) the cost of providing any service or goods for which the Managers or their Affiliates are entitled to compensation under this Agreement.

5.10 Officers.

A. Appointment of Officers. The Managers may appoint officers at any time. The officers of the Company, if deemed necessary by the Managers, may include a chairperson, president, vice president, secretary, and chief financial officer. The officers shall serve at the pleasure of the Managers, subject to all rights, if any, of an officer under any contract of employment. Any individual may hold any number of offices. No officer need be a resident of the State of California or citizen of the United States. If a Manager is not an individual, such Manager's officers may serve as officers of the Company if elected by the Managers. The officers shall exercise such powers and perform such duties as specified in this Agreement and as shall be determined from time to time by the Managers.

B. Removal, Resignation and Filing of Vacancy of Officers. Subject to the rights, if any, of an officer under a contract of employment, any officer may be removed, either with or without cause, by the Managers at any time.

Any officer may resign at any time by giving written notice to the Managers. Any resignation shall take effect at the date of the receipt of that notice or at any later time specified in that notice; and, unless otherwise specified in that notice, the acceptance of the resignation shall not be necessary to make it effective. Any resignation is without prejudice to the rights, if any, of the Company under any contract to which the officer is a party.

A vacancy in any office because of death, resignation, removal, disqualification or any other cause shall be filled in the manner prescribed in this Agreement for regular appointments to that office.

C. Salaries of Officers. Subject to Sections 5.7 and 5.9, the salaries of all officers and agents of the Company shall be fixed

by a resolution of the Managers.

D. Duties and Powers of the Chairperson. The chairperson, if such an officer be appointed, shall, if present, preside at meetings of the Members and the Managers, and exercise and perform such other powers and duties as may be from time to time assigned to him by the Managers or prescribed by this Agreement. If there is no president, the chairperson shall in addition be the chief executive officer of the Company and shall have the powers and duties prescribed in Section 5.10E.

E. Duties and Powers of the President. Subject to such supervisory powers, if any, as may be given by the Managers to the chairperson, if there be such an officer, the president shall be the chief executive officer of the Company, and shall, subject to the control of the Managers, have general and active management of the business of the Company and shall see that all orders and resolutions of the Members and Managers are carried into effect. He or she shall have the general powers and duties of management usually vested in the office of president of a corporation, and shall have such other powers and duties as may be prescribed by the Managers or this Agreement.

The president shall execute bonds, mortgages and other contracts except where required or permitted by law to be otherwise signed and executed, and except where the signing and execution thereof shall be expressly delegated by the Managers to some other officer or agent of the Company.

F. Duties and Powers of Vice-President. The vice-president, or if there shall be more than one, the vice-presidents in the order determined by a resolution of the Managers, shall, in the absence or disability of the president, perform the duties and exercise the powers of the president and shall perform such other duties and have such other powers as the Managers by resolution may from time to time prescribe.

G. Duties and Powers of Secretary. The secretary shall attend all meetings of the Managers and all meetings of the Members, and shall record all the proceedings of the meetings in a book to be kept for that purpose, and shall perform like duties for the standing committees when required. The secretary shall give, or cause to be given, notice of all meetings of the Members and Managers and shall perform such other duties as may be prescribed by the Managers. The secretary shall have custody of the seal, if any, and the secretary shall have authority to affix the same to any instrument requiring it, and when so affixed, it may be attested by his or her signature. The Managers may give general authority to any other officer to affix the seal of the Company, if any, and to attest the affixing by his or her signature.

The secretary shall keep, or cause to be kept, at the principal executive office or at the office of the Company's transfer agent or registrar, as determined by resolution of the Managers, a register, or a duplicate register, showing the names of all Members and their addresses, their Percentage Interests, the number and date of certificates issued for the same, and the number and date of cancellation of every certificate surrendered for cancellation. The secretary shall also keep all documents described in Section 9.1 and such other documents as may be required under the Act. The secretary shall perform such other duties and have such other authority as may be prescribed elsewhere in this Agreement or from time to time by the Managers. The secretary shall have the general duties, powers and responsibilities of a secretary of a corporation.

If the Managers choose to appoint an assistant secretary or assistant secretaries, the assistant secretaries, in the order of their seniority, in the absence, disability or inability to act of the secretary, shall perform the duties and exercise the powers of the secretary, and shall perform such other duties as the Managers may from time to time prescribe.

H. Duties and Powers of Chief Financial Officer. The chief financial officer shall keep and maintain, or cause to be kept and maintained, adequate and correct books and records of accounts of the properties and business transactions of the Company, including accounts of its assets, liabilities, receipts, disbursements, gains, losses, capital, Membership Interests and Economic Interests. The books of account shall at all reasonable times be open to inspection by any Manager.

The chief financial officer shall have the custody of the funds and securities of the Company, and shall keep full and accurate accounts of receipts and disbursements in books belonging to the Company, and shall deposit all moneys and other valuable effects in the name and to the credit of the Company in such depositories as may be designated by the Managers.

The chief financial officer shall disburse the funds of the Company as may be ordered by the Managers, taking proper vouchers for such disbursements, and shall render to the president and the Managers, at their regular meetings, or when Members so require, at a meeting of the members an account of all his or her transactions as treasurer and of the financial condition of the Company.

The chief financial officer shall perform such other duties and shall have such other responsibility and authority as may be prescribed elsewhere in this Agreement or from time to time by the Managers. The chief financial officer shall have the general duties, powers and responsibility of a chief financial officer of a corporation, and shall be the chief financial and accounting officer of the Company.

If the Managers choose to elect an assistant treasurer or assistant treasurers, the assistant treasurers in the order of their seniority shall, in the absence, disability or inability to act of the chief financial officer, perform the duties and exercise the powers of the chief financial officer, and shall perform such other duties as the Managers shall from time to time prescribe.

I. Signing Authority of Officers. Subject to Section 5.3B and any restrictions imposed by the Managers, any officer, acting alone, is authorized to endorse checks, drafts, and other evidences of indebtedness made payable to the order of the Company,

but only for the purpose of deposit into the Company's accounts.

5.11 Limited Liability. No person who is a Manager or officer or both a Manager and officer of the Company shall be personally liable under any judgment of a court, or in any other manner, for any debt, obligation, or liability of the Company, whether that liability or obligation arises in contract, tort, or otherwise, solely by reason of being a Manager or officer or both a Manager and officer of the Company.

5.12 Membership Interests of Managers. Except as otherwise provided in this Agreement, Membership Interests held by the Managers as Members shall entitle each Manager to all the rights of a Member, including without limitation the economic, voting, information and inspection rights of a Member.

ARTICLE 6

ALLOCATIONS OF NET PROFITS AND NET LOSSES AND DISTRIBUTIONS

6.1 Allocations of Net Profit and Net Loss.

A. Net Loss. Net Loss shall be allocated to the Members in proportion of their Percentage Interests.

Notwithstanding the previous sentence, loss allocations to a Member shall be made only to the extent that such loss allocations will not create a deficit Capital Account balance for that Member in excess of an amount, if any, equal to such Member's share of Company Minimum Gain. Any loss not allocated to a Member because of the foregoing provision shall be allocated to the other Members (to the extent the other Members are not limited in respect of the allocation of losses under this Section 6.1A). Any loss reallocated under this Section 6.1A shall be taken into account in computing subsequent allocations of income and losses pursuant to this Article 6, so that the net amount of any item so allocated and the income and losses allocated to each Member pursuant to this Article 6, to the extent possible, shall be equal to the net amount that would have been allocated to each such Member pursuant to this Article 6 if no reallocation of losses had occurred under this Section 6.1A.

B. Net Profit. Net Profit shall be allocated to the Members in proportion to their Percentage Interests.

6.2 Special Allocations. Notwithstanding Section 6.1:

A. Minimum Gain Chargeback. If there is a net decrease in Company Minimum Gain during any Fiscal Year, each Member shall be specially allocated items of Company income and gain for such Fiscal Year (and, if necessary, in subsequent fiscal years) in an amount equal to the portion of such Member's share of the net decrease in Company Minimum Gain that is allocable to the disposition of Company property subject to a Nonrecourse Liability, which share of such net decrease shall be determined in accordance with Regulations Section 1.704-2(g)(2). Allocations pursuant to this Section 6.2A shall be made in proportion to the amounts required to be allocated to each Member under this Section 6.2A. The items to be so allocated shall be determined in accordance with Regulations Section 1.704-2(f). This Section 6.2A is intended to comply with the minimum gain chargeback requirement contained in Regulations Section 1.704-2(f) and shall be interpreted consistently therewith.

B. Chargeback of Minimum Gain Attributable to Member Nonrecourse Debt. If there is a net decrease in Company Minimum Gain attributable to a Member Nonrecourse Debt, during any Fiscal Year, each member who has a share of the Company Minimum Gain attributable to such Member Nonrecourse Debt (which share shall be determined in accordance with Regulations Section 1.704-2(i)(5)) shall be specially allocated items of Company income and gain for such Fiscal Year (and, if necessary, in subsequent Fiscal Years) in an amount equal to that portion of such Member's share of the net decrease in Company Minimum Gain attributable to such Member Nonrecourse Debt that is allocable to the disposition of Company property subject to such Member Nonrecourse Debt (which share of such net decrease shall be determined in accordance with Regulations Section 1.704-2(i)(5)). Allocations pursuant to this Section 6.2B shall be made in proportion to the amounts required to be allocated to each Member under this Section 6.2B. The items to be so allocated shall be determined in accordance with Regulations Section 1.704-2(i)(4). This Section 6.2B is intended to comply with the minimum gain chargeback requirement contained in Regulations Section 1.704-2(i)(4) and shall be interpreted consistently therewith.

C. Nonrecourse Deductions. Any nonrecourse deductions (as defined in Regulations Section 1.704-2(b)(1) for any Fiscal Year or other period shall be specially allocated to the Members in proportion to their Percentage Interests.

D. Member Nonrecourse Deductions. Those items of Company loss, deduction, or Code Section 705(a)(2)(b) expenditures which are attributable to Member Nonrecourse Debt for any Fiscal Year or other period shall be specially allocated to the Member who bears the economic risk of loss with respect to the Member Nonrecourse Debt to which such items are attributable in accordance with Regulations Section 1.704-2(i).

E. Qualified Income Offset. If a Member unexpectedly receives any adjustments, allocations, or distributions described in Regulations Section 1.704-1(b)(2)(ii)(d)(4), (5), or (6), or any other event creates a deficit balance in such Member's Capital Account in excess of such Member's share of Company Minimum Gain, items of Company income and gain shall be specially allocated to such Member in an amount and manner sufficient to eliminate such excess deficit balance as quickly as possible. Any special allocations of items of income and gain pursuant to this Section 6.2E shall be taken into account in computing subsequent allocations of income and gain pursuant to this Article 6 so that the net amount of any item so allocated and the income, gain, and losses allocated to each Member pursuant to this Article 6 to the extent possible, shall be equal to the net

amount that would have been allocated to each such Member pursuant to the provisions of this Section 6.2E if such unexpected adjustments, allocations, or distributions had not occurred.

6.3 Code Section 704(c) Allocations. Notwithstanding any other provision in this Article 6, in accordance with Code Section 704(c) and the Regulations promulgated thereunder, income, gain, loss, and deduction with respect to any property contributed to the capital of the Company shall, solely for tax purposes, be allocated among the Members so as to take account of any variation between the adjusted basis of such property to the Company for federal income tax purposes and its fair market value on the date of contribution. Allocations pursuant to this Section 6.3 are solely for purposes of federal, state and local taxes. As such, they shall not affect or in any way be taken into account in computing a Member's Capital Account or share of profits, losses, or other items of distributions pursuant to any provision of this Agreement.

6.4 Allocation of Net Profits and Losses and Distributions in Respect of a Transferred Interest. If any Economic Interest is transferred, or is increased or decreased by reason of the admission of a new Member or otherwise, during any Fiscal Year of the Company, Net Profit or Net Loss for such Fiscal Year shall be assigned pro rata to each day in the particular period of such Fiscal Year to which such item is attributable (i.e., the day on or during which it is accrued or otherwise incurred) and the amount of each such item so assigned to any such day shall be allocated to the Member or Assignee based upon his or her respective Economic Interest at the close of such day.

However, for the purpose of accounting convenience and simplicity, the Company shall treat a transfer of, or an increase or decrease in, an Economic Interest which occurs at any time during a semi-monthly period (commencing with the semi-monthly period including the date hereof as having been consummated on the last day of such semi-monthly period, regardless of when during such semi-monthly period such transfer, increase, of decrease actually occurs (i.e., sales and dispositions made during the first fifteen (15) days of any month will be deemed to have been made on the 15th day of the month).

Notwithstanding any provision above to the contrary, gain or loss of the Company realized in connection with a sale or other disposition of any of the assets of the Company shall be allocated solely to the parties owning Economic Interests as of the date such sale or other disposition occurs.

6.5 Distributions of Distributable Cash by the Company. Subject to applicable law and any limitations contained elsewhere in this Agreement, the Managers may elect from time to time to distribute Distributable Cash to the Members, which distributions shall be in the following order of priority:

(a) To the Class A Members to (i) provide a preferred return of six percent (6%) per annum on capital contributions, (ii) in proportion to their unreturned Capital Contributions until each Member has recovered his or her Capital Contributions; and

(b) To all of the Members in proportion to their Percentage Interests.

All such distributions shall be made only to the Persons who, according to the books and records of the Company, are the holders of record of the Economic Interests in respect of which such distributions are made on the actual date of distribution. Subject to Section 6.7, neither the Company nor any Manager shall incur any liability for making distributions in accordance with this Section 6.5.

6.6 Form of Distribution. A Member, regardless of the nature of the Member's Capital Contribution, has no right to demand and receive any distribution from the Company in any form other than money. Except as provided in Section 10.4, no Member may be compelled to accept from the Company a distribution of any asset in kind in lieu of a proportionate distribution of money being made to other Members and no Member may be compelled to accept a distribution of any asset in kind.

6.7 Restriction on Distributions.

A. No distribution shall be made if, after giving effect to the distribution:

(i) The Company would not be able to pay its debts as they become due in the usual course of business; or

(ii) The Company's total assets would be less than the sum of its total liabilities plus, unless this Agreement provides otherwise, the amount that would be needed, if the Company were to be dissolved at the time of the distribution, to satisfy the preferential rights of other Members, if any, upon dissolution that are superior to the rights of the Member receiving the distribution.

B. The Managers may base a determination that a distribution is not prohibited on any of the following:

(i) Financial statements prepared on the basis of accounting practices and principles that are reasonable in the circumstances;

(ii) A fair valuation; or

(iii) Any other method that is reasonable in the circumstances.

Except as provided in Corporations Code Section 17254(e), the effect of a distribution is measured as of the date the distribution is authorized if the payment occurs within 120 days after the date of authorization, or the date payment is made if it occurs

more than 120 days of the date of authorization.

C. A Member or Manager who votes for a distribution in violation of this Agreement or the Act is personally liable to the Company for the amount of the distribution that exceeds what could have been distributed without violating this Agreement or the Act if it is established that the Member or Manager did not act in compliance with Section 6.7 or Section 10.4. Any Member or Manager who is so liable shall be entitled to compel contribution from (i) each other Member or Manager who also is so liable and (ii) each Member for the amount the Member received with knowledge of facts indicating that the distribution was made in violation of this Agreement or the Act.

6.8 Return of Distributions. Members and Assignees who receive distributions made in violation of the Act or this Agreement shall return such distributions to the Company. Except for those distributions made in violation of the Act or this Agreement, no Member or Assignee shall be obligated to return any distribution to the Company or pay the amount of any distribution for the account of the Company or to any creditor of the Company. The amount of any distribution returned to the Company by a Member or Assignee or paid by a Member or Assignee for the account of the Company or to a creditor of the Company shall be added to the account or accounts from which it was subtracted when it was distributed to the Member or Assignee.

6.9 Obligations of Members to Report Allocations. The Members are aware of the income tax consequences of the allocations made by this Article 6 and hereby agree to be bound by the provisions of this Article 6 in reporting their shares of Company income and loss for income tax purposes.

ARTICLE 7

TRANSFER AND ASSIGNMENT OF INTERESTS

7.1 Transfer and Assignment of Interests. No Member shall be entitled to transfer, assign, convey, sell, encumber or in any way alienate all or any part of his or her Membership Interest (collectively, "transfer") except with the prior written consent of the Managers who are Members, which consent may be given or withheld, conditioned or delayed (as allowed by this Agreement or the Act), as the Managers who are Members may determine in their sole and absolute discretion. Transfers in violation of this Article 7 shall only be effective to the extent set forth in Section 7.7. After the consummation of any transfer of any part of a Membership Interest, the Membership Interest so transferred shall continue to be subject to the terms and provisions of this Agreement and any further transfers shall be required to comply with all the terms and provisions of this Agreement.

A Member who is designated on Exhibit A as holding a "restricted Membership Interest" (Restricted Interest") shall not be entitled to transfer, assign, convey, sell, encumber or in any way alienate all or any part of his or her Membership Interest (collectively, "transfer") except with the prior written consent of the Managers who are Members, which consent may be given or withheld, conditioned or delayed (as allowed by this Agreement or the Act), as the Managers who are Members may determine in their sole and absolute discretion. Members who do not hold Restricted Interests may transfer their Membership Interests without obtaining the consent of the Managers or Members provided that such transfer is in accordance with the remaining provisions of this Article 7. Transfers in violation of this Article 7 shall only be effective to the extent set forth in Section 7.7. After the consummation of any transfer of any part of a Membership Interest, the Membership Interest so transferred shall continue to be subject to the terms and provisions of this Agreement and any further transfers shall be required to comply with all the terms and provisions of this Agreement.

Without limiting the generality of the foregoing, the sale or exchange of at least fifty percent (50%) of the voting stock of a Member, if a Member is a corporation, or the transfer of an interest or interests of at least fifty percent (50%) in the capital or profits of a Member (whether accomplished by the sale or exchange of interests or by the admission of new partners or members), if a Member is a partnership or limited liability company, or the cumulative transfer of such interests in a Member which effectively equal the foregoing (including transfer of interests followed by the incorporation of a Member and subsequent stock transfers, or transfers of stock followed by the liquidation of a Member and subsequent transfers of interests) will be deemed to constitute an assignment of a Membership Interest subject to this Article 7.

7.2 Further Restrictions on Transfer of Interests. In addition to other restrictions found in this Agreement, no Member shall transfer, assign, convey, sell, encumber or in any way alienate all or any part of his or her Membership Interest: (i) without compliance with all federal and state securities law/Section 12.11, and (ii) if the Membership Interest to be transferred, when added to the total of all other Membership Interests transferred in the preceding twelve (12) consecutive months prior thereto, would cause the tax termination of the Company under Code Section 708(b)(1)(B).

7.3 Substitution of Members. An Assignee of a Membership Interest shall have the right to become a substitute Member only if (i) the requirements of Sections 7.1 and 7.2 relating to unanimous consent of Managers who are members, securities and tax requirements hereof are met, (ii) the Assignee executes an instrument satisfactory to the Managers accepting and adopting the terms and provisions of this Agreement, and (iii) the Assignee pays any reasonable expenses in connection with his or her admission as a new Member. The admission of an Assignee as a substitute Member shall not result in the release of the Member who assigned the Membership Interest from any liability that such Member may have to the Company.

7.4 Permitted Transfers. The Membership Interest of any Member may be transferred to any other Member, subject to compliance with Section 7.2, and without the prior written consent of the Members or Managers. The Economic Interest of any Member may be transferred subject to compliance with Section 7.2, and without the prior written consent of the Members as required by Section 7.1, upon consent of the Managers, which shall not be unreasonably withheld, by the Member (i) by inter vivos gift or by testamentary transfer to any spouse, parent, sibling, in-law, child or grandchild of the Member, or to a trust for the benefit of the Member or such spouse, parent, sibling, in-law, child or grandchild of the Member, or (ii) to any Affiliate of the Member; it being agreed that, in

executing this Agreement, each Member has consented to such transfers.

7.5 Effective Date of Permitted Transfers. Any permitted transfer of all or any portion of a Membership Interest or an Economic Interest shall be effective as of the date provided in Section 6.4 following the date upon which the requirements of Sections 7.1, 7.2 and 7.3 have been met. The Managers shall provide the Members with written notice of such transfer as promptly as possible after the requirements of Sections 7.1, 7.2 and 7.3 have been met. Any transferee of a Membership Interest shall take subject to the restrictions on transfer imposed by this Agreement.

7.6 Rights of Legal Representatives. If a Member who is an individual dies or is adjudged by a court of competent jurisdiction to be incompetent to manage the Member's person or property, the Member's executor, administrator, guardian, conservator, or other legal representative may exercise all of the Member's rights for the purpose of settling the Member's estate or administering the Member's property, including any power the Member has under the Articles of this Agreement to give an assignee the right to become a Member. If a Member is a corporation, trust, or other entity and is dissolved or terminated, the powers of that Member may be exercised by his or her legal representative or successor.

7.7 No Effect to Transfers in Violation of Agreement. Upon any transfer of a Membership Interest in violation of this Article 7, the transferee shall have no right to vote or participate in the management of the business, property and affairs of the Company or to exercise any rights of a Member. Such transferee shall only be entitled to become an Assignee and thereafter shall only receive the share of one or more of the Company's Net Profits, Net Losses and distributions of the Company's assets to which the transferor of such Economic Interest would otherwise be entitled. Notwithstanding the immediately preceding sentences, if, in the determination of the Managers, a transfer in violation of this Article 7 would cause the tax termination of the Company under Code Section 708(b)(1)(B), the transfer shall be null and void and the purported transferee shall not become either a Member or an Assignee.

Upon and contemporaneously with any transfer (whether arising out of an attempted charge upon that Member's Economic Interest by judicial process, a foreclosure by a creditor of the Member or otherwise) of a Member's Economic Interest (other than in accordance with Section 7.4) which does not at the same time transfer the balance of the rights associated with the Membership Interest transferred by the Member (including, without limitation, the rights of the Member to vote or participate in the management of the business, property and affairs of the Company), the Company shall purchase from the Member, and the Member shall sell to the Company for a purchase price of $1,000 per Unit, all remaining rights and interests retained by the Member that immediately before the transfer were associated with the transferred Economic Interest. Such purchase and sale shall not, however, result in the release of the Member from any liability to the Company as a Member.

Each Member acknowledges and agrees that the right of the Company to purchase such remaining rights and interests from a Member who transfers a Membership Interest in violation of this Article 7 is not unreasonable under the circumstances existing as of the date hereof.

7.8 Right of First Negotiation. If any Member desires to transfer all or any part of his or her Membership Interest other than pursuant to Section 7.4, such Member shall notify the Company and the other Members in writing of such desire and, for a period of thirty (30) days thereafter, the Members and the Company shall negotiate with respect to the purchase of such Member's Membership Interest. During such period, the Member desiring to transfer such Membership Interest may not solicit a transferee for such Membership Interest.

7.9 Right of First Refusal. If the period described in Section 7.8 expires without an agreement being reached as to the purchase of the Membership Interest referred to therein, the Member desiring to transfer his or her Membership Interest may solicit transferees. In such event, each time a Member proposes to transfer all or any part of his or her Membership Interest (or as required by operation of law or other involuntary transfer to do so) other than pursuant to Section 7.4, such Member shall first offer such Membership Interest to the Company and the non-transferring Members in accordance with the following provisions:

A. Such Member shall deliver a written notice ("Option Notice") to the Company and the other Members stating (i) such Member's bona fide intention to transfer such Membership Interest, (ii) the Membership Interest to be transferred, (iii) the purchase price and terms of payment for which the Member proposes to transfer such Membership Interest and (iv) the name and address of the proposed transferee.

B. Within thirty (30) days after receipt of the Option Notice, the Company shall have the right, but not the obligation, to elect to purchase all or any part of the Membership Interest upon the price and terms of payment designated in the Option Notice. If the Option Notice provides for the payment of non-cash consideration, the Company may elect to pay the consideration in cash equal to the good faith estimate of the present fair market value of the non-cash consideration offered as determined by the Managers. If the Company exercises such right within such thirty (30) day period, the Managers shall give written notice of that fact to the transferring and non-transferring Members.

C. If the Company fails to elect to purchase the entire Membership Interest proposed to be transferred within the thirty (30) day period described in Section 7.9B, the non-transferring Members shall have the right, but not the obligation, to elect to purchase any remaining share of such Membership Interest upon the price and terms of payment designated in the Option Notice. If the Option Notice provides for the payment of non-cash consideration such purchasing Members each may elect to pay the consideration in cash equal to the good faith estimate of the present fair market value of the non-cash consideration offered as determined by the Managers. Within sixty (60) days after receipt of the Option Notice, each non-transferring Member shall notify the Managers in writing of his or her desire to purchase a portion of the Membership Interest proposed to be so transferred. The failure of any Member to submit a notice within the applicable period shall constitute an election on the

part of that Member not to purchase any of the Membership Interest which may be so transferred. Each Member so electing to purchase shall be entitled to purchase a portion of such Membership Interest in the same proportion that the Percentage Interest of such Member bears to the aggregate of the Percentage Interests of all of the Members electing to so purchase the Membership Interest being transferred. In the event any Member elects to purchase none or less than all of his or her pro rata share of such Membership Interest, then the other Members can elect to purchase more than their pro rata share.

D. If the Company and the other Members elect to purchase or obtain any or all of the Membership Interest designated in the Option Notice, then the closing of such purchase shall occur within ninety (90) days after receipt of such notice and the transfer-ring Member, the Company and/or the other Members shall execute such documents and instruments and make such deliveries as may be reasonably required to consummate such purchase.

E. If the Company and the other Members elect not to purchase or obtain, or default in their obligation to purchase or obtain, all of the Membership Interest designated in the Option Notice, then the transferring Member may transfer the portion of the Membership Interest described in the Option Notice not so purchased, [to the proposed transferee,] providing such transfer (i) is completed within thirty (30) days after the expiration of the Company's and the other Members' right to purchase such Membership Interest, (ii) is made on terms no less favorable to the transferring Member than as designated in the Option Notice, and (iii) complies with Sections 7.1, 7.2 and 7.3 relating to unanimous consent of Managers who are] Members, securities and tax requirements; it being acknowledged by the Members that compliance with Sections 7.8 and] 7.9A-D does not modify any of the transfer restrictions in Article 7 or otherwise entitle a Member to transfer his or her Membership Interest other than in the manner prescribed by Article 7. If such Membership Interest is not so transferred, the transferring Member must give notice in accordance with this Section prior to any other or subsequent transfer of such Membership Interest.

7.10 Transfers and Assignments of Managers' Interests. Notwithstanding Section 7.9, upon the transfer of the Membership Interest of a Manager, the remaining Managers shall have the first right, pro-rata as to their Membership Interests as Managers, to elect to exercise the right of first refusal set forth in Section 7.9 for a period of ten (10) days after receipt of the Option Notice described in Section 7.9A. Such exercise shall be made in writing to the Company. If any Manager fails to exercise his or her rights under this Section 7.10, the other remaining Managers may elect to purchase the balance pro rata. If the remaining Managers elect to purchase less than all of the transferor's Membership Interest, the portion of such Membership Interest not elected to be purchased shall be subject to purchase and sale in accordance with Section 7.9.

ARTICLE 8

CONSEQUENCES OF DISSOLUTION EVENTS AND TERMINATION OF MEMBERSHIP INTEREST

8.1 Dissolution Event. Upon the occurrence of a Dissolution Event, the Company shall dissolve unless the remaining Members ("Remaining Members") holding all of the remaining Membership Interests consent within ninety (90) days of the Dissolution Event to the continuation of the business of the Company. If the Remaining Members consent to the continuation of the business of the Company, the Company and/or the Remaining Members shall have the right to purchase, and if such right is exercised, the Member whose actions or conduct resulted in the Dissolution Event ("Former Member") or such Former Member's legal representative shall sell, the Former Member's Membership Interest ("Former Member's interest) as provided in this Article 8.

8.2 Withdrawal. Notwithstanding Section 8.1, upon the withdrawal by a Member in accordance with Section 4.4, such Member shall be treated as a Former Member, and unless the Company is to dissolve, the Company and/or the Remaining Members shall have the right to purchase, and if such right is exercised the Former Member shall sell, the Former Member's Interest as provided in this Article 8.

8.3 Purchase Price. The purchase price for the Former Member's Interest shall be the Capital Account balance of the Former Member as adjusted pursuant to Section 3.5; provided, however, that if the Former Member, such Former Member's legal representative or the Company, deems the Capital Account balance to vary from the fair market value of the Former Member's Interest by more than ten percent (10%), such party shall be entitled to require an appraisal by providing notice of the request for appraisal within Thirty (30) days after the determination of the Remaining Members to continue the business of the Company. In such event, the value of the Former Member's Interest shall be determined by three (3) independent appraisers, one (1) selected by the Former Member or such Former Member's legal representative, one selected by the Company, and one (1) selected by the two (2) appraisers so named. The fair market value of the Former Member's Interest shall be the average of the two (2) appraisals closest in amount to each other. In the event the fair market value is determined to vary from the Capital Account balance by less than ten percent (10%), the party requesting such appraisal shall pay all expenses of all the appraisals incurred by the party offering to enter into the transaction at the Capital Account valuation. In all other events, the party requesting the appraisal shall pay one-half of such expense and the other party shall pay one-half of such expense. Notwithstanding the foregoing, if the Dissolution Event results from a breach of this Agreement by the Former Member, the purchase price shall be reduced by an amount equal to the damages suffered by the Company or the Remaining Members as a result of such breach.

8.4 Notice of Intent to Purchase. Within thirty (30) days after the Managers have notified the Remaining Members as to the purchase price of the Former Member's Interest determined in accordance with Section 8.3, each Remaining Member shall notify the Managers in writing of his or her desire to purchase a portion of the Former Member's Interest. The failure of any Remaining Member to submit a notice within the applicable period shall constitute an election on the part of the Member not to purchase any of the Former Member's Interest. Each Remaining Member so electing to purchase shall be entitled to purchase a portion of the Former Member's Interest in the same proportion that the Percentage Interest of the Remaining Member bears to the aggregate of the Percentage Interests of all of the Remaining Members electing to purchase the Former Member's Interest.

8.5 Election to Purchase Less Than all of the Former Member's Interest. If any Remaining Member elects to purchase none or less than all of his or her pro rata share of the Former Member's Interest, then the Remaining Members may elect to purchase more than their pro rata share. If the Remaining Members fail to purchase the entire Interest of the Former Member, the Company may purchase any remaining share of the Former Member's Interest. If the Remaining Members and the Company do not elect to purchase all of the Former Member's Interest, such Interest shall be that of an Economic Interest only.

8.6 Payment of Purchase Price. The purchase price shall be paid by the Company or the Remaining Members, as the case may be, by either of the following methods, each of which may be selected separately by the Company or the Remaining Members:

A. The Company or the Remaining Members shall at the closing pay in cash the total purchase price for the Former Member's Interest; or

B. The Company or the Remaining Members shall pay at the closing one-fifth (1/5) of the purchase price and the balance of the purchase price shall be paid in four equal annual principal installments, plus accrued interest, and be payable each year on the anniversary date of the closing. The unpaid principal balance shall accrue interest at the current applicable federal rate as provided in the Code for the month in which the initial payment is made, but the Company and the Remaining Members shall have the right to prepay in full or in part at any time without penalty. The obligation of each purchasing Remaining Member, and the Company, as applicable, to pay its portion of the balance due shall be evidenced by a separate promissory note executed by the respective purchasing Remaining Member or the Company, as applicable. Each such promissory note shall be in an original principal amount equal to the portion owed by the respective purchasing Remaining Member or the Company, as applicable. The promissory note executed by each purchasing Remaining Member shall be secured by a pledge of that portion of the Former Member's Interest purchased by such Remaining Member.

8.7 Closing of Purchase of Former Member's Interest. The closing for the sale of a Former Member's Interest pursuant to this Article 8 shall be held at 10:00 a.m. at the principal office of Company no later than sixty (60) days after the determination of the purchase price, except that if the closing date falls on a Saturday, Sunday, or California legal holiday, then the closing shall be held on the next succeeding business day. At the closing, the Former Member or such Former Member's legal representative shall deliver to the Company or the Remaining Members an instrument of transfer (containing warranties of title and no encumbrances) conveying the Former Member's Interest. The Former Member or such Former Member's legal representative, the Company and the Remaining Members shall do all things and execute and deliver all papers as may be necessary fully to consummate such sale and purchase in accordance with the terms and provisions of this Agreement.

8.8 Purchase Terms Varied by Agreement. Nothing contained herein is intended to prohibit Members from agreeing upon other terms and conditions for the purchase by the Company or any Member of the Membership Interest of any Member in the Company desiring to retire, withdraw or resign, in whole or in part, as a Member.

8.9 Noncompetition.

A. Prohibited Activities. If any Member transfers his or her Membership Interest pursuant to either Article 7 or 8, such Member agrees that, for a period of one (1) year from the date of such transfer, he or she shall not:

(i) Enter, directly or indirectly, into the employment of, or render, directly or indirectly, any services (whether as a director, officer, agent, representative, independent contractor, consultant or advisor or any other similar relationship or capacity), to any Person (such person is referred to as a "Competitor') which provides those services, or which otherwise competes with, or carries on a similar business to any business now carried on by the Company in the counties (and all cities located therein) whether such business is carried on by the Company or by a successor or assign in any of these counties;

(ii) Engage, directly or indirectly, in any such business in the Territory as a Competitor;

(iii) Become interested, directly or indirectly, in any such Competitor as an individual, proprietor, franchisee, partner, joint venturer, stockholder, principal, member, investor, trustee or any other similar other relationship or capacity;

(iv) Directly or indirectly, by sole action or in concert with others, solicit, induce or influence, or seek to solicit, induce or influence, any Person who is engaged by the Company as an employee, agent, independent contractor or otherwise, to leave the employ of the Company or any successor or assign;

(v) Directly or indirectly, by sole action or in concert with others, solicit, induce or influence, or seek to solicit, induce or influence, any customer or client of the Company during the twelve (12) calendar months immediately preceding the date of transfer of the Membership Interest, and

Such Member also agrees that, in such event, he or she shall not use, divulge, furnish or make accessible to any Person (other than at the written request of the Company) any secret, confidential or proprietary knowledge or information of the Company including, but not limited to, any trade secrets, financial information, customer or client lists, marketing methods, data, properties, specifications, personnel, organization or internal affairs of the Company.

B. Separate Covenants. The agreements contained in Section 8.9A shall be construed as a series of separate covenants, one for each activity of the Member, capacity in which the Member is prohibited from competing and each part of the Territory in which the Company is carrying on in such activity.

C. Intent; Severability. The Members intend that Section 8.9A satisfy the terms of, and be enforceable in accordance with California Business and Professions Code Section 16602.5, which authorizes any member who sells his or her interest in a limited liability company to enter into an agreement with the buyer of such interest to refrain from carrying on a similar business within the counties or cities in which a limited liability company carries on a like business therein. Each Member recognizes that the territorial and time restrictions set forth herein are reasonable, not burdensome and are properly required by law for the adequate protection of the Company and its Members. If such territorial or time restrictions or any other provision contained herein shall be deemed to be illegal, unenforceable or unreasonable by a court of competent jurisdiction, each Member agrees and submits to the reduction of such territorial or time restriction or other provision to such an area or period as such court shall deem reasonable.

D. Injunctive Relief. Each Member acknowledges that (i) the covenants and the restrictions contained in Section 8.9A are a material factor to such Member's execution of this Agreement and are necessary and required for the protection of the Company, (ii) such covenants relate to matters that are of a special, unique and extraordinary character that gives each of such covenants a special unique and extraordinary value, and (iii) a breach of any of such covenants will result in irreparable harm and damages to the Company in an amount difficult to ascertain and which cannot be adequately compensated by a monetary award. Accordingly, in addition to any of the relief to which the Company may be entitled at law or in equity, the Company shall be entitled to temporary and/or permanent injunctive relief from any breach or threatened breach by a Member of the provisions of Section 8.9A without proof of actual damages that have been or may be caused to the Company by such breach or threatened breach.

ARTICLE 9

ACCOUNTING, RECORDS, REPORTING BY MEMBERS

9.1 Books and Records. The books and records of the Company shall be kept, and the financial position and the results of its operations recorded, in accordance with the accounting methods followed for federal income tax purposes. The books and records of the Company shall reflect all the Company transactions and shall be appropriate and adequate for the Company's business. The Company shall maintain at its principal office in California all of the following:

A. A current list of the full name and last known business or residence address of each Member and Assignee set forth in alphabetical order, together with the Capital Contributions, Capital Account and Percentage Interest of each Member and Assignee;

B. A current list of the full name and business or residence address of each Manager;

C. A copy of the Articles and any and all amendments thereto together with executed copies of any powers of attorney pursuant to which the Articles or any amendments thereto have been executed;

D. Copies of the Company's federal, state, and local income tax or information returns and reports, if any, for the six (6) most recent taxable years;

E. A copy of this Agreement and any and all amendments thereto together with executed copies of any powers of attorney pursuant to which this Agreement or any amendments thereto have been executed;

F. Copies of the financial statements of the Company, if any, for the six (6) most recent Fiscal Years; and

G. The Company's books and records as they relate to the internal affairs of the Company for at least the current and past four (4) Fiscal Years.

9.2 Delivery to Members and Inspection.

A. Upon the request of any Member or Assignee for purposes reasonably related to the interest of that Person as a Member or Assignee, the Managers shall promptly deliver to the requesting Member or Assignee, at the expense of the Company, a copy of the information required to be maintained under Sections 9.1 A, B and D, and a copy of this Agreement.

B. Each Member, Manager and Assignee has the right, upon reasonable request for purposes reasonably related to the interest of the Person as Member, Manager or Assignee, to:

(i) inspect and copy during normal business hours any of the Company records described in Sections 9.1A through G; and

(ii) obtain from the Managers, promptly after their becoming available, a copy of the Company's federal, state, and local income tax or information returns for each Fiscal Year.

C. Members representing at least five percent (5%) of the Percentage Interests, or three or more Members, make a written request to the Managers for an income statement of the Company for the initial three-month, six-month, or nine-month period of the current Fiscal Year ended more than thirty (30) days prior to the date of the request, and a balance sheet of the Company as of the end of that period. Such statement shall be accompanied by the report thereon, if any, of the independent accountants engaged by the Company or, if there is no report, the certificate of a Manager that the statement was prepared without audit

from the books and records of the Company. If so requested, the statement shall be delivered or mailed to the Members within 30 days thereafter."'

D. Any request, inspection or copying by a Member or Assignee under this Section 9.2 may be made by that Person or that Person's agent or attorney.

E. The Managers shall promptly furnish to a Member a copy of any amendment to the Articles or this Agreement executed by a Manager pursuant to a power of attorney from the Member.

9.3 Annual Statements.

A. If the Company has more than thirty-five (35) Members, the Managers shall cause an annual report to be sent to each of the Members not later than ninety (90) days after the close of the Fiscal Year along with abbreviated quarterly reports. The report shall contain a balance sheet as of the end of the Fiscal Year and an income statement and statement of changes in financial position for the Fiscal Year. Such financial statements shall be accompanied by the report thereon, if any, of the independent accountants engaged by the Company or, if there is no report, the certificate of a Manager that the financial statements were prepared without audit from the books and records of the Company.

B. The Managers shall cause to be prepared at least annually, at Company expense, information necessary for the preparation of the Members' and Assignees' federal and state income tax returns. The Managers shall send or cause to be sent to each Member or Assignee within ninety (90) days after the end of each taxable year such information as is necessary to complete federal and state income tax or information returns, and, if the Company has thirty-five (35) or fewer Members, a copy of the Company's federal, state, and local income tax or information returns for that year.

C. The Managers shall cause to be filed at least annually with the California Secretary of State the statement required under California Corporations Code § 17060.1

9.4 Financial and Other Information. The Managers shall provide such financial and other information relating to the Company or any other Person in which the Company owns, directly or indirectly, an equity interest, as a Member may reasonably request. The Managers shall distribute to the Members, promptly after the preparation or receipt thereof by the Managers, any financial or other information relating to any Person in which the Company owns, directly or indirectly, an equity interest, including any filings by such Person under the Securities Exchange Act of 1934, as amended, that is received by the Company with respect to any equity interest of the Company in such Person.

9.5 Filings. The Managers, at Company expense, shall cause the income tax returns for the Company to be prepared and timely filed with the appropriate authorities. The Managers, at Company expense, shall also cause to be prepared and timely filed, with appropriate federal and state regulatory and administrative bodies, amendments to, or restatements of, the Articles and all reports required to be filed by the Company with those entities under the Act or other then current applicable laws, rules, and regulations. If a Manager required by the Act to execute or file any document fails, after demand, to do so within a reasonable period of time or refuses to do so, any other Manager or Member may prepare, execute and file that document with the California Secretary of State.

9.6 Bank Accounts. The Managers shall maintain the funds of the Company in one or more separate bank accounts in the name of the Company, and shall not permit the funds of the Company to be commingled in any fashion with the funds of any other Person.

9.7 Accounting Decisions and Reliance on Others. All decisions as to accounting matters, except as otherwise specifically set forth herein, shall be made by the Managers. The Managers may rely upon the advice of their accountants as to whether such decisions are in accordance with accounting methods followed for federal income tax purposes.

9.8 Tax Matters for the Company Handled by Managers and Tax Matters Partner. The Managers shall from time to time cause the Company to make such tax elections as they deem to be in the best interests of the Company and the Members. The Tax Matters Partner shall represent the Company (at the Company's expense) in connection with all examinations of the Company's affairs by tax authorities, including resulting judicial and administrative proceedings, and shall expend the Company funds for professional services and costs associated therewith. The Tax Matters Partner shall oversee the Company tax affairs in the overall best interests of the Company but shall not have the right to agree to extend any statute of limitations without the approval of a Majority Interest. If for any reason the Tax Matters Partner can no longer serve in that capacity or ceases to be a Member or Manager, as the case may be, a Majority Interest or a majority of the Managers may designate another to be Tax Matters Partner.

ARTICLE 10

DISSOLUTION AND WINDING UP

10.1 Dissolution. The Company shall be dissolved, its assets shall be disposed of, and its affairs wound up on the first to occur of the following:

A. The happening of any event of dissolution specified in the Articles;

B. The entry of a decree of judicial dissolution pursuant to Corporations Code Section 17351;

C. The vote of a Majority Interest or of non-defaulting Members holding a majority of the Percentage Interests held by all non-defaulting Members pursuant to Section 3.5C;

D. The occurrence of a Dissolution Event and the failure of the Remaining
Members to consent in accordance with Section 8.1 to continue the business of the Company within ninety (90)days after the occurrence of such event or the failure of the Company or the Remaining Members to purchase the Former Member's Interest as provided in Section 8.2; or

E. The sale of all or substantially all of the assets of Company.

10.2 Certificate of Dissolution. As soon as possible following the occurrence of any of the events specified in Section 10.1, the Managers who have not wrongfully dissolved the Company or, if none the Members, shall execute a Certificate of Dissolution in such form as shall be prescribed by the California Secretary of State and file the Certificate as required by the Act.

10.3 Winding Up. Upon the occurrence of any event specified in Section 10.1,the Company shall continue solely for the purpose of winding up its affairs in an orderly manner, liquidating its assets, an satisfying the claims of its creditors. The Managers who have not wrongfully dissolved the Company or, none, the Members, shall be responsible for overseeing the winding up and liquidation of Company, shall take full account of the liabilities of Company and assets, shall either cause its assets to be sold or distributed, and if sold as promptly as is consistent with obtaining the fair market value thereof, shall cause the proceeds therefrom, to the extent sufficient therefor, to be applied and distributed as provided in Section 10.5. The Persons winding up the affairs of the Company shall give written notice of the commencement of winding up by mail to all known creditors and claimants whose addresses appear on the records of the Company. The Managers or Members winding up the affairs of the Company shall be entitled to reasonable compensation for such services.

10.4 Distributions in Kind. Any non-cash asset distributed to one or more Members shall first be valued at its fair market value to determine the Net Profit or Net Loss that would have resulted if such asset were sold for such value, such Net Profit or Net Loss shall then be allocated pursuant to Article VI, an the Members' Capital Accounts shall be adjusted to reflect such allocations. The amount distributed and charged to the Capital Account of each Member receiving an interest in such distributed asset shall be the fair market value of such interest (net of any liability secured by such asset that such Member assumes or takes subject to). The fair market value of such asset shall be determined by the Managers or by the Members if any Member objects by an independent appraiser (any such appraiser must be recognized as an expert in valuing the type of asset involved) selected by the Manager or liquidating trustee and approved by the Members.

10.5 Order of Payment Upon Dissolution. After determining that all the known debts and liabilities of the Company, including, without limitation, debts and liabilities to Members who are creditors of the Company, have been paid or adequately provided for, the remaining assets shall be distributed to the Members in the following order of priority: (i) first, to the Members in satisfaction for distributions under Sections 17201, 17202 or 17255 of the Corporations Code; (ii) second, to the members for the return of their contributions; and (iii) thereafter, to the Members in the proportions in which they share in distributions.

A. After determining that all known debts and liabilities of the Company, including, without limitation, debts and liabilities to Members who are creditors of the Company, have been paid or adequately provided for, the remaining assets shall be distributed to the Members in accordance with their positive Capital Account balances, after taking into account income and loss allocations for the Company's taxable year during which liquidation occurs. Such liquidating distributions shall be made by the end of the Company's taxable year in which the Company is liquidated, or, if later, within ninety (90) days after the date of such liquidation.

B. The payment of a debt or liability, whether the whereabouts of the creditor is known or unknown, has been adequately provided for if the payment has been provided for by either of the following means:

(i) Payment thereof has been assumed or guaranteed in good faith by one or more financially responsible persons or by the United States government or any agency thereof, and the provision, including the financial responsibility of the Person, was determined in good faith and with reasonable care by the Members or Managers to be adequate at the time of any distribution of the assets pursuant to this Section.

(ii) The amount of the debt or liability has been deposited as provided in Section 2008 of the Corporations Code.

This Section 10.5B shall not prescribe the exclusive means of making adequate provision for debts and liabilities.

10.6 Deficit Restoration Requirement. If, upon liquidation, any Member has a deficit balance in his or her Capital Account, after taking into account all Capital Account adjustments for the Company taxable year during which liquidation occurs, such Member shall contribute cash to the capital of the Company in the amount necessary to eliminate such deficit balance by the end of the Company taxable year during which liquidation occurs or, if later, within ninety (90) days after the date of such liquidation.

10.7 Limitations on Payments Made in Dissolution. Except as otherwise specifically provided in this Agreement, each Member shall only be entitled to look solely at the assets of the Company for the return of his or her positive Capital Account balance and shall have no recourse for his or her Capital Contribution and/or share of Net Profits (upon dissolution or otherwise) against the Managers or any other Member.

10.8 Certificate of Cancellation. The Managers or Members who filed the Certificate Dissolution shall cause to be filed in the office of, and on a form prescribed by, the California Secretary of State, a Certificate of Cancellation of the Articles upon the completion

of the winding up of the affairs of the Company.

10.9 No Action for Dissolution. Except as expressly permitted in this Agreement, a Member shall not take any voluntary action that directly causes a Dissolution Event. The Members acknowledge that irreparable damage would be done to the goodwill and reputation of the Company if any Member should bring an action in court to dissolve the Company under circumstances where dissolution is not required by Section 10.1. This Agreement has been drawn carefully to provide fair treatment of all parties and equitable payment in liquidation of the Economic Interests. Accordingly, except where the Managers have failed to liquidate the Company as required by this Article 10, each Member hereby waives and renounces his or her right to initiate legal action to seek the appointment of a receiver or trustee to liquidate the Company or to seek a decree of judicial dissolution of the Company on the ground that (a) it is not reasonably practicable to carry on the business of the Company in conformity with the Articles or this Agreement, or (b) dissolution is reasonably necessary for the protection of the rights or interests of the complaining Member. Damages for breach of this Section 10.10 shall be monetary damages only (and not specific performance), and the damages may be offset against distributions by the Company to which such Member would otherwise be entitled.

ARTICLE 11

INDEMNIFICATION AND INSURANCE

11.1 Indemnification of Agents. The Company shall defend and indemnify any Member or Manager and may indemnify any other Person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding by reason of the fact that he or she is or was a Member, Manager, officer, employee or other agent of the Company or that, being or having been such a Member, Manager, officer, employee or agent, he or she is or was serving at the request of the Company as a manager, director, officer, employee or other agent of another limited liability company, corporation, partnership, joint venture, trust or other enterprise (all such persons being referred to hereinafter as an ("agent"), to the fullest extent permitted by applicable law in effect on the date hereof and to such greater extent as applicable law may hereafter from time to time permit. The Managers shall be authorized on behalf of the Company, to enter into indemnity agreements from time to time with any Person entitled to be indemnified by the Company hereunder, upon such terms and conditions as the Managers deem appropriate in their business judgment.

11.2 Insurance. The Company shall have the power to purchase and maintain insurance on behalf of any Person who is or was an agent of the Company against any liability asserted against such Person and incurred by such Person in any such capacity, or arising out of such Person's status as an agent, whether or not the Company would have the power to indemnify such Person against such liability under the provisions of Section 11.1 or under applicable law.

OR

11.1 Definitions. For purposes of this Article 11, the following definitions shall apply:

A. "Expenses" shall include, without limitation, attorneys' fees, disbursements and retainers, court costs, transcript costs, fees of accountants, experts and witnesses, travel expenses, duplicating costs, printing and binding costs, telephone charges, postage, delivery service fees, and all other expenses of the types customarily incurred in connection with prosecuting, defending, preparing to prosecute or defend, investigating, or being or preparing to be a witness or other participant in a Proceeding.

B. "Proceeding" includes any action, suit, arbitration alternative dispute resolution mechanism, investigation, administrative hearing or other proceeding, whether civil, criminal, administrative or investigative in nature, except a proceeding initiated by a Person pursuant to Section 11.10B of this Agreement to enforce such Person's rights under this Agreement.

11.2 Indemnification of Managers and Officers.

A. The Company shall indemnify any Manager or officer of the Company who was or is a party or is threatened to be made a party to, or otherwise becomes involved in, any Proceeding (other than a Proceeding by or in the right of the Company) by reason of the fact that such Manager or officer of the Company is or was an agent of the Company against all Expenses, amounts paid in settlement, judgments, fines, penalties and ERISA excise taxes actually and reasonably incurred by or levied against such Manager or officer in connection with such Proceeding if it is determined as provided in Section 11.4 or by a court of competent jurisdiction that such Manager or officer acted in good faith and in a manner he or she reasonably believed to be in or not opposed to the best interests of the Company and, with respect to any criminal Proceeding, had no reasonable cause to believe his or her conduct was unlawful. The termination of any Proceeding, whether by judgment, order, settlement or conviction, or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that a Manager or officer of the Company did not act in good faith and in a manner which he or she reasonably believed to be in or not opposed to the best interests of the Company or, with respect to any criminal Proceeding, that a Manager or officer had reasonable cause to believe that his or her conduct was unlawful.

B. The Company shall indemnify any Manager or officer of the Company who was or is a party or is threatened to be made a party to, or otherwise becomes involved in, any Proceeding by or in the right of the Company to procure a judgment in its favor by reason of the fact that such Manager or officer is or was an agent of the Company only against Expenses actually and reasonably incurred by such Manager or Officer in connection with such Proceeding if it is determined as provided in Section 11.4 or by a court of competent jurisdiction that such Manager or officer acted in good faith and in a manner he or she reasonably believed to be in or not opposed to the best interests of the Company, except that no indemnification shall be made with respect to any claim, issue or matter as to which such Manager or officer shall have been adjudged liable to the Company unless and only to the extent that the court in which such Proceeding was brought or other court of competent jurisdiction

shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, such Manager or officer is fairly and reasonably entitled to indemnification for such Expenses which such court shall deem proper.

11.3 Successful Defense. Notwithstanding any other provision of this Agreement to the extent that a Manager or officer of the Company has been successful on the merits or otherwise in defense of any Proceeding referred to in Section 11.2, or in defense of any claim, issue or matter therein, such Manager or officer shall be indemnified against Expenses actually and reasonably incurred in connection therewith.

11.4 Determination of Conduct. Any indemnification under Section 11.2 (unless ordered by a court as referred to in such Section) shall be made by the Company only as authorized in the specific case upon a determination that indemnification of the Manager or officer of the Company is proper in the circum¬stances because such Manager or officer has met the applicable standard of conduct set forth in Section 11.2. Such determination shall be made (i) by the Managers by a majority vote of a quorum consisting of Managers who were not parties to such Proceeding, or (ii) if such quorum is not obtainable or, even if obtainable, a quorum of such disinterested Managers so directs, by independent legal counsel in a written opinion, or (iii) by the Members by a vote of a majority-in-interest of Members, whether or not constituting a quorum, who were not parties to such Proceeding.

11.5 Payment of Expenses in Advance. Expenses incurred by a Manager or officer of the Company in connection with a Proceeding shall be paid by the Company in advance of the final disposition of such Proceeding upon receipt of a written undertaking by or on behalf of such Manager or officer to repay such amount if it shall ultimately be determined that such Manager or officer is not entitled to be indemnified by the Company as authorized in this Article 11.

11.6 Indemnification of Other Agents. The Company may, but shall not be obligated to indemnify any Person (other than a Manager or officer of the Company) who was or is a party or is threatened to be made a party to, or otherwise becomes involved in, any Proceeding (including any Proceeding by or in the right of the Company) by reason of the fact that such Person is or was an agent of the Company (including Members who are not Managers or officers of the Company), against all Expenses, amounts paid in settlement, judgments, fines, penalties and ERISA excise taxes actually and reasonably incurred by such Person in connection with such Proceeding under the same circumstances and to the same extent as is provided for or permitted in this Article 11 with respect to a Manager or officer of the Company.

11.7 Indemnity Not Exclusive. The indemnification and advancement of Expenses provided by, or granted pursuant to, the provisions of this Article 11, shall not be deemed exclusive of any other rights to which any Person seeking indemnification or advancement of Expenses may be entitled under any agreement, vote of Managers or Members, or otherwise, both as to action in such Person's capacity as an agent of the Company and as to action in another capacity while serving as an agent. All rights to indemnification under this Article 11 shall be deemed to be provided by a contract between the Company and each Manager and officer, if any, of the Company who serves in such capacity at any time while this Agreement and relevant provisions of the Act and other applicable law, if any, are in effect. Any repeal or modification hereof or thereof shall not affect any such rights then existing.

11.8 Insurance. The Company shall have the power to purchase and maintain insurance on behalf of any Person who is or was an agent of the Company against any liability asserted against such Person and incurred by such Person in any such capacity, or arising out of such Person's status as an agent, whether or not the Company would have the power to indemnify such Person against such liability under the provisions of this Article 11 or of Section 17155 of the Act. In the event a Person shall receive payment from any insurance carrier or from the plaintiff in any action against such Person with respect to indemnified amounts after payment on account of all or part of such indemnified amounts having been made by the Company pursuant to this Article 11, such Person shall reimburse the Company for the amount, if any, by which the sum of such payment by such insurance carrier or such plaintiff and payments by the Company to such Person exceeds such indemnified amounts, provided, however, that such portions, if any, of such insurance proceeds that are required to be reimbursed to the insurance carrier under the terms of its insurance policy shall not be deemed to be payments to such Person hereunder. In addition, upon payment of indemnified amounts under the terms and conditions of this Agreement, the Company shall be subrogated to such Person's rights against any insurance carrier with respect to such indemnified amounts (to the extent permitted under such insurance policies). Such right of subrogation shall be terminated upon receipt by the Company of the amount to be reimbursed by such Person pursuant to the first sentence of this Section 11.8.

11.9 Heirs, Executors and Administrators. The indemnification and advancement of Expenses provided by, or granted pursuant to, this Article XI shall, unless otherwise provided when authorized or ratified, continue as to a Person who has ceased to be an agent of the Company and shall inure to the benefit of such Person's heirs, executors and administrators.

11.10 Right to Indemnification Upon Application.

A. Any indemnification or advance under Section 11.2 or Section 11.5 shall be made promptly, and in no event later than sixty (60) days, after the Company's receipt of the written request of a Manager or officer of the Company therefore, unless, in the case of an indemnification, a determination shall have been made as provided in Section 11.4 that such Manager or officer has not met the relevant standard indemnification set forth in Section 11-2.

B. The right of a Person to indemnification or an advance of Expenses as provided by this Article 11 shall be enforceable in any court of competent jurisdiction. Neither the failure by Managers or Members of the Company or its independent legal counsel to have made a determination that indemnification or an advance is proper in the circumstances, nor any actual determination by the Managers or Members of the Company or its independent legal counsel that indemnification or an advance is not shall be a defense to the action or create a presumption that the relevant standard of conduct has not been met. The burden of proving that indemnification or an advance is not proper shall be on [the Company/such Person. In any such action, the Person seeking indemnification or advancement of Expenses shall be entitled to recover from the Company any and all expenses of the types

described in the definition of Expenses in Section 11.1A of this Agreement actually and reasonably incurred by such Person in such action, but only if he or she prevails therein.

11.11 Limitations on Indemnification. No payments pursuant to this Agreement shall be made by the Company:

A. To indemnify or advance funds to any Person with respect to a Proceeding initiated or brought voluntarily by such Person and not by way of defense, except as provided in Section 11.10B with respect to a Proceeding brought to establish or enforce a right to indemnification under this Agreement, otherwise than as required under California law, but indemnification or advancement of Expenses may be provided by the Company in specific cases if a determination is made in the manner provided in Section 11.4 that is appropriate; or

B. If a court of competent jurisdiction finally determines that any indemnification or advance of Expenses hereunder is unlawful.

11.12 Partial Indemnification. If a Person is entitled under any provision of this Article 11 to indemnification by the Company for a portion of Expenses, amounts paid in settlement, judgments, fines, penalties or ERISA excise taxes incurred by such Person in any Proceeding but not, however, for the total amount thereof, the Company shall nevertheless indemnify such Person for the portion of such Expenses, amounts paid in settlement, judgments, fines, penalties or ERISA excise taxes to which such Person is entitled.

ARTICLE 12

INVESTMENT REPRESENTATIONS

Each Member hereby represents and warrants to, and agrees with, the Managers, the other Members, and the Company as follows:

12.1 He or she is acquiring the Membership Interest for investment purposes for his or her own account only and not with a view to or for sale in connection with any distribution of all or any part of the Membership Interest. No other person will have any direct or indirect beneficial interest in or right to the Membership Interest.

12.2 Accredited Investor. He or she is an "accredited investor" as defined in Rule 501(c) promulgated by the Securities and Exchange Commission (the "SEC").

12.3 Purpose of Entity. If the Member is a corporation, partnership, limited liability company, trust, or other entity, it was not organized for the specific purpose of acquiring the Membership Interest.

12.4 Economic Risk. He or she is financially able to bear the economic risk of an investment in the Membership Interest, including the total loss thereof.

12.5 No Registration of Membership Interest. He or she acknowledges that the Membership Interest has not been registered under the Securities Act of 1933, as amended (the "Securities Act"), or qualified under the California Corporate Securities Law of 1968, as amended, or any other applicable blue sky laws in reliance, in part, on his or her representations, warranties, and agreements herein.

12.6 Membership Interest in Restricted Security. He or she understands that the Membership Interest is a "restricted security" under the Securities Act in that the Membership Interest will be acquired from the Company in a transaction not involving a public offering, and that the Membership Interest may be resold without registration under the Securities Act only in certain limited circumstances and that otherwise Membership Interest must be held indefinitely. In this connection, he or she understands the resale limitations imposed by the Securities Act and is familiar with SEC Rule 144, as presently in effect, and the conditions which must be met in order for that Rule to be available for resale of "restricted securities," including requirement that the securities must be held for at least two years after purchase thereof from the Company prior to resale (three years in the absence of publicly available information about the Company) and condition that there be available to the public current information about the Company under certain circumstances. He or she understands that the Company has not made such information available to the public and has no present plans to do so.

12.7 No Obligation to Register. He or she represents, warrants, and agrees that the Company and the Managers are under no obligation to register or qualify the Membership Interest under the Securities Act or under any state securities law, or to assist him or her in complying with any exemption from registration and qualification.

12.8 No Disposition in Violation of Law. Without limiting the representations set forth above, and without limiting Article 7 of this Agreement, he or she will not make any disposition of all or any part of the Membership Interest which will result in the violation by him or her or by the Company of the Securities Act, the California Corporate Securities Law of 1968, or any other applicable securities laws. Without limiting the foregoing, he or she agrees not to make any disposition of all or any part of the Membership Interest unless and until:

A. There is then in effect a registration statement under the Securities Act covering such proposed disposition and such disposition is made in accordance with such registration statement and any applicable requirements of state securities laws; or

B. (i) He or she has notified the Company of the proposed disposition and has furnished the Company with a detailed statement of the circumstances surrounding the proposed disposition, and (ii) if reasonably requested by the Managers, he or

she has furnished the Company with a written opinion of counsel, reasonably satisfactory to the Company, that such disposition will not require registration of any securities under the Securities Act or the consent of or a permit from appropriate authorities under any applicable state securities law.

C. In the case of any disposition of all or any part of the Membership Interest pursuant to SEC Rule 144, in addition to the matters set forth in Section 12.11B, he or she shall promptly forward to the Company a copy of any Form 144 filed with the SEC with respect to such disposition and a letter from the executing broker satisfactory to the Company evidencing compliance with SEC Rule 144. If SEC Rule 144 is amended or if the SEC's interpretations thereof in effect at the time of any such disposition have changed from its present interpretations thereof, he or she shall provide the Company with such additional documents as the Managers may reasonably require.

12.9 Legends. He or she understands that the certificates (if any) evidencing the Membership Interest may bear one or all of the following legends:

A. "THE SECURITIES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933 NOR REGISTERED NOR QUALIFIED UNDER ANY STATE SECURITIES LAWS. SUCH SECURITIES MAY NOT BE OFFERED FOR SALE, SOLD, DELIVERED AFTER SALE, TRANSFERRED, PLEDGED, OR HYPOTHECATED UNLESS QUALIFIED AND REGISTERED UNDER APPLICABLE STATE AND FEDERAL SECURITIES LAWS OR UNLESS, IN THE OPINION OF COUNSEL SATISFACTORY TO THE COMPANY, SUCH QUALIFICATION AND REGISTRATION IS NOT REQUIRED. ANY TRANSFER OF THE SECURITIES REPRESENTED BY THIS CERTIFICATE IS FURTHER SUBJECT TO OTHER RESTRICTIONS, TERMS, AND CONDITIONS WHICH ARE SET FORTH HEREIN IN THE COMPANY'S OPERATING AGREEMENT, A COPY OF WHICH IS ON FILE AT THE PRINCIPAL OFFICE OF THE COMPANY"

B. Any legend required by applicable state securities laws.

12.10 Investment Risk. He or she acknowledges that the Membership Interest is a speculative investment which involves a substantial degree of risk of loss by him or her of his or her entire investment in the Company, that he or she understands and takes full cognizance of the risk factors related to the purchase of the Membership Interest, and that the Company is newly organized and has no financial or operating history.

12.11 Investment Experience. He or she is an experienced investor in unregistered and restricted securities of limited liability companies or limited partnerships and speculative and high-risk ventures.

12.13 Restrictions on Transferability. He or she acknowledges that there are substantial restrictions on the transferability of the Membership Interest pursuant to this Agreement, that there is no public market for the Membership Interest and none is expected to develop, and that, accordingly, it may not be possible for him or her to liquidate his or her investment in the Company.

12.14 Information Reviewed. He or she has received and reviewed all related documents he or she considers necessary or appropriate for deciding whether to purchase the Membership Interest. He or she has had an opportunity to ask questions and receive answers from the Company and its officers, Managers and employees regarding the terms and conditions of purchase of the Membership Interest and regarding the business, financial affairs, and other aspects of the Company and has further had the opportunity to obtain all information (to the extent the Company possesses or can acquire such information without unreasonable effort or expense) which he or she deems necessary to evaluate the investment and to verify the accuracy of information otherwise provided to him or her.

12.15 No Representations By Company. Neither any Manager, any agent or employee of the Company or of any Manager, or any other Person has at any time expressly or implicitly represented, guaranteed, or warranted to him or her that he or she may freely transfer the Membership Interest, that percentage of profit and/or amount or type of consideration will be realized as a result of an investment in the Membership Interest, that past performance or experience on the part of the Managers or their Affiliates or any other person in any way indicates the predictable results of the ownership of the Membership Interest or of the overall Company business, that any cash distributions from Company operations or otherwise will be made to the Members by any specific date or will be made at all, or that any specific tax benefits will accrue as a result of an investment in the Company.

12.16 Consultation with Attorney. He or she has been advised to consult with his or her own attorney regarding all legal matters concerning an investment in the Company and the tax consequences of participating in the Company, and has done so, to the extent he or she considers necessary.

12.17 Tax Consequences. He or she acknowledges that the discussion of the tax consequences arising from this investment set forth in the Private Placement Memorandum is general in nature and the tax consequences to his or her of investing in the Company will depend on his or her particular circumstances, and neither the Company, the Managers, the Members, nor the partners, shareholders, members, managers, agents, officers, directors, employees, Affiliates, or consultants of any of them will be responsible or liable for the tax consequences to him or her of an investment in the Company. He or she will look solely to, and rely upon, his or her own advisers with respect to the tax consequences of this investment.

12.18 No Assurance of Tax Benefits. He or she acknowledges that there can be no assurance that the Code or the Regulations will not be amended or interpreted in the future in such a manner so as to deprive the Company and the Members of some or all of the tax benefits they might now receive, nor that some of the deductions claimed by the Company or the allocations of items of income, gain, loss, deduction, or credit among the Members may not be challenged by the Internal Revenue Service.

12.19 Indemnity. He or she shall defend, indemnify and hold harmless the Company, participating broker-dealers, each and every

Manager, each and every other Member, and any officers, directors, shareholders, managers, members, employees, partners, agents, attorneys, registered representatives, and control persons of any such entity who was or is a party or is threatened to be made a party to any threatened, pending, or completed action, suit, or proceeding, whether civil, criminal, administrative, or investigative, by reason of or arising from any misrepresentation or misstatement of facts or omission to represent or state facts made by him or her including, without limitation, the information in this Agreement, against losses, liabilities, and expenses of the Company, each and every Manager, each and every other Member, and any officers, directors, shareholders, managers, members, employees, partners, attorneys, accountants, agents, registered representatives, and control persons of any such Person (including attorneys' fees, judgments, fines, and amounts paid in settlement, payable as incurred) incurred by such Person in connection with such action, suit, proceeding, or the like.

12.20 Subscription Agreement and Purchaser Questionnaire. All representations, warranties, and statements made by the Member in the Subscription Agreement and Purchaser Questionnaire were true, correct, and complete when made, and are true, correct, and complete as of the date of this Agreement. Each Member agrees that the representations, warranties, statements, covenants, and agreements made by the Member in the Subscription Agreement and Purchaser Questionnaire are hereby incorporated into this Agreement by reference, and remain fully binding on the Member.

ARTICLE 13

MISCELLANEOUS

13.1 Counsel to the Company. The Manager Member has sole and unfettered discretion to appoint anyone as corporate counsel ("Counsel") to the Company. The Managers may execute on behalf of the Company and the Members any consent to the representation of the Company that counsel may request pursuant to the California Rules of Professional Conduct or similar rules in any other jurisdiction ("Rules"). Each Member acknowledges that Company Counsel does not represent any Member in the absence of a clear and explicit written agreement to such effect between the Member and Company Counsel, and that in the absence of any such agreement Company Counsel shall owe no duties directly to a Member. Notwithstanding any adversity that may develop, in the event any dispute or controversy arises between an Members and the Company, or between any Members or the Company, on the one hand, and a Manager (or Affiliate of a Manager) that Company Counsel represents, on the other hand, then each Member agrees that Company Counsel may represent either the Company or such Manager (or his or her Affiliate), or both, in any such dispute or controversy to the extent permitted by the Rules, and each Member hereby consents to such representation.

13.2 Complete Agreement. This Agreement and the Articles constitute the complete and exclusive statement of agreement among Members and Managers with respect to the subject matter herein and therein and replace and supersede prior written and oral agreements or statements by and among the Members and Managers or any of them. No representation, statement, condition or warranty not contained in this Agreement or the Articles will binding on the Members or Managers or have any force or effect whatsoever. To the extent that any provision of the Articles conflict with any provision of this Agreement, the Articles shall control.

13.3 Binding Effect. Subject to the provisions of this Agreement relating to transferability, this Agreement will be binding upon and inure to the benefit of the Members, and their respective successors and assigns.

13.4 Parties in Interest. Except as expressly provided in the Act, nothing in this Agreement shall confer any rights or remedies under or by reason of this Agreement on any Persons other than the Members and Managers and their respective successors and assigns nor shall anything in this Agreement relieve or discharge the obligation or liability of any third person to any party to this Agreement, nor shall any provision give any third person any right of subrogation or action over or against any party to this Agreement.

13.5 Pronouns; Statutory Reference. All pronouns and all variations thereof shall be deemed to refer to the masculine, feminine, or neuter, singular or plural, as the context in which they are used may require. Any reference to the Code, the Regulations, the Act, Corporations Code or other statutes or laws will include all amendments, modifications, or replacements of the specific sections and provisions concerned.

13.6 Headings. All headings herein are inserted only for convenience and ease of reference and are not to be considered in the construction or interpretation of any provision of this Agreement.

13.7 Interpretation. In the event any claim is made by any Member relating to any conflict, omission or ambiguity in this Agreement, no presumption or burden of proof or persuasion shall be implied by virtue of the fact that this Agreement was prepared by or at the request of a particular Member or his or her counsel.

13.8 References to this Agreement. Numbered or lettered articles, sections and subsections herein contained refer to articles, sections and subsections of this Agreement unless otherwise expressly stated.

13.9 Jurisdiction. Each Member hereby consents to the exclusive jurisdiction of the state and federal courts sitting in California in any action on a claim arising out of, under or in connection with this Agreement or the transactions contemplated by this Agreement, provided such claim is not required to be arbitrated pursuant to Section 13.10. Each Member further agrees that personal jurisdiction over him or her may be effected by service of process by registered or certified mail addressed as provided in Section 13.14 of this Agreement, and that when so made shall be as if served upon him or her personally within the State of California.

13.10 Arbitration. Except as otherwise provided in this Agreement, any controversy between the parties arising out of this Agreement shall be submitted to the American Arbitration Association for arbitration in San Francisco, California. The costs of the arbitration, including any American Arbitration Association administration fee, the arbitrator's fee, and costs for the use of facilities during the hearings, shall be borne equally by the parties to the arbitration. Attorneys' fees may be awarded to the prevailing or most

prevailing party at the discretion of the arbitrator. The provisions of Sections 1282.6, 1283, and 1283.05 of the California Code of Civil Procedure apply to the arbitration. The arbitrator shall not have any power to alter, amend, modify or change any of the terms of this Agreement nor to grant any remedy which is either prohibited by the terms of this Agreement, or not available in a court of law.

A. American Arbitration Association. The mediation and any arbitration shall be administered by and held in accordance with the Commercial Mediation or Commercial Arbitration Rules of the American Arbitration Association.

B. Mediation. The parties shall, before the commencement of arbitration proceedings, attempt in good faith to settle their dispute by mediation.

C. Arbitrator. The arbitrator shall be selected by the parties in accordance with the Commercial Mediation or Commercial Arbitration Rules of the American Arbitration Association .

D. Provisional Remedy. Each of the parties reserves the right to file with a court of competent jurisdiction an application for temporary or preliminary injunctive relief, writ of attachment, of possession, temporary protective order and/or appointment of a receiver on the grounds that the arbitration award to which the applicant may be entitled may be rendered ineffectual in the absence of such relief.

E. Enforcement of Judgment. Judgment upon the award rendered by the arbitrator may be entered in any Court having jurisdiction thereof.

F. Discovery. The parties may obtain discovery in aid of the arbitration to the fullest extent permitted under law, including California Code of Civil Procedure Section 12 83.05. All discovery disputes shall be resolved by the arbitrator.

G. Consolidation. Any arbitration hereunder may be consolidated by the AAA with the arbitration of any other dispute arising out of or relating to the same subject matter when the arbitrator determines that there is a common issue of law or fact creating the possibility of conflicting rulings by more than one arbitrator or panel of arbitrators. Any disputes over which arbitrator or panel of arbitrators shall hear any consolidated matter shall be resolved by the American Arbitration Association.

H. Power and Authority of Arbitrator. The arbitrator shall not have any power to alter, amend, modify or change any of the terms of this Agreement nor to grant any remedy which is either prohibited by the terms of this Agreement, or not available in a court of law.

I. Governing Law. All questions in respect of Procedure to be followed in conducting the arbitration as well as the enforceability of this Agreement to arbitrate which may be resolved by state law shall be resolved according to the law of the State of California.

J. Costs. The costs of the arbitration, including any American Arbitration Association administration fee, the arbitrator's fee, and costs for the use of facilities during the bearings, shall be borne equally by the parties to the arbitration. Attorneys' fees may be awarded to the prevailing or most prevailing party at the discretion of the arbitrator.

13.11 Exhibits. All Exhibits attached to this Agreement are incorporated and shall be treated as if set forth herein.

13.12 Severability. If any provision of this Agreement or the application of such provision to any person or circumstance shall be held invalid, the remainder of this Agreement or the application of such provision to persons or circumstances other than those to which it is held invalid shall not be affected thereby.

13.13 Additional Documents and Acts. Each Member agrees to execute and deliver such additional documents and instruments and to perform such additional acts as may be necessary or appropriate to effectuate, carry out and perform all of the terms, provisions, and conditions of this Agreement and the transactions contemplated hereby.

13.14 Notices. Any notice to be given or to be served upon the Company or any party hereto in connection with this Agreement must be in writing (which may include facsimile) and will be deemed to have been given and received when delivered to the address specified by the party to receive the notice. Such notices will be given to a Member or Manager at the address specified in Exhibit A hereto. Any party may, at any time by giving five (5) days' prior written notice to the other parties, designate any other address in substitution of the foregoing address to which such notice will be given.

13.15 Amendments. All amendments to this Agreement will be in writing and signed by all of the Members. In the absence of any opinion of counsel as to the effect thereof, no amendment to this Agreement or the Articles shall be made which violates the Act or is likely to cause the Company to be taxed as a corporation.

13.16 Reliance on Authority of Person Signing Agreement. If a Member is not a natural person, neither the Company nor any Member will (a) be required to determine the authority of the individual signing this Agreement to make any commitment or undertaking on behalf of such entity or to determine any fact or circumstance bearing upon the existence of the authority of such individual or (b) be responsible for the application or distribution of proceeds paid or credited to individuals signing this Agreement on behalf of such entity.

13.17 No Interest in Company Property. No Member Assignee has any interest in specific property of the Company. Without

limiting the foregoing, each Member and Assignee irrevocably waives during the term of the Company any right that he or she may have to maintain any action for partition with respect to the property of the Company.

13.18 Multiple Counterparts. This Agreement may be executed in two or more counterparts each of which shall be deemed an original, but all of which shall constitute one and the same instrument.

13.19 Attorney Fees. In the event that any dispute between the Company and the Members or among the Members should result in litigation or arbitration, the prevailing party in such dispute shall entitled to recover from the other party all reasonable fees, costs and expenses of enforcing any right of the prevailing party, including without limitation, reasonable attorneys' fees and expenses, all of which shall deemed to have accrued upon the commencement of such action and shall be paid whether or not such action is prosecuted to judgment. Any judgment or order entered in such action shall contain a specific provision providing for the recovery of attorney fees and costs incurred in enforcing such judgment and an award prejudgment interest from the date of the breach at the maximum rate of interest allowed by law. For the purposes of this Section: (a) attorney fees shall include, without limitation, fees incurred in the following (1) postjudgment motions; (2) contempt proceedings; (3) garnishment, levy, and debtor and third party examinations; (4) discovery; and (5) bankruptcy litigation and (b) prevailing party shall mean the party who is determined in the proceeding to have prevailed or who prevails by dismissal, default or otherwise.

13.20 Time is of the Essence. All dates and times in this Agreement are of the essence.

13.21 Remedies Cumulative. The remedies under this Agreement are cumulative and shall exclude any other remedies to which any person may be lawfully entitled.

13.22 Special Power of Attorney.

A. Attorney in Fact. Each Member grants the Managers a special power of attorney irrevocably making, constituting, and appointing the Managers as the Member's attorney in fact, with all power and authority to act in the Member's name and on the Member's behalf to execute, acknowledge and deliver and swear to in the execution, acknowledgement, delivery and filing of the following documents:

(i) Promissory notes to be delivered pursuant to Section 3.5;

(ii) Security agreements to be delivered pursuant to Section 3.5;

(iii) UCC-1 financing statements to be delivered pursuant to Section 3.5 and all amendments thereto;

(iv) Assignments of Membership Interests or other documents of transfer to be delivered pursuant to Section 3.5 or in connection with the purchase of a Membership Interest pursuant to Section 3.5, Section 7.7 or Article 8;

(v) Any other instrument or document that may be reasonably required by the Managers in connection with any of the foregoing or to reflect any reduction in the Member's Capital Account or Percentage Interest pursuant to Section 3.5; and

(vi) Any consent to the representation of the Company by counsel selected by the Managers as described in Section 13. 1.

B. Irrevocable Power. The special power granted in Section 13.22A: (i) is irrevocable, (ii) is coupled with an interest and (iii) shall survive a Member's death, incapacity or dissolution.

C. Signatures. The Managers may exercise the special power of attorney granted in Section 13.22A by a facsimile signature of any Manager or one of their officers or by signature of any Manager or one of their officers.

13.23 Statement of Restrictions. This Agreement and any amendments hereto constitute an "Initial Transaction Statement" as described in California Commercial Code Section 8408.

13.24 Consent of Spouse. Within ten (10) days after any individual becomes a Member or a Member marries, such Member shall have his or her spouse execute a consent form.

Executed this **16th day of August, 2014** in San Francisco, California.

___Steve Miller_____

Redwood Management Group, LLC, Managing Member and Fund Manager
By: Steve Miller, Principal of the Fund Manager

EXHIBIT C

FINANCIALS

Redwood Real Estate Fund, LLC

316 Briar Court, San Francisco, CA 94133

The following financial projections are hypothetical and based on certain assumptions that may change during the operation of the Fund. As such, the projections and data enclosed in this Exhibit are considered "forward-looking statements" and are not an assurance of specific future performance of the Fund.

Balance Sheet

	Current	Year 1	Year 2	Year 3	Year 4	Year 5
Assets						
Current Assets (Cash)	$25,000	$5,700,000	$3,600,000	$1,624,000	$1,204,000	$2,299,000
Real Estate Investments		$25,904,000	$30,040,000	$35,040,000	$41,040,000	$43,040,000
Total Assets	$25,000	$31,604,000	$33,640,000	$36,664,000	$42,244,000	$45,339,000
Liabilities and Owners Equity						
Real Estate Asset Equity		$25,904,000	$30,040,000	$35,040,000	$41,040,000	$43,040,000
Cash	$25,000	$5,636,000	$3,510,000	$1,574,000	$1,154,000	$2,249,000
Misc. Payables		$42,000	$50,000	$30,000	$30,000	$30,000
Accrued Fees (Third Party)		$22,000	$40,000	$20,000	$20,000	$20,000
Total Liabilities and Equity	$25,000	$31,604,000	$33,640,000	$36,664,000	$42,244,000	$45,339,000

Projected Return and Capital Gains Schedule

	Year 1	Year 2	Year 3	Year 4	Year 5
Average Fund Equity	$35,000,000	$37,220,000	$39,210,000	$42,567,000	$44,230,000
Preferred Return from Cash Flow (6%)	$2,100,000	$2,100,000	$2,100,000	$2,100,000	$2,100,000
Total Returns from Cash Flow	$2,100,000	$4,200,000	$6,300,000	$8,400,000	$10,500,000
Total Percentage Preferred Return	6%	12%	18%	24%	30%
Return of Capital Investment					$35,000,000
Fund Equity Balance					$9,230,000
Fund Cash Balance					$7,254,000
Total Cash for Distribution					$16,484,000
Class A Member Participation (70%)					$11,538,000
Total Cash Returns to Class A Members					$22,038,800
Projected Annualized Return					12.59%

Projected Cash Flow and Net Income

	Year 1	Year 2	Year 3	Year 4	Year 5
Beginning Cash		$3,600,000	$1,624,000	$1,204,000	$2,299,000
Sources of Funds					
Equity Contributions	$35,000,000				
Capital Events	$0	$1,670,000	$5,230,000	$6,660,000	$6,200,000
Operating Income	$2,330,000	$3,100,000	$3,400,000	$3,625,000	$3,700,000
Capital Event Income	$545,000	$1,219,000	$1,500,000	$1,600,000	$1,525,000
Offering Expenses (Est.)	($1,750,000)				
Total	$36,125,000	$9,589,000	$11,754,000	$13,089,000	$13,724,000
Use of Funds					
Asset Acquisitions	$25,904,000	$4,100,000	$5,000,000	$6,200,000	$2,000,000
Rehabilitation Expenses	$2,400,000	$700,000	$1,100,000	$1,200,000	$200,000
Brokerage (Acquisition)	$600,000	$100,000	$220,000	$230,000	$30,000
Brokerage (Disposition)	$600,000	$35,000	$1,200,000	$125,000	$1,200,000
Management Fees	$700,000	$700,000	$700,000	$700,000	$700,000
Property Management Fees	$221,000	$230,000	$230,000	$235,000	$240,000
Cash Reserve	$3,600,000	$1,024,000	$1,204,000	$2,299,000	$7,254,000
Class A Preferred Return	$2,100,000	$2,100,000	$2,100,000	$2,100,000	$2,100,000
Ending Cash	$3,600,000	$1,624,000	$1,204,000	$2,299,000	$7,254,000
Fund Liquidation					$44,230,000
Cash for Distribution					$51,484,000
Capital Return - Class A Members					$35,000,000
Net Cash after Capital Return					$16,484,000
Class A Capital Gain (70%)					$11,538,000
Management Incentive Fee (30%)					$4,946,000

EXHIBIT D

SUBSCRIPTION AGREEMENT & INVESTOR SUITABILITY QUESTIONNAIRE

Redwood Real Estate Fund, LLC

316 Briar Court, San Francisco, CA 94133

SUBSCRIPTION BOOKLET

Redwood Real Estate Fund, LLC
A California Limited Liability Company

NO PUBLIC MARKET EXISTS WITH RESPECT TO MEMBERSHIP UNITS OFFERED HEREBY, AND NO ASSURANCES ARE GIVEN THAT ANY SUCH MARKET WILL DEVELOP. INVESTORS SHOULD BE AWARE THAT THEY MAY BE REQUIRED TO BEAR THE RISKS OF THIS INVESTMENT FOR AN INDEFINITE PERIOD.

THIS SUBSCRIPTION BOOKLET HAS BEEN PREPARED SOLELY FOR THE BENEFIT OF PROSPECTIVE INVESTORS IN Redwood Real Estate Fund, LLC, AND CONSTITUTES AN OFFER ONLY TO THE PROSPECTIVE INVESTOR TO WHOM IT WAS DELIVERED. DISTRIBUTION OF THIS SUBSCRIPTION BOOKLET TO ANY PERSON OTHER THAN SUCH PROSPECTIVE INVESTOR AND THOSE PERSONS RETAINED TO ADVISE IT WITH RESPECT TO THE INVESTMENT IS UNAUTHORIZED.

IN MAKING AN INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE COMPANY AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED.

THE SECURITIES DESCRIBED IN THIS OFFERING MEMORANDUM HAVE NOT BEEN REGISTERED WITH OR APPROVED BY THE U.S. SECURITIES AND EXCHANGE COMMISSION (THE "COMMISSION"), NOR HAS THE COMMISSION OR ANY APPLICABLE STATE OR OTHER JURISDICTION'S SECURITIES COMMISSION OR OTHER REGULATORY AUTHORITY PASSED UPON THE ACCURACY OR ADEQUACY OF THIS MEMORANDUM OR ENDORSED THE MERITS OF THIS OFFERING. ANY REPRESENTATION TO THE CONTRARY IS UNLAWFUL. NONE OF THE SECURITIES MAY BE RESOLD, TRANSFERRED OR OTHERWISE DISPOSED OF UNLESS THE TRANSACTION EFFECTING SUCH DISPOSITION IS REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR AN EXEMPTION THEREFROM IS AVAILABLE AND THE COMPANY RECEIVES AN OPINION OF COUNSEL ACCEPTABLE TO IT THAT SUCH REGISTRATION IS NOT REQUIRED PURSUANT TO SUCH EXEMPTION.

This booklet contains documents that must be read, executed and returned if you wish to invest in Redwood Real Estate Fund, LLC, a California limited liability company (the "Company"). You should consult with an attorney, accountant, investment advisor or other advisor regarding an investment in the Company and its suitability for you.

If you decide to invest, please fill out, sign and return the documents pertinent to you, as listed under each of the headings below.

For individuals the documents to be returned are:
- the execution page of the attached Subscription Agreement;
- the Suitability Statement for individuals;
- the execution page of the Operating Agreement

For entities the documents to be returned are:
- the execution page of the Subscription Agreement;
- the Suitability Statement for entities;
- whichever of Exhibits A (for partnerships and limited liability companies), B (for custodians, trustees and agents) or C (for corporations commonly referred to as S corporations) to the Subscription Agreement is relevant to you;
- the execution page of the Operating Agreement

What this booklet contains:

1. A Subscription Agreement and Suitability Statements:

The Subscription Agreement is the document by which you agree to subscribe for and purchase your limited liability company membership unit(s) in the Company (your "Interest" or "Unit(s)").

The Suitability Statements, which are incorporated in Section 11 of the Subscription Agreement and therefore are part of that agreement, are important and must be completed by each investor. Please read this section carefully.

Individuals should initial their answer to each of the questions in the Suitability Statement and also fill out and sign the execution page to the Subscription Agreement.

Entities should initial their answer to each of the questions in the Suitability Statement and also fill out and sign the execution page to the Subscription Agreement.

Investors that are entities must also complete whichever one of the following Exhibits to the Subscription Agreement is relevant to them:

a. If the Investor is a partnership or limited liability company, please include a copy of the partnership's governing instruments and a completed Exhibit A in the documents to be returned.

b. If the Investor is a custodian, trustee, or agent, please include a copy of the trust or other instrument and a completed Exhibit B in the documents to be returned.

c. If the investor is a corporation, please include a copy of the corporation's governing instruments, executed resolutions of the corporation's Board of Directors as specified in Exhibit C, and a completed Exhibit C in the documents to be returned.

2. A copy of the Operating Agreement

Investors must sign one copy of the Operating Agreement signature page. For convenience, a copy is included as part of this booklet. The form of the Operating Agreement is contained in its entirety as an Exhibit in the Private Placement Memorandum; there is no need to return the entire document to the Company.

PLEASE CAREFULLY REVIEW THESE DOCUMENTS AND THE COMPANY'S RELATED PRIVATE PLACEMENT MEMORANDUM

YOU SHOULD HAVE RECEIVED AND REVIEWED A PRIVATE PLACEMENT MEMORANDUM (THE "PPM", OR "MEMORANDUM") THAT CONTAINS INFORMATION ABOUT THIS OFFERING. AFTER YOU HAVE RECEIVED AND REVIEWED THE PPM, HAVE HAD AN OPPORTUNITY TO ASK QUESTIONS AND RECEIVE ANSWERS CONCERNING THE TERMS AND CONDITIONS OF THE OFFERING AND TO OBTAIN ANY ADDITIONAL INFORMATION YOU REQUIRE CONCERNING THIS OFFERING AND HAVE DECIDED TO SUBSCRIBE FOR AND PURCHASE THE SECURITIES, YOU MUST COMPLETE THE SUBSCRIPTION AGREEMENT AND VERIFY THAT YOU ARE A SOPHISTICATED AND ACCREDITED INVESTOR. THE COMPANY'S MANAGER WILL REVIEW THIS INFORMATION AND WILL DETERMINE WHETHER YOU MEET THE QUALIFICATION AND SUITABILITY REQUIREMENTS FOR INVESTING IN THE COMPANY.

BY EXECUTING THE SUBSCRIPTION AGREEMENT, AS WELL AS THE SIGNATURE PAGE TO THE OPERATING AGREEMENT, EACH INVESTOR IS AGREEING TO BE BOUND BY THE TERMS OF THE SUBSCRIPTION AGREEMENT AND THE OPERATING AGREEMENT.

SUBSCRIPTION PROCEDURE

The Company is offering up to $35,000,000 of Class A Membership Units in the Company at a price of $1,000 per Unit. Each investor must subscribe for a minimum dollar amount equal to at least $25,000 although the Manager may, in its sole discretion, waive this minimum. The Manager may, in its sole discretion, reject a proposed investment or limit the number of Membership Units to be purchased by an investor.

Checks for subscriptions to Membership Units offered hereunder should be made payable to Redwood Real Estate Fund, LLC and subscription funds shall be received directly by the Company.

The Company will notify each investor of the Company's acceptance or rejection of such investor's subscription after receipt and review of all documentation. If the Company does not accept your subscription, the escrow agent and/or the Company will return your subscription funds and the Company will return your subscription agreement.

SUBSCRIPTION AMOUNT

Your subscription amount should be either mailed to the Fund or wired. All subscription documentation must be sent as follows:

Send all documents, checks and money orders to:

Attention: Private Placement Subscriptions
Redwood Real Estate Fund, LLC
316 Briar Court, Suite 303
San Francisco, CA 94133
(415) 226-1176

Investors interested in wiring funds for subscription of Units should contact the Company for wiring instructions.

REGULATION D RULE 506(C) INVESTOR VERIFICATION STANDARDS AND PROTOCOLS

In purchasing securities through this Offering, the Company is obligated to verify your status as an accredited investor in accordance with Rule 501 of Regulation D. There are three primary methods the Company may employ to comply with the verification standards. Investors in this offering will need to provide the Company with verification that meets the standards and form using one or multiple methods as listed below:

Income: The Company may verify an individual's status as an accredited investor on the basis of income by reviewing copies of any IRS form that reports net income, such as Forms W-2 or 1099 (which are typically filed by an employer or other third party payor), or Forms 1040 filed by the prospective purchaser (with non-relevant information permitted to be redacted). Under this method, the Company must review IRS forms for the two most recent years and obtain a written representation from the prospective purchaser that he or she has a reasonable expectation of attaining the necessary income level for the current year. Where accredited investor status is based on joint income with the person's spouse, the IRS forms and representation must be provided with respect to both the purchaser and the spouse.

Net Worth: Under this method, the Company will need to review bank or brokerage statements or third-party appraisal reports to verify the purchaser's assets and a credit report to verify liabilities, in each case dated within the prior three months, and will need to obtain a written representation from the prospective purchaser that all liabilities have been disclosed. Where accredited investor status is based on joint net worth with the person's spouse, the asset and liability documentation and representation must be provided with respect to both the purchaser and the spouse.

Reliance on Determination by Specified Third Parties: The Company may satisfy the verification requirement if it obtains a written confirmation from a registered broker-dealer, an SEC-registered investment adviser, a licensed attorney, or a certified public accountant that within the prior three months such person or entity has taken reasonable steps to verify that the purchaser is an accredited investor and has determined that the purchaser is an accredited investor.

Proper verification must be submitted with your subscription for securities in order for the Company to verify your suitability for investment and accept your subscription.

REGULATION D 506(C) MANDATED LEGENDS

Any historical performance data represents past performance.

Past performance does not guarantee future results;

Current performance may be different than the performance data presented;

The Company is not required by law to follow any standard methodology when calculating and representing performance data;

The performance of the Company may not be directly comparable to the performance of other private or registered funds or companies;

The securities are being offered in reliance on an exemption from the registration requirements, and therefore are not required to comply with certain specific disclosure requirements;

The Securities and Exchange Commission has not passed upon the merits of or approved the securities, the terms of the offering, or the accuracy of the materials.

SUBSCRIPTION AGREEMENT

To the Undersigned Purchaser:

Redwood Real Estate Fund, LLC, a California limited liability company (the "Company"), hereby agrees with you (in the case of a subscription for the account of one or more trusts or other entities, "you" or "your" shall refer to the trustee, fiduciary or representative making the investment decision and executing this Subscription Agreement (this "Agreement"), or the trust or other entity, or both, as appropriate) as follows:

1) Sale and Purchase of Member Interest. The Company has been formed under the laws of the State of California and is governed by a limited liability company Operating Agreement in substantially the form attached hereto as an Exhibit to the Private Placement Memorandum, as the same may be modified in accordance with the terms of any amendment thereto (the "Operating Agreement"). Capitalized terms used herein without definition have the meanings set forth in the Operating Agreement.

Subject to the terms and conditions of this Agreement and in reliance upon the representations and warranties of the respective parties contained herein:

- the Company agrees to sell to you, and you irrevocably subscribe for and agree to purchase from the Company, an interest as a member (a "Member") in the Company (an "Interest" or "Unit"); and

- the Company and its manager (the "Manager") agree that you shall be admitted as a Member, upon the terms and conditions, and in consideration of your agreement to be bound by the terms and provisions of the Operating Agreement and this Agreement, with a capital contribution in the amount equal to the amount set forth opposite your signature at the end of this Agreement (your "Capital Contribution").

Subject to the terms and conditions hereof and of the Operating Agreement, your obligation to subscribe and pay for your Interest shall be complete and binding upon the execution and delivery of this Agreement.

2) Other Subscriptions. The Company has entered into separate but substantially identical subscription agreements (the "Other Subscription Agreements" and, together with this Agreement, the "Subscription Agreements") with other purchasers (the "Other Purchasers"), providing for the sale to the Other Purchasers of Membership Units and the admission of the Other Purchasers as Members. This Agreement and the Other Subscription Agreements are separate agreements, and the sales of Membership Units to you and the Other Purchasers are to be separate sales.

3) Closing. The closing (the "Closing") of the sale to you and your subscription for and purchase by you of an Interest, and your admission as a Member shall take place at the discretion of the Manager. At the Closing, and upon satisfaction of the conditions set out in this Agreement, the Manager will list you as a Member on Schedule A of the Operating Agreement.

4) Conditions Precedent to Your Obligations.

a) The Conditions Precedent. Your obligation to subscribe for your Interest and be admitted as a Member at the Closing is subject to the fulfillment (or waiver by you), prior to or at the time of the Closing, of the following conditions:

i) Operating Agreement. The Operating Agreement shall have been duly authorized, executed and delivered by or on behalf of the Manager. Each Other Purchaser that is to be admitted as a Member as the Closing shall have duly authorized, executed and delivered a counterpart of the Operating Agreement or authorized its execution and delivery on its behalf. The Operating Agreement shall be in full force and effect.

ii) Representations and Warranties. The representations and warranties of the Company contained in Section 7 of this Agreement shall be true and correct in all material respects when made and at the time of the Closing, except as affected by the consummation of the transactions contemplated by this Agreement or the Operating Agreement

iii) Performance. The Company shall have duly performed and complied in all material respects with all agreements and conditions contained in this Agreement required to be performed or complied with by it prior to or at the Closing.

iv) Legal Investment. On the Closing Date your subscription hereunder shall be permitted by the laws and regulations applicable to you.

b) Nonfulfillment of Conditions. If at the Closing any of the conditions specified in Section 5.1 shall not have been fulfilled, you shall, at your election, be relieved of all further obligations under this Agreement and the Operating Agreement, without thereby waiving any other rights you may have by reason of such nonfulfillment. If you elect to be relieved of your obligations under this Agreement pursuant to the foregoing sentence, the Operating Agreement shall be null and void as to you and the power of attorney contained herein shall be used only to carry out and effect the actions required by this sentence, and the Company shall take, or cause to be taken, all steps necessary to nullify the Operating Agreement as to you.

5) Conditions Precedent to the Company's Obligations.

a) The Conditions Precedent. The obligations of the Company and the Manager to issue to you the Interest and to admit you as

a Member at the Closing shall be subject to the fulfillment (or waiver by the Company) prior to or at the time of the Closing, of the following conditions:

i) Operating Agreement. Any filing with respect to the formation of the Company required by the laws of the State of California shall have been duly filed in such place or places as are required by such laws. A counterpart of the Operating Agreement shall have been duly authorized, executed and delivered by or on behalf of you and each of such Other Purchasers. The Operating Agreement shall be in full force and effect.

ii) Representations and Warranties. The representations and warranties made by you in Section 8 shall be true and correct when made and at the time of the Closing.

iii) Performance. You shall have duly performed and complied with all agreements and conditions contained in this Agreement required to be performed or complied with by you prior to or at the time of the Closing.

b) Nonfulfillment of Conditions. If at the Closing any of the conditions specified in Section 6.1 shall not have been fulfilled,the Company shall, at the Manager's election, be relieved of all further obligations under this Agreement and the Operating Agreement, without thereby waiving any other rights it may have by reason of such nonfulfillment. If the Manager elects for the Company to be relieved of its obligations under this Agreement pursuant to the foregoing sentence, the Operating Agreement shall be null and void as to you and the power of attorney contained herein shall be used only to carry out and effect the actions required by this sentence, and the Company shall take, or cause to be taken, all steps necessary to nullify the Operating Agreement as to you.

6) Representations and Warranties of the Company.

a) The Representations and Warranties. The Company represents and warrants that:

i) Formation and Standing. The Company is duly formed and validly existing as a limited liability company under the laws of the State of California and, subject to applicable law, has all requisite power and authority to carry on its business as now conducted and as proposed to be conducted as described in the Private Placement Memorandum relating to the private offering of Membership Units by the Company (together with any amendments and supplements thereto, the "Offering Memorandum"). The Manager is duly formed and validly existing as a limited liability company under the laws of the State of California and, subject to applicable law, has all requisite limited liability company power and authority to act as Manager of the Company and to carry out the terms of this Agreement and the Operating Agreement applicable to it.

ii) Authorization of Agreement, Etc. The execution and delivery of this Agreement has been authorized by all necessary action on behalf of the Company and this Agreement is a legal, valid and binding obligation of the Company, enforceable against the Company in accordance with its terms. The execution and delivery by the Manager of the Operating Agreement has been authorized by all necessary action on behalf of the Manager and the Operating Agreement is a legal, valid and binding agreement of the Manager, enforceable against the Manager in accordance with its terms.

iii) Compliance with Laws and Other Instruments. The execution and delivery of this Agreement and the consummation of the transactions contemplated hereby will not conflict with or result in any violation of or default under any provision of the Operating Agreement, or any agreement or other instrument to which the Company is a party or by which it or any of its properties is bound, or any permit, franchise, judgment, decree, statute, order, rule or regulation applicable to the Company or its business or properties. The execution and delivery of the Operating Agreement and the consummation of the transactions contemplated thereby will not conflict with or result in any violation of or default under any provision of the limited liability company operating agreement of the Manager, or any agreement or instrument to which the Manager is a party or by which it or any of its properties is bound, or any permit, franchise, judgment, decree, statute, order, rule or regulation applicable to the Manager or its businesses or properties.

iv) Offer of Membership Units. Neither the Company nor anyone acting on its behalf has taken any action that would subject the issuance and sale of the Membership Units to the registration requirements of the Securities Act of 1933, as amended (the "Securities Act").

v) Investment Company Act. The Company is not required to register as an "investment company" under the Investment Company Act of 1940, as amended (the "Investment Company Act"). The Manager is not required to register as an "investment adviser" under the Investment Advisers Act of 1940, as amended (the "Advisers Act").

vi) Company Liabilities; Litigation. Prior to the date hereof, the Company has not incurred any material liabilities other than liabilities in respect of organizational expenses. There is no action, proceeding or investigation pending or, to the knowledge of the Manager or the Company, threatened against the Manager or the Company.

vii) Disclosure. The Offering Memorandum, when read in conjunction with this Agreement and the Operating Agreement, does not as of the date hereof contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements contained therein, in light of the circumstances under which they were made, not misleading.

b) Survival of Representations and Warranties. All representations and warranties made by the Company in Section 7.1 shall survive the execution and delivery of this Agreement, any investigation at any time made by you or on your behalf and the issue and sale of Membership Units.

7) Representations and Warranties of the Purchaser.

a) The Representations and Warranties. You represent and warrant to the Manager, the Company and each other Person that is, or in the future becomes, a Member that each of the following statements is true and correct as of the Closing Date:

i) Accuracy of Information. All of the information provided by you to the Company and the Manager is true, correct and complete in all respects. Any other information you have provided to the Manager or the Company about you is correct and complete as of the date of this Agreement and at the time of Closing.

ii) Offering Memorandum; Advice. You have either consulted your own investment adviser, attorney or accountant about the investment and proposed purchase of an Interest and its suitability to you, or chosen not to do so, despite the recommendation of that course of action by the Manager. Any special acknowledgment set forth below with respect to any statement contained in the Offering Memorandum shall not be deemed to limit the generality of this representation and warranty.

(1) You have received a copy of the Offering Memorandum and the form of the Operating Agreement and you understand the risks of, and other considerations relating to, a purchase of Membership Units, including the risks set forth under the caption "Risk Factors" in the Offering Memorandum. You have been given access to, and prior to the execution of this Agreement you were provided with an opportunity to ask questions of, and receive answers from, the Manager or any of its principals concerning the terms and conditions of the offering of Membership Units, and to obtain any other information which you and your investment representative and professional advisors requested with respect to the Company and your investment in the Company in order to evaluate your investment and verify the accuracy of all information furnished to you regarding the Company. All such questions, if asked, were answered satisfactorily and all information or documents provided were found to be satisfactory.

iii) Investment Representation and Warranty. You are acquiring your Interest for your own account or for one or more separate accounts maintained by you or for the account of one or more pension or trust funds of which you are trustee as to which you are the sole qualified professional asset manager within the meaning of Prohibited Transaction Exemption 84-14 (a "QPAM") for the assets being contributed hereunder, in each case not with a view to or for sale in connection with any distribution of all or any part of such Interest. You hereby agree that you will not, directly or indirectly, assign, transfer, offer, sell, pledge, hypothecate or otherwise dispose of all or any part of such Interest (or solicit any offers to buy, purchase or otherwise acquire or take a pledge of all or any part of the Interest) except in accordance with the registration provisions of the Securities Act or an exemption from such registration provisions, with any applicable state or other securities laws, and with the terms of the Operating Agreement. If you are purchasing for the account of one or more pension or trust funds, you represent that (except to the extent you have otherwise advised the Company in writing prior to the date hereof) you are acting as sole trustee or sole QPAM for the assets being contributed hereunder and have sole investment discretion with respect to the acquisition of the Interest to be purchased by you pursuant to this Agreement, and the determination and decision on your behalf to purchase such Interest for such pension or trust funds is being made by the same individual or group of individuals who customarily pass on such investments, so that your decision as to purchases for all such funds is the result of such study and conclusion.

iv) Representation of Investment Experience and Ability to Bear Risk. You (i) are knowledgeable and experienced with respect to the financial, tax and business aspects of the ownership of an Interest and of the business contemplated by the Company and are capable of evaluating the risks and merits of purchasing an Interest and, in making a decision to proceed with this investment, have not relied upon any representations, warranties or agreements, other than those set forth in this Agreement, the Offering Memorandum and the Operating Agreement, if any; and (ii) can bear the economic risk of an investment in the Company for an indefinite period of time, and can afford to suffer the complete loss thereof.

v) Accredited Investor. You are an "Accredited" investor within the meaning of Section 501 of Regulation D promulgated under the Securities Act.

vi) No Investment Company Issues. If you are an entity, (i) you were not formed, and are not being utilized, primarily for the purpose of making an investment in the Company and (ii) either (A) all of your outstanding securities (other than short-term paper) are beneficially owned by one Person, (B) you are not an investment company under the Investment Company Act or a "private investment company" that avoids registration and regulation under the Investment Company Act based on the exclusion provided by Section 3(c)(1) or Section 3(c)(7) of the Investment Company Act, or (C) you have delivered to the Manager a representation and covenant as to certain matters under the Investment Company Act satisfactory to the Manager.

vii) Certain ERISA Matters. You represent that:

(1) except as described in a letter to the Manager dated at least five (5) days prior to the date hereof, no part of the funds used by you to acquire an Interest constitutes assets of any "employee benefit plan" within the meaning of Section 3(3) of ERISA, either directly or indirectly through one or more entities whose underlying as sets include plan assets by reason of a plan's investment in such entities (including insurance company separate accounts, insurance company general accounts or bank collective investment funds, in which any such employee benefit plan (or its related trust) has any interest); or

(2) if an Interest is being acquired by or on behalf of any such plan (any such purchaser being referred to herein as an "ERISA Member"), (A) such acquisition has been duly authorized in accordance with the governing holding of the Interest do not and will not constitute a "non-exempt prohibited transaction" within the meaning of Section 406 of ERISA or Section

4975 of the Internal Revenue Code of 1986, as amended (i.e., a transaction that is not subject to an exemption contained in ERISA or in the rules and regulations adopted by the U.S. Department of Labor (the "DOL") thereunder). The foregoing representation shall be based on a list of the Other Purchasers to be provided by the Manager to each ERISA Member prior to the Closing. You acknowledge that the manager of the Company, is not registered as an "investment adviser" under the Investment Advisers Act and that as a Member you will have no right to withdraw from the Company except as specifically provided in the Operating Agreement. If, in the good faith judgment of the Manager, the assets of the Company would be "plan assets" (as defined in DOL Reg. § 2510.3-101 promulgated under ERISA, as it may be amended from time to time) of an employee benefit plan (assuming that the Company conducts its business in accordance with the terms and conditions of the Operating Agreement and as described in the Offering Memorandum), then the Company and each ERISA Member will use their respective best efforts to take appropriate steps to avoid the Manager's becoming a "fiduciary" (as defined in ERISA) as a result of the operation of such regulations. These steps may include (x) selling your Interest (if you are an ERISA Member) to a third party which is not an employee benefit plan, or (y) making any appropriate applications to the DOL, but the Manager shall not be required to register as an "investment adviser" under the Advisers Act.

(a) If you are an ERISA member, you further understand, agree and acknowledge that your allocable share of income from the Company may constitute "unrelated business taxable income" ("UBTI") within the meaning of section 512(a) of the Code and be subject to the tax imposed by section 511(a)(1) of the Code. You further understand, agree and acknowledge that the Company neither makes nor has made any representation to it as to the character of items of income (as UBTI or otherwise) allocated (or to be allocated) to its members (including ERISA Members) for federal, state, or local income tax purposes. You (prior to becoming a member of the Company) have had the opportunity to consider and discuss the effect of your receipt of UBTI with independent tax counsel of your choosing, and upon becoming a member of the Company voluntarily assume the income tax and other consequences resulting from the treatment of any item of the Company's income allocated to you as UBTI. The Company shall not be restricted or limited in any way, or to any degree, from engaging in any business, trade, loan, or investment that generates or results in the allocation of UBTI to you or any other ERISA Member, nor shall the Company have any duty or obligation not to allocate UBTI to you or any other ERISA Member. You hereby release the Company and all of its other members from any and all claims, damages, liability, losses, or taxes resulting from the allocation to you by the Company of UBTI.

viii) Suitability. You have evaluated the risks involved in investing in the Membership Units and have determined that the Membership Units are a suitable investment for you. Specifically, the aggregate amount of the investments you have in, and your commitments to, all similar investments that are illiquid is reasonable in relation to your net worth, both before and after the subscription for and purchase of the Membership Units pursuant to this Agreement.

ix) Transfers and Transferability. You understand and acknowledge that the Membership Units have not been registered under the Securities Act or any state securities laws and are being offered and sold in reliance upon exemptions provided in the Securities Act and state securities laws for transactions not involving any public offering and, therefore, cannot be resold or transferred unless they are subsequently registered under the Securities Act and such applicable state securities laws or unless an exemption from such registration is available. You also understand that the Company does not have any obligation or intention to register the Membership Units for sale under the Securities Act, any state securities laws or of supplying the information which may be necessary to enable you to sell Membership Units; and that you have no right to require the registration of the Membership Units under the Securities Act, any state securities laws or other applicable securities regulations. You also understand that sales or transfers of Membership Units are further restricted by the provisions of the Operating Agreement.

(1) You represent and warrant further that you have no contract, understanding, agreement or arrangement with any person to sell or transfer or pledge to such person or anyone else any of the Membership Units for which you hereby subscribe (in whole or in part); and you represent and warrant that you have no present plans to enter into any such contract, undertaking, agreement or arrangement.

(2) You understand that the Membership Units cannot be sold or transferred without the prior written consent of the Manager, which consent may be withheld in its sole and absolute discretion and which consent will be withheld if any such transfer could cause the Company to become subject to regulation under federal law as an investment company or would subject the Company to adverse tax consequences.

(3) You understand that there is no public market for the Membership Units; any disposition of the Membership Units may result in unfavorable tax consequences to you.

(4) You are aware and acknowledge that, because of the substantial restrictions on the transferability of the Membership Units, it may not be possible for you to liquidate your investment in the Company readily, even in the case of an emergency.

x) Residence. You maintain your domicile at the address shown in the signature page of this Subscription Agreement and you are not merely transient or temporarily resident there.

xi) Publicly-Traded Company. By the purchase of a Membership Unit in the Company, you represent to the Manager and the Company that (i) you have neither acquired nor will you transfer or assign any Unit you purchase (or any interest therein) or cause any such Membership Units (or any interest therein) to be marketed on or through an "established securities market" or a "secondary market" (or the substantial equivalent thereof) within the meaning of Section 7704(b)(1) of the Code, including, without limitation, an over the-counter-market or an interdealer quotation, system that regularly disseminates firm buy or sell quotations; and (ii) you either (A) are not, and will not become, a partnership, Subchapter S corporation, or grantor trust for

U.S. Federal income tax purposes, or (B) are such an entity, but none of the direct or indirect beneficial owners of any of the Membership Units in such entity have allowed or caused, or will allow or cause, 80 percent or more (or such other percentage as the Manager may establish) of the value of such Membership Units to be attributed to your ownership of Membership Units in the Company. Further, you agree that if you determine to transfer or assign any of your Interest pursuant to the provisions of the Operating Agreement you will cause your proposed transferee to agree to the transfer restrictions set forth therein and to make the representations set forth in (i) and (ii) above.

xii) Awareness of Risks; Taxes. You represent and warrant that you are aware (i) that the Company has limited operating history; (ii) that the Membership Units involve a substantial degree of risk of loss of its entire investment and that there is no assurance of any income from your investment; and (iii) that any federal and/or state income tax benefits which may be available to you may be lost through the adoption of new laws or regulations, to changes to existing laws and regulations and to changes in the interpretation of existing laws and regulations. You further represent that you are relying solely on your own conclusions or the advice of your own counsel or investment representative with respect to tax aspects of any investment in the Company.

xiii) Capacity to Contract. If you are an individual, you represent that you are over 21 years of age and have the capacity to execute, deliver and perform this Subscription Agreement and the Operating Agreement. If you are not an individual, you represent and warrant that you are a corporation, partnership, association, joint stock company, trust or unincorporated organization, and were not formed for the specific purpose of acquiring an Interest.

xiv) Power, Authority; Valid Agreement. (i) You have all requisite power and authority to execute, deliver and perform your obligations under this Agreement and the Operating Agreement and to subscribe for and purchase or otherwise acquire your Membership Units; (ii) your execution of this Agreement and the Operating Agreement has been authorized by all necessary corporate or other action on your behalf; and (iii) this Agreement and the Operating Agreement are each valid, binding and enforceable against you in accordance with their respective terms.

xv) No Conflict: No Violation. The execution and delivery of this Agreement and the Operating Agreement by you and the performance of your duties and obligations hereunder and thereunder (i) do not and will not result in a breach of any of the terms, conditions or provisions of, or constitute a default under (A) any charter, by-laws, trust agreement, partnership agreement or other governing instrument applicable to you, (B) (1) any indenture, mortgage, deed of trust, credit agreement, note or other evidence of indebtedness, or any lease or other agreement or understanding, or (2) any license, permit, franchise or certificate, in either case to which you or any of your Affiliates is a party or by which you or any of them is bound or to which your or any of their properties are subject; (ii) do not require any authorization or approval under or pursuant to any of the foregoing; or (iii) do not violate any statute, regulation, law, order, writ, injunction or decree to which you or any of your Affiliates is subject.

xvi) No Default. You are not (i) in default (nor has any event occurred which with notice, lapse of time, or both, would constitute a default) in the performance of any obligation, agreement or condition contained in (A) this Agreement or the Operating Agreement, (B) any provision of any charter, by- laws, trust agreement, partnership agreement or other governing instrument applicable to you, (C) (1) any indenture, mortgage, deed of trust, credit agreement, note or other evidence of indebtedness or any lease or other agreement or understanding, or (2) any license, permit, franchise or certificate, in either case to which you or any of your Affiliates is a party or by which you or any of them is bound or to which your or any of their properties are subject, or (ii) in violation of any statute, regulation, law, order, writ, injunction, judgment or decree applicable to you or any of your Affiliates.

xvii) No Litigation. There is no litigation, investigation or other proceeding pending or, to your knowledge, threatened against you or any of your Affiliates which, if adversely determined, would adversely affect your business or financial condition or your ability to perform your obligations under this Agreement or the Operating Agreement.

xviii) Consents. No consent, approval or authorization of, or filing, registration or qualification with, any court or Governmental Authority on your part is required for the execution and delivery of this Agreement or the Operating Agreement by you or the performance of your obligations and duties hereunder or thereunder.

b) Survival of Representations and Warranties. All representations and warranties made by you in Section 8.1 of this Agreement shall survive the execution and delivery of this Agreement, as well as any investigation at any time made by or on behalf of the Company and the issue and sale of Membership Units.

c) Reliance. You acknowledge that your representations, warranties, acknowledgments and agreements in this Agreement will be relied upon by the Company in determining your suitability as a purchaser of Membership Units.

d) Further Assurances. You agree to provide, if requested, any additional information that may be requested or required to determine your eligibility to purchase the Membership Units.

e) Indemnification. You hereby agree to indemnify the Company and any Affiliates and to hold each of them harmless from and against any loss, damage, liability, cost or expense, including reasonable attorney's fees (collectively, a "Loss") due to or arising out of a breach or representation, warranty or agreement by you, whether contained in this Subscription Agreement (including the Suitability Statements) or any other document provided by you to the Company in connection with your investment in the Membership Units. You hereby agree to indemnify the Company and any Affiliates and to hold them harmless against all Loss arising out of the sale or distribution of the Membership Units by you in violation of the Securities Act or other applicable law or any misrepresentation or breach by you with respect to the matters set forth in this Agreement. In addition, you agree to indemnify the

Company and any Affiliates and to hold such Persons harmless from and against, any and all Loss, to which they may be put or which they may 10 reasonably incur or sustain by reason of or in connection with any misrepresentation made by you with respect to the matters about which representations and warranties are required by the terms of this Agreement, or any breach of any such warranty or any failure to fulfill any covenants or agreements set forth herein or included in and as defined in the Offering Memorandum. Notwithstanding any provision of this Agreement, you do not waive any right granted to you under any applicable state securities law.

8) Certain Agreements and Acknowledgments of the Purchaser.

a) Agreements. You understand, agree and acknowledge that:

i) Acceptance. Your subscription for Membership Units contained in this Agreement may be accepted or rejected, in whole or in part, by the Manager in its sole and absolute discretion. No subscription shall be accepted or deemed to be accepted until you have been admitted as a Member in the Company on the Closing Date; such admission shall be deemed an acceptance of this Agreement by the Company and the Manager for all purposes.

ii) Irrevocability. Except as provided in Section 5.2 and under applicable state securities laws, this subscription is and shall be irrevocable, except that you shall have no obligations hereunder if this subscription is rejected for any reason, or if this offering is canceled for any reason.

iii) No Recommendation. No foreign, federal, or state authority has made a finding or determination as to the fairness for investment of the Membership Units and no foreign, federal or state authority has recommended or endorsed or will recommend or endorse this offering.

iv) No Disposal. You will not, directly or indirectly, assign, transfer, offer, sell, pledge, hypothecate or otherwise dispose of all or any part of your Interest (or solicit any offers to buy, purchase or otherwise acquire or take a pledge of all or any part of the Interest) except in accordance with the registration provisions of the Securities Act or an exemption from such registration provisions, with any applicable state or other securities laws and with the terms of the Operating Agreement.

v) Update Information. If there should be any change in the information provided by you to the Company or the Manager (whether pursuant to this Agreement or otherwise) prior to your purchase of any Membership Units, you will immediately furnish such revised or corrected information to the Company.

9) General Contractual Matters.

a) Amendments and Waivers. This Agreement may be amended and the observance of any provision hereof may be waived (either generally or in a particular instance and either retroactively or prospectively) only with the written consent of you and the Company.

b) Assignment. You agree that neither this Agreement nor any rights, which may accrue to you hereunder, may be transferred or assigned.

c) Notices. All notices, requests, demands and other communications hereunder shall be in writing and shall be deemed to have been duly given to any party when delivered by hand, when delivered by facsimile, or when mailed, first class postage prepaid, (a) if to you, to you at the address or telecopy number set forth below your signature, or to such other address or telecopy number as you shall have furnished to the Company in writing, and (b) if to the Company, to it c/o Redwood Real Estate Fund, LLC, 316 Briar Court, San Francisco, CA 94133, Attention: Investor Relations or to such other address or addresses, or telecopy number or numbers, as the Company shall have furnished to you in writing, provided that any notice to the Company shall be effective only if and when received by the Manager.

d) Governing law. This agreement shall be governed by and construed and enforced in accordance with the laws of the State of California without regard to principles of conflict of laws (except insofar as affected by the securities or "blue sky" laws of the State or similar jurisdiction in which the offering described herein has been made to you).

e) Descriptive Headings. The descriptive headings in this Agreement are for convenience of reference only and shall not be deemed to alter or affect the meaning or interpretation of any provision of this Agreement.

f) Entire Agreement. This Agreement contains the entire agreement of the parties with respect to the subject matter of this Agreement, and there are no representations, covenants or other agreements except as stated or referred to herein.

g) Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original and all of which taken together shall constitute one and the same instrument.

h) Joint and Several Obligations. If you consist of more than one Person, this Agreement shall consist of the joint and several obligation of all such Persons.

i) Regulation D Resources Enterprises, Inc. ("RDR"), a North Carolina corporation, acted as an advisor to the Issuer in this Offering. The Purchaser agrees to, and hereby shall indemnify RDR and any RDR Affiliates, and shall hold each of them harmless from and against any loss, damage, liability, cost or expense, including reasonable attorney's fees (collectively, a "Loss") due to the

Purchaser's investment in this Offering. The Purchaser does hereby release and forever discharge RDR, their agents, employees, successors and assigns, and their respective heirs, personal representatives, affiliates, successors and assigns, and any and all persons, firms or corporations liable or who might be claimed to be liable, whether or not herein named, none of whom admit any liability to the undersigned, but all expressly denying liability, from any and all claims, demands, damages, actions, causes of action or suits of any kind or nature whatsoever, which the Purchaser may now have or may hereafter have, arising out of or in any way relating to any and all injuries, economic or emotional loss, and damages of any and every kind, to both person and property, corporately and individually, and also any and all damages that may develop in the future, as a result of or in any way relating to the Purchaser's investment in this Offering.

1) Suitability Statements. The truth, correctness and completeness of the following information supplied by you is warranted pursuant to Section 8.1(a) above:

FOR INDIVIDUALS

Printed Name of Purchaser: _____

MARK TRUE OR FALSE OR COMPLETE, AS APPROPRIATE

Verification of Status as "Accredited Investor" under Regulation D

True **False**

1. ____ ____ You are a natural person (individual) whose own net worth, taken together with the net worth of your spouse, exceeds $1,000,000. Net worth for this purpose means total assets (including personal property and other assets) in excess of total liabilities EXCLUDING your primary residence.

Except as provided in paragraph (2) of this section, for purposes of calculating net worth under this paragraph:

(i) The person's primary residence shall not be included as an asset;

(ii) Indebtedness that is secured by the person's primary residence, up to the estimated fair market value of the primary residence at the time of the sale of securities, shall not be included as a liability (except that if the amount of such indebtedness outstanding at the time of the sale of securities exceeds the amount outstanding 60 days before such time, other than as a result of the acquisition of the primary residence, the amount of such excess shall be included as a liability); and

(iii) Indebtedness that is secured by the person's primary residence in excess of the estimated fair market value of the primary residence at the time of the sale of securities shall be included as a liability

2. ____ ____ You are a natural person (individual) who had an individual income in excess of $200,000 in each of the two previous years, or joint income with your spouse in excess of $300,000 in each of those years, and who reasonably expects to reach the same income level in the current year.

3. ____ ____ You are a director, executive officer, or Manager of the Company or a director, executive officer of the Manager of the Company.

4. ____ ____ You have such knowledge and experience in financial and business matters that you are capable of evaluating the merits and risks of investing in the Membership Units.

Disclosure of Foreign Citizenship

True **False**

1. ____ ____ You are a citizen of a country other than the United States.

If the answer to the preceding question is true, specify on the line below the country of which you are a citizen.

_____

FOR ENTITIES

Printed Name of Purchaser: _____

CIRCLE TRUE OR FALSE OR COMPLETE, AS APPROPRIATE

Verification of Status as "Accredited Investor" under Regulation D

	True	False	
1.	____	____	You are either :

(i) a bank, or any savings and loan association or other institution acting in its individual or fiduciary capacity;
(ii) a broker dealer;
(iii) an insurance company;
(iv) an investment company or a business development company under the Investment Company Act of 1940;
(v) a Small Business Investment Company licensed by the U.S. Small Business Administration; or
(vi) an employee benefit plan whose investment decision is being made by a plan fiduciary, which is either a bank, savings and loan association, insurance company or registered investment adviser, or an employee benefit plan whose total assets are in excess of $5,000,000 or a self-directed employee benefit plan whose investment decisions are made solely by persons that are accredited investors.

2. ____ ____ You are a private business development company as defined under the Investment Advisers Act of 1940.

3. ____ ____ You are either:

(i) an organization described in Section 501(c)(3) of the Internal Revenue Code;
(ii) a corporation;
(iii) a Massachusetts or similar business trust; or
(iv) a partnership, in each case not formed for the specific purpose of acquiring the securities offered and in each case with total assets in excess of $5,000,000.

4. ____ ____ You are an entity as to which all the equity owners are accredited investors.

	True	False	
5.	____	____	You are a trust, not formed for the specific purpose of acquiring the securities offered, with total assets in excess of $5,000,000 and whose purchase is directed by a sophisticated person.
6.	____	____	You (i) were not formed, and (ii) are not being utilized, primarily for the purpose of making an investment in the Company (and investment in this Company does not exceed 40% of the aggregate capital committed to you by your partners, shareholders or others).
7.	____	____	You are, or are acting on behalf of, (i) an employee benefit plan within the meaning of Section 3(3) of ERISA, whether or not-such plan is subject to ERISA; or (ii) an entity which is deemed to hold the assets of any such employee benefit plan pursuant to 29 C.F.R. § 2510.3-101. For example, a plan that is maintained by a foreign corporation, governmental entity or church, a Keogh plan covering no common-law employees and an individual retirement account are employee benefit plans within the meaning of Section 3(3) of ERISA but generally are not subject to ERISA.
8.	____	____	You are, or are acting on behalf of, such an employee benefit plan, or are an entity deemed to hold the assets of any such plan or plans (i.e., you are subject to ERISA).
9.	____	____	You are a U.S. pension trust or governmental plan qualified under Section 401(a) of the Code or a U.S. tax-exempt organization qualified under Section 501(c)(3) of the Code.
10.	____	____	You rely on the "private investment company" exclusion provided by Section 3(c)(1) or 3(c)(7) of the Investment Company Act of 1940 to avoid registration and regulation under such Act.

Disclosure of Foreign Citizenship

	True	False	
1.	____	____	You are an entity organized under the laws of a jurisdiction other than those of the United States or any state, territory or possession of the United States (a "Foreign Entity").

True **False**

2. ____ ____ You are a government other than the government of the United States or of any state, territory or possession of the United States (a "Foreign Government").

3. ____ ____ You are a corporation of which, in the aggregate, more than one-fourth of the capital stock is owned of record or voted by Foreign Citizens, Foreign Entities, Foreign Corporations (as defined below) or Foreign Company (as defined below) (a "Foreign Corporation").

4. ____ ____ You are a general or limited partnership of which any general or limited partner is a Foreign Citizen, Foreign Entity, Foreign Government, Foreign Corporation or Foreign Company (as defined below) (a "Foreign Company").

5. ____ ____ You are a representative of, or entity controlled by, any of the entities listed in items 1 through 4 above.

If you are in agreement with the foregoing, please sign the enclosed counterparts of this Subscription Agreement and return such counterparts of this Agreement to the Manager.

Redwood Real Estate Fund, LLC

_____

By: Steve Miller, Managing Member of the Fund Manager

(Signature and Information of Purchaser(s) on the following page)

The foregoing Subscription Agreement is hereby agreed to by the undersigned as of the date indicated below.

_____
Registered Account Name (Please Print)

_____
Registered Account Address (Street, City, State, Zip Code)

_____
Mailing Address (Fill in Mailing Address only if different from Registered Account Address)

Email Address: _____ Primary Phone: _____

_____ Private Placement Memorandum (PPM) received and reviewed. Subscriber or Authorized Representative (if not an individual), please "initial".

TOTAL CAPITAL CONTRIBUTION $_____

_____
Social Security or Taxpayer I.D. No. (Must be completed)

State in which Subscription Agreement signed if other than state of residence: _____

By: _____ Date: _____
Signature of Subscriber or Authorized Representative (if not an individual)

SIGNATURE VERIFICATION

By:_____ Date:_____

Witness

EXHIBIT A
TO SUBSCRIPTION AGREEMENT

CERTIFICATE TO BE GIVEN BY ANY PURCHASER THAT IS A PARTNERSHIP OR LIMITED LIABILITY COMPANY

CERTIFICATE OF _____ (the "Partnership")
(Name of Company)

The undersigned, constituting all of the partners/members of the Partnership that must consent to the proposed investment by the Partnership hereby certify as follows:

1. That the Partnership commenced business on and was established under the laws of the State of _____ on _____ and is governed by a Partnership/Operating Agreement dated _____.

2. That, as the partners/members of the Partnership, we have the authority to determine, and have determined, (i) that the investment in, and the purchase of an interest in Redwood Real Estate Fund, LLC is of benefit to the Partnership, and (ii) to make such investment on behalf of the Partnership.

3. That _____ is authorized to execute all necessary documents in connection with our investment in Redwood Real Estate Fund, LLC.

IN WITNESS WHEREOF, we have executed this certificate as the partners of the Partnership effective as of _____, 20__, and declare that it is truthful and correct.

_____
(Name of Partnership)

By:_____ By:_____

Name: _____ Name: _____

Title: _____ Title: _____

EXHIBIT B
TO SUBSCRIPTION AGREEMENT

CERTIFICATE TO BE GIVEN BY ANY PURCHASER THAT IS A TRUST

CERTIFICATE OF _____ (the "Trust")
(Name of Trust)

The undersigned, constituting all of the trustees of the Trust, hereby certify as follows:

1. That the Trust was established pursuant to a Trust Agreement dated _____, ____ (the "Agreement").

2. That, as the trustee(s) of the Trust, we have determined that the investment in, and the purchase of, Membership Units in Redwood Real Estate Fund, LLC is of benefit to the Trust and have determined to make such investment on behalf of the Trust.

3. That _____ is authorized to execute, on behalf of the Trust, any and all documents in connection with the Trust's investment in Redwood Real Estate Fund, LLC.

IN WITNESS THEREOF, we have executed this certificate as the trustee(s) of the Trust this _____day of _____, 20__, and declare that it is truthful and correct.

_____ By:_____
(Name of Trust)) Trustee

By:_____ By:_____
Trustee Trustee

EXHIBIT C
TO SUBSCRIPTION AGREEMENT

CERTIFICATE TO BE GIVEN BY ANY PURCHASE THAT IS A CORPORATION

CERTIFICATE OF _____ (the "Corporation")
(Name of Corporation)

The undersigned, being the duly elected and acting Secretary or Assistant Secretary of the Corporation, hereby certifies as follows:

1. That the Corporation commenced business on and was incorporated under the laws of the State of _____ on _____.

2. That the Board of Directors of the Corporation has determined, or appropriate officers under authority of the Board of Directors have determined, that the investment in, and purchase of, the Membership Units in Redwood Real Estate Fund, LLC is of benefit to the Corporation and has determined to make such investment on behalf of the Corporation. Attached hereto is a true, correct and complete copy of resolutions of the Board of Directors (or an appropriate committee thereof) of the Corporation duly authorizing this investment, and said resolutions have not been revoked, rescinded or modified and remain in full force and effect.

3. That the following named individuals are duly elected officers of the Corporation, who hold the offices set opposite their respective names and who are duly authorized to execute any and all documents in connection with the Corporation's investment in Redwood Real Estate Fund, LLC and that the signatures written opposite their names and titles are their correct and genuine signatures.

Name	Title	Signature

IN WITNESS WHEREOF, I have executed this certificate this _____ day of _____ , 20____ and declared that it is truthful and correct.

_____
(Name of Corporation)

By: _____

Name: _____

Title: _____

CONFIDENTIAL INVESTOR QUESTIONNAIRE

The information contained herein is being furnished in order to enable you to determine whether a sale Class A Limited Liability Company Membership Units (the "Units") in Redwood Real Estate Fund, LLC (the "Company") pursuant to the Company's Private Placement Memorandum October 15, 2014, may be made to the undersigned (the "Investor") without registration of the Units under the Securities Act of 1933, as amended, or any applicable state securities law. This Questionnaire is not an offer to purchase or an acceptance of an offer to sell a Membership Units, but is, in fact, a response to a solicitation of information to provide you a basis for determining the appropriateness of any sale to the undersigned prospective Investor.

1. FOR INDIVIDUAL INVESTORS:

(a.) Personal Information

Name: _____

Address: _____

_____

City: _____ State: _____ Zip: _____

Phone: _____ Email: _____

Date of Birth: _____ U.S. Citizen (circle one): Yes No

College: _____

Degree: _____ Year: _____

Graduate School: _____ Year:

How did you hear about us?_____

_____

(b) Business/ Employment Information

Business/Employer Name:_____

Nature of Business or Employment:_____

Position and Duties:_____

_____

Please set forth other prior occupations or duties during the past five years:

_____

_____

_____

Year of Anticipated Retirement:_____

2. FOR INVESTORS THAT ARE CORPORATIONS, PARTNERSHIPS, TRUSTS OR OTHER ENTITIES:

(a) General Information

Name: _____

Address of Principal Office: _____

_____

Telephone: _____

Date and state incorporation or organization: _____

Taxpayer Identification Number: _____

Nature of Business: _____

(b) Individual Authorized to Execute this Questionnaire (Name and Title): _____

_____

(c) Name of record and beneficial owner of entity (10% ownership or more): _____

_____

3. FOR ALL INVESTORS

(a) Relationship to the Company or managers of the Company:

_____

_____

(b) The undersigned is an officer of director of a publicly held company (Circle one): Yes No

If yes, specify:_____

(c) I [have] [have not] personally invested in investments sold by means of private placements within the past five years.

(d) Please list all investments made during the past five years (include dates, nature, and amounts of investment):

_____

_____

(e) I consider myself to have such knowledge and experience in financial and business matters to enable me to evaluate

the merits and risks of investment in the Company (check one).

Yes: _____ No: _____

If yes, please set forth below (or in an attachment) the basis for your answer (e.g. investment or business experience, profession, past review of other investment offerings, etc.).

_____

_____

_____

_____

(f) Listed below are the categories of accredited investors, as defined by Regulation D, promulgated under the Securities Act of 1933, as amended. Please check the appropriate space provided below if the Investor falls within one or more of these categories. The undersigned meets one or more of the following "accredited" categories as indicated in the space provided below (check all appropriate categories).

1.) Any natural person whose individual net worth or joint net worth with that person's spouse, at the time of this purchase, exceeds $1,000,000 (excluding the value of a primary residence). For purposes of determining an individual's net worth, indebtedness that is secured by the person's primary residence, up to the estimated fair market value of the primary residence at the time of the sale of securities, shall not be included as a liability (except that if the amount of such indebtedness outstanding at the time of the sale of securities exceeds the amount outstanding 60 days before such time, other than as a result of the acquisition of the primary residence, the amount of such excess shall be included as a liability). In addition, indebtedness that is secured by the person's primary residence in excess of the estimated fair market value of the primary residence shall be included as a liability._____

(2) Any natural person who had an individual income in excess of $200,000 in each of the two most recent years or joint income with that person's spouse in excess of $300,000 in each of those years and has a reasonable expectation of reaching the same income level in the current year. _____

(3) A bank, insurance company, registered investment company, employee benefit plan if the investment decision is made by a bank, insurance company, or registered investment adviser, or an employee benefit plan with more than $5 million of assets. _____

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

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

(6) Any director, executive officer, or general partner of the issuer of the securities being offered or sold, or any director, executive officer, or general partner of a general partner of that issuer._____

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

(8) Any entity in which all of the equity owners are accredited investors. _____

(9) The Investor does not qualify in any accredited category as indicated above. _____

(g) Please indicate whether you intend to have an attorney, accountant investment advisor or other consultant act as Purchaser Representative in connection with this investment (Circle one): Yes___ No___

If yes, please list the name, business address and telephone number of the person who is your purchaser representative.

Name: _____

Firm: _____

Address:_____

City: _____ State: _____ Zip: _____

Telephone: _____

If the undersigned utilizes a Purchaser Representative, the Purchaser Representative will be required to complete a questionnaire to be supplied by the Company.

4. GROSS INCOME: $

If the undersigned is an individual, was your personal income from all sources for the previous calendar year more than (circle the highest number applicable for each year).

2013:	$150,000	$200,000	$250,000+
2012:	$150,000	$200,000	$250,000+
2011:	$150,000	$200,000	$250,000+

5. NET WORTH (NET WORTH SHALL NOT INCLUDE AN INDIVIDUAL'S PRIMARY RESIDENCE AND INDEBTEDNESS SECURED BY THE PRIMARY RESIDENCE IN EXCESS OF THE VALUE OF THE HOME SHOULD BE CONSIDERED A LIABILITY AND DEDUCTED WHEN DETERMINING NET WORTH):

(a) My personal net worth (including the net worth of my spouse) is now estimated at: $_____

(b) My estimated liquid assets equal: $ _____

(c) My estimated non-liquid assets equal: $_____

6. FOR ENTITIES:

If the undersigned is an entity which checked item (8) under Paragraph 3(f) above in reliance upon the accredited investor categories set forth in items 1 and 2 of Paragraph 3(f), please state the name, address, total personal income from all sources for the previous calendar year, and the net worth (exclusive of home, furnishings, and personal automobiles) for each equity owner of said entity:

_____

_____

_____

_____

The Investor hereby certifies that the information contained herein is complete and accurate and the Investor will notify the Company of any change in any of such information. Specifically, the Investor hereby certifies that the information contained above concerning the residency of the Investor is true and correct. The Investor realizes and understands that, but for the truth of the information contained herein, the Investor would not receive consideration by the Company pertaining to this investment.

If the Questionnaire is completed on behalf of a corporation, partnership, trust or estate, I, the person executing on behalf of the Investor, represent that I have the authority to execute and deliver the Questionnaire on behalf of such corporation, partnership, trust or estate.

Dated: _____

1. Signature for Individual Investor

Signature: _____

Printed Name: _____

Signature of Joint Investor: _____

Printed Name: _____

2. Signature for Partnership, Trust, Corporation, or Other Entity

Name of Investor: _____

By: _____

Signature: _____

Name: _____

Title: _____

REDWOOD
real estate fund