

FRACTIONAL LOAN INTERESTS

Offered by:

Baysierra Financial, Inc.
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Minimum Investment: \$25,000

BaySierra Financial, Inc. (“**BaySierra**”) is a California corporation that is licensed as a real estate broker in the State of California. BaySierra has arranged to make or purchase a loan (the “**Loan**”) to a third party borrower (“**Borrower**”), which Loan will be evidenced by a promissory note (the “**Secured Note**”) that is secured by a deed of trust (a “**Deed of Trust**”) encumbering developed or undeveloped real property located within the State of California (the “**Security Property**”). BaySierra is now offering to qualified California residents direct undivided fractional interests in the Loan (“**Fractional Interests**”) on the terms and conditions outlined in this Offering Circular. Persons or entities purchasing Fractional Interests are referred to herein as “**Investors**” or “**Lenders**.” BaySierra or its affiliates may also purchase Fractional Interests and, to the extent they purchase Fractional Interests, BaySierra or such affiliates is also referred to herein as a “**Lenders**.”

The body of this Offering Circular contains only a general description of the terms, conditions, risks and other important factors associated with Fractional Interest investments. All information specific to the Loan being offered hereby is set forth in the Lender/Purchaser Disclosure Statement attached as Exhibit A to this Offering Circular (the “**Loan Disclosure Statement**”). The Loan Disclosure Statement contains detailed information regarding the Loan amount, the identity of the Borrower, details regarding the Security Property and any risks, disclosures or other considerations specific to the Loan being offered hereby.

An investment in fractional interests involves a high degree of risk. (See “RISK FACTORS” beginning at page 4). Significant risks include, without limitation, the following:

- The Borrower may default and Investors may lose of all or a portion of their investment. Fractional Interests in loans secured by junior deeds of the trust involve risks of increased losses upon default. Investors that can not afford the loss of their investment in Fractional Interests should not invest.
- In the event of a default, Investors may be required to either: (i) contribute additional amounts to protect value of the investment; or (ii) have their distribution rights subordinated to the return of the additional amounts contributed by all other investors, plus up to a 8% return thereon.
- In the event of a payment default by the Borrower, monthly interest payments will immediately cease. Investors should not invest if cessation of monthly interest payments will cause them undue hardship.
- BaySierra will service the Loan and will be subject to certain conflicts of interest.
- Investments in Fractional Interests are not liquid investments because the transfer of Fractional Interests is restricted and no public market for Fractional Interests exists or is likely to develop.

These Fractional Interest securities are being offered and sold only to residents of the State of California pursuant to a permit granted by the California Commissioner of Corporations. The Commissioner does not recommend or endorse the purchase of these securities, nor has the Commissioner passed upon the accuracy of the information set forth herein.

Prospective purchasers of Fractional Interests should read this Offering Circular together with the Investment Summary and all other exhibits and documents attached hereto in their entirety prior to investing.

The date of this Offering Circular is January 7, 2011.

The sale of fractional interests covered by this offering circular has not been registered with the U.S. Securities and Exchange Commission under the Securities Act of 1933, as amended (the “Act”), in reliance upon the exemptions from such registration requirements provided for under Section 3(a)(11) and Rule 147 thereunder relating to intrastate offerings. Accordingly, these interests are being offered solely to certain selected residents of the state of California, and this does not constitute an offer to sell interests or a solicitation of any offer to buy interests with respect to any other person. Furthermore, for a period of 9 months from the termination of this offering, no interests may be sold, offered for sale, pledged, hypothecated or otherwise transferred except to residents of the state of California.

This offering circular does not constitute an offer to sell or a solicitation of an offer to buy in any state other than the State of California or with respect to any person who is not a bona fide resident of California, nor does it constitute an offer to sell or a solicitation of an offer to buy with respect to any person except those particular persons who satisfy the suitability standards described herein. (See “Investor Suitability Standards.”)

There is no market for Fractional Interests and none is expected to develop in the future. Fractional Interests are not redeemable and are also subject to substantial restrictions on transfer, and therefore should be purchased only by investors who have no need for liquidity in their investment.

No person has been authorized in connection with this offering to give any information or to make any representations other than those contained in this offering circular, and any such information or representations should not be relied upon. Any prospective purchaser of fractional interests who receives any such information or representations should contact BaySierra immediately to check its accuracy. Neither the delivery of this offering circular nor any sales hereunder shall under any circumstances create an implication that there has been no change in the affairs of BaySierra since the date hereof.

Prospective purchasers should not regard the contents of this offering circular or any other communication as a substitute for careful and independent tax advice and financial planning. Legal counsel for BaySierra does not represent the interests of purchasers of fractional interests with respect to that investment decision. Each potential investor is encouraged to consult with his or her own independent legal counsel, accountant and/or other professional advisors with respect to the legal and tax aspects of this investment and with specific reference to his or her own tax situation, prior to subscribing for fractional interests.

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EXHIBITS

- Exhibit A - Loan Disclosure Statement
- Exhibit B - Loan Servicing and Equity Interest Agreement
- Exhibit C - Subscription Agreement

SUMMARY OF THE OFFERING

The following information is a brief summary of, and is qualified in its entirety by, the information contained elsewhere in this Offering Circular. This Offering Circular, together with the exhibits attached, should be read in their entirety before any investment decision is made.

Terms of the Offering

Fractional Interests are offered only to bona fide residents of the State of California. The minimum investment is \$25,000; however, BaySierra may, in BaySierra's sole discretion, increase or decrease the minimum investment required from each Investor on a loan-by-loan basis. Each Investor must meet certain minimum standards of income and/or net worth as described in the "INVESTOR SUITABILITY STANDARDS" section.

Fractional Interests

Fractional Interests represent an undivided fractional interest in the Secured Note evidencing the Loan and a concurrent undivided fractional interest in the Deed of Trust that secures repayment of the Secured Note. See the Loan Disclosure Statement for a description of the terms of the Loan, the Borrower and the nature of the security for the Loan. All Investors that purchase Fractional Interests together with BaySierra will hold the Secured Note and the Deed of Trust pursuant to the Loan Servicing and Equity Interest Agreement attached to this Offering Circular as Exhibit B (the "**Loan Servicing Agreement**") and as otherwise provided at law. Fractional Interests are non-assessable securities; however, in an event of a default by the Borrower under the terms of the Loan documents Investors may be required to invest additional amounts to protect their initial investment. (See "LOAN SERVICING – Loan Expenses and Investor Subordination Provisions.")

Lending Standards and Policies

The amount of the Loan in which Fractional Interests are offered is set forth in the Loan Disclosure Statement. The Loan will be evidenced by the Secured Note. The amount of the Loan will not exceed a certain percentage of the appraised value of the property securing the Loan. (See "DESCRIPTION OF LOANS AND LOAN CRITERIA - Loan-To-Value Ratio; Appraisal Requirement.") The Loan will provide that Lenders will receive interest payments monthly and repayment of principal when the Secured Note matures. The Secured Note may be payable earlier if the property securing the Secured Note is sold or if the Borrower refinances the Loan. (See "RISK FACTORS" – Risks Related to Private Lending.)

Loan Servicing

BaySierra will service the Loan pursuant to the terms of the Loan Servicing Agreement. BaySierra will collect and disburse to the Investors on a monthly basis interest payments made by the Borrower under the Loan, less a loan servicing fee, as provided for in the Loan Servicing Agreement. (See "LOAN SERVICING – Secured Note Servicing" and "COMPENSATION TO BaySierra.") If the Borrower should default under the Loan, BaySierra will enforce the terms of the Secured Note by commencing foreclosure procedures or otherwise taking those actions

reasonably required to protect the Lenders' interest in the Loan, subject to the terms and conditions set forth in the Loan Servicing Agreement. (See "LOAN SERVICING – Loan Servicing Following Borrower Default" and "Judicial Foreclosure and Non-Judicial Foreclosure.") If BaySierra determines that the Lenders will acquire the Property through foreclosure, a deed in lieu of foreclosure or otherwise (a "**Transfer**"), BaySierra will form a limited liability company (a "**Transfer Entity**") to take title to the Property, in which case the Lenders will transfer their Fractional Interests into the Transfer Entity in exchange for a corresponding percentage interest in the Transfer Entity. (See "LOAN SERVICING – Transfer of Security Property"). If Lenders should take title of the Property through a Transfer Entity, BaySierra will provide property management services in exchange for management fees as provided in the Loan Servicing Agreement. (See "LOAN SERVICING – Property Management; Sale and Refinancing" and "COMPENSATION TO BAYSIERRA.")

Investors will have only those rights expressly set forth in the Loan Servicing Agreement. If Investor approval is required under the terms of the Loan Servicing Agreement, BaySierra is authorized to take any action approved by Lenders holding more than 50% of the outstanding Fractional Interests held by all Lenders on the Loan (a "**Lender Majority**"). (See "RISK FACTORS – Risks Related to the Ownership of Fractional Interests.")

Loan Expenses and Investor Subordination Provisions

Fractional Interests are non-assessable securities; however, all loan expenses incurred in connection with collecting the amounts due under the Secured Note, enforcing the Loan documents or otherwise protecting the value of the Security Property are the obligation of the Lenders, only, and BaySierra may request that the Lenders pay their pro-rata share of any such expenses by providing the Lenders with a written loan expense request in accordance with the terms and conditions set forth in the Loan Servicing Agreement (a "**Loan Expense Request**"). (See "Loan Servicing – Loan Expenses and Investor Subordination Provisions.") Failure of any Lender to pay his, her or its pro-rata share of the amounts set forth in a Loan Expense Request is not an event of default under the Loan Servicing Agreement; however, each Lender that fails to pay their share of such expenses will have his, her or its right to any future distributions subordinated to the rights of the paying Lenders to receive the return of any additional amounts paid, plus interest on such amount equal to the lesser of 12% or the maximum amount allowed by law. (See "LOAN SERVICING – Loan Expenses and Investor Subordination Provisions" and "RISK FACTORS – Risks Related to Ownership of Fractional Interests.")

Loan Servicer and Compensation

BaySierra has extensive experience in the private lending industry (see "Broker and Servicer"). BaySierra will receive substantial compensation in connection with the funding and servicing of each Loan some of which is payable to BaySierra without regard to performance of the Loan. (See "COMPENSATION TO BAYSIERRA" and "Conflicts of Interest.") BaySierra may also receive certain fees or other compensation for enforcing the Loan documents and/or managing and selling the Security Property on the Investors' behalf, which fees are subject to the Loan Expense Request provisions outlined in the Loan Servicing Agreement. (See "COMPENSATION TO BAYSIERRA" and "LOAN SERVICING – Loan Expenses and Investor Subordination Provisions.")

No Liquidity

The Fractional Interests are subject to substantial restrictions on transferability and no established market exists for the trading of Fractional Interests. Investors should not purchase Fractional Interests unless they intend to hold them for the full term of the Secured Note. (See “RISK FACTORS – Risks Related to Fractional Interests.”)

FORWARD-LOOKING STATEMENTS

This Offering Circular contains forward-looking statements within the meaning of federal securities law. Words such as “may,” “will,” “expect,” “anticipate,” “believe,” “estimate,” “continue,” “predict,” or other similar words, identify forward-looking statements. Forward-looking statements may appear in a number of places in this Offering Circular, including, without limitation, Loan Disclosure Statement, and may include statements regarding BaySierra’s intent, belief or current expectation about, among other things, the performance of the Loan or prior loans made or arranged by BaySierra, trends affecting the markets in which Loan has been made and/or the financial condition and strategies of the Borrower or any guarantors on the Loan. Although BaySierra believes that the expectations reflected in these forward-looking statements are based on reasonable assumptions, forward-looking statements are not guarantees of future performance and involve risks and uncertainties. Actual results may differ materially from those predicted in the forward-looking statements as a result of various factors, including those set forth in the “RISK FACTORS” section of this Offering Circular. If any of the events described in “RISK FACTORS” occur, they could have an adverse effect on the performance of the Loan and the investment returns earned by the Investors. When considering forward-looking statements, prospective investors should keep these RISK FACTORS in mind as well as the other cautionary statements in this Offering Circular. Prospective investors should not place undue reliance on any forward-looking statement. BaySierra is not obligated to update forward-looking statements.

TERMS OF THE OFFERING

The minimum investment is \$25,000, however, BaySierra may, in BaySierra’s sole discretion, increase or decrease the minimum investment required from each Investor on a Loan-by-Loan basis. Each Investor must meet certain investor suitability standards. (See “INVESTOR SUITABILITY STANDARDS.”) The Fractional Interests sold in this Offering Circular are subject to certain restrictions on resale and transfer. (See “RISK FACTORS – Risks Related to Ownership of Fractional Interests.”)

Subscription Procedures

Prospective Investors can subscribe to purchase Fractional Interests by completing and returning to BaySierra the Subscription Agreement, the Loan Disclosure Statement and the Loan Servicing Agreement that accompany this Offering Circular, together with a check in the amount of the desired investment for deposit in BaySierra’s trust account(s). BaySierra reserves the right to reject subscriptions if a prospective Investor has not fully completed and signed these documents or if BaySierra determines that the prospective Investor does not meet the investor

qualifications described in the “INVESTOR SUITABILITY STANDARDS” section or for any other reason.

BaySierra will promptly deposit all subscription checks into non-interest-bearing trust accounts established with a federally insured bank or savings and loan upon its receipt of such checks. There may be some lapse of time between when BaySierra accepts subscriptions and when the Loan “closes,” i.e., when it is actually funded to the Borrower. No interest will be paid to Investors with respect to the period prior to the Loan closing.

This offering is only for, and BaySierra will only accept subscriptions up to, an amount equal to the original principal amount of the Loan. When BaySierra has received subscriptions that collectively equal the original principal amount of the Loan, BaySierra will reject all subsequently received subscriptions and will promptly return the accompanying subscription checks.

Pre-Loan Closing

BaySierra has entered into an Agreement to Procure a Lender and Borrower Escrow Instructions (“**Procurement Agreement**”) with the Borrower which requires Borrower to satisfy certain conditions before BaySierra is obligated to fund the Loan to the Borrower. If the Loan does not close, all subscription funds will be returned to Investors, without interest.

By executing and delivering the documents described above and delivering a subscription check to BaySierra, a prospective Investor unconditionally and irrevocably agrees to purchase the Fractional Interests if and when the Loan closes or, if the Loan has already closed prior to an Investor’s purchase, when BaySierra delivers to the Investor assignments of the Secured Note and Deed of Trust or a Fractional Interest therein. (See “LOAN FUNDING.”) Subscriptions are non-cancelable and irrevocable and subscription funds are non-refundable unless the Loan fails to close or except as provided for by BaySierra.

Restrictions on Transfer

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

1. No Investor may resell or otherwise transfer any Fractional Interest except to a person or entity that meets the eligibility standards described below. (See “INVESTOR SUITABILITY STANDARDS.”)

2. Fractional Interests may not be sold or transferred without the prior written consent of the California Commissioner of Corporations, except as permitted in Section 260.141.11 of the Rules of the California Corporations Commissioner. (See “COMMISSIONER’S RULE 260.141.11.”)

3. Fractional Interests have not been registered with the Securities and Exchange Commission under the Securities Act of 1933, as amended (the “**Act**”), in reliance upon the exemptions provided for under Section 3(a)(11) and Rule 147 thereunder. Fractional Interests

may not be sold or otherwise transferred without registration under the Act or pursuant to an exemption therefrom. In addition, no sales or transfers may be made to non-California residents for at least nine (9) months after the last sale by BaySierra of a Fractional Interest in that Loan.

4. No sale or transfer shall be effective unless the buyer or transferee has executed and delivered to BaySierra a Loan Disclosure Statement, a Loan Servicing Agreement and a Subscription Agreement in the form attached hereto as Exhibits A, B and C, respectively.

A legend will be placed upon all instruments or certificates evidencing ownership of Fractional Interests stating that the Fractional Interests have not been registered under the Act and setting forth the applicable limitations on resale.

INVESTOR SUITABILITY STANDARDS

To purchase a Fractional Interest, a prospective Investor must meet certain eligibility and suitability standards, some of which are set forth below, and must execute and deliver the documents described in the “TERMS OF THE OFFERING - Subscription Procedures” section above. By executing the Subscription Agreement and the Loan Servicing Agreement, an investor makes certain representations and warranties, upon which BaySierra will rely in accepting subscriptions. Read the Subscription Agreement, Loan Servicing Agreement, and the Loan Disclosure Statement carefully before investing. Each prospective Investor must be a bona fide resident of the State of California, or if the investor is a trust, corporation or other entity, the principal office and place of business of such trust, corporation or other entity must be located in California. In addition:

1. Each Investor must have either (a) annual income of at least \$65,000 *and* a net worth (exclusive of home, furnishings and automobiles) of at least \$250,000; *or* (b) a net worth (exclusive of home, furnishings and automobiles) of at least \$500,000; and

2. The amount of each Investor’s investment in a Fractional Interest offered hereby must not exceed 10% of such Investor’s net worth (exclusive of home, furnishings and automobiles).

If the Investor is an ERISA Plan (such as a pension or profit sharing plan, Individual Retirement Account, or 401(k) plan), the foregoing requirements must be met by either the ERISA Plan itself or, if the investment is being made on behalf of a plan participant who has the power to direct the investment on his or her behalf, by the plan participant for whose account the investment is being made.

If the investor is a fiduciary account other than an ERISA Plan (such as a family trust or a custodial account for the benefit of a minor), the foregoing suitability standards may be met by any of the following: (i) by all beneficiaries of the account; (ii) by the trustee or custodian if that person is the donor of the funds for investment; or (iii) by the donor of the funds for investment if the only beneficiaries of the fiduciary account are the donor’s ancestors, descendants or spouse.

RISK FACTORS

ANY INVESTMENT IN FRACTIONAL INTERESTS INVOLVES A SIGNIFICANT DEGREE OF RISK AND IS SUITABLE ONLY FOR INVESTORS WHO HAVE NO NEED FOR LIQUIDITY IN THEIR INVESTMENTS. WHEN ANALYZING THIS OFFERING, PROSPECTIVE INVESTORS SHOULD CAREFULLY CONSIDER THE FOLLOWING RISKS AND ANY ADDITIONAL RISKS THAT MAY BE SET FORTH IN THE LOAN DISCLOSURE STATEMENT. SUCH RISKS REPRESENT ONLY SOME OF THE RISKS INVOLVED IN CONNECTION WITH AN INVESTMENT IN FRACTIONAL INTERESTS. MOREOVER, CHANGES IN CIRCUMSTANCES WITH RESPECT TO THE BORROWER, THE SECURITY PROPERTY OR THE GENERAL ECONOMIC CLIMATE MAY EXACERBATE EXISTING RISKS OR CREATE NEW RISKS FOLLOWING THE DATE OF THIS OFFERING CIRCULAR.

Risks Related To Private Lending

Investors will be private money lenders and are subject to the general risks associated with loan defaults and foreclosures.

An investment in a Fractional Interest represents a loan from the Investors to the Borrower, which loan is secured by real property and the improvements thereto, or by undeveloped land. Accordingly, the Investor assumes the risk of default by the Borrower. In the event of a default by the Borrower, the Security Property will be the primary protection for the Investor's investment. The Loan may be an interest-only or partially amortizing loan that provides for relatively small monthly payments of interest only or interest and some portion of principal, with a large "balloon" payment of principal due at the end of the term. Most borrowers are unable to repay the principal amount of such loans out of their own funds and therefore must sell or refinance the Security Property at loan maturity. A downturn in the real estate market, fluctuations in interest rates, and the unavailability of mortgage funds could adversely affect the ability of borrowers to pay off or refinance their loans at maturity. If the Security Property consists of undeveloped land, it may be more difficult for the Borrower to sell or refinance the Loan than if the real property security were improved real estate because undeveloped land is generally viewed as being a riskier and more speculative form of investment or real property security than is improved real estate.

There are a number of factors that could adversely affect the value of the Security Property, including, among other things, the following:

(1) BaySierra will rely on appraisals to determine the fair market value of the Security Property used to secure the Loan. (See "DESCRIPTION OF LOANS AND LOAN CRITERIA – Loan-to-Value Ratio; Appraisal Requirement.") No assurance can be given that such appraisals will, in any or all cases, be accurate. Moreover, since appraisals fix the value of real property at a given point in time, subsequent events could adversely affect the value of Security Property used to secure a loan. Such subsequent events may include, but are not limited to, changes in general or local economic conditions, neighborhood values, interest rates, or applicable zoning laws.

(2) If the Borrower defaults, the investors may be forced to purchase the Security Property at a foreclosure sale either directly or through a Transfer Entity by credit bidding some or all of the outstanding debt. The ability of the Investors to recoup their investment will then depend primarily on their ability to operate the Security Property on a profitable basis and/or to refinance or sell the real Security Property in an amount sufficient to fully repay the Investors' initial investment, together with interest that is owing thereon after the full payment of all foreclosure costs and any other costs incurred enforcing the Loan and refinancing or selling the Security Property. Moreover, any Lenders that fail to pay their pro-rata share of loan expenses will have their repayment rights subordinated to the other Lenders' right to repayment of any loan expenses paid plus a priority return of 8% thereon. (See "LOAN SERVICING – Loan Expenses and Investor Subordination Provisions.") Such subordination may further affect the ability of the subordinated Lenders to receive the return of their investment from the Security Property proceeds and may result in lower returns or greater losses for the subordinated Lenders.

(3) California's anti-deficiency laws or one-action rule may preclude the Investors from recovering any deficiency from the Borrower if the Security Property proves insufficient to repay amounts owing to the Investors.

(4) BaySierra may hold back a portion of Loan proceeds at the closing of the Loan and designate such funds as an interest reserve for the purpose of funding all or a portion of the monthly payments to the Lenders under the Secured Note. (See "LOAN FUNDING.") Following the application of the interest reserve, the Borrower may be required to begin making payments to the Lenders and may be unable or unwilling to do so.

Loan defaults and reserves for potential Loan defaults may effect payments to Investors.

Monthly payments of interest to Investors are dependent upon the Borrower meeting its obligations under the Secured Note. If the Borrower defaults on its payment obligations, monthly payments to the Investors will immediately cease. Moreover, if BaySierra has reason to believe that the Borrower will default under the Loan either because of a default in any payment due under the Secured Note or for any other reason, BaySierra may withhold from Lenders up to three months' interest to defray the expected costs resulting from the expected default and to enforce the Lenders' rights to payment under the Loan documents. In either circumstance, Lenders would not receive the amount of unpaid or reserved interest unless and until the Borrower paid such amounts or proceeds were otherwise collected from the Security Property through sale or otherwise sufficient to recover the costs of foreclosure and the unpaid interest. Consequently, Investors should not invest if the cessation of monthly payments payable under the Loan would cause them undue hardship.

Fractional Interests are subject to increased risks related to high-yield mortgage loans.

BaySierra does not intend to offer Fractional Interests in the type of loans that resulted in the "sub-prime mortgage" collapse in 2007-2008 because its loans will not have such high loan-to-value ratios. BaySierra may, however, offer Fractional Interests in loans to borrowers that are less creditworthy than those who can satisfy institutional lenders' credit requirements or who cannot satisfy institutional lenders' income documentation requirements, which are reasons

BaySierra can charge much higher interest rates on its loans. (See “LENDING STANDARDS AND POLICIES.”)

Loans made and arranged by BaySierra are underwritten on an asset basis rather than a credit basis. While BaySierra may take certain steps to determine a borrower’s ability to repay the loan according to its terms, such considerations are subordinate to a determination that a borrower has sufficient equity in the Security Property to satisfy the maximum loan-to-value ratios described in this Offering Circular. Consequently, the diminution of the value of the Security Property upon foreclosure will result in a loss to the lenders on a loan only to the extent that such diminution exceeds the Borrower’s equity in such property.

Nonetheless, asset based loans often involve higher risks than conventional loans, some of which include: (i) an increased risk of the non-availability of credit for a borrower to refinance the loan at maturity; (ii) an increased risk of foreclosures in the area surrounding the Security Property negatively affecting the value of the Security Property; (iii) increased constraints on credit affecting the ability of borrowers to sell property; and (iv) increased risk of an abandonment of property by a borrower due to other financial problems or general market decline. The occurrence of any of these events for the Borrower could lead to a default on the Loan, causing losses and extra costs payable by Lenders which may lead to lower returns or greater losses for Investors.

The real estate market is experiencing declines in property values and reduced credit availability.

BaySierra and its lending activities are located primarily in Northern California. During the present real estate market decline, the most dramatic and well-publicized declines in property values (and the largest loan losses) have occurred in the single-family residential sector with some regions including parts of Northern California experiencing declines of over 50% caused by, among other factors, an extreme influx of foreclosures and distressed real estate sales. Other property categories also are experiencing declines in value and a dramatic slow-down in sales, and any loan offered pursuant to the terms hereof are subject to the risk of loan losses resulting from declines in property values, generally. If the market value of the Security Property declines significantly or declines below the Loan amount, the Borrower may have difficulty paying or refinancing the Loan or selling the Security Property, causing losses to the Investors.

Moreover, the recent tightening of credit standards and general unavailability of credit nationally has significantly affected the ability of borrowers to refinance loans and the ability of potential purchasers to finance the purchases of real property. If the decreased availability of credit continues, the Borrower may have difficulty paying or refinancing the Loan or selling the Security Property despite the Security Property having adequate value which may cause losses to the Investors.

The Borrower may be less creditworthy, which may increase the risk of a Loan default.

BaySierra will evaluate the creditworthiness of the Borrower based on a review of financial information provided by the Borrower, and by making other inquiries (e.g., running a credit check) but, as stated above, may lend money to borrowers that are either unable or

unwilling to obtain financing from traditional sources, such as commercial banks. Loans to such individuals or entities may entail a higher risk of delinquency and loss. Moreover, this financial information and these inquiries will be given and made as of a particular point in time. The financial condition and/or credit status of the Borrower could change subsequent to when this financial information and these inquiries are given and made.

Lenders' rights may be affected by the bankruptcy and equitable rights of the Borrower.

The recovery of sums advanced by the Investors in making the Loans and protecting their interest in the Security Property may also be delayed or impaired by the operation of the federal bankruptcy laws or by irregularities in the manner in which the Loan was made or in which the rights of the Investors under the loan documents are enforced. A foreclosure sale may be delayed by the filing of a petition in bankruptcy, which automatically stays any actions to enforce the terms of the Loan. The length of this delay and the costs associated therewith may have an adverse impact on the Investors' ability to recoup some or all of their investment.

Lenders must rely on information provided by others which may prove inaccurate or incomplete.

The success of a Loan will depend, among other things, on an accurate assessment of the creditworthiness of the Borrower and the underlying value of the Security Property. While BaySierra will make an investigation regarding the Security Property and the Borrower, it will rely to some extent on third parties such as credit agencies, appraisers, and the Borrower itself to provide the information upon which BaySierra will base its decision to make the Loan and offer Fractional Interests in the Loan to prospective Investors. There is no guarantee that this information will be accurate. Individual prospective Investors may request and will be given an opportunity to review any information obtained by BaySierra with respect to the Loan, the Borrower or the Security Property, in order to assess for themselves the reliability of that information.

Lenders may be subject to the risks related to the ownership of the Security Property.

If the Borrower defaults on the Loan and the Investors foreclose or otherwise take title to the Security Property following a Transfer, the Investors will bear the economic and other risks borne by an owner of real property. These risks include, but are not limited to, the financial risks involved in leasing, operating and selling the real property, the risks for environmental clean-up costs and related environmental liabilities described below and the risk of liability for uninsured casualties on the real property. If the Security Property consists of undeveloped land, the risks of owning such property may be greater than the risks of owning improved real estate.

The Investors can lessen their potential liability for environmental clean-up costs, uninsured casualties and other liabilities relating to the ownership of the Security Property by taking back title to the Security Property through a Transfer Entity of which the Investors would be the limited partners or members. (See "LOAN SERVICING – Foreclosure and Transfer of Security Property.")

Lenders may be subject to the additional risks associated with undeveloped land.

The Security Property may consist of undeveloped land. For a number of reasons, undeveloped land is generally considered a riskier and more speculative form of security for a loan than is improved real estate. For example, before improvements can be constructed on undeveloped land the owner of the land may need to secure entitlements (e.g., zoning approvals, variances, and architectural approvals), undergo review of and obtain clearance on environmental impact issues (including issues concerning traffic, open space, school or transit impact, endangered species, wetlands, noise and air quality), obtain building permits, secure access and connections to necessary utilities, obtain construction financing, undertake and complete construction, and find buyers or tenants once the undeveloped land has been improved. Many of these risks are no longer at issue with respect to improved real estate. Moreover, it is likely that undeveloped land will not generate any income that can be used to pay the interest and/or principal owing under the Loan or real property taxes assessed against the undeveloped land. Accordingly, the Borrower must have other sources of income in order to make these payments.

Even if the owner of undeveloped land intends to hold the undeveloped land for investment, rather than developing the land itself, any prospective purchaser of the undeveloped land will take these risks into account when it sets the purchase price. Additionally, it can take up to several years or more to market and sell undeveloped land. Due to this potentially protracted time frame, it may be difficult for the owner of undeveloped land to sell the undeveloped land in time to pay off the Loan at maturity. Finally, most lenders are more reluctant to lend against undeveloped land than against improved real estate due to the risks and other matters described above. Due to these considerations, it may be more difficult for the Borrower to sell or refinance the Security Property in order to repay the Loan.

In acknowledgment of these increased risks, BaySierra will not make a loan secured by undeveloped land that exceeds fifty percent (50%) of the fair market value of the undeveloped land (as compared to a 75% loan-to-value ratio for improved real estate). (See “LENDING STANDARDS AND POLICIES.”) This more conservative underwriting does not, however, eliminate the risks described above. It merely provides the Investors with a greater equity cushion should the Borrower default under the Loan.

Lenders are subject to the risk of uninsured Losses.

As a condition to BaySierra arranging a loan for a borrower, BaySierra will require a borrower to obtain and maintain fire insurance on the Security Property. However, there are certain types of losses (generally those of a catastrophic nature, such as losses due to war, terrorism, earthquakes, hurricanes, floods or mudslides) that are either uninsurable or not economically insurable. Should any such disaster occur, Investors could suffer a loss of principal and interest on the loan secured by the uninsured property. If the Security Property consists of undeveloped land, BaySierra may not require the Borrower to carry fire insurance as there would be no improvements to insure. BaySierra will not require the borrower to carry liability insurance with respect to Security Property. If an accident should occur on the Security Property (e.g., a “slip and fall”) or some other event should occur that would be covered under a

liability insurance policy, the borrower would be liable to pay any resulting claims. This could impair the borrower's ability to repay the loan.

Early Loan payoff will affect an Investor's return on investment.

Interest rates are subject to fluctuation, and the cost and availability of funds may increase and decrease from time to time. If a borrower is able to borrow funds at a lower interest rate than the interest rate that it is obligated to pay under a loan arranged through this offering, it may elect to refinance its loan. This would result in an Investor being repaid some or all of its investment prior to the stated loan maturity. BaySierra's loan documents typically allow a borrower to prepay its loan without prohibition or the payment of a prepayment premium. If a borrower repaid its loan because interest rates were lower, then, due to the lower interest rate environment, the Investor may have difficulty re-lending its funds at the same yield that it was receiving from the prepaid loan.

Guaranties may be unenforceable by Lenders.

The obligations of the Borrower may be guaranteed by a guarantor. Current California laws provide a number of protections for guarantors. Under certain circumstances, these protections could serve to limit or exonerate the guarantor of its obligations under its guaranty. Some of these protections are waivable, while others may not be waivable due to public policy considerations. Even ostensible waivers of some of these protections may be held by a California court to be unenforceable for a variety of reasons, such as the ostensible waivers being deemed too vague. Also, a guarantor may in some circumstances be entitled to the protections of the antideficiency and "one form of action" laws available to the Borrower.

Lenders run the risk of being responsible for environmental liabilities.

Under current federal and state law, the owner of real property contaminated with toxic or hazardous substances (including a mortgage lender that has acquired title through foreclosure) may be liable for all costs associated with any remedial action necessary to bring the property into compliance with applicable environmental laws and regulations. This liability may arise regardless of who caused the contamination or when it was caused. A lender's best protection against environmental risks is to thoroughly inspect and investigate the property before making or investing in a loan. BaySierra will take certain precautions to avoid environmental issues and will generally not make or invest in loans secured by properties known or suspected to have (or to be likely to have) environmental problems unless BaySierra believes that such environmental problems do not materially affect the value of the Security Property. Prior to making a loan, however, BaySierra will generally not engage an environmental inspection firm to conduct a review of the property. Therefore, there can be no assurance that BaySierra will always be able to detect whether or not a property is contaminated prior to arranging a Loan.

The presence of hazardous waste can reduce the value of the Security Property and clean up costs can reduce the Borrower's ability to repay the Loan. Moreover, if , following the closing of the Loan, BaySierra discovers environmental contamination on the Security Property, the potential clean up costs may render it unprofitable to foreclose on or otherwise take title to the Security Property following a default by the Borrower. While BaySierra may require

Borrowers to agree to hold Lenders harmless from any liability for such contamination, the Borrower may lack the financial resources to perform under the indemnity. Since Lenders could have personal liability to clean up hazardous waste on a Security Property to which they take title in foreclosure or otherwise, BaySierra will recommend the Lenders take title to the Security Property through a Transfer Entity rather than directly in order to limit the Lenders' exposure to such liabilities. (See "LOAN SERVICING – Foreclosure and Transfer of Security Property.") Even if BaySierra does not foreclose on a contaminated site, the mere existence of hazardous substances on the property may depress the market value of the Security Property such that the loan is no longer adequately secured increasing the risk of loss upon a Borrower default.

Investors may be subject to limitations on recovering unpaid amounts through foreclosure.

The Secured Note will be secured by a Deed of Trust. Under the Deed of Trust, the Borrower as trustor grants to the trustee the power to sell the property in the event of a default. Foreclosure under a deed of trust is accomplished in most cases by a non-judicial trustee's sale under a power of sale provision in the deed of trust. In a non-judicial foreclosure, after a notice period during which the Borrower has the right to reinstate the Loan by curing the default and paying actual costs and statutorily limited attorney's or trustee's fees, the Property is sold. Following the sale, the Borrower and any junior lienholder lose the right to redeem the Property. If the Property does not sell for enough to pay off the Loan and recover the costs of the foreclosure, the Lenders as beneficiaries of the Deed of Trust will have no right to recover any deficiency absent an independent guarantee of the debt by a third party. On the other hand, if the Lenders should elect to foreclose in a judicial foreclosure, they may have a right to recover from the Borrower any deficiency between the amount recovered in the sale and the amount owing under the Secured Note. However, a judicial foreclosure is subject to delays and may take several years to complete. After the sale, the Borrower would still have a right to redeem the Property for a period of one year if less than the entire debt is bid in (three months if the entire amount is bid in).

Anti-deficiency legislation may limit investors' recovery.

In addition to the statutory limitation on recovery of any deficiency in the amount owed by a debtor if a beneficiary/lender under a deed of trust forecloses under a power of sale in a non-judicial foreclosure as described above, California law also contains two other limitations which could possibly apply to Lenders: Under the "one form of action" rule, a beneficiary/lender under a deed of trust must exhaust his security under the deed of trust by foreclosure before bringing a personal action against the trustor on the promissory note. Under another statutory provision, any deficiency judgment obtained by a beneficiary following a judicial foreclosure sale is limited to the amount by which the outstanding debt exceeds the fair market value of the property at the time of sale even if that value exceeds the highest bid received at the time of the sale.

The Deed of Trust may be junior to other liens and subject to greater risks of loss.

The Loan may be secured by a junior deed of trust. In the event of foreclosure on a Loan that is so secured, the debt secured by the senior deed of trust must be satisfied before any proceeds from the sale of the property can be applied toward the Loan. Furthermore, to protect

its junior security interest, Investors may be required to make substantial cash outlays for such items as loan payments to senior lienholders to prevent their foreclosure. Therefore, a Loan secured by a junior deed of trust is subject to greater risk in the event of a decline in property values than are Loans secured by first deeds of trust.

The presence of junior liens may increase risks of loss on a senior loan.

Even if the Deed of Trust is a first priority lien on the Security Property, there may be junior liens that also encumber the Security Property and which secure the repayment of other debts owing by the Borrower. The presence of junior liens on the Security Property may increase the risks to the Lenders in a variety of ways. First, the presence of junior liens on the Security Property means that the Borrower has less equity in the Property. When a Borrower has little equity in a Security Property, it may be less committed to developing or maintaining the Security Property or servicing the debt on the Security Property since it has little money at risk. Also, if the Borrower has to service the debt secured by the junior liens, then the revenue generated from the Property may be used to service these debts, rather than being used to maintain or enhance the value of the Property. Further, if a junior lienholder should go bankrupt, the automatic stay would prevent a senior lienholder (which would include the Lenders under the Deed of Trust) from foreclosing on its senior lien. Thus, the Lenders could be delayed from enforcing its rights under the Deed of Trust due to the bankruptcy of a junior lienholder.

Investors may be subject to the risks associated with entitlements.

If the Borrower intends to subdivide the Security Property, it will need to comply with applicable local, state and federal subdivision laws. If the Loan is to be made before the Security Property is fully subdivided, then the Lenders will bear the risk that the Borrower is unable to complete its subdivision. For example, the Borrower may have a tentative subdivision map approved for the Security Property, with the issuance of a final subdivision map being conditioned on the satisfaction of certain conditions. If the Borrower is unable to satisfy these conditions, then the Borrower will be unable to subdivide the Security Property. The value of the Property as a single legal parcel may be less than the value of the Security Property if the subdivision had been completed.

Risks Related to BaySierra

Lenders must rely on BaySierra to service the Loan and, if applicable, manage the Security Property and the Transfer Entity.

Unless and until a Lender Majority removes BaySierra, Lenders must rely on BaySierra to service the Loan and, if the Investors should take title to the Security Property, to manage the Security Property. While BaySierra believes it has adequate financial resources and personnel to service the Loans, manage the Security Property and otherwise meet its obligations under the Loan Servicing Agreement, it is possible that over the term of the Loan BaySierra's resources could deteriorate. If that were to occur or Investors desired to replace BaySierra, for any other reason, obtaining the vote of the Lender Majority required to do so may be difficult and expensive. The Investors could also find it difficult to find someone willing to replace BaySierra as the loan servicer or property manager, and such new loan servicer or property manager would

likely require compensation in excess of that paid to BaySierra under the Loan Servicing Agreement.

BaySierra's withdrawal as Loan Servicer may adversely affect overall investment returns and place additional burdens on the Lenders .

The Loan Servicing Agreement may be terminated by either BaySierra or by a Lender Majority upon 30 days prior written notice. (See "LOAN SERVICING – Replacement of Loan Servicer.") Upon termination by BaySierra or a Lender Majority, Lenders may have difficulty identifying and retaining a replacement servicer to act for the Lenders in connection with the Loan and any replacement servicer may charge fees for such services that are significantly greater than those charged by BaySierra which would adversely affect the overall amounts received by the Lenders on the Loan. Moreover, if a Lender Majority has failed to notify BaySierra of the appointment of a replacement servicer by the effective date of the termination, then BaySierra is required to: (i) distribute all undisbursed funds held by BaySierra to the Lenders in accordance with their Fractional Interests or as otherwise outlined in the Loan Servicing Agreement; and (ii) deliver all Loan files in BaySierra's possession to the Lender holding the greatest Fractional Interest in the Loan or such other Lender identified by a Lender Majority. In such event, the identified Lender will be required to maintain the Loan documents on behalf of the Lenders until a replacement servicer is retained.

BaySierra is not required to devote its full time to loan servicing activities

BaySierra is not required to devote its full time to the fulfillment of its duties under the Loan Servicing Agreement, but only such time as it determines is reasonably required.

There are risks of government action if BaySierra does not comply with all applicable laws and regulations.

While BaySierra will use its best efforts to comply with all local, state and federal lending regulations applicable to arranging and servicing the Loan, there is the possibility of governmental action to enforce any alleged violations of such lending laws which may result in legal fees, damage awards or fines and penalties.

BaySierra is subject to conflicts of interest.

There are several areas in which the interests of BaySierra or its affiliates will conflict with those of the Lenders, which should be carefully considered. (See "CONFLICTS OF INTEREST.")

Risks Related to the Ownership of Fractional Interests

Investors may be required to invest additional capital to protect the value of their initial investment.

In the event the Borrower defaults under the Loan, Investors may be required to pay various expenses incurred in order to enforce the Loan documents or otherwise protect the value of the Security Property (See "LOAN SERVICING – Loan Expenses and Investor Subordination

Provisions.”) While the purpose of paying such expenses will be to collect the amount due under the Loan or otherwise protect the value of the Investors interest in the Security Property, there is no guaranty that such efforts will be successful and, by increasing the amount of capital invested in the Loan, there is greater risk that the proceeds ultimately received will not be sufficient to pay each Investor the full return of their invested principal plus all interest payable thereon.

The subordination of distribution rights applicable to Investors that fail to pay their pro rata share of any Loan expenses will increase such Investors’ risks of loss.

The failure of an Investor to pay his or her pro-rata share of Loan expenses is not a default under the terms of the Loan Servicing Agreement; however, Investors that pay their share of expenses will have the right to the return of their expenses paid, plus interest prior to any further distributions to the non-paying Investors. (See “LOAN SERVICING – Loan Expenses and Investor Subordination Provisions.”) Any subordination of an Investor’s right to receive distributions of Loan proceeds will increase the amount of proceeds that must be received on the Loan and/or from the Security Property before the subordinated Investor receives his or her invested capital or any return thereon and will result in a greater risk of loss.

Lenders will be subject to the decisions of a Majority Interest

Lenders will hold their Fractional Interests as tenant-in-common with the other Lenders. By executing the Loan Servicing Agreement each Lender is appointing BaySierra to service and enforce the Loan on Lender’s behalf and is expressly waiving and relinquishing any individual right to enforce the loan documents separately from the other Lenders and any rights to partition following the transfer of the Property.

Pursuant to the Loan Servicing Agreement, BaySierra is authorized to take certain actions in connection with the loan documents and the enforcement thereof without Lender consent. Any action that BaySierra is not expressly authorized to take unilaterally, however, must be approved by a Lender Majority (i.e., Lenders holding more than fifty percent (50%) of the total outstanding Fractional Interests) which Lender Majority may in certain circumstances include the approvals of BaySierra or its affiliates to the extent they have purchased Fractional Interests and have not resold such interests to new Lenders. (See “LOAN FUNDING” and “LOAN SERVICING.”) Such decisions may include, without limitation: (i) approval of a loan forbearance or loan extension exceeding 90 days; (ii) how, when or if to foreclose upon the Security Property and the determination of how the Lenders shall take title to the Security Property; (iii) the terms and conditions of any Transfer Entity created to hold the Security Property; and (iv) approval of any sale of the Security Property to BaySierra or its affiliates or any sale of the Security Property for an amount less than the Lenders’ entire outstanding investment. (See “LOAN SERVICING – Investor Approval Rights.”)

Consequently, an Investor will not have the right to enforce his or her individual rights as a secured party upon a Borrower default and may be subject to enforcement decisions that are not in his or her best interest if the enforcement action conflicts with the decisions of the Lender Majority.

A breach of the Loan Servicing Agreement by other Lenders may cause Investor losses.

Each non-approving Lender is required under the terms of the Loan Servicing Agreement to take any action and to execute any documents required to implement any action approved by a Lender Majority. Nonetheless, there is a risk that a Lender that does not approve of an action approved by a Lender Majority may refuse to take the actions required by the Lender upon demand. Such refusal may affect the ability of the other Lenders to adequately enforce the Loan and/or may affect their ability to sell the Security Property or cause a diminution of its value upon sale. Moreover, the failure of a Lender to take an action approved by a Lender Majority may require the other Lenders to take legal action against the non-approving Lender to compel the approved action which would result in increased costs payable prior to the return of the Lenders' investment. While the Lenders may also have a claim for damages and legal fees incurred by the other Lenders by reason of the non-approving Lender's failure to act in accordance with the Loan Servicing Agreement, there is no guaranty such action would be successful or would adequately reimburse the Lenders' for the actual losses suffered.

Fractional Interests are not liquid investments.

There is no public market for the Fractional Interests and none is expected to develop in the future. Even if a potential buyer could be found, the transferability of Fractional Interests will be restricted by the provisions of the Securities Act of 1933, as amended, and the intrastate exemption, Regulation D, Rule 147, Rule 504 and Rule 505 thereunder, and by the provisions of the Loan Servicing and Tenancy in Common Agreement. Unless an exemption is available, Fractional Interests may not be sold or transferred without registration under the Securities Act of 1933, as amended, or pursuant to an exemption thereunder, and the prior written consent of the California Commissioner of Corporations. Investors must be capable of bearing the economic risks of this investment with the understanding that Fractional Interests may not be liquidated by resale or redemption. Investors should expect to hold Fractional Interests through the scheduled maturity date of the Secured Note.

Investors are subject to the risks of litigation

BaySierra will act in good faith and use its reasonable judgment in selecting borrowers and making and servicing the loans. However, the Investors are exposed to the risk of litigation by a borrower for any allegations by the borrower (warranted or otherwise) regarding the terms of the loans or the actions or representations of BaySierra in making, managing or foreclosing on the loans. It is impossible for BaySierra to foresee what allegations may be brought by a specific borrower, and BaySierra will use its best efforts to avoid litigation if, in BaySierra's judgment, the circumstances warrant an alternative resolution. If an allegation is brought and/or litigation is commenced against, the Investors may be named as defendants in any such litigation and could incur legal fees and costs to respond to the allegations and to defend any resulting litigation. Incurring such fees will adversely affect the ability of the Investors to receive the return of their investment and the full return thereon and may result in Investor losses.

An investment in a single Loan lacks diversity.

There will be no diversification of risk for persons who become Investors in a loan secured by a single Security Property. All of their funds will be loaned to one borrower and will be secured by a single Security Property.

Fractional Interests are risky and speculative investments and if you cannot afford to lose your entire investment, you shouldn't invest.

Prospective investors should be aware that the Fractional Interests are risky and speculative investments suitable only for investors of adequate financial means. If you cannot afford to lose your entire investment, you should not invest in the Fractional Interests. If BaySierra accepts an investment, you should not assume that the Fractional Interests are a suitable and appropriate investment for you.

DESCRIPTION OF FRACTIONAL INTERESTS

Fractional Interests are part interests in the Secured Note, the Deed of Trust and all rights under the related Loan documents (“**Loan Documents**”). When Fractional Interests are sold to fund a specified loan and all of the conditions for the initial funding of that loan have been met, the proceeds will be made payable to and deposited in a loan escrow account for disbursement to the Borrower.

Lenders who have purchased Fractional Interests prior to the closing of the Loan (“**Initial Lenders**”) will appear as the initial payees on the Secured Note, and as the initial beneficiaries under the Deed of Trust. In the case of sales of Fractional Interests in an existing Loan after the Loan has closed, BaySierra will assign in writing a proportionate part of its interests in the Secured Note and Deed of Trust to Investors upon the purchase of Fractional Interests in a Loan, and such Investors will thereupon become Lenders on that Loan. Those assignments will be delivered to Lenders and caused to be recorded with the County Recorder in the county in which the underlying property securing the Secured Note is located within 10 business days after the Lender’s funds are deposited in BaySierra’s trust account. The written assignments will evidence the Fractional Interest of each Lender and the Lenders will become direct, legal owners as tenants in common in the Secured Note and related Loan documents. BaySierra will continue to act as loan servicing agent for all Lenders. (See “**LOAN SERVICING.**”)

All Lenders, including BaySierra to the extent that it acquires an interest in a Secured Note, will be tenants in common and their rights as tenants in common will be governed by the Loan Servicing Agreement. Under the Loan Servicing Agreement, each Lender that has acquired a Fractional Interest will be entitled to receive his or her pro rata share of interest and principal payments, after deduction of loan servicing fees and any costs incurred as a result of any default, such as the costs to enforce the Loan, to foreclose on the Security Property, or to sue under any guarantee. By executing the Loan Servicing Agreement, each Lender is authorizing BaySierra, as servicer, to act at the direction of Lenders holding a majority interest of the outstanding Fractional Interests. (See “**LOAN SERVICING**” and “**RISK FACTORS – Risks Related to Ownership of Interests.**”)

LOAN FUNDING

When all of the conditions to the Loan have been satisfied or waived or will be satisfied at the closing, BaySierra will close the Loan pursuant to escrow instructions submitted by BaySierra which will contain numerous conditions to Loan closing, including without limitation the following: (i) execution and delivery of a Secured Note and the Deed of Trust; (ii) a title insurance company being prepared to issue, with respect to a new loan secured by a Deed of Trust, a lender's policy of title insurance that names BaySierra and any other Initial Investors, as the insured thereunder and that insures the lien priority of the Deed of Trust, subject only to exceptions approved by BaySierra; and (iii) the escrow company being prepared to record the Deed of Trust in the county recorder's office of the county where the Security Property is located and deliver the other executed Loan documents to BaySierra on behalf of itself and any other Initial Investors. If the conditions precedent to Loan funding are not satisfied by the Borrower, then BaySierra shall promptly return the Investor funds to the Investors.

DESCRIPTIONS OF LOANS AND LOAN CRITERIA

BaySierra has applied the following standards and policies in underwriting the Loan, except as otherwise indicated in the Loan Disclosure Statement attached hereto as Exhibit A, which contains detailed information concerning the terms of the Loan, the Security Property and the Borrower. The Loan Disclosure Statement contains the authoritative description of the Loan offered hereby, and in the event of any conflict or inconsistency between this Offering Circular and the Loan Disclosure Statement, the Loan Disclosure Statement shall be controlling.

Principal, Interest and Term of Loan

The total principal amount of the Loan, the interest rate payable by the Borrower and term of the specific Loan offered hereby are set forth in the Loan Disclosure Statement attached as Exhibit A hereto. The initial term of the Loan may be extended for six months by BaySierra to the extent BaySierra believes such an extension is in the best interest of the Investors. Any Loan extension in excess of six months from the original maturity date or other Loan modification must be approved by a Lender Majority. (See "LOAN SERVICING – Lender Approval Rights.")

Priority of Deed of Trust

Loans will be secured by primarily a first or second deed of trust on California real property. In certain circumstances where, in the reasonable judgment of BaySierra, the Borrower and/or property meet BaySierra's underwriting standards, Loans may be secured by third deeds of trust on California real property. If the Loan is secured by a first deed of trust, the deed of trust will be senior to all other recorded monetary liens other than liens for taxes or the assessments of special assessment districts to fund streets, utilities or other public improvements. If the Loan is secured by a second deed of trust the obligations secured by the senior lien must not be in default at the time of the Loan closing; however, Loan proceeds may be used to cure defaults under the senior lien. The loan may also be secured by one or more additional deeds of trust encumbering additional property owned by the Borrower or its affiliates if, in the

reasonable judgment of BaySierra, such cross-collateralization is necessary to meet the loan-to-value ratios below.

Loan-to-Value Ratio; Appraisal Requirement

The total amount of the Loan (plus, if the Loan is secured by a second deed of trust, the amount of any senior liens) will generally not exceed a certain percentage (the “**loan-to-value ratio**”) of the of the value of the property securing the Loan, as set forth below:

Type of Property/Loan	Maximum Loan-to-Value Ratio
One to Four Unit Residential Properties	75%
Commercial Property (including multi-unit residential property, office buildings, industrial and warehouse facilities, retail stores and small shopping centers)	75%
Entitled or Improved Land (which has installed offsite improvements including drainage, curbs, gutters, sidewalks, paved roads, and utilities as mandated by the political subdivision having jurisdiction over the lot or parcel); vineyards or other agricultural property	65%
Raw Land	50%

Notwithstanding the foregoing, the loan-to-value ratio for a Loan may exceed the foregoing percentages if, in BaySierra’s reasonable judgment, a higher loan amount is warranted by the circumstances of the particular Loan, such as personal guaranties, prior loan history with the particular borrower, market conditions, etc. In such cases, BaySierra will maintain a written record of the reason(s) that a higher loan-to-value ratio was justified.

The value of the Security Property will, in most cases, be based upon an appraisal performed by an independent California certified appraiser; however, BaySierra may rely upon a valuation done by an experienced real estate broker (which may include BaySierra) if, in BaySierra’s judgment, the cost or time to obtain an independent certified appraisal is not warranted under the circumstances. If the appraisal or valuation is dated more than 180 days before the date the Loan closes, a supplemental appraiser’s letter or a broker’s opinion will be obtained. The value of the Security Property, the method of valuation and the Loan’s loan-to-value ratio are set forth in the Loan Disclosure Statement attached hereto as Exhibit A.

Although BaySierra may conduct a cursory physical inspection of the Property, due to the costs involved, it will not obtain inspection reports from licensed civil engineers. Additionally, BaySierra will conduct a cursory investigation to determine the existence of any toxic or hazardous substances in, on or about the Property. However, due to the costs involved, BaySierra will not engage the services of an engineer or environmental consultant to conduct a third party environmental site assessment of the Property. (See “RISK FACTORS – Risks Related to Private Lending.”)

Recourse to Borrower and/or Guarantor

The Borrower may be a sole proprietorship, corporation, limited liability entity, partnership or other business entity that may have been formed for the purpose of developing the property. The Secured Note will be recourse to the Borrower and may also be guaranteed by persons related to the Borrower. The guarantor, if any, or the Borrower must be considered creditworthy by BaySierra. BaySierra will make inquiries of sources which it believes are reliable but BaySierra will not be liable in the event its inquiries are incomplete or the information it obtains and relies upon is later determined to be inaccurate. Notwithstanding the foregoing, the Borrower is unlikely to be able to repay the principal amount of the Loan from sources other than the Property securing the Loan, and such Property is considered to be the primary (and perhaps sole) source of repayment of the Loan.

Loans Secured by Unimproved Land; Required Zoning

Unimproved property securing the loan will have either finished lots or an approved tentative subdivision map or, if there are not finished lots or a tentative subdivision map filed for the property, then the property must be developable as intended by the Borrower under existing zoning and general plans. To qualify for a loan there must be no proposed amendments to the zoning or general plan pending before the applicable local agencies which would down-zone the property.

Environmental Site Assessment

BaySierra may require the Borrower to provide an environmental site assessment by an environmental specialist to determine the potential presence of hazardous substances and soil and/or ground-water contamination only when in BaySierra's judgment it is appropriate to do so based upon disclosed past use of a property or adjoining property. The Borrower may also be required to indemnify and hold Lenders harmless from any liability that may arise from the presence of hazardous waste.

Prepayment and Release Provisions

The Loan will permit prepayment without penalty. The Loan may also permit releases of portions of the property from the Deed of Trust in any of the following circumstances: (a) on prepayment of negotiated percentages of the Secured Note; (b) on prepayment of a negotiated percentage of sales proceeds realized from the sale of that portion of the property released; (c) on assignment of any purchase money note issued by the buyer of the released portion provided the note is secured by a deed of trust on the land released; or (d) on the basis of assurances that the sales proceeds will be used to improve the remaining property securing the Secured Note

Insurance Requirements

The Loan may be conditioned on the following insurance being in place:

(1) A title insurance policy naming BaySierra and the Initial Investors as the insured and loss payee and providing title insurance in an amount equal to the principal amount of the Loan. Title insurance insures only the validity and priority of the lien of the Deed of

Trust, and does not insure against loss by reason of other causes, such as diminution in the value of the Property, over-appraisals, Borrower's defaults, etc.

(2) Satisfactory fire insurance naming BaySierra as loss payee in an amount at least equal to the replacement cost of the improvements on the Property, subject to commercially reasonable deductibles. (See "RISK FACTORS.")

LOAN SERVICING

BaySierra will be responsible for servicing the Loan on behalf of all of the Lenders in accordance with the terms and conditions set forth in the Loan Servicing Agreement, which agreement shall also govern the rights and obligations of the Lenders to the other Lenders in connection with actions taken with respect to the Loan. By executing the Loan Servicing Agreement, each Lender is appointing BaySierra as his, her or its agent to collect all payments made by the Borrower under the Secured Note and to disburse such payments to the Lenders, less the monthly servicing fee payable to BaySierra. (See "COMPENSATION TO BAYSIERRA.") In the event the Borrower defaults under the terms of the Loan Documents, BaySierra will also act as each Lender's agent in connection with enforcement of the Loan Documents and protecting the Lenders' interest in the Loan and the Security Property, including taking all post-default actions required to foreclose upon the Security Property, to effect the transfer of the Security Property to the Lenders or a Transfer Entity (see below) and thereafter managing, selling or refinancing the Security Property on the Lenders' behalf.

The following is a summary of the terms and conditions of the Loan Servicing Agreement and is qualified in its entirety by the provisions set forth therein. Potential Investors should read the Loan Servicing Agreement in its entirety prior to investing in Fractional Interests.

Secured Note Servicing

Following Loan closing, BaySierra will collect the monthly payments of principal, interest and any other amounts owing by the Borrower under the Secured Note for deposit in a non-interest bearing trust account established in BaySierra's name, as agent for the Lenders (the "**Trust Account**"). The Trust Account will be established with a federally insured bank or savings and loan selected by BaySierra and shall be maintained in accordance California's Business and Professions Code and the California Code of Regulations and other rules and regulations applicable to real estate brokers licensed by the California Department of Real Estate.

So long as the Borrower is not in payment default, BaySierra will, on a monthly basis and within twenty-five (25) days of BaySierra's receipt of such funds, disburse funds received from the Borrower to the Lenders in proportion to their Fractional Interests, after deducting the Servicing Fee payable to BaySierra pursuant to the Loan Servicing Agreement. (See "COMPENSATION TO BaySierra.") Notwithstanding the foregoing, if BaySierra should determine, in its reasonable judgment, that the Borrower may default in its payment or other obligations under the Secured Note or the other Loan Documents and that costs may need to be incurred to protect the value of the Security Property and/or to enforce the rights of the Investors

under the Loan documents, then BaySierra shall have the right to retain up to three months' interest under the Secured Note in order to pay for such costs.

Loan Servicing Following Borrower Default.

Any event of default by Borrower under the Loan documents shall constitute an event of default under all Fractional Interests held by all Lenders. Upon the discovery by BaySierra of the occurrence of a monetary event of default under the Loan Documents or an event of default which materially impairs or threatens the value of the Lenders' security or the ability of Borrower or any other party to perform its obligations under the Loan Documents (an "**Event of Default**"), BaySierra shall promptly notify the Lenders of such Event of Default and will take those actions required to foreclose on the Lenders' security interest in the Security Property including selecting a foreclosure agent, making demands, accepting reinstatements, seeking relief from any stay of foreclosure proceedings, credit bidding on the Security Property at the foreclosure sale and pursuing or defending any litigation which related to such foreclosure proceedings or the Loan.

Notwithstanding the forgoing, BaySierra may negotiate and enter into a forbearance agreement or loan extension with the Borrower to the extent it deems immediate foreclosure not to be in the best interest of the Lenders and acceptable forbearance or extension terms can be reached. In no event, however, will the term of such forbearance be more than 90 days or such extension be more than six months without the written consent of a Lender Majority. Under the terms of the Loan Servicing Agreement, BaySierra may also accept a deed in lieu of foreclosure from the Borrower if doing so would cause the Lenders to incur no greater expense or liability than if BaySierra completed a non-judicial foreclosure sale and may, at any time, file suit or pursue any other legal remedies against any guarantors of the Loan if such action will not impair the Lenders' security interest in the Security Property.

Judicial Foreclosure

If BaySierra reasonably believes that a judicial foreclosure action may be in the Lenders' best interest, it may, without Lender consent, engage legal counsel or other advisors to assess the costs and benefits of a judicial foreclosure and to present such assessment to the Lenders at a meeting called by BaySierra (a "**Judicial Foreclosure Meeting**"). BaySierra shall only pursue a judicial foreclosure action on behalf of the Lenders following the completion of a Judicial Foreclosure Meeting and BaySierra's receipt of written instructions approved by a Lender in connection therewith.

Non-Judicial Foreclosure

If, following an Event of Default, BaySierra determines that it is in the best interest of the Lenders to enforce of the power of sale contained in the Deed of Trust and to proceed to sell the Security Property pursuant to a non-judicial foreclosure sale (a "**Foreclosure Sale**"), BaySierra or its affiliate(s) will act on behalf of all of the Lenders in connection with such Foreclosure Sale including retaining a qualified foreclosure company or other foreclosure agent (a "**Foreclosure Agent**") to administer the Foreclosure Sale on the Lenders' behalf.

At least 15 days prior to the date of the Foreclosure Sale, BaySierra shall give the Lenders written notice of the date and time the Foreclosure Sale shall be held (“**Foreclosure Sale Notice**”), which will advise the Lenders of the total accrued and unpaid amounts due from the Borrower which may be credited towards the Lenders’ purchase of the Security Property at the Foreclosure Sale (the “**Full Credit Bid**”). The Foreclosure Sale Notice shall also include either a notice to the Lenders of BaySierra’s intention to conduct the Foreclosure Sale in accordance with the Default Bid Instructions outlined in the Loan Servicing Agreement or a written proposal from BaySierra outlining alternative bidding instructions for approval by a Lender Majority.

Each Lender shall then have five business days from the date of the Foreclosure Sale Notice (the “**Lender Bid Deadline**”) to deliver to BaySierra a written proposal for alternative bidding instructions (a “**Lender Bid Proposal**”). Within two business days following the Lender Bid Deadline, BaySierra shall deliver to each Lender a written statement outlining the material terms of each properly submitted Lender Bid Proposal together with a request that each Lender affirmatively approve either the original bid instructions set forth in the Foreclosure Sale Notice or one of the alternative Lender Bid Proposals forwarded by BaySierra to the Lenders pursuant to the terms hereof (collectively, the “**Bid Proposals**”). Upon the approval of one of the Bid Proposals by Lenders representing a Lender Majority (the “**Majority Instructions**”), BaySierra shall be authorized to instruct the Foreclosure Agent to accept bids for the Security Property at the Foreclosure Sale in accordance therewith. BaySierra shall notify the Lenders of the adoption of the Majority Instructions promptly following BaySierra’s receipt of the requisite approvals from the Lender Majority; however, the failure of BaySierra to notify any Lender of the adoption of a Bid Proposal or the terms of the approved Majority Instructions prior to the Foreclosure Date, shall not affect the right of BaySierra to take those actions required to implement the Majority Instructions at the time of the Foreclosure Sale.

In no event shall BaySierra, without the express written approval of a Lender Majority, instruct the trustee or the Foreclosure Agent at the Foreclosure Sale to either: (i) place a bid on the Lenders’ behalf which exceeds the Full Credit Bid; or (ii) accept a competing bid for the Security Property in an amount which is less than Full Credit Bid available to the Lenders.

If at any time prior to the Foreclosure Sale, BaySierra is unclear on the appropriate bidding instructions to be utilized in at the Foreclosure Sale, BaySierra may postpone the Foreclosure Sale until clear directions from the Lender Majority are received.

Transfer of Security Property

If BaySierra determines that the Security Property is going to be acquired by the Lenders following a Transfer (i.e., following judicial or non-judicial foreclosure or by a deed in lieu of foreclosure), BaySierra, with the affirmative consent of a Lender Majority, will arrange for deed at the closing of the Transfer to be held by a limited liability company formed by BaySierra for the purpose of taking title to the Security Property pending sale (a “**Transfer Entity**”). In such case, BaySierra shall distribute to the Lenders a copy of a proposed operating agreement for the Transfer Entity (the “**Transfer Entity Agreement**”) for approval by a Lender Majority. The Transfer Entity shall be managed by BaySierra and a Lender representative approved by a Lender Majority and will be capitalized through each Lender’s contribution of his, her or its

Fractional Interest in the Loan (or if formed following a Transfer, the Security Property) which the Lenders will assign to the Transfer Entity in exchange for an equity interest in the Transfer Entity equal to each Lender's then current Fractional Interest.

The terms contained in the Transfer Entity Agreement shall be structured such that, following the Transfer to the Transfer Entity, the Lenders and BaySierra shall retain, as nearly as possible, all material rights and obligations existing under the Loan Servicing Agreement as of the date of the Transfer including, but not limited to (i) the retention of each Lender's relative rights to distributions payable under the Loan Servicing Agreement, as such date, including the retention of all priorities and subordinations related to any loan expenses made by the Lenders as of such date; (ii) the retention of all rights to the payment of all fees and other compensation payable to BaySierra or to any Lender as of the Transfer; (iii) any ongoing additional capital contribution requirements shall be materially similar to the Lenders' obligations to pay for loan expenses under the Loan Servicing Agreement with penalties no more onerous than the subordination provisions set forth therein; and (iv) any other rights and obligations of the Lenders and BaySierra reasonably material to an Lender's decision to purchase his, her or its Fractional Interest at the time such investment decision was made.

So long as the Transfer Entity Agreement is approved by a Lender Majority and meets the requirements set forth, above, each Lender, including those Lenders that did not consent to the action approved by a Lender Majority shall be required to execute and deliver assignments of their Fractional Interests to the Transfer Entity and any other documents reasonably necessary in BaySierra's good faith judgment to effectuate the Transfer. If any Lender fails to execute and deliver any document so required, BaySierra shall have the right to execute such documents as Lender's attorney-in-fact pursuant to the Power of Attorney granted in the Loan Servicing Agreement. Additionally, the failure of any Lender to execute any such document shall be a breach of the terms of the Loan Servicing Agreement by such Lender and BaySierra and/or the other Lenders shall be entitled to pursue any legal, equitable or other rights against such Lender for any damages caused by reason of such breach.

Property Management; Sale and Refinance

Following a Transfer of the Property to the Lenders or a Transfer Entity, BaySierra shall have the right to serve as the exclusive property manager on behalf of the Lenders or the Transfer Entity or may engage a third party to provide such services. In consideration of such services, BaySierra or such third party shall be entitled to usual and customary fees for such services which shall be payable as a Loan Expense as described below. (See "Compensation to BaySierra.")

BaySierra or its affiliate shall also be responsible for refinancing or selling the Security Property on behalf of the Lenders following a Transfer and will be entitled to usual and customary commissions for such services which shall be payable from the proceeds of such refinancing or sale prior to any distributions to the Lenders. (See "Compensation to BaySierra.")

Loan Expenses and Investor Subordination Provisions

While Fractional Interests are non-assessable securities, all expenses incurred in connection with collecting the amounts due under the Secured Note, enforcing the Loan documents or otherwise protecting the value of the Security Property (“**Loan Expenses**”) are payable by the Lenders and are not the obligation of BaySierra. Such Loan Expenses may include, by way of example and without limitation, any of the following (as applicable): (i) any accrued but unpaid servicing fees or management fees payable to BaySierra; (ii) all fees and costs incurred to foreclose on the Security Property either through a judicial or non-judicial foreclosure (including any fees and costs incurred in connection with a Judicial Foreclosure Meeting, as described above); (iii) all fees and costs incurred negotiating and documenting any forbearance agreement between the Lenders and the Borrower or any guarantors; (iv) all fees and costs incurred transferring title to the Security Property to the Lenders or a Transfer Entity (including all fees and costs incurred forming and maintaining the Transfer Entity); (v) any fees or costs incurred to pay for property taxes or insurance on the Security Property (including forced order fire insurance or property taxes); (vi) any fees or costs or expenses incurred to keep any senior liens current (if any); (vii) any costs incurred renovating or otherwise improving the Security Property for rent or sale on behalf of the Lenders; (viii) any fees or costs incurred marketing the Security Property for sale; (ix) any fees or costs incurred for market studies and other reports as BaySierra deems advisable; (x) any fees or costs incurred to pay any leasing commissions and/or tenant improvement costs; and (xi) any fees or costs payable to attorneys, accountants, appraisers, contractors and other third parties in connection with any Loan Expenses.

If, at any time, BaySierra determines that the proceeds collected under the Loan or from the Security Property are insufficient to pay any Loan Expenses incurred, or to be incurred, on the Lenders’ behalf, then BaySierra may require the Lenders to pay their pro-rata share of such Loan Expenses by making a written request for payment of such Loan Expense(s) in accordance with the terms and conditions set forth in the Loan Servicing Agreement (a “**Loan Expense Request**”). Failure of a Lender to pay his, her or its pro-rata share of any Loan Expense as set forth in a properly given Loan Expense Request shall not be an event of default under the Loan Servicing Agreement; however, each such Lender shall have his, her or its right to any future distributions of Loan proceeds or proceeds from the Security Property subordinated to the rights of the Lenders that do pay their share of the Loan Expense (the “**Priority Lenders**”) to receive (i) the return of their pro-rata share of the Loan Expenses paid; (ii) the return of any additional share of the Loan Expense paid to cover the amounts not paid by the non-Priority Lenders; and (iii) interest on the aggregate amount of the Loan Expenses paid by the Priority Lenders at the Priority Rate (i.e., the lesser of 12% or the maximum amount allowed by law). (See “RISK FACTORS – Risks Related to Ownership of Fractional Interests.”)

Protective Advances

BaySierra may, in its sole discretion and without being so obligated to the Lenders, advance its own funds to pay Loan Expenses on behalf of the Lenders. If BaySierra makes any advances to pay any Loan Expenses (“**Protective Advances**”), it will promptly notify the Lenders of their share of the Protective Advances made by sending the Loan Expense Request discussed above and each Lender shall have the right to pay their pro-rata share of the Protective

Advance. If one or more Lenders does not pay their pro-rata share of a Protective Advance made by BaySierra the other Lenders will have the right to pay the unpaid portion of the Protective Advance (based upon such Lenders' relative Fractional Interests) and the aggregate Protective Advances paid by such Lenders will be repayable from future distributions, plus interest at the Priority Rate (i.e., the lesser of 12% per annum or the maximum legal rate) prior to any further distributions to the non-paying Lenders. Any Protective Advances not paid by the Lenders will be payable from future Loan proceeds or proceeds from the Security Property prior to any payment to any of the Lenders. (See "Distributions of Post-Default Proceeds," below.)

Lender Approval Rights

Lenders will have only those rights expressly set forth in the Loan Servicing Agreement (collectively the "**Approval Rights**").

BaySierra is authorized under the Loan Servicing Agreement to take any action subject to the Approval Rights if any such action is approved by a Lender Majority (i.e., Lenders representing more than 50% of the Fractional Interests). Consequently, BaySierra will be authorized to take any action approved by a Lender Majority notwithstanding the objections of any Lender or group of Lenders holding less than 50% of the Fractional Interests (See "RISK FACTORS – Risks Related to the Ownership of Fractional Interests.")

Distribution of Post-Default Proceeds

Pursuant to the terms of the Loan Servicing Agreement any amounts collected by BaySierra following an Event of Default by the Borrower will be applied by BaySierra and/or paid to BaySierra and the Lenders in the following order of priority:

- (a) first, to BaySierra in an amount equal to all accrued and unpaid Servicing Fees, Management Fees or unpaid Protective Advances made by BaySierra and any other fees, reimbursements, or other amounts payable to BaySierra pursuant to this Agreement;
- (b) Second, to the Priority Lenders in proportion to the relative amount of Loan Expenses paid by the Priority Lenders until such amounts, plus interest thereon at the Priority Rate are paid in full; and
- (c) thereafter, to the Lenders, pro-rata in accordance with their Fractional Interests.

Termination; Replacement of Loan Servicer

The Lenders may remove BaySierra as the loan servicer and terminate of the Loan Servicing Agreement only upon thirty (30) days' prior written notice executed by a Lender Majority. BaySierra may also terminate the Loan Servicing Agreement and retire as the loan servicer, thereunder, upon thirty (30) days' prior written notice to the Lenders. Upon either such termination, BaySierra will be entitled to an amount equal to: (i) any monthly Servicing Fees accrued but unpaid as of the termination date; plus (ii) any Management Fees accrued but unpaid as of the termination date; plus (iii) any Protective Advances and any other sums advanced by BaySierra on behalf of the Lenders plus interest thereon at the Priority Rate.

Following a termination of the Loan Servicing Agreement, BaySierra will make good faith efforts to facilitate the transfer the Loan servicing responsibilities to another party; however, it shall be the sole responsibility of the Lenders to identify and retain a substitute loan servicer or other agent to act for the Lenders in connection with the Loan (a “**Replacement Agent**”). BaySierra will not take any actions in connection with such transfer unless directed, in writing, by a Lender Majority. If a Lender Majority fails to notify BaySierra of the appointment of a Replacement Agent by the effective date of the termination of the Loan Servicing Agreement, then BaySierra will: (i) distribute all undisbursed funds held for the benefit of the Lenders (if any) to the Lenders in accordance with their Fractional Interests or as otherwise outlined in the Loan Servicing Agreement; and (ii) deliver all Loan files in BaySierra’s possession to the Lender holding the greatest Fractional Interest in the Loan or any other party identified by a Lender Majority.

COMPENSATION TO BAYSIERRA

Loan Origination Fee

For arranging the Loan, BaySierra will receive a loan origination fee from the Borrower which will be funded from the Loan proceeds at the time the Loan closes. The amount of the Loan origination fee depends upon market conditions and is set forth in the Loan Disclosure Statement included with the Loan Disclosure Statement.

Servicing Fee

In consideration for the services being provided by BaySierra in connection with servicing the Loan and, if applicable, enforcing the Loan on behalf of the Investors, BaySierra will be entitled to receive a monthly Servicing Fee equal to a percentage of the unpaid Principal amount outstanding at the end of each month (the “**Servicing Fee**”). In most cases, the monthly percentage portion of the Servicing Fee will be 1/12th of 1%; however, the actual percentage payable on the Loan may be higher or lower based upon the terms of the Loan. The percentage applicable to the Loan offered hereby is set forth in the Loan Disclosure Statement attached hereto as Exhibit A.

The Servicing Fee will be deducted from interest payments made by the Borrower or from any interest reserve created under the Loan documents, with the balance being remitted to Lenders. In the event that, following a default by the Borrower under the Loan documents, interest payments are insufficient to pay BaySierra’s Servicing Fee, BaySierra may either elect to have all accrued but unpaid Servicing Fees accrue and be payable from any future proceeds received under the Loan or from the Security Property prior to any further distributions to the Lenders or have such fees paid by the Lenders pursuant to a Loan Expense Request made in accordance with the Loan Servicing Agreement. (See “LOAN SERVICING – Distributions of Post-Default Proceeds” and “Loan Expense and Investor Priority Provisions.”)

Management Fee

If, following a default by the Borrower under the Loan documents, there is a Transfer of the Security Property to the Lenders or a Transfer Entity, BaySierra shall be entitled to a monthly

Management Fee equal to the greater of 1/12th of: (i) 1% of the outstanding Loan amount as of the date of Transfer of the Security Property; or (ii) \$1,000 per year, prorated for partial months (the “**Management Fee**.”). The Management Fee shall be payable on a monthly basis from the proceeds received from the operation of the Security Property (if any). In the event that Security Property proceeds are insufficient to pay BaySierra’s Management Fee on a monthly basis, BaySierra may either elect to have all accrued but unpaid Management Fees accrue and be payable from any future proceeds received under the Loan or from the Security Property prior to any further distributions to the Lenders or have such fees paid by the Lenders pursuant to a Loan Expense Request made in accordance with the Loan Servicing Agreement. (See “LOAN SERVICING – Distributions of Post-Default Proceeds” and “Loan Expense and Investor Priority Provisions.”)

Interest on Costs Advanced on Behalf of Lenders

BaySierra may take Protective Actions on behalf of the Lenders and may make Protective Advances for the benefit of the Lenders in connection with such actions. (See “LOAN SERVICING – Protective Advances.”) If BaySierra elects to make one or more Protective Advances on behalf of one or more Lenders, BaySierra will be entitled to interest on such advances at the Priority Rate equal to the lesser of 8% or the maximum rate permitted by law. Such Protective Advances and interest thereon at the Priority Rate will be due from the Lenders and payable prior to any further payments to the Lender following the advance or payable out of proceeds obtained from a sale or refinancing of the property or otherwise obtained as a result of collection efforts. (See “Loan Servicing – Protective Advances.”)

Property Management Fees and Broker Commissions

If Lenders or a Transfer Entity take title to the Security Property, BaySierra may act as the property manager for the Security Property or may engage a third party property manager to manage the Security Property at their direction. If BaySierra act as the property manager for the Security Property, they shall be entitled receive property management fees in an amount equal to the fees that are usual and customary for such services for similar properties in the area where the Security Property is located.

If following a Transfer, the Security Property is sold by or on behalf of the Lenders, BaySierra will be entitled to receive a commission for acting as the listing real estate broker, or may at its option retain a third party to act as listing broker. The commission will be payable as a cost of the sale and prior to any payments to Lenders for unpaid principal and interest, and shall be equal to the lesser of 10% of the gross sales price or the usual and customary commission for the services of a real estate broker for similar properties. Such commission will be shared with any selling broker that procures a buyer for the Property. The sales commission payable by Lenders is in addition to any fees that BaySierra may be entitled to receive from the purchaser or others if BaySierra arranges financing for the purchaser or services a loan made to the purchaser.

Possible Profit on Purchase of Property

With the consent of a Lender Majority, BaySierra or an affiliate may purchase a property to which the Lenders have taken title. If this were to occur, BaySierra or its affiliate could profit from the purchase and resale of the property.

ERISA CONSIDERATIONS

Tax Consequences to Qualified Employee Benefit Plans and IRAs

Interest income from Fractional Interests held by IRAs and qualified pension and profit sharing plans is anticipated to be exempt from federal income taxation under the Internal Revenue Code, but no tax opinion has been obtained with respect to this issue. Such interest is not expected to constitute income from a trade or business. Qualified plans and IRAs, consequently, should not have unrelated business taxable income (“UBTI”) as a result of receiving interest from a Secured Note. If the Lenders were to take title to the Security Property as a result of a default by the Borrower, however, Lenders could receive income from a sale of the Security Property assuming the Security Property sold for an amount in excess of the amount loaned plus interest and capitalized costs of foreclosure and of holding the Security Property for sale. If the Lenders were considered to have acquired the Security Property for resale and therefore to have the status of dealers in real estate, such gain could be considered UBTI.

The Lenders might also choose to rent the Security Property pending its sale. Rent is generally not classified as UBTI. However, if the Lenders were also to incur debt to acquire the Security Property (for example, in order to pay off a senior lien) or to improve the Security Property, rent received would not be excluded from UBTI to the extent of average monthly acquisition indebtedness divided by average adjusted basis of the Security Property for the relevant tax period. Unrelated business taxable income in excess of \$1000 during any tax year is subject to tax. Qualified plans which receive UBTI, even if less than \$1000, must file reports with the IRS.

ERISA

In considering an investment in a Fractional Interest, a fiduciary of a tax exempt employee benefit plan, such as a qualified pension or profit sharing plan, Keogh plan, 401(k) plan or IRA, should consider (a) whether the investment satisfies the diversification requirement of Section 404(a)(1)(c) of the Employee Retirement Income Security Act of 1974, as amended (“ERISA”); (b) whether the investment is prudent given the risks involved; (c) whether the investment is made solely in the interests of the plan participants; (d) whether the investment complies with the plan’s need for liquidity; (e) whether the compensation to persons providing services to the plan, such as BaySierra and BaySierra, is reasonable; and (f) whether the investment would otherwise constitute a transaction prohibited under Section 406 of ERISA and Section 4975 of the Internal Revenue Code of 1986, as amended. ERISA also requires that assets of a plan be valued at their fair market value as of the close of the plan’s fiscal year, and it may not be possible to satisfactorily value the Fractional Interests from year to year since there will be no market for the Fractional Interests.

Under ERISA and the regulations adopted by the Department of Labor, BaySierra may be considered a fiduciary if it exercises discretionary authority or control of the management or administration of a plan or its assets or renders investment advice to the plan. Since the investment decision to purchase a Fractional Interest will be made solely by each plan without any advice or recommendation from BaySierra, and since the actions that BaySierra may take under the Servicing Agreement without the consent of a Lender Majority are limited, BaySierra does not believe BaySierra would be deemed a “fiduciary” of plan investors. However, if BaySierra were deemed to be a fiduciary, transactions with BaySierra would be subject to scrutiny to determine whether they involved any prohibited transactions such as the charging of unreasonable fees or the use of plan assets for the benefit of the fiduciary. Other plan fiduciaries who were found to have participated in such transactions could be required to (a) restore to the plan any profit realized by the fiduciary on the transaction and (b) make good to the qualified plan any loss suffered by the plan as a result of its investment. The fiduciary and participating parties in interest could also be liable for an excise tax of 15% of the amount involved, and if the transaction were not corrected within a specified period, they could be liable for an additional excise tax of 100% of the amount involved. With respect to IRAs, the tax exempt status of the account could be lost but the other described penalties would not apply.

As a provider of services to Lenders who are employee benefit plans or IRAs, BaySierra will be considered a “party in interest” or “disqualified person” as those terms are defined in the Labor Code and the Internal Revenue Code. Under both Codes, a loan or an extension of credit to a plan by a party in interest or disqualified person is a prohibited transaction. The Servicing Agreement provides that BaySierra may advance costs to of collection to Lenders if Lenders do not elect to pay their pro-rata share of such costs. Even though these advances, plus interest, are only payable out of the sale of the Security Property or other proceeds from the collection efforts of BaySierra and are non-recourse to the plan, the advances may be deemed a loan of the type intended to constitute a prohibited transaction. Therefore, if BaySierra is advised by counsel that an advance of costs on behalf of plan Lenders would be treated by the Department of Labor or the Internal Revenue Service as a prohibited transaction, BaySierra will either notify the plans and require them to pay their pro-rata share of the costs or avoid making the advance by deferring payment of the costs to be incurred.

Persons investing in Fractional Interests in a Loan on behalf of qualified ERISA Plans should consult their own tax advisors, accountants and attorneys to determine whether an investment in a Fractional Interest is permitted under the trust instrument and other documents establishing the plan as well as under ERISA and the regulations adopted thereunder.

CONFLICTS OF INTEREST

Compensation

The terms on which BaySierra will act as Loan originator and servicer have not been negotiated at arm’s length or set by law, and each Lender should independently evaluate the terms of the Loan Servicing Agreement. The Loan origination fees negotiated by BaySierra with the Borrower could affect the terms of the Secured Note that BaySierra is able to negotiate for the Lenders. Fees paid to BaySierra may also diminish the Borrower’s ability to pay Lenders. BaySierra believes, however, that its fees and the fees of BaySierra to the Lenders and to

Borrowers are reasonable and within the range of those customary and usual in the mortgage loan business for the same type of loan.

Moreover, BaySierra will earn the largest portion of its compensation from commissions (or “points”) that it collects at loan closing, which are not affected by whether the Loan proves to be a good investment. Therefore, in theory, BaySierra could be motivated to close loans using Investors’ funds that are risky or otherwise not in the best interests of the Investors, in order to earn its loan points. Investors should review the terms of the Loan carefully prior to investing and must rely on the good faith of BaySierra to protect their interests in this regard.

Purchase of Property

BaySierra or its affiliates will not purchase any property securing a Secured Note in foreclosure at a trustee’s sale, or purchase a property after a default and transfer of a property to the Lenders, without the consent of a Lender Majority.

Refinancing of the Loan

BaySierra may loan monies to the Borrower to permit the Borrower to pay all of the interest and principal owing under the Secured Note or it may act as broker and servicing agent for others who refinance the Loan made to Borrower by Lenders. Lenders may have no right to participate in such a refinancing of the Loan. It is possible, though not likely, that a refinancing on behalf of the Borrower which permits Borrower to pay off the Loan owed to Lenders and avoid foreclosure would not be in the best interests of Lenders in that they might otherwise obtain title to the property and profit from its later sale.

Competition for Loans

BaySierra may arrange and service other loans for other investors, including its affiliates, at the same time that Fractional Interests in this Loan are being offered to Lenders pursuant to the terms of this Offering Circular. Investors may not be able to participate in other loans that may be more secure or more profitable than the Loan set forth in the Loan Disclosure Statement.

Purchase of Fractional Interests

BaySierra or its affiliates may purchase or fund Fractional Interests to fund disbursements that are due to the Borrower where insufficient Fractional Interests have been sold to fund a disbursement due. BaySierra will hold all such Fractional Interests purchased to fund the Loan in parity with the other Lenders and will have the same rights, including all voting rights, under the Loan Servicing Agreement as any other Lender. As such, BaySierra may have interests in the Loan as both an affiliate of the servicer of the Loan as well as a Lender.

BROKER AND SERVICER

BaySierra is a licensed California real estate broker that will arrange the Loan and offer and sell Fractional Interests in the Loan. BaySierra will also act as loan servicer for the Loan under the Loan Servicing Agreement. BaySierra’s offices are located at 1410 Neotomas Avenue, Suite 106, Santa Rosa, California 95405.

BaySierra was formed in 2000 and has been a licensed real estate brokerage firm since that time, operating under the fictitious business name of Santa Rosa Mortgage & Investment Company. BaySierra is engaged in the business of arranging, funding, selling, purchasing and servicing trust deed investments secured by California real property for its private investors and its own account. Prior to founding BaySierra, BaySierra's shareholders, John M. Graziano and Pamela K. Graziano, each owned a one-third interest in TRIAD Mortgage, Inc., a California corporation ("TRIAD"), together with a third owner, Gary Wellen. TRIAD was originally founded in 1990, and in 1996 TRIAD purchased Santa Rosa Mortgage & Investment, Co. from National Bank of the Redwoods. In April of 2000, John and Pamela Graziano incorporated BaySierra and purchased TRIAD's portfolio of private money loans and the company name, Santa Rosa Mortgage & Investment Company from Mr. Wellen. BaySierra specializes in arranging privately funded trust deed investments and, as of the date of this Offering Circular, BaySierra and its predecessor, have arranged over \$230 Million of loans secured by deeds of trust. Currently, BaySierra services approximately \$75 Million of loans secured by deeds of trust for over 180 investors. BaySierra will act as the broker and servicing agent in connection with the Loan and other Loan Documents on behalf of all Lenders. (See "LOAN SERVICING.")

BaySierra is the sole manager of BaySierra Financial Fund LLC, a California limited liability company ("Fund I"). Fund I was formed for the principal purpose is investing in trust deed investments arranged by BaySierra and previously offered membership interests to qualified investors pursuant to a permit issued by the Department of Corporations (DOC File No. 506-2619). In September 2010, Fund I's members dissolved and commenced its orderly liquidation. Prior to commencing dissolution, Fund I purchases Fractional Interests pursuant to this offering and as of October 31, 2010, the Fund held interests in [67] loans in the aggregate principal amount of [\$22,158,217] that were arranged through this offering. BaySierra is also the sole manager of BaySierra Capital Fund, LLC, a California limited liability company ("Fund II"), which was also formed for the principal purpose of investing in trust deed investments. As of October 31, 2010, Fund II held interests in [_____] loans in the aggregate principal amount of [\$_____] that were arranged through this offering and may continue to purchase and loans offered hereunder in the future.

BaySierra currently has five full-time employees of which the following officers will be responsible for the sale of Fractional Interests:

John M. Graziano is a 50% shareholder of BaySierra and has served as its President since its incorporation in April of 2000. Mr. Graziano has over 20 years of bank lending experience and has been a licensed real estate broker since 1987. Prior to forming BaySierra, Mr. Graziano held a 1/3rd interest in TRIAD and served as President and broker of record for TRIAD for over 10 years. Mr. Graziano received a B.A. degree from California State University Northridge in 1968 and is a member of the California Mortgage Association, the Bay Area Mortgage Brokers Association and the Santa Rosa Chamber of Commerce. As an owner and officer of BaySierra, Mr. Graziano is responsible for all aspects of BaySierra's business.

Pamela K. Graziano is a 50% shareholder of BaySierra and serves as BaySierra's Vice-President, Secretary, Treasurer and broker of record. Ms. Graziano has over 20 years of bank lending experience in the areas of consumer finance, residential real estate and business lending and has been a licensed California real estate broker since 1988. Prior to forming BaySierra, Ms.

Graziano held a 1/3rd ownership interest in TRIAD and served as Vice-President, Secretary and Treasurer for TRIAD for over 10 years. As an owner, officer and broker of record of BaySierra, Ms. Graziano is responsible for all aspects of BaySierra's business.

PRIOR PERFORMANCE

General

Since inception in 2000 BaySierra has originated 452 loans in an aggregate principal amount of approximately \$275,123,510. Presently, BaySierra has 84 outstanding loans in the aggregate amount of \$58,634,055 of which 77 loans in the aggregate principal amount of \$52,768,717 were funded pursuant to this offering. The average principal amount of BaySierra's loans outstanding as of October 31, 2010 was \$698,024 with interest rates ranging from 2.13% to 13.00% and maturities of one to 7 years. Information regarding the Loan priorities, collateral type and performance of BaySierra's prior loan investments are set forth below. Unless otherwise indicated, all information is current as of October 31, 2010.

Loan Priorities

Priority of Deed of Trust	Number of Loans	Aggregate Principal Amount	Percentage of Actual Principal
First Deeds of Trust	64	\$51,280,769	87.46%
Second Deeds of Trust	20	\$7,353,286	12.54%

Collateral Type

Collateral Type	Number of Loans	Aggregate Principal Amount
Improved 1-4 Residential (non-owner occupied)	18	\$5,770,390
Improved Multi-Family Residential	2	\$1,600,000
Improved Commercial/Industrial	39	\$25,862,986
Land – Improved lot or parcel	11	\$11,314,627
Land – Agricultural	5	\$4,276,000
Land – Unimproved	9	\$9,810,053

Loan Foreclosure Rates

While BaySierra's loan foreclosure rates have been historically low, the general economic decline beginning in 2007 has resulted in increased foreclosure rates for lenders generally, including BaySierra. From January 1, 2006 through October 31, 2010, BaySierra

made or arranged 175 loans in the aggregate principal amount of \$113,875,000. Of these loans, 17 loans (9.71% by number) in the aggregate principal amount of \$9,188,079 (16.85% by aggregate principal amount) were foreclosed upon by the lenders (“**Foreclosed Loans**”). Further information regarding the Foreclosed Loans is set forth below.

Year	Aggregate No. of Loans Originated	Aggregate Principal Balance	Aggregate No. of Loans Foreclosed	Aggregate Principal Balance	Foreclosure Rate
2006	53	\$40,876,841	4	\$6,807,500	
2007	60	\$37,340,830	12	\$11,880,579	
2008	27	\$17,329,500	1	\$500,000	
2009	9	\$6,878,000	0	0	
2010 (1/1/10 – 10/31/10)	26	\$11,453,804	0	0	
TOTALS	175	\$113,878,975	17	\$19,188,079	

REO Information

The security properties acquired by the Lenders on the Foreclosed Loans, either through judicial or non-judicial foreclosure or by deed in lieu of foreclosure (“**REO Properties**”) either: (i) have previously been sold by the lenders; (ii) or are currently listed for sale by the lenders; or (iii) are being held by lenders who have elected to hold such security properties until market conditions improve and the security properties can be listed and sold at higher purchase prices in order to eliminate or reduce their investment losses. There is no way to predict if or when such improved market conditions will occur or what future losses or gains may be realized by such lenders. Further information regarding the status of the REO Properties is set forth below. All information is current as of October 31, 2010.

REO Status	No. of Properties	Aggregate Prior Principal Loan Balance	Aggregate Gain or (Loss) Upon Sale	Loss as Percent of Total Principal
REO Properties Sold	2	\$770,000	(\$383,531)	(49.80%)
REO Properties Listed for Sale	9	\$10,338,192	(\$2,247,492)* (estimated)	(21.74%)* (estimated)
REO Properties Held by Lenders	6	\$8,079,887	Unknown	Unknown

* Estimated losses based upon the difference between the principal amount of the loan and the current listing price for the security property. Actual losses may be higher or lower.

THE FOREGOING DISCUSSION IS FOR ILLUSTRATIVE PURPOSES ONLY. INVESTORS WILL ONLY OWN FRACTIONAL INTERESTS IN THE LOAN DESCRIBED IN THE LOAN DISCLOSURE STATEMENT ATTACHED HERETO AS EXHIBIT A. AS SUCH, PRIOR PERFORMANCE OF LOANS MADE AND ARRANGED BY BAYSIERRA IS NOT AN ACCURATE PREDICTION OF FUTURE RESULTS.

LEGAL MATTERS

BaySierra has retained counsel to advise it in connection with the preparation of this Offering Circular and the Loan Servicing Agreement, as well as the offer and sale of the Fractional Interests offered hereby. Such counsel has not been retained to provide, and will not provide, legal services in connection with the preparation or review of any of the Loan documents, the negotiation or closing of the Loan or the servicing or enforcement of the Loan, nor has it represented the interests of the Lenders in connection with this offering or the Loan. Lenders purchasing Fractional Interests in the Loan that wish to obtain the benefit of review by legal counsel on their behalf must retain their own attorneys to do so.

PLAN OF DISTRIBUTION

The Fractional Interests offered hereby will be offered and sold by BaySierra and through its duly authorized and licensed agents and employees, who will be paid commissions by BaySierra out of the Loan origination or brokerage commissions it receives from Borrowers for arranging the Loan. The Borrower is required to pay these fees or commissions from the Loan proceeds, which will not be an expense of the Lenders.

ADDITIONAL INFORMATION AND UNDERTAKINGS

BaySierra undertakes to make available to each prospective Investor every opportunity to obtain any additional information from BaySierra necessary to verify the accuracy of the information contained in this Offering Circular or to assess the merits of the Loan, the Borrower, any guarantors, and the Property, to the extent that it possesses such information or can acquire it without unreasonable effort or expense. This additional information includes, without limitation, financial and other information concerning the Borrower or any guarantors, appraisals and other servicing information concerning the real property security, information regarding past mortgage lending experience of BaySierra, and all other documents or instruments that are material to this offering and the transactions contemplated and described in this Offering Circular.

COMMISSIONER'S RULE 260.141.11

In addition to the various restrictions on the transfer of Fractional Interests imposed by state and federal securities laws generally, no Fractional Interest may be sold or transferred or any consideration received therefor without the prior written consent of the California Commissioner of Corporations, except as provided in the Commissioner's Rules. A copy of Commissioner's Rule 260.141.11 follows:

260.141.11 Restriction on Transfer.

(a) The issuer of any security upon which a restriction on transfer has been imposed pursuant to Sections 260.141.10 or 260.534 shall cause a copy of this section to be delivered to each issuee or transferee of such security at the time that the certificate evidencing the security is delivered to the issuee or transferee.

(b) It is unlawful for the holder of any such security to consummate a sale or transfer of such security, or any interest therein, without the prior written consent of the Commissioner (until this condition is removed pursuant to Section 260.141.12 of these rules), except:

- (1) to the issuer;
- (2) pursuant to the order or process of any court;
- (3) to any person described in Subdivision (i) of Section 25102 of the Code or Section 260.105.14 of these rules;
- (4) to the transferor's ancestors, descendants or spouse, or any custodian or trustee for the account of the transferor or the transferor's ancestors, descendants, or spouse; or to a transferee by a trustee or custodian for the account of the transferee or the transferee's ancestors, descendants or spouse;
- (5) to holders of securities of the same class of the same issuer;
- (6) by way of gift or donation inter vivos or on death;
- (7) by or through a broker-dealer licensed under the Code (either acting as such or as a finder) to a resident of a foreign state, territory or country who is neither domiciled in this state to the knowledge of the broker-dealer, nor actually present in this state if the sale of such securities is not in violation of any securities law of the foreign state, territory or country concerned;
- (8) to a broker-dealer licensed under the Code in a principal transaction, or as an underwriter or member of an underwriting syndicate or group;
- (9) if the interest sold or transferred is a pledge or other lien given by the purchaser to the seller upon a sale of the security for which the Commissioner's written consent is obtained or under this rule not required;
- (10) by way of a sale qualified under Sections 25111, 25112, 25113, or 25121 of the Code, of the securities to be transferred, provided that no order under Section 25140 or Subdivision (a) of Section 25143 is in effect with respect to such qualification;
- (11) by a corporation to a wholly owned subsidiary of such corporation, or by a wholly owned subsidiary of a corporation to such corporation;

(12) by way of an exchange qualified under Section 25111, 25112, or 25113 of the Code, provided that no order under Section 25140 or Subdivision (a) of Section 25143 is in effect with respect to such qualification;

(13) between residents of foreign states, territories or countries who are neither domiciled nor actually present in this state;

(14) to the State Controller pursuant to the Unclaimed Property Law or to the administrator of the unclaimed property law of another state;

(15) by the State Controller pursuant to the Unclaimed Property Law or by the administrator of the unclaimed property law of another state if, in either such case, such person (i) discloses to potential purchasers at the sale that transfer of the securities is restricted under this rule, (ii) delivers to each purchaser a copy of this rule, and (iii) advises the Commissioner of the name of each purchaser;

(16) by a trustee to a successor trustee when such transfer does not involve a change in the beneficial ownership of the securities; or

(17) by way of an offer and sale of outstanding securities in an issuer transaction that is subject to the qualification requirement of Section 25110 of the Code but exempt from that qualification requirement by subdivision (f) of Section 25102; provided that any such transfer is on the condition that any certificate evidencing the security issued to such transferee shall contain the legend required by this section.

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

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

EXHIBIT A

LOAN DISCLOSURE STATEMENT

EXHIBIT B

LOAN SERVICING AGREEMENT

EXHIBIT C
SUBSCRIPTION AGREEMENT