Resolution Fund I LLC
Fund Description and Term Sheet January 1, 2015

Company: Resolution Fund I LLC, a Delaware limited liability company (the “Fund” or the “Company”).

Manager: Resolution Capital Management LLC, a Delaware limited liability company (the “Manager” or “RCM”).

Management: The Resolution Capital management team have extensive experience in the acquisition and management of distressed real estate assets and mortgage notes. The company is vertically integrated, giving it the capability to manage all aspects of its investment, servicing, and asset management operations from acquisition to disposition. Its managing members have over twenty years of combined experience in the areas of real estate investment, finance, asset management and development.

Ownership of the Fund: The Fund shall be owned by Investors purchasing equity interests or membership shares ("Membership Units" or “Units”) in the Fund, and who shall be called “Members.” Members shall own 100% of the Fund, each in a percentage equal to their outstanding Units divided by the total Units outstanding (the “Ownership Interest”).

Investor Offerings: Investors shall have two investment options:
1) Membership Units of the Fund
2) Secured notes ("Notes") to the Fund

Target Member Returns: Targeted return to the Members will be between 12% to 15%. Members will receive a Preferred Return of 8% annualized, plus a pro rata distribution from 50% of the Excess Distributable Cash ("EDC"). Please see section “Distribution Waterfall” below for more details on returns to Members.

Note Holder Returns: Investors who purchase secured Notes (the “Note Holders”) shall be paid (on a Pari Passu basis) a specific fixed rate of return established at origination of each individual Note. Current Note interest rates are detailed on a periodic Note Schedule to be published by the Fund. The returns will vary based on, among other factors, the size of investment, the duration of the Note term, and market conditions at the time of issuance. As of the launch date of the Fund (estimated at November 15, 2014), Note Rates are expected to be in the range from 6% to 9%, depending on investment size and Note duration.

Minimum Investment: $50,000 per unique Investor, which amount may be adjusted in the sole discretion of the Manager.

Fund Governance, Oversight, and Transparency to Investors: Many well-developed best practices for corporate fund Governance have been established and promoted by leading Organizations in the fund industry. One such organization is INREV, which has summarized many of the key best practices at http://www.inrev.org/guidelines/inrev-guidelines/corporate-governance-self-assessment.

The Manager believes in adhering to these and other industry Best practices as much as possible in terms of Fund Governance, oversight, transparency, and communication With Investors. While the Manager has the flexibility to modify its practices over time to meet the needs of the Fund,
Financial Statements and CPA Audit: The Fund expects to use the accrual basis of accounting and shall prepare its financial statements in accordance with Generally Accepted Accounting Principles (“GAAP”). The Manager shall cause the Fund to have its financial statements audited on an annual basis by a qualified Certified Public Accountant once the Fund has reached $20,000,000 in Assets Under Management (“AUM”), or as Required by any particular state regulations. These statements and audits shall be made available to Investors.

Management Fee: The Manager will charge an annual Management Fee of 2% of the total Assets Under Management (“AUM”). The Management Fee shall be calculated, prorated, and paid at the end of each calendar month.

Fund Strategy: The strategy of the Fund will be to produce attractive risk Adjusted returns investing in real estate based assets (“Assets” or “Fund Assets”) predominantly in the residential asset class. The Company’s investment objectives are to generate current income for its investors and achieve social betterment by providing viable solutions for borrowers at risk of foreclosure to stay in their homes as well as facilitate dispositions that return vacant abandoned homes to service.

The Company will invest indirectly in both non-performing and re-performing mortgage loans and the underlying real estate (in the event of foreclosures or other circumstances that result in possession of the underlying real estate). The Manager intends to deploy a mixture of both non-performing and performing notes in its asset portfolio. The intention is to balance the fund portfolio composition with 30% performing notes and 70% non-performing notes, so that the performing notes provide immediate cashflow while working with borrowers to modify their non-performing notes. The return on investment for reperforming notes will have a minimal threshold of 15% annualized cash-on-cash ROI, and more typically an average of 25% or higher.

Asset Description: The Manager intends to deploy a mixture of both non-performing and performing notes in its asset portfolio. The focus will be on first-position notes on residential and commercial properties in key markets in the U.S.

The Manager will focus on selected markets where borrower performance is optimized for success, where there is evidence of strong employment, and in states where the foreclosure laws provide for rapid exit if foreclosure is required.

Activities of Fund: All identification of property, due diligence, and underwriting of Assets for the Fund will be done by the Manager for the benefit of the Fund. The Manager may subcontract some due diligence functions to third parties (e.g., appraisers, inspectors, subcontractors, real estate brokers, etc.) for the benefit of the Fund which shall be considered Fund Expenses.

Fund Administration: Although not obligated, the Fund may choose to hire a third part to provide professional administration services in the areas of financial statement preparation, investor subscriptions and redemptions, and other back office administration functions. The costs of these services shall be a Fund expense.

Note Holders/Notes: The Fund will borrow money from time to time from Note Holders who will be issued Notes of varying maturities between 1 and 3 years. Note Holders will be lenders to the Fund on a Pari Passu basis with the other Note Holders and have a blanket secured interest in the Fund Assets. This secured interest will be in a senior position except in circumstances where individual Fund assets have been or are being pledged by the Fund to any senior lender (“Credit Facility or “Facility”).

The Fund intends to have multiple tiers of rates based on the amount of money lent from a Note.
Holder and the duration of the maturity. These tiers may change from time to time. The interest rate for each maturity date and dollar amount combination shall be set by the Manager in a Note Schedule to be published periodically. Notes may be purchased, with the consent of the Manager, at any time at the interest rate and terms defined for that period by the Manager. The Fund may prepay the outstanding principal and interest to any Note Holder at any time without penalty.

**Membership Units:** The Fund will sell Membership Units at a “Unit Price” that shall fluctuate daily based on the total collective “Stated Value” of the Fund Assets. The Stated Value of any individual Fund Asset shall be determined by the Manager in its sole discretion. The Manager, however, shall establish and follow a methodology for determining the Stated Value of the Fund Assets, which it may modify, alter, amend, or improve from time to time in its sole discretion. The initial Unit Price will be $10,000.

Investors may execute subscription documents at any time, subject to acceptance by the Manager. The date of acceptance of the subscription and associated deposit of an Investor’s money into the Fund’s Subscription Account shall be deemed the “Deposit Date.” An investment in the Membership Units will become effective as an equity investment after the Deposit Date and upon the date of the Fund’s transfer of the money into its operating account (the “Effective Date”). In the event that all or any part of the Investor’s money has not been transferred into the Fund’s Operating Account within 90 days of the Deposit Date, then the Investor may require the prompt return of the unused money by written notice to Manager, or the Manager may elect to return such unused money to the Investor. Upon notice to the Investor of any such amounts it does not intend to transfer to the Operating Account and issue Units, the Investor shall have 10 days to decide to either leave the money with the Company in its Subscription Account, or to have the Company reimburse the remaining funds in the Subscription Account to the Investor. If an Investor chooses the reimbursement option, the Investor shall have no further right or obligation to use these remaining funds to purchase Units. If an Investor chooses to leave the remaining funds in the Subscription Account, the Investor’s obligation to utilize such funds to purchase Units (and the Company’s right to transfer the funds to its Operating Account) shall once again be irrevocable for a 90 day period, and the funds shall again be treated as detailed in this section.

The Investor shall become a Member of the Fund only after the Effective Date and upon acceptance of the subscription by the Manager, and only upon acceptance of the Investor as a Member will the investment, or portions drawn from the Subscription Account, be treated as an equity investment in the Fund.

**Preferred Return And Target Overall Return:** The Fund’s objective is to produce an overall return to Members in the range of 12% to 15% annually. Subject to performance of the Fund and after paying Fund Expenses as well as the Management Fee to the Manager, Members will receive a preferred return of 8% (the “Preferred Return”) paid quarterly. Members will also divide with the Manager, on an annual basis, any Excess Distributable Cash (“EDC,” see below) with 50% of the amount distributed to the Members and 50% distributed to the Manager.

The Preferred Return shall be “Noncumulative” meaning that any shortfall in a given quarter shall not carry forward (as described in the PPM). However, the Manager’s portion of the EDC shall be subject to a Clawback for up to 2 consecutive quarters after the shortfall of the Preferred Return.

The Manager has done extensive financial modeling based upon what it believes are reasonable assumptions and projections. Should the fund reach its financial models and achieve its objectives, this would equate to an overall return to the Members in an expected range of 12% to 15% annually.

However, an investment in the Fund is inherently speculative and no specific return on invested capital or even return of invested capital can be promised or guaranteed.
Excess Distrutable Cash (EDC): This figure shall generally mean an amount that is equal to any remaining cash in the Fund after having paid out interest and principal payments on any Credit Facility, Fund Expenses, the 2% (annualized) Management Fee, Note Holder interest, repayment of maturing Notes, if any, eligible redemptions in the discretion of the Manager, and reserving Sufficient capital for future activities of the Fund, as determined in the sole judgment of the Manager. The Fund typically expects to distribute all available EDC. At the end of each period, payment of any EDC shall either be made or not made depending on Fund results at the discretion of the Manager.

Any EDC actually paid will be divided 50/50 between the Members and the Manager respectively on an annual basis. The Member’s portion shall be considered a distribution and the Manager’s portion shall be considered additional compensation and shall be treated from an accounting perspective as a Fund Expense.

Fund Income: The Fund shall receive as Fund Income, 100% of any interest collected on Mortgage Loans, 100% of any rent collected on real estate Assets owned by the Fund, 100% of any interest collected on deposited funds or receivables owned by the Fund, 100% of any membership redemption fees collected, and 100% of the net sale proceeds in excess of basis on the disposition of any Fund Asset. However, allocations and distributions from the Fund are from Excess Distributable Cash, as described herein and in the PPM. See the PPM for further details.

Manager Other Income: In addition to the 2% Management Fee and the appropriate split of any EDC, the Manager will receive as income various fees for the acquisition and disposition of the assets in the Fund.

The Fund intends to retain a third party servicer for the servicing of all loans whereby the servicing fee may (or may not) exceed 0.25% of the unpaid principal balance, but shall at all times, be commercially reasonable. The Manager may be retained to perform loan servicing duties on the Mortgage Loans. In cases where the Manager is being contracted to also be the loan servicer, the Servicing Fee (expressed as an annual percentage of the unpaid principal balance) will be 0.25% of the unpaid principal balance of each Mortgage Loan.

Fund Expenses: Fund Expenses shall include, but not necessarily be limited to the following: CPA related costs for tax return preparation, financial statement preparation, and/or audits, fund organizational costs, legal fees and costs, filing, licensing, or other governmental fees, other third party audits, loan servicing fees, fund administration fees, capital acquisition fees and costs third party fund administration costs, loan origination and/or other fees associated with any Credit Facilities, costs associated with ownership of real property, e.g., property improvement and rehabilitation costs not otherwise capitalized, sales commissions, property taxes, property management, hazard insurance, utilities, and any other expenses associated with operation of the Fund or management of its Assets.

The Fund may incur fees to eligible third parties for raising capital on its behalf in the discretion of the Manager. Any such fees shall be borne by the Fund as part of the Fund Expenses.

The Manager is responsible for all expenses related to salaries, bonuses and employee benefit expenses of its related persons who are involved in the management and conduct of the business and affairs of the Company (as well as related overhead, including office space and equipment, utilities, telephone and telex copier expenses, and other similar items).

Minimum Offering: The Fund shall begin making its investments as summarized herein immediately upon receipt of investment capital, or as soon thereafter as is practicable in the judgment of the Manager. The relative size of the initial Fund Assets may be smaller than in the future depending on the amount of capital available to the Fund. However, the Fund expects to raise capital on an ongoing basis and thus shall begin making investments immediately.
**Maximum Offering:** The Fund shall seek to raise the Maximum Offering of up to $20,000,000 in total capital (Member and Note Holder capital combined), which amount may be increased in the sole discretion of the Manager. The Manager may or may not raise the full amount during the life of the Fund. The Manager shall be entitled to sell additional Membership Units and/or Notes at any time and on an ongoing basis so long as it does not exceed the Maximum Offering, which may be increased as described above. Upon reaching the Maximum Offering, if there are Redemption requests that are granted and/or Note Repayments that bring the Fund’s AUM below the Maximum Offering, the Manager may again raise additional equity and/or issue additional Notes and may do so at any time during the life of the Fund up to the Maximum Offering.

**Term:** The Fund is an open-ended, “evergreen” fund with no set end date. The Manager expects to originate and acquire Fund Assets on a frequent and ongoing basis and will continue to do so indefinitely until the Maximum Offering has been reached, or until the Manager believes market conditions do not justify doing so. The Manager intends generally to utilize the return of capital from the disposition of Fund Assets to originate and acquire new Fund Assets rather than return the capital to Members (see “Redemptions and Lockup Period”). However, the Manager expects to manage the Fund’s investments and capital structure in such a manner as to attempt to provide a reasonable level of capability for the Fund to accommodate redemption requests given the relatively illiquid nature of real estate based investments in general.

If the Manager deems it appropriate, based on evolving market conditions and dynamics, the Manager shall cease to acquire new Fund Assets and shall distribute any return of capital from the disposition of Fund Assets back to the Members in accordance with the Liquidation Waterfall until all Fund Assets have been liquidated. The Manager may choose to return capital to the Members at any time during the life of the Fund.

**Use of Leverage/Credit Facilities:** The Fund may choose to borrow money from time to time from one or more senior lenders ("Credit Facilities" or “Facilities”) and may pledge one or more Fund Assets as collateral for any such borrowing, subject to certain restrictions imposed in the Operating Agreement. The Operating Agreement grants the Manager significant latitude and discretion in its ability to use Credit Facilities in the operation of the Fund. However, the Operating Agreement also places specific limitations on the use of Credit Facilities by the Manager, namely:

- The Fund will not provide any Facility with a first lien position on any then existing Fund Assets already encumbered by Note Holder interests for the specific purpose of acquiring cash to accommodate Member Redemption Requests (see “Redemption and Lockup Period” below) unless all Note Holders are paid off in full.

- The Fund will specifically not utilize any large Facility that would require it to pledge all or a majority of its assets using a borrowing base formula, unless all Note Holders are paid off in full.

- The Fund will not utilize a Facility in an amount in excess of 65% of the Stated Value of any Fund Asset at the time of procurement of that debt.

Any Facility shall be non-recourse to the Members. The Manager (and/or its principals) and the Fund may agree to provide its Guaranties for a given Facility but is not required to do so. Any Facility will likely have covenants that affect the Company and the Manager.

**Debt to Equity Ratio:** The Fund expects to maintain a Note Holder balance to total Member equity ratio in a range between 1:1 and 1.5:1. This ratio, which shall exclude debt associated with any Facility, will undoubtedly fluctuate from time to time and maybe higher or lower than this range. The actual ratio maintained by the Fund at any given point in time shall be determined in the sole discretion of the Manager. However, if the ratio exceeds 2:1, the Manager shall be prohibited from investing in new Fund Assets unless and until the ratio has fallen below 2:1.
Distributions and Reinvestments: Members shall have the option (prior to any liquidation of the Fund) to receive any Returns actually distributed either

1) paid to them via check or ACH, or

2) to use these funds to automatically purchase additional Membership Units at the prevailing Unit Price.

Members shall make such an election at the time of subscription and may change this election with 90 days’ notice to the Manager and not more frequently than twice per year. The Manager may suspend or terminate the reinvestment option at any time in its sole discretion.

Redemption and Lockup Period: Members will be required to hold their Units for a minimum of 24 months (the “Lockup Period”) before they may request Redemption. Redemption requests for reasons of financial hardship or emergency during the Lockup Period maybe considered on a case by case basis subject to a penalty (the “Redemption Fee”) equal to 5% of the then current Unit Price. The Manager shall have no obligation to consider any hardship Redemption requests during the Lockup Period and shall be entitled to charge a higher or lower Redemption Fee.

All Redemption Fees charged and collected will be considered income to the Fund. After the Lockup Period, Redemption requests will be considered on a first-come, first-served basis. A Member shall be required to provide the Manager a 60 day notice for any Redemption request. The Manager shall have no obligation to grant any particular Redemption request and shall retain sole discretion as to whether or not to redeem any Units. Any Units purchased by Members via the Reinvestment Option shall be considered, for purposes of any Redemption requests, to “tag along” with the original date of purchase of the Units for which the Reinvestment Units are associated.

No Member will be given priority for Redemption over any other Member for any reason other than the date upon which the request was made. The Manager may redeem Membership Units Pari Passu at anytime at the then current Unit Price in its sole discretion without penalty to the Manager or the Fund.

All of the above parameters notwithstanding, the Manager will endeavor to manage the Fund in such a manner as to be able to accommodate Redemption requests at anytime after the Lockup Period as consistently as possible.

Note Holder Early Repayment: A Note Holder may request an early repayment of the Note (a “Repayment”) prior to its maturity date subject to a penalty equal to a downward interest rate adjustment to the Appropriate Note term consistent with the Repayment date (if applicable) plus an Early Repayment Fee of 5% of the principal balance of the Note. The granting or not of the early Repayment request shall be subject to the sole discretion of the Manager.

Structure of Fund: The Fund will be organized as a Delaware limited liability company. The Fund will use a Private Placement Memorandum (“PPM”) under Rule 506(b) of Regulation D, for an exempt offering under federal and state law.

Eligible Investors: For U.S. Investors, Membership Units will be offered to Accredited Investors, as that term is defined by Rule 501 of the Securities Act of 1933, and who satisfy eligibility requirements set from time to time by the Fund and its Manager and up to 35 unaccredited Investors. In the sole discretion of the Manager, the Fund may establish a structure to secure investments in the Fund from foreign Investors. The number of unique investors shall be limited to a total of no more than 500.

Note Holders will be lenders to the Fund and can be either Accredited or Sophisticated Investors.
Distribution Waterfall: The following outlines the priority ("Waterfall") for the distribution of cash from the Fund from operations:

1. Fund Expenses including interest and principal payments on any Facility (depending on what collateral is pledged to a particular facility);
2. Manager annualized 2% Management Fee (paid monthly) on total AUM as of the last calendar day of each month, and any other fees due the Manager;
3. Note Holder interest, payable quarterly;
4. Repayment of maturing Notes, if any;
5. Distribution of Member Preferred Return;
6. Any available EDC, as determined by the Manager, to be split 50/50 between the Members and the Manager respectively at the end of each quarter.

Distributions from the Fund upon liquidation will follow the guidelines as detailed in the Liquidation Waterfall in the PPM.

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