IN THE CIRCUIT COURT OF THE FIRST JUDICIAL CIRCUIT
COOK COUNTY, ILLINOIS

GREENSPOON MARDER LLP,	)	
	)	
Plaintiff,	)	
	)	
v.	)	Case No. 2024 CH 08506
	)	
PELORUS FUND, LLC,	)	Honorable Neil H. Cohen
	)	
Defendants.	)	
	)	

RESPONSE TO 2-619.1 MOTION TO DISMISS

Greenspoon Marder LLP hereby responds in opposition to the Section 2.619.1 Motion to Dismiss filed by Pelorus Fund, LLC and respectfully states as follows.

Pelorus' motion concedes that Pelorus owes Plaintiff payment under the Engagement Letter but has nonetheless refused to submit that payment. Pelorus' admission entitles Plaintiff, at a minimum, to a judgment of $164,083.50 plus its attorneys' fees. Further, Plaintiff's complaint sets out the requisite allegations to state a claim for breach of contract and the affirmative matter Pelorus offers does not defeat Plaintiff's claim. Indeed, the documents controlling the operations of Pelorus Conflicts Committee actually establish that all work performed by Plaintiff was authorized and proper and Plaintiff is entitled to a judgment in the complete amount stated in its prayer for relief. Pelorus' motion should be denied.

LEGAL STANDARD

When ruling on a motion to dismiss under either section 2-615 or section 2-619, a court accepts all well-pleaded facts in the complaint as true and draws all reasonable inferences from those facts in favor of the nonmoving party. *Edelman, Combs & Latturner v. Hinshaw & Culbertson*, 338 Ill. App. 3d 156, 164 (2003).

A motion to dismiss pursuant to Section 2–615 attacks the sufficiency of the complaint and should be decided solely upon the allegations in the complaint. *Perkins v. Collette*, 179 Ill.App.3d 852, 856 (2d Dist. 1989). Further, "[p]leadings are to be liberally construed with a view to doing substantial justice between the parties." *Keller v. State Farm Insurance Company*, 180 Ill.App.3d 539, 546 (5th Dist. 1989). "Thus, no pleading is bad in substance which contains such information as ***reasonably informs*** the opposite party of the nature of the claim which he is called upon to meet." *Id.* (emphasis added). "Given these standards, a cause of action should not be dismissed, pursuant to a section 2–615 motion, unless it is clearly apparent that no set of facts can be proved that would entitle the plaintiff to relief." *Horwitz v. Sonnenschein Nath and Rosenthal LLP*, 399 Ill.App.3d 965, 973 (1st Dist. 2010).

A section 2–619 motion to dismiss ***admits*** as true all well-plead facts, as well as all reasonable inferences that flow from these facts. *Cooney v. Rossiter*, 2012 IL 113227, at ¶ 17. "A section 2-619 motion ***admits the legal sufficiency of the complaint*** but argues that some defense or affirmative matter defeats the claim." *Norabuena v. Medtronic, Inc.*, 2017 IL App (1st) 162928, ¶ 14 (emphasis added). Section 2-619 "provides for involuntary dismissal of a cause of action where the claim asserted is barred by other affirmative matter avoiding the legal effect of or defeating the claim." *Edelman*, 338 Ill. App. 3d at 164.

ARGUMENT

I. Pelorus' Motion Establishes That Plaintiff is Entitled to a Judgment in Amount of $164,083.50 Plus its Attorneys' Fees.

Pelorus unintentionally admits that not only does the Complaint state a claim for breach of contract, but Plaintiff is entitled to a partial judgment on its claim for breach of contract. The elements of a "breach of contract claim are: (1) the existence of a valid and enforceable contract, (2) performance by the plaintiff, (3) [a material] breach by the defendant, and (4) resultant injury to the plaintiff." *Khan v. Fur Keeps Animal Rescue, Inc.,* 2021 IL App (1st) 182694, ¶ 26. The Motion admits that there is an enforceable contract, that Plaintiff performed under that contract and is entitled to payment for performing under that contract, that Pelorus breached the contract by failing to submit payment pursuant to the contract, and that Plaintiff has been damaged as a result of Pelorus' non-payment. (Mtn., p. 3 (Pelorus "has not refused to pay for within-scope work…and in fact offered the amount that would cover the in-scope work reflected on their January 22, 2024 and February 2[], 2024 invoices."[1])). The Motion divides the legal work performed by Plaintiff into an "authorized" category and an "unauthorized"[2] category and claims that this "dispute is over the unauthorized work." (Mtn., p. 3). But that is incorrect because, while Pelorus may have offered to pay for some of the work Plaintiff performed (Mtn., p. 3), Pelorus has not made ***any*** payment. Pelorus is therefore in breach of the Engagement Letter, and at a minimum Plaintiff is entitled to a judgment in the amount of $164,083.50 plus its attorneys' fees.

II. The Complaint States a Claim for Breach of Contract Under Illinois Pleading Standards.

Even if Pelorus had not unwittingly admitted to liability on Plaintiff's claim, Pelorus' motion nonetheless should be denied as the Complaint states a cause of action for breach of contract. The Complaint alleges the Engagement Letter is a contract between the parties, it alleges the legal work performed by Plaintiff was performance under the contract, it alleges that Pelorus was obligated to pay under the Engagement Letter and failed to remit payment, and it alleges Plaintiff suffered damages as a result. (Compl., ¶¶ 7-16); *see also Khan,* 2021 IL App (1st) 182694, ¶ 26 breach of contract elements "are: (1) the existence of a valid and enforceable contract, (2)

[1] There was no invoice issued on February 22, 2024.

[2] Plaintiff does not admit that any of the work it diligently performed was unauthorized.

performance by the plaintiff, (3) [a material] breach by the defendant, and (4) resultant injury to the plaintiff."

Pelorus tries to make the contract between the parties more complicated than it actually is. It is a simple contract that required Plaintiff to perform legal work and Pelorus to pay for that legal work. Pelorus' motion argues that the Complaint should be dismissed because it does not "detail" the legal work and that "the Complaint offers no clue as to the specific terms of the Engagement Letter the Fund allegedly breached," but that is not correct. The Complaint alleges that Plaintiff performed legal work under the Engagement Letter and it alleges that Pelorus breached its payment obligation under the Engagement Letter. (Compl., ¶¶ 7-16).

Pelorus then tries to muddy the waters by arguing that the legal services Plaintiff provided fell outside the scope of the contract and that it does not owe the amount alleged. (Mtn., pp. 5-6, 10-11). In other words, Pelorus is "reasonably informed… of the nature of the claim which [it] is called upon to meet" *Keller*, 180 Ill.App.3d at 546 (5th Dist. 1989), but it believes there are additional facts that defeat the claim. Pelorus disagrees that all of the legal services provided fall under the scope of the Engagement Letter and that some of the work provided was conducted after Pelorus made a request for the work to stop. (Mtn., pp. 9-11). But the existence of additional facts that allegedly support dismissal does not mean the complaint does not state a claim and it does not mean that dismissal is appropriate under Rule 2-615. Indeed, Pelorus submits its additional facts pursuant to Rule 2-619 and, as Pelorus' own authority states, a "motion to dismiss, pursuant to section 2-619 of the Code, ***admits the legal sufficiency of the plaintiffs' complaint***…." *Khan*, 2021 IL App (1st) 182694, ¶ 33 quoting *DeLuna v. Burciaga*, 223 Ill. 2d 49, 59, (2006); *Solaia Technology, LLC v. Specialty Publishing Co.*, 221 Ill. 2d 558, 579, (2006). "[T]he movant is essentially saying 'Yes, the complaint was legally sufficient, but an affirmative matter exists that defeats the claim.'" *Reynolds v. Jimmy John's Enterprises, LLC*, 2013 IL App (4th) 120139, ¶ 31, 370 Ill.Dec. 628, 988 N.E.2d 984 (quoting *Winters v. Wangler*, 386 Ill. App. 3d 788, 792, 325 Ill.Dec. 729, 898 N.E.2d 776 (2008)). In other words, there is no reasonable dispute that the Complaint alleges a cause of action.

III. All of Plaintiff's Work Was Under the Scope of the Engagement Letter.

Pelorus argues that the Complaint should be dismissed pursuant to Section 2-619 because the work Plaintiff performed was outside the scope of the Engagement Letter. (Mtn., 9-10). Pelorus relies on the Declaration of Daniel Leimel, Jr. to claim that Pelorus challenged the invoices sent by Plaintiff and that Plaintiff's invoices show work outside the scope of the Engagement Letter, but both arguments are flawed. The invoices that Pelorus takes issue with are the January 22, 2024 and February 2, 2024 invoices. Pelorus claims that entries on those invoices indicate work related to litigation, insurance matters, joint defense agreements, privilege, the SEC inquiry, the review of our offering documents and grant agreements, research regarding legal issues and review of the bond pool and that those issues were outside the scope of the Engagement Letter. (Mtn., p. 10). However, as explained above, Pelorus concedes that a large portion of the work identified in these invoices was within the scope of the Engagement Letter and has agreed that $164,083.50 of the $189,793.50 is owed, but Pelorus has failed to submit payment for that work in any event. That failure alone entitles Plaintiff to a judgment including attorneys' fees.

Further, none of the entries in the January 22, 2024 invoice relate to any of the topics that Pelorus claims are outside the scope of the Engagement Letter. *See* Leimel Dec. at Ex. C. There is absolutely no justifiable reason that Pelorus has failed to pay the entire balance of the January 22, 2024 invoice. With respect to the February 2, 2024 invoice, there are, at most, 14 possible entries that relate to the issues Pelorus claims fall outside the scope of the engagement. Even if those entries were outside the scope of the Engagement Letter, and they clearly are not, that does not give Pelorus the right to refuse to pay the entire balance of the invoice and use its refusal in an effort to extort Goad and Plaintiff into agreeing to accept less than the total amount owed under all invoices, which is precisely what Pelorus tried to do. *See* Leimel Dec. at Ex. B.

Further, the topics identified by Pelorus fall within the scope of the engagement. The Engagement Letter clearly states that Greenspoon was hired with respect to, and thus had a professional and ethical obligation to analyze, matters before the Conflicts Committee and "any related corporate, regulatory, and cannabis issues that may arise or derive therefrom." *Id.* at Ex. F. The issues before the Conflicts Committee were the related party loans and how Pelorus was handling those loans. Thus, issues regarding offering documents, grant agreements, an SEC investigation, insurance matters, and joint defense agreements that arose because of the related party loans are the type of corporate and regulatory issues that Plaintiff was retained to handle. Indeed, these are the exact issues that Goad, as the only disinterested member of the Conflicts Committee, directed Plaintiff to handle. *See* Affidavit of Michael E. Ross at Ex. G, which is attached as <u>*Exhibit 1*</u>.

IV. Leimel, as a Party Interested in the Loans Being Analyzed, Was Not Authorized to Terminate Pelorus' Engagement of Plaintiff.

Pelorus also argues that the Complaint should be dismissed under Section 2-619 because Plaintiff performed work after it was issued a stop work directive. (Mtn., p. 11). In support of this argument, Pelorus again relies on the Leimel Declaration which attaches emails that Mr. Leimel sent to Plaintiff allegedly transmitting a stop work directive. *See* Leimel Dec. at Ex. F. However, Mr. Leimel had no authority to issue a stop work directive and had Plaintiff taken directions from Mr. Leimel it would have been in violation of its professional obligations to Pelorus.

Plaintiff was retained by Pelorus to assist Pelorus' Conflicts Committee (the "Committee"). The three members of the Committee were Travis Goad ("Goad"), JRS Capital USA, Inc. ("JRS") and Lost Winds Capital, Inc. ("Lost Winds"). *See* Ross Aff. at ¶ 4. The CEO of JRS is James Robert Sechrist ("Sechrist"), and the CEO of Lost Winds is Leimel. *Id.* at ¶¶ 5, 6.

The Committee was created by, and is governed pursuant to, the Policy and Procedures with Respect to Related Party Transactions (the "Policy") which was adopted by the Written Consent of the Managers of Pelorus Management Group, LLC ("PMG"). *Id.* at ¶ 7. The Policy was put in place to address significant concerns with respect to loans made by Pelorus to borrowers in which members/managers of Pelorus (*i.e.* Leimel, Sechrist and their entities) "had or will have a direct or indirect monetary interest" in the borrowers in order to protect the interests of Pelorus and to ensure that such related-party loans are evaluated and treated "on an arm's length basis on terms comparable to those provided to unrelated third parties or on terms comparable to those provided generally by similarly situated companies." Under the Policy, "any 'Related Party Transaction' may be consummated or shall continue only if the Conflicts Committee shall approve or ratify such transaction in accordance with the guidelines set forth in [the] Policy," and, following the review of the Conflicts Committee, "the recommendation by the Conflicts Committee shall constitute the good faith approval, ratification or disapproval of the Manager." *Id.* at ¶ 19 & Ex. B.

The Policy states that only disinterested members of the Committee may review Related Party Transactions ("RPTs") and participate in the decision-making regarding RPTs. *Id.* at ¶ 11. Morongo II, Leave it to Beaver, IGP Rancho/818 Industrial and M2 loans constitute RPTs under the Policy (collectively, the "RP Loans") because the following "Related Parties" have or had a direct or indirect monetary interest in such loans: Lost Winds, JRS, Guardian Equity Group LLC and Guardian Development Group LLC, and Mr. Leimel, Mr. Sechrist, and Rick Scatterday, in their capacities as managers and/or officers of the Company, the Pelorus Management Group, LLC and/or Pelorus Capital Group, LLC ("PCG"). *Id.* at Ex. B. Because Leimel, Sechrist, Lost Winds and JRS had monetary interests in the borrowers of the RP loans, the only disinterested member of the Committee was Goad. *Id.* at ¶ 13. Thus, pursuant to the Policy, the only member authorized to give directions for legal analysis to be performed with respect to the RPTs was Goad. *Id.* at ¶¶ 11, 13, 16. Pursuant to ABA Model Rule of Professional Conduct 1.13, “A lawyer employed or retained by an organization represents the organization ***acting through its duly authorized constituents***.” (emphasis added). Because Goad was the only disinterested member of the Committee, Plaintiff was obligated, pursuant to its professional obligations, to take direction only from Goad. Ross Aff., ¶ 16.

Goad did not issue a stop work directive to Plaintiff. Indeed, Goad specifically told Plaintiff that he wanted Plaintiff to continue working for the Committee. *Id.* at ¶¶ 22-24, Ex. F & G. Leimel and Sechrist’s efforts to stop Plaintiff’s analysis of the RPTs in which Leimel and Sechrist held interests were improper and do not relieve Pelorus from its payment obligations.

V. Plaintiff Properly Pleads its Unjust Enrichment Claim in the Alternative.

Pelorus argues that Plaintiff’s unjust enrichment claim fails because Plaintiff also brings a claim for breach of contract. However, as the bold language in Count II makes clear, Plaintiff’s unjust enrichment claim is brought in the alternative to its breach of contract claim. *See* Compl., p. 3. It is well settled in Illinois where a party pleads breach of contract, they can also plead unjust enrichment in the alternative. *Horwitz v. Sonnenschein Nath and Rosenthal LLP*, 399 Ill. App. 3d 965, 979 (1st Dist. 2010).

CONCLUSION

For the foregoing reasons, Pelorus’ motion fails and should be denied. Further, to the extent the Court determines that any of the allegations do not provide Pelorus with sufficient information to respond to the claims, Plaintiff hereby requests leave to file an amended complaint to clarify said allegations.

Respectfully submitted,

GREENSPOON MARDER LLP

By: /s/ David F. Standa
One of Its Attorneys

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CERTIFICATE OF SERVICE

The undersigned states that on June 16, 2025, I served this Plaintiff's Response to Defendant's Motion to Dismiss, by email to the below-named individuals, at or before 5:00 p.m. Under penalties as provided by law pursuant to Section 1-109 of the Code of Civil Procedure I certify that the statements set forth in this instrument are true and correct.

*/s/ David F. Standa*_______________
David F. Standa

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EXHIBIT 1

IN THE CIRCUIT COURT OF THE FIRST JUDICIAL CIRCUIT
COOK COUNTY, ILLINOIS

GREENSPOON MARDER LLP,	)	
	)	
Plaintiff,	)	
	)	
v.	)	Case No. 2024 CH 08506
	)	
PELORUS FUND, LLC,	)	Honorable Neil H. Cohen
	)	
Defendants.	)	
	)	

AFFIDAVIT OF MICHAEL E. ROSS

I, Michael E. Ross, being duly sworn, do hereby depose and say:

1. I am over the age of 18 and am a resident of the State of California. I have personal knowledge of the facts herein and, if called as a witness, could testify competently thereto.

2. I am a Partner at Greenspoon Marder LLP ("Greenspoon").

3. I was part of the Greenspoon team that was retained by Pelorus Fund, LLC ("Pelorus" or the "Fund") to assist Pelorus' Conflicts Committee (the "Committee").

4. The three members of the Committee were Travis Goad ("Goad"), JRS Capital USA, Inc. ("JRS") and Lost Winds Capital, Inc. ("Lost Winds").

5. The CEO of JRS is James Robert Sechrist ("Sechrist").

6. The CEO of Lost Winds is Dan Leimel, Jr. ("Leimel").

7. The Committee was created by, and is governed pursuant to, the Policy and Procedures with Respect to Related Party Transactions (the "Policy") which was adopted by the Written Consent of the Managers of Pelorus Management Group, LLC ("PMG"). A true and correct copy of the Policy is attached as ***Exhibit A***.

8. Through his wholly-owned affiliate, TGCA PEL LLC, Goad owns 10% of PMG.

9. JRS and Lost Winds, collectively, own 90% of PMG.

10. PMG is the manager of Pelorus, and the managers of PMG are Lost Winds and JRS.

11. The Policy states that only disinterested members of the Committee may review Related Party Transactions ("RPTs") and participate in the decision-making regarding RPTs. *See* *Ex. A* at p. 3.

12. Section C of the Policy speaks to the review and approval of RPTs before the Fund enters into the transaction, while Section D of the Policy pertains to RPTs entered into prior to adoption of the Policy which is the case with respect to the RPTs at issue.

13. Goad was the only disinterested member of the Committee with respect to the RPTs at issue.

14. The Policy provides that "[t]he Conflicts Committee may take into account any advice or recommendation made to it by legal counsel, or any other adviser with whom the Conflicts Committee may in its discretion consult." (*Ex. A* at p.3). The entire Committee (including Leimel, Sechrist and Goad) engaged Greenspoon as counsel for the Committee, but because only disinterested members are permitted to review and make decisions on RPTs under the Policy, throughout Greenspoon's representation, we primarily conferred with Goad as the sole disinterested member of the Committee with respect to the RPTs.

15. To ensure Greenspoon complied with its professional obligations of its representation of the Committee, I reviewed ABA Model Rule of Professional Conduct 1.13, which states that "A lawyer employed or retained by an organization represents the organization acting through its ***duly authorized constituents***." (emphasis added).

16. Because Goad was the only disinterested member of the Committee with respect to the RPTs at issue, he was the duly authorized member to act with respect to the RPTs and was the member of the Committee from whom Greenspoon took direction.

17. I did have several conference calls with Leimel and Sechrist in which they tried to explain what they were doing with respect to the RPTs, and they periodically insisted that they be a part of the review and decision-making process with respect to the RPTs.

18. I also had many conference calls with counsel to Pelorus, Alston & Bird LLP ("Fund Counsel"), with respect to the RPTs.

19. On December 31, 2023, I sent an email to Leimel, Sechrist and Fund Counsel on behalf of Goad as the disinterested member of the Committee, (i) explaining that the Policy, which created the Committee, was put in place to protect the Fund and address significant concerns with respect to loans made by the Fund to borrowers in which the managers "had or will have a direct or indirect monetary interest" in order to protect the interests of the Fund and to ensure that such related-party loans are evaluated and treated "on an arm's length basis on terms comparable to those provided to unrelated third parties or on terms comparable to those provided generally by similarly situated companies," (*Ex. A* at p.1) and (ii) presenting the disinterested member's preliminary guidelines for handling the RPTs, including restricting the Managers' decision-making authority with respect to the RPTs, limiting payments and transfers in connection with the RPTs and demanding that the Fund make appropriate disclosures regarding the RPTs to the Fund's investors. Under the Policy, "any "Related Party Transaction" may be consummated or shall continue only if the Conflicts Committee shall approve or ratify such transaction in accordance with the guidelines set forth in [the] Policy," (*Ex. A* at p.1) and, following the review of the Committee, "the recommendation by the Conflicts Committee shall constitute the good faith

approval, ratification or disapproval of the Manager." (*Ex. A* at p.2-3). A true and correct copy of the December 31, 2023 email is attached as *Exhibit B*.

20. On January 12, 2024, Greenspoon, on behalf of the Committee at the direction of Goad, issued a memorandum entitled "Findings/Determinations/Actions regarding Related Party Transactions" (the "First Memorandum of the Disinterested Member"). The First Memorandum of the Disinterested Member provided (i) an overview of the requirements of the Policy, the acts of Leimel and Sechrist which made the applicable loans RPTs subject to the Policy, and the scope of the financial peril that the RPTs represented to the Fund and its investors, (ii) detailed information regarding numerous terms of each RPT which materially deviate from terms typically provided to unrelated third-party borrowers, thus providing Leimel and Sechrist "sweetheart" deals at the expense of the Fund, and (iii) the Committee's determinations and recommended course of action with respect to the RPTs including decision-making authority, disclosure to investors, imposing financial safeguards (including pledges of collateral, personal guaranties and restricting and disgorging funds received in connection with the RPTs) and demanding that Leimel and Sechrist provide information regarding the RPTs requested by the Committee. A true and correct copy of the First Memorandum of the Disinterested Member is attached as *Exhibit C*.

21. On January 29, 2024, in response to the First Memorandum of the Disinterested Member, Leimel and Sechrist, claiming to be the "Majority Members" of the Committee, issued a memorandum entitled "Response to January 12, 2024 Memorandum of Minority Member" (the "Leimel/Sechrist Response Memorandum") which contained numerous false and misleading statements regarding the Policy, the RPTs and the actions of Leimel and Sechrist with respect to the RPTs. A true and correct copy of the Leimel/Sechrist Response Memorandum is attached as *Exhibit D*.

22. Shortly after issuing the Leimel/Sechrist Response Memorandum, Leimel and Sechrist directed Greenspoon to stop work for the Committee. At the request and direction of Goad, Greenspoon continued to perform services on behalf of the Committee. On February 21, 2024, Greenspoon, on behalf of the Committee, issued a memorandum entitled "Response to January 29, 2024 Memorandum by D. Leimel and R. Sechrist" (the "Second Memorandum of the Disinterested Member") addressing and refuting in detail the numerous false and misleading statements made by Leimel and Sechrist in the Leimel/Sechrist Response Memorandum. A true and correct copy of the Second Memorandum of the Disinterested Member is attached as ***Exhibit E***.

23. Goad then sent an email to Leimel and Sechrist on March 5, 2024, which he forwarded to Greenspoon, stating that "you are discontinuing Greenspoon's representation of the Conflicts Committee. You're attempting to do so without discussing with me, the only Disinterested Member and I disagree with this decision. This is effectively disbanding the Conflicts Committee and you guys do not have the authority to do so as Interested Members and certainly not in respect to the Related Party Loans in which you've been properly recused from the committee by Alston and Bird." The email went on to explain that Leimel "has been attempting to take steps in regards to Related Party Loans bypassing the committee. I have been working to address these issues he has raised and it will continue to require the assistance of Greenspoon. I will not disband the Conflicts Committee nor dismiss Greenspoon until that work is complete." A true and correct copy of the March 5, 2024 email is attached as ***Exhibit F***.

24. Leimel and Sechrist continued their efforts to remove Greenspoon from the Committee's representation and Goad followed up with an email on April 26, 2024, explaining that Greenspoon is "Conflicts Committee Counsel and they have a role to play…I need

Greenspoon or Fennemore as counsel on any call." A true and correct copy of the April 26, 2024 email is attached as ***Exhibit G***.

FURTHER AFFIANT SAYETH NAUGHT:

VERIFICATION

Under Section 1-109 of the Illinois Code of Civil Procedure, the undersigned certifies under oath, deposes and states that the statements set forth in this instrument are based on his personal knowledge and are true and correct, except as to those matters stated herein based upon information and belief and as to such matters he does verily believe the same to be true and that, if called as a witness in the above-captioned matter, he is competent to testify and would testify, as set forth herein.

Dated: June 16, 2025

Michael E. Ross______________________
Name
*/s/Michael E. Ross*______________________
Signature

EXHIBIT A

WRITTEN CONSENT OF THE MANAGERS
OF
PELORUS MANAGEMENT GROUP, LLC

April 5, 2023

The undersigned, being all of the managers (the "**Managers**") of Pelorus Management Group, LLC, a California limited liability company (the "**Fund Manager**"), in its capacity as the sole manager of Pelorus Fund, LLC, a California limited liability company (the "**Company**"), hereby consent to and adopt the following resolutions without the holding of a meeting, such resolutions to have the same force and effect as if adopted at a meeting of the Managers that was duly called and held and at which the Managers were present and acting throughout:

Adoption of Related Party Transactions Policy

WHEREAS, the Managers have determined that it is in the best interest of the Company to adopt policies and procedures relating to related party transactions; and

WHEREAS, the Managers have determined that is in the best interest of the Company to adopt the Policy and Procedures with Respect to Related Party Transactions substantially in the form attached hereto as Exhibit A (the "**Related Party Transactions Policy**").

NOW, THEREFORE, BE IT RESOLVED, that the Related Party Transaction Policy be, and it hereby is, approved in all respects.

Omnibus Authority

RESOLVED, that the Managers are, and each of them hereby is, authorized and empowered, for and in the name and on behalf of the Fund Manager, in its capacity as the sole manager of the Company (i) to take, or cause to be taken, all such further action, (ii) to do and perform, or cause to be done and performed, all such acts and things, and (iii) to execute and deliver, or cause to be executed and delivered, all such further agreements, certificates, documents and instruments of any type and description, all of which as may be, or may be deemed to be, necessary, advisable, desirable or proper to effect the purposes and intent of the foregoing resolutions, the necessity, advisability, desirability, and propriety of which shall be conclusively evidenced by either or both of the Managers taking, or causing to be taken, any such action, doing and performing, or causing to be done or performed, any such act or thing, executing and delivering, or causing to be executed and delivered, any such agreements, certificates, documents or instruments; and the execution by either or both of the Managers of any such agreements, certificates, documents or instruments, or the doing of any act or thing directly in connection with the foregoing resolutions, shall conclusively establish its or their authority therefor for the Fund Manager, in its capacity as the sole manager of the Company, and the authorization, adoption, approval, confirmation and ratification by the Fund Manager, in its capacity as the sole manager of the Company, of any and all agreements, certificates, documents and instruments so executed and delivered and any and all action so taken, done or performed; and all actions of any nature whatsoever heretofore taken by either or both of the Managers and other representatives of the

Fund Manager directly in connection with the foregoing resolutions is, and the same hereby are, authorized, adopted, approved, confirmed and ratified in all respects; and be it further

RESOLVED, that any and all actions of the Fund Manager and actions taken by either or both of the Managers, for and on behalf of the Fund Manager individually or in its capacity as the sole manager of the Company, on or prior to the date hereof, in connection with the foregoing resolutions be, and the same hereby are, in all respects authorized, adopted, approved, confirmed and ratified as acts of the Fund Manager.

[*Remainder of Page Intentionally Left Blank*]

IN WITNESS WHEREOF, the undersigned have executed this Written Consent as of the date first above written.

MANAGERS:

LOST WINDS CAPITAL, INC.,
a California corporation

By: ______________________
Dan Leimel, Jr.
Chief Executive Officer

JRS CAPITAL USA, INC.,
a California corporation

By: ______________________
James Robert Sechrist
Chief Executive Officer

EXHIBIT A

Related Party Transactions Policy

PELORUS FUND, LLC

POLICY AND PROCEDURES WITH RESPECT TO

RELATED PARTY TRANSACTIONS

Adopted and approved April 5th, 2023

A. Policy Statement

Pelorus Fund, LLC, a California limited liability company (the "**Company**"), recognizes that Related Party Transactions (as defined below) can present a heightened risk of conflicts of interest and create the appearance that Company decisions are based on considerations other than the best interests of the Company and its members. Accordingly, the Company has adopted this Policy and Procedures with Respect to Related Party Transactions (this "**Policy**").

As a general matter, it is the Company's preference to avoid Related Party Transactions. Nevertheless, the Company recognizes that there are situations where Related Party Transactions may be in, or may not be inconsistent with, the best interests of the Company and its members, including but not limited to, situations where the Company may obtain products or services of a nature, quantity or quality, or on other terms, that are not readily available from alternative sources or when the Company provides financing or other products or services to Related Parties (as defined below) on an arm's length basis on terms comparable to those provided to unrelated third parties or on terms comparable to those provided generally by similarly situated companies. Therefore, the Company has adopted the procedures set forth below for the review, approval and/or ratification of Related Party Transactions.

Under this Policy, any "Related Party Transaction" may be consummated or shall continue only if the Conflicts Committee shall approve or ratify such transaction in accordance with the guidelines set forth in this Policy.

This Policy has been approved by Pelorus Management Group, LLC (the "**Manager**") upon the recommendation of its Managers and Managing Director (collectively, the "**Conflicts Committee**"). In the event that all the members of the Conflicts Committee are interested parties for a particular matter, a fourth disinterested member shall be added to make the decision(s) on the relevant matter. The Conflicts Committee will review and make recommendations regarding any amendments to this policy from time to time. Any amendments to this Policy must be approved by the unanimous vote of the Conflicts Committee.

B. Related Party Transactions

For the purposes of this Policy, a "**Related Party Transaction**" is a transaction, arrangement or relationship (or any series of similar transactions, arrangements or relationships), in which the Company or any subsidiary is or is to be a participant and in which any Related Party had or will have a direct or indirect monetary interest. For purposes of this Policy, a "**Related Party**" means:

1. any person who is:

   a. a manager, managing partner or officer of Pelorus Capital Group, LLC ("**PCG**"), the Manager or the Company; or

   b. any immediate family member of such person, which includes any child, stepchild, parent, stepparent, spouse, sibling, mother-in- law, father-in-law, son-in-law, daughter-in-law, brother-in-law, or sister- in-law of the manager, managing partner, officer, and any person (other than a tenant or employee) sharing the household of such manager, managing partner or officer (each, a "**Family Member**");

2. any person or entity who is or will be, at the time a transaction, arrangement or relationship occurs or exists:

   a. the beneficial owner of more than 4.9% of any class of the voting securities of PCG, the Manager or the Company; or

   b. any Family Member of such person; and

3. any entity at the time a transaction, arrangement or relationship occurs or exists:

   a. with respect to which more than 10% of any class of the voting securities of which are directly or indirectly owned in the aggregate by persons deemed Related Parties pursuant to Section B(l) and B(2) above; or

   b. is controlled by persons deemed Related Parties pursuant to Section B(l) and B(2) above.

C. Review and Approval of Related Party Transactions

Pursuant to the Company's Operating Agreement, the Manager is required to determine whether any Related Party Transaction is on terms that are no less favorable to the Company or its subsidiary than could be obtained from an unaffiliated third party in a similar transaction or an unaffiliated third party service provider providing comparable services. To fulfill its obligation under the Operating Agreement, the Manager has determined that the Conflicts Committee is best suited to review Related Party Transactions on behalf of the Manager and make recommendations to the Manager with respect to the approval, ratification or disapproval of any Related Party Transaction. It is the policy of the Company that all Related Party Transactions (other than the Pre-Approved Transactions) will be subject to review by the Conflicts Committee in accordance with the procedures set forth below and following such review, the recommendation by the Conflicts Committee shall constitute the good faith approval, ratification or disapproval of the Manager.

Notwithstanding anything to the contrary otherwise contained in this Policy, no member of the Conflicts Committee shall participate in the review of any Related Party Transaction in respect of which he or she, any Family Member or significant investor with which he or she is affiliated is the Related Party.

Upon learning of a Related Party Transaction (other than a Pre-Approved Transaction) from the Manager, the Conflicts Committee shall review all material facts of such Related Party Transaction and advise the Manager of the approval, disapproval or ratification of such transaction by the unanimous written consent of the disinterested member(s) of the Conflicts Committee. In assessing a Related Party Transaction, the disinterested member(s) of the Conflicts Committee will determine whether the Related Party Transaction is on terms that are no less favorable to the Company or such subsidiary than could be obtained from an unaffiliated third party in a similar transaction or an unaffiliated third party service provider providing comparable services. In determining whether to approve, ratify or disapprove a Related Party Transaction the disinterested member(s) of the Conflicts Committee may take into account, among other factors they deem appropriate (i) the benefits (or lack thereof) to the Company of the transaction, (ii) the commercial reasonableness of the terms of the transaction including, without limitation, the compliance with or any deviation from the Company's customary underwriting policies and criteria, (iii) the results of an appraisal, valuation methodology or comparable transactions, (iv) the materiality of the transaction to the Company, (v) the extent of the Related Party's interest in the transaction, and (vi) the actual or apparent conflict of interest of the Related Party participating in the Transaction. The disinterested member(s) of the Conflicts Committee, in their sole discretion, may impose such conditions as they deem appropriate in connection with approval of any Related Party Transaction.

The Conflicts Committee may take into account any advice or recommendation made to it by legal counsel, or any other adviser with whom the Conflicts Committee may in its discretion consult.

The disinterested members of the Conflicts Committee shall convey the decision of whether or not to pursue the Related Party Transaction to the Manager as soon as reasonably practicable.

If a Related Party Transaction is of the type that will be ongoing, the Conflicts Committee may establish guidelines for the Company to follow in its ongoing dealings with the Related Party. Thereafter, the Conflicts Committee and the Manager, from time-to-time as the Conflicts Committee or Manager deems appropriate, shall review and assess such ongoing relationships with the Related Party to assess whether they are in compliance with the guidelines, if any, and that the Related Party Transaction remains appropriate under the circumstances when judged against this Policy.

D. Related Party Transactions Not Considered Under this Policy

After the adoption of this Policy, if the Company becomes aware of a Related Party Transaction that has occurred but was not evaluated under this Policy, the matter shall be reviewed by the Conflicts Committee.

The Conflicts Committee will consider all of the relevant facts and circumstances regarding the Related Party Transaction, including the items listed above, and will evaluate all options available to the Company, including ratification, revision or termination of the Related Party Transaction.

The Conflicts Committee may also examine the facts and circumstances pertaining to the Related Party Transaction and shall take such action as it deems appropriate.

E. Transactions Exempted from Review and Approval Requirement; Pre-Approved Transactions

The following constitutes a non-exclusive list of transactions ("**Pre-Approved Transactions**") that will not be deemed to be Related Party Transactions and, therefore, will not require Conflicts Committee review or approval pursuant to this Policy:

1. Any compensation paid to a manager, managing partner or officer of the Company if the compensation otherwise complies with the Company's contractual obligations.

2. Any transaction with a firm, corporation, or other entity with which a Related Party has a position or relationship, where such Related Party's interest in the transaction arises only from the Related Party's position as an employee (i.e., the Related Party is not the equivalent of a senior manager) or director of such firm, corporation, or other entity.

3. Any transaction with a firm, corporation, or other entity with which a Related Party has a position or relationship, where such Related Party's interest in the transaction arises only from such Related Party's direct or indirect ownership, aggregated with the direct or indirect ownership of all other persons deemed Related Parties pursuant to Section B(l) and B(2), of less than ten percent (10%) of the outstanding equity interests in such firm, corporation, or other entity (excluding a partnership).

4. Any transaction with a firm, corporation, or other entity with which a Related Party has a position or relationship, where such Related Party's interest in the transaction arises only from such Related Party's position as a limited partner in a partnership in which the Related Party and all other persons deemed Related Parties pursuant to Section B(l) and B(2), have an interest of less than ten percent

(10%), if the Related Party is not a general partner of and does not hold another position in the partnership.

5. Any transaction where the Related Party's interest arises solely from the ownership of the Company's common stock and all holders of the Company's common stock receive the same benefit on a pro rata basis (e.g. payment of distributions).

6. Expense reimbursements in compliance with Company expense reimbursement policies.

F. Disclosure

All Related Party Transactions will be disclosed in the Company's annual audited financial statements or annual report to its members.

The review, approval or ratification of a transaction, arrangement or relationship pursuant to this Policy does not necessarily imply that such transaction, arrangement or relationship is required to be disclosed except in accordance with the immediately preceding paragraph.

EXHIBIT B

From: Michael E. Ross
Sent: Sunday, December 31, 2023 7:39 PM
To: dan@peloruscg.com; rob@peloruscg.com; Hammett, Donald; Folsom, X. Lane
Cc: Travis Goad; Robert Wessely
Subject: Preliminary Guidelines for Related Party Loans [IMAN-ACTIVE.FID16168381]

All-
Pursuant to the Pelorus Fund, LLC (the "Fund") Policy and Procedures with respect to Related Party Transactions (the "Policy"), following are the preliminary guidelines that the Disinterested Member (the "DM") of the Fund's Conflicts Committee is providing following his initial (and of necessity, incomplete) review of the subject related-party transactions, Morongo II, Leave it to Beaver, IGP Rancho and M2 (the "Related Party Loans"). As discussed with Alston & Bird, counsel to the Fund and drafter of the Policy, Pelorus Capital Group, LLC ("PCG"), and its managers, Dan Leimel, Jr. and Rob Sechrist (the "Managers"") are obligated to follow these guidelines and any further guidelines proffered by the DM with respect to each of the Related Party Loans (collectively, the "Guidelines").

The Policy, which created the Conflicts Committee, was put in place to address significant concerns with respect to loans made by the Fund to borrowers in which the Managers "had or will have a direct or indirect monetary interest" in the borrowers in order to protect the interests of the Fund and to ensure that such related-party loans are evaluated and treated "on an arm's length basis on terms comparable to those provided to unrelated third parties or on terms comparable to those provided generally by similarly situated companies." Under the Policy, "any "Related Party Transaction" may be consummated or shall continue only if the Conflicts Committee shall approve or ratify such transaction in accordance with the guidelines set forth in [the] Policy," and, following the review of the Conflicts Committee, "the recommendation by the Conflicts Committee shall constitute the good faith approval, ratification or disapproval of the Manager."

A summary of the preliminary analysis of the DM with respect to each of the Related Party Loans will be provided shortly.

In light of the Policy and its intent, these Guidelines should be obvious and uncontroversial as they have only been put in place to allow the DM to do his job, but, to the extent the DM has tried to move forward with implementing some of these Guidelines, the Managers have pushed back on them, which has created a troubling situation for the Fund.

The preliminary Guidelines are as follows:

1. <u>Information</u>.
    a. Provide all requested financial information. To date, the necessary request for full details of the financials for all Related Party Loans, in order for the DM to do his job, have first been ignored, then promised, then delayed, and then denied. Stating that the requested information is in "Closing Statements" is obviously inadequate. Closing statements are, by nature, summaries without the necessary detail. Please immediately provide all requested general ledgers and other books and records of each borrower as well as viewing access to all relevant bank accounts. Refusing to provide basic information inevitably leads to the assumption that someone has something to hide.
    b. If the review of such financial information does not yield the answers to the DM's questions, the DM needs the right, on prior notice, to speak with the bookkeepers and accountants or other employees who prepared those statements.
2. <u>Decision-Making</u>.
    a. With respect to the Related Party Loans, the Managers may not make any decisions or take any actions (or direct or permit any employees or contractors to do so), including releasing any payments, without

reviewing the same in advance with the DM, giving him sufficient time to ask questions and to make specific recommendations. Refusing, for example, to send default notices, or delaying same, does not benefit the lender or the Fund. If a borrower has legitimate responses, it can respond accordingly, but delaying implementation of procedures prescribed in the loan documents is not in the best interests of the Fund and prevents protective measures from being taken.

b. With regard to the Leave It to Beaver loan which comes due on January 1, 2024, no approvals, extensions or modifications including approvals of construction draws, release of other funds or any other actions may be taken without prior review and written approval of the DM.

c. In the event that recommendations of the DM are not promptly followed within 24 hours (unless otherwise stated), then the DM, on notice to the Managers, and as a Managing Director of the Fund himself, must be permitted to direct employees and other appropriate responders to take the recommended measures.

d. In the coming days, for the benefit of the Fund and its investors, the DM will make specific recommendations with respect to each of the Related Party Loans, which will include the kind of classic protective responses that the Fund has typically required in unrelated borrower situations, including, as applicable, cross-collateralization, new collateral (including (as specific to the Fund) escrowing and pledging of Employee Incentive Plan shares/distributions due to the Managers and their affiliates and Rick Scatterday and his affiliates as well as interests of the Managers in PCG until all Related Party Loans have been paid off in full or otherwise liquidated), increased reporting requirements, and additional fees and/or increased borrowing costs (even if those are imposed in such a way as to provide the borrower with short-term breathing room, if there is a possibility of preserving the lending relationship).

3. <u>Payments to Borrowers and Related Parties</u>. The DM has considerable concern that GC fees and other payments have been paid to affiliated parties in a manner different from the Fund's non-related party loans and outside of normal operating procedures. Rather than simply denying that concern, the DM needs to receive the detailed financial information noted above in order to confirm or overcome these concerns. In the event that the DM concludes that such payments have been made outside of the Fund's normal operating standards, such payments must be immediately repaid to the Fund.

4. <u>Transfers of Interests in Borrowers</u>. There have been recent instances in which the Managers (or their affiliates) have apparently either transferred their interests in certain Related Party Loans to supposedly unrelated third parties, or had their interests redeemed by the applicable borrower, and now argue that the Conflicts Committee therefore has no jurisdiction over such loans. While this would be correct in the abstract, we strongly disagree with this notion as applied to the Related Party Loans. The DM needs to have full review of these purported transfer transactions, as it is a legitimate concern of the Conflicts Committee if such transfers were made on favorable terms resulting from the fact that the applicable Related Party Loans were made on better-than-market terms, and, therefore the Managers and their affiliates may have benefitted from such transactions to the detriment of the Fund and its investors generally. Unfortunately, given the current environment, the timing of these transactions makes them suspect, and the DM needs full disclosure to determine whether such loans require the continuing supervision of the DM.

5. <u>Disclosure</u>. As counsel to the Fund has agreed, appropriate disclosure of the Related Party Loans needs to be made. Such disclosure must be made to the Fund's investors, to its auditors and possibly to regulatory authorities. As we previously stated, we believe that the disclosure made in the Third Quarter 2023 report distributed to investors in November was inadequate and misleading. The completely inappropriate deadline for commenting on that report only adds to the DM's concerns.

<u>These Guidelines are effective immediately</u>.

Please let us know if you have any questions. As noted above, more specific recommendations with respect to each Related Party Loan will be forthcoming in the coming days.

Sincerely,

Greenspoon Marder LLP,
counsel to the Conflicts Committee
of Pelorus Fund, LLC

GreenspoonMarder LLP

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EXHIBIT C

MEMORANDUM

TO: Pelorus Management Group, LLC

FROM: Conflicts Committee of Pelorus Fund, LLC,
by the Disinterested Member (as defined below)

CC: Greenspoon Marder LLP

DATE: January 12, 2024

RE: Findings/Determinations/Actions regarding Related Party Transactions

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I. Overview

On April 5, 2023, Pelorus Management Group, LLC (the "Manager") adopted and approved the Pelorus Fund, LLC (the "Company") Policy and Procedures with respect to Related Party Transactions attached hereto as Exhibit A (the "Policy"), recognizing "that Related Party Transactions[1] . . . can present a heightened risk of conflicts of interest and create the appearance that Company decisions are based on considerations other than the best interests of the Company and its members."[2]

The Policy provides for the formation of a Conflicts Committee of the Company (the "Conflicts Committee"),[3] and "[u]nder [the] Policy, any "Related Party Transaction" may be consummated *or shall continue* only if the Conflicts Committee shall approve or ratify such transaction in accordance with the guidelines set forth in [the] Policy" (emphasis added).[4]

Pursuant to the Policy, the members of the Conflicts Committee are the managers of the Manager (Lost Winds Capital, Inc., owned and controlled by Dan Leimel, Jr. ("Mr. Leimel"), and JRS Capital USA, Inc., owned and controlled by James Robert Sechrist ("Mr. Sechrist")) and the Managing Director of the Manager (Travis Goad ("Mr. Goad")).

The Morongo II, Leave it to Beaver, IGP Rancho/818 Industrial and M2 loans constitute Related Party Transactions under the Policy (collectively, the "Related Party Loans" or "RP Loans") because the following "Related Parties"[5] have or had a direct or indirect monetary interest in such loans: Lost Winds Capital, Inc., JRS Capital USA, Inc., Guardian Equity Group LLC and Guardian Development Group LLC, and Mr. Leimel, Mr. Sechrist, and Rick Scatterday, in their capacities as managers and/or officers of the Company, the Manager and/or Pelorus Capital Group, LLC ("PCG"), as applicable, collectively, the "Subject Related Parties"). Accordingly, pursuant to the Policy, notwithstanding any actual or purported transfer of the ownership interests of the Subject Related Parties in the borrowers of the RP Loans, these loans remain Related Party Transactions subject to the purview of the Policy.

It should be noted that, with respect to the RP Loans, Mr. Leimel and the other Subject Related Parties did not follow the Manager's standard underwriting and approval process for Company loans, which would have involved review and input from Mr. Goad. Upon becoming aware of the related party nature of the RP Loans in December 2022 to January 2023, Mr. Goad, together with the then Chief Financial Officer for the Company, Tyler Greif, advocated for the adoption of the Policy and demanded that the Manager

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[1] Per Section B of the Policy, "a 'Related Party Transaction' is a transaction, arrangement or relationship (or any series of similar transactions, arrangements or relationships), in which the Company or any subsidiary is or is to be a participant and in which any Related Party *had* or will have a direct or indirect monetary interest" (emphasis added).
[2] Section A of the Policy.
[3] The Disinterested Member reserves the right to address the terms of the Policy more fully at a later date.
[4] Section A of the Policy.
[5] Per Section B of the Policy, "a 'Related Party' means any person who is . . . a manager, managing partner or officer of Pelorus Capital Group, LLC ("PCG"), the Manager or the Company . . .."

implement measures to address the RP Loans and eliminate or reduce the impact of the RP Loans on the Company. Mr. Leimel did not agree with many of the proposed measures, and in any case, largely refused to implement them. Shortly thereafter, the CFO resigned from his position and left the Manager's employ.

In connection with the RP Loans, Mr. Goad is the sole disinterested member of the Conflicts Committee (the "Disinterested Member"), and as such, in accordance with the Policy, is the only member of the Conflicts Committee who may "participate in the review"[6] of the RP Loans and otherwise exercise the rights and responsibilities of the Conflicts Committee with respect to such loans under the Policy.

As of the date of this Memorandum, the aggregate amount of funds borrowed under the RP Loans is approximately $52,288,342 comprising approximately 12.72% of the Company's assets under management.[7]

If the Disinterested Member becomes aware of other Related Party Transactions, upon notice by the Disinterested Member to the Manager, such transactions shall constitute RP Loans and shall be subject to the terms of this Memorandum.[8]

Section D of the Policy ("Section D") addresses this circumstance and reads as follows:

"After the adoption of this Policy, if the Company becomes aware of a Related Party Transaction that has occurred but was not evaluated under this Policy, the matter shall be reviewed by the Conflicts Committee.

The Conflicts Committee will consider all of the relevant facts and circumstances regarding the Related Party Transaction, including the items listed above[9], and *will evaluate all options available to the Company, including ratification, revision or termination of the Related Party Transaction.*

The Conflicts Committee may also examine the facts and circumstances pertaining to the Related Party Transaction *and shall take such action as it deems appropriate*" (emphasis added).

Each of the RP Loans falls under the purview of Section D. Accordingly, the Conflicts Committee, acting through the Disinterested Member, has endeavored to examine all of the relevant facts, circumstances and information available to him with respect to each of the RP Loans, including (i) "the commercial reasonableness of the terms of the transaction[s] including, without limitation, the compliance with . . . [and] deviations from the Company's customary underwriting policies and criteria"[10]; (ii) the appraisals and valuation methodologies of the transactions; (iii) the books and records of the Company with respect to each of the RP Loans to the extent provided by the Subject Related Parties to the Disinterested Member; and (iv) other relevant information including email correspondence.

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[6] Section C of the Policy. The applicable paragraph in Section C of the Policy is the only paragraph in bold-faced type and states: "**Notwithstanding anything to the contrary otherwise contained in this Policy, no member of the Conflicts Committee shall participate in the review of any Related Party Transaction in respect of which he or she, any Family Member or significant investor with which he or she is affiliated is the Related Party.**"

[7] As of the date of this Memorandum, the aggregate amount of the Company's assets under management is approximately $411,000,000.

[8] With respect to the Palm Drive transaction, the Disinterested Member requires additional information to determine whether payments to a Third Party, Ryan Csaftis, part owner of the general contractor, are connected in any way to the RP Loans.

[9] The "items listed above" referred to in Section D are the following as set forth in Section C of the Policy: "the disinterested member(s) of the Conflicts Committee may take into account, among other factors they deem appropriate (i) the benefits (or lack thereof) to the Company of the transaction, (ii) the commercial reasonableness of the terms of the transaction including, without limitation, the compliance with or any deviation from the Company's customary underwriting policies and criteria, (iii) the results of an appraisal, valuation methodology or comparable transactions, (iv) the materiality of the transaction to the Company, (v) the extent of the Related Party's interest in the transaction, and (vi) the actual or apparent conflict of interest of the Related Party participating in the Transaction."

[10] Section C of the Policy.

The last paragraph of Section C of the Policy[11] addresses the circumstance in which a Related Party has ongoing dealings with a Related Party Transaction after the Company enters into the transaction and provides that the Conflicts Committee may establish guidelines for the Related Parties' dealings in connection with such Related Party Transaction with which the Related Parties must comply. This is the case with each of the RP Loans, but the Subject Related Parties continue to exercise decision-making authority with respect to the management of each of the RP Loans in violation of the Policy. With respect to each of the RP Loans, the Subject Related Parties must cease such violations and promptly follow the guidelines prescribed by the Disinterested Member.

The Disinterested Member also notes that several other parties, namely, Ryan Csaftis, Michael Shadman, KSM Real Estate LLC and Ohana Alliance Group LLC (collectively, the "Third Parties"), also own or owned significant ownership interests in certain of the borrowers of the RP Loans. The terms upon which each of the Third Parties acquired such interests are unclear, but it appears that, in some cases, such interests may have been acquired for less than full value or were acquired in connection with certain services supposedly performed or being performed by such Third Parties.

Pursuant to the Policy, "[t]he Conflicts Committee may take into account any advice or recommendation made to it by legal counsel, or any other adviser with whom the Conflicts Committee may in its discretion consult." Accordingly, the Conflicts Committee has engaged Greenspoon Marder LLP ("CC Counsel") as counsel to the Conflicts Committee to provide advice with respect to the Policy and the work of the Conflicts Committee including this Memorandum.

II. Findings of the Disinterested Member with respect to the RP Loans

The Disinterested Member has reviewed the books and records of the Company pertaining to the RP Loans to the extent that such books and records have been made available to him. The findings of the Disinterested Member are set forth in the document attached hereto as Exhibit B (the "RPL Comparison Charts") which summarizes the material terms of each RP Loan, comparing such terms to terms that the Company would typically provide to unrelated third party borrowers (collectively, "Market Terms"), as well as setting forth the ownership interests of the Subject Related Parties and the Third Parties in the borrowers of each RP Loan. As further described in the RPL Comparison Charts, many of the material terms of the RP Loans deviate significantly from Market Terms, including as follows:

A. *Loan Amounts and Loan to Cost ratio* – Market Terms for Loan to Cost ratio of a loan (loan amount to total acquisition and construction costs) range from 60% to 75% with anything over 60% typically requiring an equity kicker (i.e., a warrant). With respect to the RP Loans, the Loan to Cost ratios, which range from 105% to 173%, are significantly higher than Market Terms, and the Company received no equity kickers. In addition, the amounts loaned under the RP Loans significantly exceed Market Terms. The Disinterested Member believes that the appraisal process in connection with the RP Loans may have been used to enable the sponsors to borrow more money than could be supported using appraisals on Market Terms (see below), and those additional funds were used to cover non-market interest reserves (see below) and potential cost overruns. In addition, the Morongo II, Leave It to Beaver and M2 loans, were modified and/or upsized multiple times, further distancing such loans from Market Terms.

B. *Equity Investment by Sponsors ("Skin in the Game")* – Market Terms provide that sponsors typically contribute between 20% and 50% of the total construction costs of a project, and the Company would

[11] The last paragraph of Section C of the Policy states: "If a Related Party Transaction is of the type that will be ongoing, the Conflicts Committee may establish guidelines for the Company to follow in its ongoing dealings with the Related Party. Thereafter, the Conflicts Committee and the Manager, from time-to-time as the Conflicts Committee or Manager deems appropriate, shall review and assess such ongoing relationships with the Related Party to assess whether they are in compliance with the guidelines, if any, and that the Related Party Transaction remains appropriate under the circumstances when judged against this Policy."

typically require that the entire amount of such equity, which is needed to complete the full planned build-out, be deposited with the Company or be invested in the project before any borrowed funds are spent. Under the RP Loans, sponsors contributed little or no equity,[12] and (a) with respect to the Morongo II, Leave It to Beaver and M2 loans, the loans were modified and/or upsized multiple times to fund interest and enable the sponsors to avoid providing equity capital, and (b) with respect to the IGP Rancho/818 Industrial loan, the Subject Related Parties permitted a new sponsor to assume the loan without any equity investment whatsoever.

C. *Interest Reserves* – Market Terms provide for interest reserves of between 12 and 18 months. Interest reserves under the RP Loans are excessive: 26 months for the Morongo II loan, 31 months for the Leave It to Beaver and IGP Rancho/818 Industrial loans, and 21 months for the M2 loan.

D. *Interest Rates* – Market Terms for interest rates range from 14% to 16%. The interest rates for the Morongo II and IGP Rancho/818 Industrial loans are, at 15%, on Market Terms. But the interest rate for the Leave It to Beaver loan, which was originally 15%, was subsequently reduced to 13.66%, and the interest rate for the M2 loan is 10%, the lowest interest rate of any loan in the Company's portfolio.

E. *Recourse/Bad Boy Carve-out Guarantees* – Market Terms typically provide that loans be full recourse to the sponsors with stringent net worth and liquidity requirements for the sponsors. In the rare instances where full recourse is not required, Market Terms provide that sponsors enter into bad boy carve-out guarantees. With the exception of a portion of the last upsize of the Morongo II loan,[13] all of the RP Loans are non-recourse.[14] In addition, with respect to all of the RP Loans, the sponsors did not enter into any bad boy carve-out guarantees, and to the knowledge of the Disinterested Member, the net worth and liquidity guidelines were not followed.

F. *Appraisals* – Under Market Terms, the Company obtains appraisals for projects that are budgeted and scoped for what is intended to be built, and the Company makes loans based on such appraisals. With respect to the RP Loans, appraisals were obtained for significantly higher quality, more expensive build-outs even though the projects were not budgeted for such build-outs and the Company did not have sufficient capital to deploy for such build-outs. These inflated appraisals were used by sponsors of the RP Loans to borrow more funds than appraisals obtained under Market Terms would support, and such funds were then used for interest reserves and other purposes. In addition, it appears that, with respect to the Morongo II loan, the Company received an initial appraisal based on Market Terms, but the sponsors obtained an additional appraisal with a significantly higher valuation for a higher quality build-out than planned or budgeted and used such appraisal to support the loan from the Company.

G. *Cross-Collateralizing and Cross-Defaulting* – Market Terms provide that when the Company makes more than one loan involving the same sponsor, with respect to such sponsor, each such loan is cross-collateralized and/or cross-defaulted. Although the Morongo II, Leave it to Beaver and M2 loans have some of the same sponsors, such RP Loans are not cross-collateralized or cross-defaulted.

H. *Anomalous Payments* - Market Terms do not permit borrowers to make payments with borrowed funds to sponsors and others that are either of a type (e.g., surplus closing funds, etc.) or in an amount that

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[12] In connection with the Leave It to Beaver loan, Mr. Leimel and Mr. Sechrist acquired their interests in the borrower for $500,000 each, substantially less than the amount that would be contributed by sponsors under Market Terms. In connection with the M2 loan, it is the understanding of the Disinterested Member that Mr. Leimel and Mr. Sechrist have agreed to jointly contribute $700,000, but the Disinterested Member has not reviewed any documentation relating to such contribution.

[13] In an effort to improve the terms for the Company, Mr. Goad insisted that the sponsors personally guarantee the entire amount of such upsize, but guarantees on only a portion of such upsize were ultimately approved and implemented by Mr. Leimel.

[14] With respect to the Leave It to Beaver loan, there was very limited recourse until such recourse was released on 11/1/2022.

are anomalous as compared to non-Related Party Transactions or that lack adequate documentation to justify such payments (whether characterized as profits, distributions, fees (including general contractor ("GC") fees and origination fees) or otherwise, collectively, "Anomalous Payments"). The Disinterested Member requires additional information in order to confirm the facts relating to the Anomalous Payments described below and to determine whether any additional Anomalous Payments have been made in connection with the RP Loans. As previously noted, the Disinterested Member has repeatedly requested access to additional information regarding the RP Loans, but the Subject Related Parties have refused to provide such additional information. In light of the foregoing, it appears that the following Anomalous Payments were made:

1. With respect to the Morongo II loan: (i) over $2 million in construction management and GC fees was paid to the applicable GC which, to the knowledge of the Disinterested Member, is jointly owned by Michael Shadman, a sponsor of the loan, and Ryan Csaftis, a former sponsor of the loan; these payments are highly unusual and the Company would not typically finance such fees for a sponsor; and (ii) approximately $161,347 in surplus closing funds were paid to sponsors; such funds are usually applied to other costs or deposited into the interest reserve;

2. With respect to the Leave It to Beaver loan: (i) over $2 million in construction management and GC fees was paid to the applicable GC which is owned by Michael Shadman and Ryan Csaftis, both sponsors of the loan; as noted above, these payments are highly unusual and the Company would not typically finance such fees for a sponsor; (ii) based on an initial review of the applicable general ledger, approximately $1,036,177 was distributed to sponsors during the construction period; under Market Terms, all cash would be applied to the loan; and (iii) approximately $174,882 in surplus closing funds was paid to sponsors; as noted above, such funds are usually applied to other costs or deposited in the interest reserve;

3. With respect to the IGP Rancho/818 Industrial loan: (i) over $341,000 in reserves were distributed to sponsors, and (ii) subject to review of additional information, it appears that an additional $521,000 from the third party purchaser was paid to sponsors; and

4. With respect to the M2 loan: (i) in connection with the upsizing of the M2 Loan, unsecured debt of the Subject Related Parties in the amount of $62,000 was paid off with loan proceeds, and (ii) an operating expense reserve in the amount of $112,000 was created to fund expenses while the tenant was in the period of free rent.

III. Determinations/Actions Applicable to All/Multiple RP Loans

Based upon the foregoing, the Conflicts Committee, acting through the Disinterested Member, hereby makes the determinations set forth below and requires that the Manager promptly take the actions with respect to the RP Loans set forth below; provided, that, if and to the extent the Manager does not promptly take such actions, in accordance with Section D, the Disinterested Member may, in his discretion, take such actions himself. The Disinterested Member reserves the right to modify his determinations and/or recommended actions with respect to any of the RP Loans in his discretion as a result of receipt of additional information and other considerations deemed to be in the best interests of the Company by the Disinterested Member.

The Disinterested Member is prepared to immediately review such actions with the other members of the Conflicts Committee and their counsel to determine whether a subset of the actions set forth in Sections D through H of this Section III and Sections A and B of Section IV of this Memorandum will be sufficient to protect the value of the RP Loans for the Company.

The determinations/actions set forth in this Section III of this Memorandum apply, as indicated, to all/multiple RP Loans. Additional determinations/actions that are specific to a particular RP Loan are set forth in Section IV of this Memorandum.

A. Information. The Subject Related Parties shall provide all information related to the RP Loans that is requested by the Disinterested Member including, but not limited to: (i) copies and/or access to all of the books and records (current and historical from the date of inception of the loan) of the Company, each borrower of an RP Loan, Guardian Equity Group LLC and Guardian Development Group LLC (collectively, the "Borrower Parties") including, but not limited to, the full underwriting files, including any market analysis, appraisals and other information obtained or considered in making the decision to consummate the RP Loans plus the full general ledgers of the Company and each of the Borrower Parties; (ii) direct access (on an observational basis only; with no editing privileges) to the accounting software and bank accounts for the Company and each of the Borrower Parties; and (iii) contact information and access to the bookkeeper and accountant of the Company and each of the Borrower Parties.

B. Decision-Making/Actions. Pursuant to the Policy, and in light of past actions, the Subject Related Parties may not take any actions or make any decisions with respect to the RP Loans (including, without limitation, action/decisions regarding servicing, release of funds, enforcement of the Company's rights under applicable loan documentation, approvals of draws and all communications with employees and contractors of the Manager and/or PCG on behalf of the Manager, PCG and/or the Company with respect to the RP Loans) without the express prior written authorization of the Disinterested Member, and the Subject Related Parties shall promptly follow all written and verbal directions of the Disinterested Member in connection with the RP Loans. The Subject Related Parties shall promptly inform in writing all employees and contractors of the Manager and/or PCG of the foregoing. As noted above, if and to the extent the Manager does not promptly take the actions prescribed by the Disinterested Member, in accordance with Section D, the Disinterested Member may, in his discretion, take such actions himself.

C. Disclosure.

1. Prior to the issuance of the Q3 Quarterly Update (the "Q3 Update") to its investors on November 30, 2023, the Company had not disclosed to its investors the existence of the RP Loans. Prior to the issuance of the Q3 Update, the Disinterested Member had reviewed a draft of the proposed disclosure of the RP Loans in the Q3 Update, and with advice from his counsel and CC Counsel, had informed Mr. Leimel, Mr. Sechrist and counsel to the Company, Alston & Bird LLP, of his objections to the characterization of the RP Loans in such update and had proposed alternative language regarding such disclosure. Specifically, the Disinterested Member, his counsel and CC Counsel objected to the lack of detail in the description of the RP Loans, as well as the obfuscating nature of the presentation of such description, as the information was presented together with information about non-Related Party Transactions and mischaracterized all loans that are REO (Real Estate Owned) or in the process of transitioning to REO as Related Party Transactions.

2. In addition, the Company has not disclosed the existence or terms of the RP Loans to its auditors. The Disinterested Member notes that Mr. Leimel has agreed that such disclosure should be made, and it should occur immediately.

3. While the Policy provides that "[a]ll Related Party Transactions will be disclosed in the Company's annual audited financial statements or annual report to its members,"[15] it does

[15] Section F of the Policy.

not prohibit interim disclosures, and the Disinterested Member has the authority to "take such action as it deems appropriate."[16]

4. Accordingly, the Company, with advice from counsel, shall make a clear and fulsome disclosure of the RP Loans, including, without limitation, the current status of each RP Loan and the actions that the Company is taking, and intends to take, with respect to each RP Loan. The Disinterested Member shall determine, with advice from counsel, if such disclosure shall be made in an interim update to the Company's investors in addition to such disclosure in the annual report to the Company's investors. In addition, the Company, with advice from counsel, shall disclose the existence and terms of the RP Loans to its auditors, and the Disinterested Member, with advice from counsel, shall work with such auditors regarding the disclosure of the RP Loans in the Company's financial statements including whether disclosure should be made by amending the Company's annual audited financial report for FY 2022 with a subsequent events footnote and/or in an interim financial report.

D. Cross-Collateralization; Cross-Default. The Company shall promptly take the actions necessary (including, without limitation, drafting and executing the necessary documentation) to cross-collateralize and cross-default the Morongo II, Leave it to Beaver and M2 loans as directed by the Disinterested Member.

E. Return/Guarantee of Anomalous Payments.

1. Because the Subject Related Parties have denied the Disinterested Member access to certain books and records of the Company and of the applicable Borrower Parties, the Disinterested Member is currently unable to determine whether additional payments were made to Subject Related Parties and/or Third Parties in connection with the RP Loans. In accordance with Section III.A. of this Memorandum, the Subject Related Parties shall promptly provide to the Disinterested Member all documentation in their possession (including, without limitation, any side letters and similar agreements) related to the payment of any Anomalous Payments.

2. The Subject Related Parties shall, and shall cause any applicable Third Parties to, promptly repay to the Company all Anomalous Payments made to them in connection with the RP Loans, and the Company shall set aside such Anomalous Payments in one or more segregated accounts to be used to repay the applicable RP Loan should the subject borrower fail to timely pay the full amount of principal and interest (including any default interest and related expenses) due and owing under such loan.

3. To the extent the applicable Subject Related Parties and Third Parties are unable to promptly repay all of such Anomalous Payments, the Subject Related Parties, in their individual capacities, shall, and shall cause the Third Parties, in their individual capacities, to, promptly execute personal guarantees on a joint and several basis in the amount of such shortfall together with any additional documentation deemed necessary or advisable by the Disinterested Member in order to facilitate collection under such guarantees including, without limitation, one or more confessions of judgment.

4. If and when any additional Anomalous Payments are discovered by the Disinterested Member, such amounts shall be repaid promptly by the applicable Subject Related Parties and/or Third Parties and any such guarantees and additional documentation shall be amended to include the amounts of such additional Anomalous Payments.

[16] Section D of the Policy.

F. Pledge of Collateral.

1. The Subject Related Parties shall pledge to the Company, for the benefit of the Company's investors, (i) all Employee Incentive Plan shares issued to them by the Company ("EIP Shares"),[17] and (ii) their entire ownership interests in PCG (the "PCG Interests"). To the extent the Company incurs any losses in respect of the RP Loans which are not otherwise paid in full, the Manager shall take such actions as directed by the Disinterested Member with respect to the EIP Shares and/or the PCG Interests to satisfy such losses. Any value received by the Company in excess of such losses shall be returned to the Subject Related Parties.

2. The Subject Related Parties shall pay over to the Company, for the benefit of the Company's investors, all amounts accrued or distributed to or for the benefit of the Subject Related Parties in respect of the EIP Shares (above the amount needed to pay taxes on the vesting amounts each year) and the PCG Interests (collectively, the "EIP/PCG Distributions"), such amounts to be held in a segregated account by the Company. To the extent the Company incurs any losses in respect of the RP Loans which are not otherwise paid in full, the EIP/PCG Distributions shall be used to satisfy such losses. Any portion of the EIP/PCG Distributions in excess of such losses shall be returned to the Subject Related Parties.

3. EIP Shares constitute ownership interests in the Company, so the issuance and vesting of EIP Shares dilutes the ownership interests of investors in the Company. Accordingly, until all principal and interest under the RP Loans have been paid in full, the Manager shall take such actions as are necessary to ensure that (i) the vesting of unvested EIP Shares issued to the Subject Related Parties is suspended, and (ii) the Company shall not issue any additional EIP Shares to or for the benefit of the Subject Related Parties.

G. Personal Guarantees. In the discretion of the Disinterested Member, the Subject Related Parties, in their individual capacities, shall, and shall cause the Third Parties, in their individual capacities, to, enter into full recourse personal guarantees with respect to each of the RP Loans.

H. Proceeds from Equity Participations and Dispositions relating to RP Loans. Notwithstanding anything to the contrary set forth herein or in the Third Amended and Restated Limited Liability Company Operating Agreement of the Company, dated as of October 1, 2021 (as amended, the "Company Operating Agreement"), (i) any and all net proceeds and gains derived from equity participations in connection with the RP Loans pursuant to Section 5.7(c) of the Company Operating Agreement which are payable to the Manager (or any Subject Related Party), and (ii) any Net Profits (as defined in the Company Operating Agreement) realized upon the sale or other disposition of Investments (as defined in the Company Operating Agreement) in connection with the RP Loans including, without limitation, any real property acquired in connection with the foreclosure of any RP Loan, pursuant to Section 5.7(d) of the Company Operating Agreement which are payable to the Manager (or any Subject Related Party) ((i) and (ii), collectively, "Participation/Disposition Proceeds") shall be paid over to the Company, for the benefit of the Company's investors, and shall be held in a segregated account by the Company. To the extent the

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[17] As of the date of this Memorandum, to the knowledge of the Disinterested Member, each of the Subject Related Parties owns (or upon vesting, will own) the following number of EIP Shares:

Subject Related Party	**EIP Shares**
Dan Leimel, Jr.	5,287,175
Rob Sechrist	3,524,584
Rick Scatterday	200,000
Total	**9,011,759**

Company incurs any losses in respect of the RP Loans which are not otherwise paid in full, the Participation/Disposition Proceeds shall be used to satisfy such losses.[18] Any portion of the Participation/Disposition Proceeds in excess of such losses shall be returned to the Manager.

IV. Determinations/Actions Applicable to Specific RP Loans

A. *Morongo II.* The determinations/actions set forth in Section III of this Memorandum are supplemented by the following determinations/actions of the Disinterested Member with respect to the Morongo II loan (the "Morongo Loan"):

1. The Disinterested Member has determined that a default has occurred in respect of the Morongo Loan as a result of an unapproved transfer of the ownership interests in the borrower by the applicable Subject Related Parties and Third Parties, namely Covenant Capital LLC, JRS Capital USA Inc., Lost Winds Capital Inc., Ryan Csaftis, and Michael Shadman (collectively, the "Morongo Borrower Parties"). The applicable Subject Related Parties shall immediately provide all documentation with respect to such transfer, including any and all side letters and other material information, written or verbal, in connection with such transfer.

2. In addition, the Morongo Loan is in default, as payment of interest due and owing thereunder is over sixty (60) days past due.

3. In light of the foregoing, the Disinterested Member shall determine, and the Manager shall carry out, the actions deemed necessary or appropriate by the Disinterested Member with respect to the Morongo Loan, which actions may include, without limitation, a demand for full or partial repayment of the loan by the Morongo Borrower Parties and/or a restructuring of the loan. Notwithstanding the foregoing, the Company shall take the following actions:

    a. Immediately send a default notice to the subject borrower and the Morongo Borrower Parties within five (5) days following the date of this Memorandum, as previously requested by the Disinterested Member on December 12, 2023;

    b. The subject borrower shall consummate a deed in lieu of foreclosure transaction in form and substance satisfactory to the Disinterested Member and counsel pursuant to which (i) ownership of the subject property shall be deeded to the Company, (ii) the Manager shall not participate in any upside, and (iii) 100% of the profits and losses of such loan shall be for the benefit of the investors of the Company; and

    c. The Morongo Borrower Parties shall immediately deposit with the Company the entire amount of the personal guarantee currently in place in connection with the Morongo Loan.

B. *Leave It to Beaver*. The determinations/actions set forth in Section III of this Memorandum are supplemented by the following determinations/actions of the Disinterested Member with respect to the Leave It to Beaver loan (the "Leave It to Beaver Loan"):

1. The Disinterested Member has determined that a default has occurred in respect of the Leave It to Beaver Loan as a result of an unapproved transfer of the ownership interests in the borrower by certain Subject Related Parties and Third Parties. The applicable Subject Related Parties shall immediately provide all documentation with respect to such transfer including any

[18] It should be noted that, as a member of the Manager, TGCA PEL LLC, a company wholly-owned by Mr. Goad and which is not a Related Party under the RP Loans, would be entitled to a *pro rata* portion of the Participation/Disposition Proceeds pursuant to the Company Operating Agreement. However, in light of the circumstances and Mr. Goad's role as the Disinterested Member, Mr. Goad wishes to forego such interest in the Participation/Disposition Proceeds for the benefit of the Company's investors.

and all side letters and other material information, written or verbal, in connection with such transfer.

2. In addition, the subject loan matured on January 1, 2024. Pursuant to the applicable loan documentation, the subject borrower has two six-month extension options at the Company's discretion, but these extensions are unavailable to the borrower as the loan is in default.

3. In light of the foregoing, the Disinterested Member shall determine, and the Manager shall carry out, the actions deemed necessary or appropriate by the Disinterested Member with respect to the Leave It to Beaver Loan, which actions may include, without limitation, a demand for full or partial repayment of the loan by the applicable Subject Related Parties, Third Parties and other sponsors and/or a restructuring of the loan. Notwithstanding the foregoing, the Company shall immediately send a default notice to the subject borrower and the applicable Subject Related Parties, Third Parties and other sponsors.

The determinations and actions set forth in this Memorandum supersede the Preliminary Guidelines for Related Party Loans sent by email to Mr. Leimel, Mr. Sechrist and Company counsel on December 31, 2023.

Notwithstanding anything to the contrary set forth herein or otherwise, the Disinterested Member, acting on behalf of the Conflicts Committee, expressly reserves all of its legal and equitable rights and remedies.

In addition, this Memorandum serves as formal notice requiring that the Manager shall preserve any and all documents and correspondence relating to the RP Loans and the borrowers thereunder.

EXHIBIT A

Pelorus Fund, LLC Policy and Procedures with respect to Related Party Transactions

[Attached]

WRITTEN CONSENT OF THE MANAGERS
OF
PELORUS MANAGEMENT GROUP, LLC

April 5, 2023

The undersigned, being all of the managers (the "**Managers**") of Pelorus Management Group, LLC, a California limited liability company (the "**Fund Manager**"), in its capacity as the sole manager of Pelorus Fund, LLC, a California limited liability company (the "**Company**"), hereby consent to and adopt the following resolutions without the holding of a meeting, such resolutions to have the same force and effect as if adopted at a meeting of the Managers that was duly called and held and at which the Managers were present and acting throughout:

Adoption of Related Party Transactions Policy

WHEREAS, the Managers have determined that it is in the best interest of the Company to adopt policies and procedures relating to related party transactions; and

WHEREAS, the Managers have determined that is in the best interest of the Company to adopt the Policy and Procedures with Respect to Related Party Transactions substantially in the form attached hereto as Exhibit A (the "**Related Party Transactions Policy**").

NOW, THEREFORE, BE IT RESOLVED, that the Related Party Transaction Policy be, and it hereby is, approved in all respects.

Omnibus Authority

RESOLVED, that the Managers are, and each of them hereby is, authorized and empowered, for and in the name and on behalf of the Fund Manager, in its capacity as the sole manager of the Company (i) to take, or cause to be taken, all such further action, (ii) to do and perform, or cause to be done and performed, all such acts and things, and (iii) to execute and deliver, or cause to be executed and delivered, all such further agreements, certificates, documents and instruments of any type and description, all of which as may be, or may be deemed to be, necessary, advisable, desirable or proper to effect the purposes and intent of the foregoing resolutions, the necessity, advisability, desirability, and propriety of which shall be conclusively evidenced by either or both of the Managers taking, or causing to be taken, any such action, doing and performing, or causing to be done or performed, any such act or thing, executing and delivering, or causing to be executed and delivered, any such agreements, certificates, documents or instruments; and the execution by either or both of the Managers of any such agreements, certificates, documents or instruments, or the doing of any act or thing directly in connection with the foregoing resolutions, shall conclusively establish its or their authority therefor for the Fund Manager, in its capacity as the sole manager of the Company, and the authorization, adoption, approval, confirmation and ratification by the Fund Manager, in its capacity as the sole manager of the Company, of any and all agreements, certificates, documents and instruments so executed and delivered and any and all action so taken, done or performed; and all actions of any nature whatsoever heretofore taken by either or both of the Managers and other representatives of the

Fund Manager directly in connection with the foregoing resolutions is, and the same hereby are, authorized, adopted, approved, confirmed and ratified in all respects; and be it further

RESOLVED, that any and all actions of the Fund Manager and actions taken by either or both of the Managers, for and on behalf of the Fund Manager individually or in its capacity as the sole manager of the Company, on or prior to the date hereof, in connection with the foregoing resolutions be, and the same hereby are, in all respects authorized, adopted, approved, confirmed and ratified as acts of the Fund Manager.

[*Remainder of Page Intentionally Left Blank*]

IN WITNESS WHEREOF, the undersigned have executed this Written Consent as of the date first above written.

MANAGERS:

LOST WINDS CAPITAL, INC.,
a California corporation

By: ____________________________
Dan Leimel, Jr.
Chief Executive Officer

JRS CAPITAL USA, INC.,
a California corporation

By: ____________________________
James Robert Sechrist
Chief Executive Officer

EXHIBIT A

Related Party Transactions Policy

PELORUS FUND, LLC

POLICY AND PROCEDURES WITH RESPECT TO

RELATED PARTY TRANSACTIONS

Adopted and approved April 5th, 2023

A. Policy Statement

Pelorus Fund, LLC, a California limited liability company (the "**Company**"), recognizes that Related Party Transactions (as defined below) can present a heightened risk of conflicts of interest and create the appearance that Company decisions are based on considerations other than the best interests of the Company and its members. Accordingly, the Company has adopted this Policy and Procedures with Respect to Related Party Transactions (this "**Policy**").

As a general matter, it is the Company's preference to avoid Related Party Transactions. Nevertheless, the Company recognizes that there are situations where Related Party Transactions may be in, or may not be inconsistent with, the best interests of the Company and its members, including but not limited to, situations where the Company may obtain products or services of a nature, quantity or quality, or on other terms, that are not readily available from alternative sources or when the Company provides financing or other products or services to Related Parties (as defined below) on an arm's length basis on terms comparable to those provided to unrelated third parties or on terms comparable to those provided generally by similarly situated companies. Therefore, the Company has adopted the procedures set forth below for the review, approval and/or ratification of Related Party Transactions.

Under this Policy, any "Related Party Transaction" may be consummated or shall continue only if the Conflicts Committee shall approve or ratify such transaction in accordance with the guidelines set forth in this Policy.

This Policy has been approved by Pelorus Management Group, LLC (the "**Manager**") upon the recommendation of its Managers and Managing Director (collectively, the "**Conflicts Committee**"). In the event that all the members of the Conflicts Committee are interested parties for a particular matter, a fourth disinterested member shall be added to make the decision(s) on the relevant matter. The Conflicts Committee will review and make recommendations regarding any amendments to this policy from time to time. Any amendments to this Policy must be approved by the unanimous vote of the Conflicts Committee.

B. Related Party Transactions

For the purposes of this Policy, a "**Related Party Transaction**" is a transaction, arrangement or relationship (or any series of similar transactions, arrangements or relationships), in which the Company or any subsidiary is or is to be a participant and in which any Related Party had or will have a direct or indirect monetary interest. For purposes of this Policy, a "**Related Party**" means:

1. any person who is:

   a. a manager, managing partner or officer of Pelorus Capital Group, LLC ("**PCG**"), the Manager or the Company; or

   b. any immediate family member of such person, which includes any child, stepchild, parent, stepparent, spouse, sibling, mother-in- law, father-in-law, son-in-law, daughter-in-law, brother-in-law, or sister- in-law of the manager, managing partner, officer, and any person (other than a tenant or employee) sharing the household of such manager, managing partner or officer (each, a "**Family Member**");

2. any person or entity who is or will be, at the time a transaction, arrangement or relationship occurs or exists:

   a. the beneficial owner of more than 4.9% of any class of the voting securities of PCG, the Manager or the Company; or

   b. any Family Member of such person; and

3. any entity at the time a transaction, arrangement or relationship occurs or exists:

   a. with respect to which more than 10% of any class of the voting securities of which are directly or indirectly owned in the aggregate by persons deemed Related Parties pursuant to Section B(l) and B(2) above; or

   b. is controlled by persons deemed Related Parties pursuant to Section B(l) and B(2) above.

C. Review and Approval of Related Party Transactions

Pursuant to the Company's Operating Agreement, the Manager is required to determine whether any Related Party Transaction is on terms that are no less favorable to the Company or its subsidiary than could be obtained from an unaffiliated third party in a similar transaction or an unaffiliated third party service provider providing comparable services. To fulfill its obligation under the Operating Agreement, the Manager has determined that the Conflicts Committee is best suited to review Related Party Transactions on behalf of the Manager and make recommendations to the Manager with respect to the approval, ratification or disapproval of any Related Party Transaction. It is the policy of the Company that all Related Party Transactions (other than the Pre-Approved Transactions) will be subject to review by the Conflicts Committee in accordance with the procedures set forth below and following such review, the recommendation by the Conflicts Committee shall constitute the good faith approval, ratification or disapproval of the Manager.

Notwithstanding anything to the contrary otherwise contained in this Policy, no member of the Conflicts Committee shall participate in the review of any Related Party Transaction in respect of which he or she, any Family Member or significant investor with which he or she is affiliated is the Related Party.

Upon learning of a Related Party Transaction (other than a Pre-Approved Transaction) from the Manager, the Conflicts Committee shall review all material facts of such Related Party Transaction and advise the Manager of the approval, disapproval or ratification of such transaction by the unanimous written consent of the disinterested member(s) of the Conflicts Committee. In assessing a Related Party Transaction, the disinterested member(s) of the Conflicts Committee will determine whether the Related Party Transaction is on terms that are no less favorable to the Company or such subsidiary than could be obtained from an unaffiliated third party in a similar transaction or an unaffiliated third party service provider providing comparable services. In determining whether to approve, ratify or disapprove a Related Party Transaction the disinterested member(s) of the Conflicts Committee may take into account, among other factors they deem appropriate (i) the benefits (or lack thereof) to the Company of the transaction, (ii) the commercial reasonableness of the terms of the transaction including, without limitation, the compliance with or any deviation from the Company's customary underwriting policies and criteria, (iii) the results of an appraisal, valuation methodology or comparable transactions, (iv) the materiality of the transaction to the Company, (v) the extent of the Related Party's interest in the transaction, and (vi) the actual or apparent conflict of interest of the Related Party participating in the Transaction. The disinterested member(s) of the Conflicts Committee, in their sole discretion, may impose such conditions as they deem appropriate in connection with approval of any Related Party Transaction.

The Conflicts Committee may take into account any advice or recommendation made to it by legal counsel, or any other adviser with whom the Conflicts Committee may in its discretion consult.

The disinterested members of the Conflicts Committee shall convey the decision of whether or not to pursue the Related Party Transaction to the Manager as soon as reasonably practicable.

If a Related Party Transaction is of the type that will be ongoing, the Conflicts Committee may establish guidelines for the Company to follow in its ongoing dealings with the Related Party. Thereafter, the Conflicts Committee and the Manager, from time-to-time as the Conflicts Committee or Manager deems appropriate, shall review and assess such ongoing relationships with the Related Party to assess whether they are in compliance with the guidelines, if any, and that the Related Party Transaction remains appropriate under the circumstances when judged against this Policy.

D. Related Party Transactions Not Considered Under this Policy

After the adoption of this Policy, if the Company becomes aware of a Related Party Transaction that has occurred but was not evaluated under this Policy, the matter shall be reviewed by the Conflicts Committee.

The Conflicts Committee will consider all of the relevant facts and circumstances regarding the Related Party Transaction, including the items listed above, and will evaluate all options available to the Company, including ratification, revision or termination of the Related Party Transaction.

The Conflicts Committee may also examine the facts and circumstances pertaining to the Related Party Transaction and shall take such action as it deems appropriate.

E. Transactions Exempted from Review and Approval Requirement; Pre-Approved Transactions

The following constitutes a non-exclusive list of transactions ("**Pre-Approved Transactions**") that will not be deemed to be Related Party Transactions and, therefore, will not require Conflicts Committee review or approval pursuant to this Policy:

1. Any compensation paid to a manager, managing partner or officer of the Company if the compensation otherwise complies with the Company's contractual obligations.

2. Any transaction with a firm, corporation, or other entity with which a Related Party has a position or relationship, where such Related Party's interest in the transaction arises only from the Related Party's position as an employee (i.e., the Related Party is not the equivalent of a senior manager) or director of such firm, corporation, or other entity.

3. Any transaction with a firm, corporation, or other entity with which a Related Party has a position or relationship, where such Related Party's interest in the transaction arises only from such Related Party's direct or indirect ownership, aggregated with the direct or indirect ownership of all other persons deemed Related Parties pursuant to Section B(l) and B(2), of less than ten percent (10%) of the outstanding equity interests in such firm, corporation, or other entity (excluding a partnership).

4. Any transaction with a firm, corporation, or other entity with which a Related Party has a position or relationship, where such Related Party's interest in the transaction arises only from such Related Party's position as a limited partner in a partnership in which the Related Party and all other persons deemed Related Parties pursuant to Section B(l) and B(2), have an interest of less than ten percent

(10%), if the Related Party is not a general partner of and does not hold another position in the partnership.

5. Any transaction where the Related Party's interest arises solely from the ownership of the Company's common stock and all holders of the Company's common stock receive the same benefit on a pro rata basis (e.g. payment of distributions).

6. Expense reimbursements in compliance with Company expense reimbursement policies.

F. Disclosure

All Related Party Transactions will be disclosed in the Company's annual audited financial statements or annual report to its members.

The review, approval or ratification of a transaction, arrangement or relationship pursuant to this Policy does not necessarily imply that such transaction, arrangement or relationship is required to be disclosed except in accordance with the immediately preceding paragraph.

EXHIBIT B

RPL Comparison Charts

[Attached]

	Morongo II	Actual	Pelorus Market	Pelorus Market Range
1	**Loan Amount (6.2% of Assets Under Management)**	$ 25,486,000	$ 11,762,520	
2	Total Acquisition & Construction Costs	$ 16,803,600	$ 16,803,600	
3	Loan to Cost (Line 1 / Line 2)	152%	70%	50% - 80% [1]
4	Equity Based on Loan to Project Cost (Skin in the Game)	$ (3,310,119)	$ 5,041,080	20% - 50% [2]
5	**Total Required Equity Including Interest Reserve (Total Skin in the Game)**	**$ (8,682,400)**	**$ 7,099,521**	40% - 60%
6	**Interest**			
a	Interest Rate	15%	15%	14% - 16% Rate [8]
b	Interest Reserve in Months	26	14	12 - 18 months
c	Interest Reserve (Line 1 * Line 5a / 12 months *Line 5b)	$ 5,372,281	$ 2,058,441	
7	Warrants / Equity Kickers	None	Required Above 60% LTC	5% - 25%
8	Estimated Amount of Warrant $ Value	$0	$ 1,764,378.00	5% - 25%
9	**Appraisals**			
a	Appraisal Value For Budgeted Cold Shell	$ 17,500,000	$ 16,803,600	
b	LTV Budgeted Cold Shell Appraisal	146%	70%	Usually within 20% of LTC
c	Additional Appraisal for Full Cannabis Build Out (Not Budgeted or Planned)	$ 33,700,000	N/A	N/A
d	LTV Full Cannabis Build Out Non Budgeted or Planned Appraisal	76%	N/A	N/A
10	Capital Paid Out for Profit / Fees to Ownership	$2MM+ [3]	Not Allowed	Not Allowed
a	Other distributions taken	Unkown	Not Allowed	
11	Skin in the game required (Line 9 / Line 1)	-7.8%	20%	20% [4]
12	Surplus Loan Proceeds above Realized Closing Expenses [10]	Distributed to Borrower	Applied to Loan	Never Sent to the Borrower
a	Amount	$ 161,347.48	$ -	
13	**Recourse/Guarantors**			
a	Recourse Amount [9]	$ 2,200,000	$ 11,762,520	Full Recourse [5]
b	Bad Boy Carveouts	None	Required	Required
c	Net Worth and Liquidity of Guarantors	Unkown	Substantial	Substantial
14	Cross Collateralization / Cross Default [7]	None	Required	Required

1. Typical market range is up to 60% of Loan to Cost; if the loan proceeds go above 60%, warrants or equity kickers are required from the sponsor. For land-only loans, market range is typically lower - 30% - 60%.
2. Equity Dollar Amount required (inverse of Line 3) based on Total Construction Costs.
3. In excess of $2MM paid to General Contractor, who is/was a 40% partner in this deal. Other amounts unknown.
4. Per Dan's email 10-1-2021.
5. The vast majority of our loans are full recourse (estimated to be over 80% of loans). Other than the related party loans, NONE of the loans are non-recourse (including bad boy carveouts).
6. In the few instances where non-recourse has been done, all of the loans have had a bad boy carveout guarantee which provides for springing (sometimes full and sometimes for lender's costs) recourse to the guarantors for BK, fraud, property waste, theft, etc.
7. In situations where the same sponsors borrow from the fund with multiple loans, they are cross-collateralized and cross-defaulted.
8. For Construction Loans, interest rates range from 14% - 16%.
9. This Loan was originated on a non-recourse basis and subsequently remained non-recourse through multiple modifications. At the time of the last upsize, the intent was to get the full upsize amount of $3.4MM as recourse, but only $2.2MM of recourse was provided.
10. Often at loan closing, certain title, insurance and other costs are estimated at the closing, and when actual expenses come in less than budgeted, surplus funds are available. I've never seen us wire these funds to the property ownership; it's usually applied to other costs or deposited in the interest reserve. Requested information was not provided to verify.

Morongo II Ownership				
Current Ownership	**%**	***Individuals***	**Origination Ownership**	
Covenant Capital LLC	20%	*Rick Scatterday*	Covenant Capital LLC	20%
JRS Capital USA Inc	30%	*James Sechrist*	JRS Capital USA Inc	20%
Lost Winds Capital Inc	30%	*Dan Leimel*	Lost Winds Capital Inc	20%
Ryan Csaftis (General Contractor)	0%	*Bought Out - GC Palomar Coast Dev*	Ryan Csaftis (General Contractor)	20%
Michael Shadman (Engineer & General Contractor)	20%		Michael Shadman (Engineer & Gene	20%

CONFIDENTIAL

	Leave it to Beaver	Actual	Pelorus Market	Pelorus Market Range
1	**Loan Amount (4.7% of Assets Under Management)**	$ 19,500,000	$ 12,985,000	
2	Total Acquisition & Construction Costs	$ 18,550,000	$ 18,550,000	
3	Loan to Cost (Line 1 / Line 2)	105%	70%	50% - 80% [1]
4	Equity Based on Loan to Project Cost (Skin in the Game)	$ (950,000)	$ 5,565,000	20% - 50% [2]
5	**Total Required Equity Including Interest Reserve (Total Skin in the Game)**	**$ (3,805,853)**	**$ 7,837,375**	40% - 60%
6	**Interest**			
a	Interest Rate [11]	13.66%	15%	14% - 16% Rate [8]
b	Interest Reserve in Months	31	14	12 - 18 months
c	Interest Reserve (Line 1 * Line 5a / 12 months *Line 5b) [12]	$ 2,855,853	$ 2,272,375	
7	Warrants / Equity Kickers	None	Required Above 60% LTC	5% - 25%
8	Estimated Amount of Warrant $ Value	$0	$ 1,947,750	5% - 25%
9	**Appraisals**			
a	Appraisal Value For Budgeted Cold Shell	None	$ 18,550,000	
b	LTV Budgeted Cold Shell Appraisal	None	70%	Usually within 20% of LTC
c	Additional Appraisal for Full Cannabis Build Out (Not Budgeted or Planned)	$ 36,759,800	N/A	N/A
d	LTV Full Cannabis Build Out Non Budgeted or Planned Appraisal	53%	N/A	N/A
10	Capital Paid Out for Profit / Fees to Ownership	$2MM+ [3]	Not Allowed	Not Allowed
a	Other distributions taken	$1MM+ [13]	Not Allowed	
11	Skin in the game required (Line 9 / Line 1)	-10.3%	20%	20% [4]
12	Surplus Loan Proceeds above Realized Closing Expenses [10]	Distributed to Borrower	Applied to Loan	Never Sent to the Borrower
a	Amount	$ 174,882.39	$ -	
13	**Recourse/Guarantors**			
a	Recourse Amount [9]	$ -	$ 12,985,000	Full Recourse [5]
b	Bad Boy Carveouts [6]	None	Required	Required
c	Net Worth and Liquidity of Guarantors	Unkown	Substantial	Substantial
14	Cross Collateralization / Cross Default [7]	None	Required	Required

1. Typical market range is up to 60% of Loan to Cost; if the loan proceeds go above 60%, warrants or equity kickers are required from the sponsor. For land-only loans, market range is typically lower - 30% - 60%.
2. Equity Dollar Amount required (inverse of Line 3) based on Total Construction Costs.
3. In excess of $2MM paid to General Contractor, who is/was a 25% partner in this deal. Other amounts unknown.
4. Per Dan's email 10-1-2021.
5. The vast majority of our loans are full recourse (estimated to be over 80% of loans). Other than the related party loans, NONE of the loans are non-recourse (including bad boy carveouts).
6. In the few instances where non-recourse has been done, all of the loans have had a bad boy carveout guarantee which provides for springing (sometimes full and sometimes for lender's costs) recourse to the guarantors for BK, fraud, property waste, theft, etc.
7. In situations where the same sponsors borrow from the fund with multiple loans, they are cross-collateralized and cross-defaulted.
8. For Construction Loans, interest rates range from 14% - 16%.
9. This Loan was originated on a non-recourse basis, on one modification it was changed to $2.45MM limited recourse until completion of 6 units and LTV was below 70%. Recourse was released 11/1/2022, based on 6 buildings completed to Cold Shell. Completion LTV based on non-budgeted scenario in appraisal dated April 2022 (i.e., appraisal valued fullly complete cannabis value).
10. Often at loan closing, certain title, insurance and other costs are estimated at the closing, and when actual expenses come in less than budgeted, surplus funds are available. I've never seen us wire these funds to the property ownership; it's usually applied to other costs or deposited in the interest reserve. Requested information was not provided to verify.
11. Originated at 15% fixed, modified down to 13.66% later.
12. Interest reserve was for only the allocated development loan, $4.1MM allocated at building loan, cash flowing tenant), 12% existing building loan and 15% development loan, blended to 13.66%)
13. Based on partial General Ledgers provided, $1,036,177 was distributed to ownership during the construction period. Typically we would require all cash to be used towards the senior loan, especially during the construction period.

Leave it to Beaver LLC Ownership

Current Ownership	%	*Individuals*	Origination Ownership	%	*Individuals*
Ryan Csaftis (General Contractor)	4.5%		Ryan Csaftis (General Contractor)	12.50%	
Michael Shadman (Engineer & General Contractor)	1.0%		Michael Shadman (Engineer & General Cont	12.50%	
Guardian Equity Group LLC	37.5%	*Dan Leimel, James Sechrist*	Guardian Equity Group LLC	25%	*Dan Leimel, James Sechrist, Rick Scatterday*
Legacy	19.5%	*Kenny*	Frontier Management Group Inc	25%	*Kevin Chou*
Brinks Investment LLC	37.5%	*Joann Tran*	Brinks Investment LLC	25%	*Joann Tran*

**I'm told that Frontier did not participate in capital calls and were bought out.*

	IGP Rancho - 818 Industrial	Actual	Pelorus Market	Pelorus Market Range
1	**Loan Amount (1.2% of Assets Under Management)**	$ 4,850,000	$ 1,400,000	
2	Total Land Acquisition Costs	$ 2,800,000	$ 2,800,000	
3	Loan to Cost (Line 1 / Line 2)	173%	50%	50% - 80% [1]
4	Equity Based on Loan to Project Cost (Skin in the Game)	$ (170,625)	$ 1,400,000	20% - 50% [2]
5	**Total Required Equity Including Interest Reserve (Total Skin in the Game)**	**$ (2,050,000)**	**$ 1,557,500**	40% - 60%
6	**Interest**			
a	Interest Rate	15%	15%	14% - 16% Rate [8]
b	Interest Reserve in Months	31	9	12 - 18 months
c	Interest Reserve (Line 1 * Line 5a / 12 months *Line 5b)	$ 1,879,375	$ 157,500	
7	Warrants / Equity Kickers	None	Assumed 15% warrants	5% - 25%
8	Estimated Amount of Warrant $ Value	$0	$ 210,000	5% - 25%
9	**Appraisals**			
a	As is Appraisal	$ 2,500,000	$ 2,800,000	
b	As is Appraisal LTV	194%	50%	Usually within 20% of LTC
c	Appraisal Value For Entitled Land	$ 14,850,000	N/A	N/A
d	LTV Entitled Land Appraisal	33%	N/A	N/A
10	Capital Paid Out for Profit / Fees to Ownership	$341K+ [3]	Not Allowed	Not Allowed
a	Other distributions taken	Unkown	Not Allowed	
11	Skin in the game required (Line 9 / Line 1)	-41.2%	20%	20% [4]
12	Surplus Loan Proceeds above Realized Closing Expenses [10]	Unkown	Applied to Loan	Never Sent to the Borrower
a	Amount	Unkown	$ -	
13	**Recourse/Guarantors**			
a	Recourse Amount [9]	$ -	$ 1,400,000	Full Recourse [5]
b	Bad Boy Carveouts [6]	None	Required	Required
c	Net Worth and Liquidity of Guarantors	Unkown	Substantial	Substantial
14	Cross Collateralization / Cross Default [7]	None	Required	Required

1. Typical market range is up to 60% of Loan to Cost; if the loan proceeds go above 60%, warrants or equity kickers are required from the sponsor. For land-only loans, market range is typically lower - 30% - 60%.
2. Equity Dollar Amount required (inverse of Line 3) based on Total Construction Costs.
3. In excess of $341K in resreves were distributed to property ownership. $521K of new buyer funds were also likely distributed to property ownership, but missing documentation. Other amounts unknown.
4. Per Dan's email 10-1-2021.
5. The vast majority of our loans are full recourse (estimated to be over 80% of loans). Other than the related party loans, NONE of the loans are non-recourse (including bad boy carveouts).
6. In the few instances where non-recourse has been done, all of the loans have had a bad boy carveout guarantee which provides for springing (sometimes full and sometimes for lender's costs) recourse to the guarantors for BK, fraud, property waste, theft, etc.
7. In situations where the same sponsors borrow from the fund with multiple loans, they are cross-collateralized and cross-defaulted.
8. For Construction Loans, interest rates range from 14% - 16%.
9. This Loan was originated on a non-recourse basis, except for bad boy carveouts for Dan, Rob and Rick's 49% partner which signed one. Neither Dan, Rob nor Rick signed a bad boy carve out guaranty. New purchaser who assumed the loan did not sign a bad boy carveout guaranty either.
10. Often at loan closing, certain title, insurance and other costs are estimated at the closing, and when actual expenses come in less than budgeted, surplus funds are available. I've never seen us wire these funds to the property ownership; it's usually applied to other costs or deposited in the interest reserve. Requested information was not provided to verify.

IPG Rancho Ownership			818 Industrial Park		
Current Ownership	**%**	***Individuals***	**Origination Ownership**	**%**	***Individuals***
KSM Real Estate LLC	93.93%		Guardian Developmnet Group	51%	*Dan, Rob, Rick*
Ohana Alliance Group Inc	6.07%		Falcon Enterprises	49%	*Yaniv, David, Rami*
<u>KSM Real Estate LLC</u>			**<u>Guardian Development Group</u>**		
Shield Family Trust	33.34%	*Stephen Shields*	Lost Winds Capital	33.33%	*Dan*
PSM Investments LLC	33.33%	*Patrick McCourt (50%); Stephanie Durham (50%)*	JRS Capital USA Inc	33.33%	*Rob*
KNA Holdings LLC	33.33%	Kyle Kaintz (50%); Amanda Kaintz (50%)	Covenant Capital LLC	33.33%	*Rick*
			<u>Falcon Enterprises</u>		
			Rami Vardi	33.33%	
			Yaniv Shlomof	33.33%	
			David Zemach	33.33%	

	M2	Actual	Pelorus Market	Pelorus Market Range
1	**Loan Amount (0.5% of Assets Under Management)**	$ 2,472,342	$ 1,280,673	
2	Total Acquisition & Construction Costs	$ 1,829,533	$ 1,829,533	
3	Loan to Cost (Line 1 / Line 2)	135%	70%	50% - 80% 1
4	Equity Based on Loan to Project Cost (Skin in the Game)	$ (205,717)	$ 548,860	20% - 50% 2
5	**Total Required Equity Including Interest Reserve (Total Skin in the Game)**	**$ (642,809)**	**$ 772,978**	40% - 60%
6	**Interest**			
a	Interest Rate	10%	15%	14% - 16% Rate 8
b	Interest Reserve in Months	21	14	12 - 18 months
c	Interest Reserve (Line 1 * Line 5a / 12 months *Line 5b)	$ 437,092	$ 224,118	
7	Warrants / Equity Kickers	None	Required Above 60% LTC	5% - 25%
8	Estimated Amount of Warrant $ Value	$0	$ 192,100.97	5% - 25%
9	**Appraisals**			
a	Appraisal Value For Budgeted Cold Shell	None	$ 1,829,533	
b	LTV Budgeted Cold Shell Appraisal	None	70%	Usually within 20% of LTC
c	Appraisal for Full Cannabis Build Out (Not Budgeted or Planned)	$ 3,700,000	N/A	N/A
d	LTV Full Cannabis Build Out Non Budgeted or Planned Appraisal	67%	N/A	N/A
10	Capital Paid Out for Profit / Fees to Ownership	Unknown	Not Allowed	Not Allowed
a	Other distributions taken	Unknown	Not Allowed	
11	Skin in the game required (Line 9 / Line 1)	Unknown	20%	20% 4
12	Surplus Loan Proceeds above Realized Closing Expenses 10	Unknown	Applied to Loan	Never Sent to the Borrower
a	Amount	Unknown	$ -	
13	**Recourse/Guarantors**			
a	Recourse Amount 9	$ -	$ 1,280,673	Full Recourse 5
b	Bad Boy Carveouts	None	Required	Required
c	Net Worth and Liquidity of Guarantors	Unkown	Substantial	Substantial
14	Cross Collateralization / Cross Default 7	None	Required	Required

1. Typical market range is up to 60% of Loan to Cost; if the loan proceeds go above 60%, warrants or equity kickers are required from the sponsor. For land-only loans, market range is typically lower - 30% - 60%.
2. Equity Dollar Amount required (inverse of Line 3) based on Total Construction Costs.
3. Amounts unknown,requested informaiton has not been provided.
4. Per Dan's email 10-1-2021.
5. The vast majority of our loans are full recourse (estimated to be over 80% the loans). Other than the related party loans, NONE of the loans are non-recourse (including bad boy carveouts).
6. In the few instances where non-recourse has been done, all of the loans have had a bad boy carveout guarantee which provides for springing (sometimes full and sometimes for lender's costs) recourse to the guarantors for BK, fraud, property waste, theft, etc.
7. In situations where the same sponsors borrow from the fund with multiple loans, they are cross-collateralized and cross-defaulted.
8. For construction loans, interest rates range from 14% - 16%.
9. This loan was originated on a non-recourse basis and remains non-recourse with no-bad boy carveouts.
10. Often at loan closing, certain title, insurance and other costs are estimated at the closing, and when actual expenses come in less than budgeted, surplus funds are available. I've never seen us wire these funds to the property ownership; it's usually applied to other costs or deposited in the interest reserve. Requested information was not provided to verify.

M2 Current and Origination Ownership	%	*Individuals*
JRS Capital USA Inc	33.33%	*James Sechrist*
Lost Winds Capital Inc	33.33%	*Dan Leimel*
Covenant Capital LLC	33.33%	*Rick Scatterday*

EXHIBIT D

MEMORANDUM

TO: Pelorus Management Group, LLC

FROM: Conflicts Committee of Pelorus Fund, LLC, by the Majority Members

CC: Greenspoon Marder LLP; Alston & Bird LLP; Travis Goad

DATE: January 29, 2024

RE: Response to January 12, 2024 Memorandum of Minority Member

I.

Background

On April 5, 2023, Dan Leimel, Jr. and James Robert Sechrist, in their capacities as Chief Executive Officers of the managers of Pelorus Management Group, LLC (the "Manager") executed a unanimous Written Consent adopting the Related Party Transaction Policy (the "Policy") of the Pelorus Fund, LLC (the "Company"). They are the sole adopters of the Policy. The Policy was drafted by Company counsel, Alston & Bird ("Fund Counsel").

The Policy created the Conflicts Committee "to review Related Party Transactions on behalf of the Manager and ***to make recommendations to the Manager with respect to the approval, ratification or disapproval of any Related Party Transaction.***" Policy p. 2 (emphasis added). That is the role of the Conflicts Committee—nothing less and nothing more. Although the Conflicts Committee can condition its decision to recommend approval or ratification of a Related Party Transaction on third parties agreeing to take certain actions, *see* Policy p. 3, neither the Conflicts Committee nor its Minority Member has the the power to "require" any such action as the Minority Member's memorandum demands.

The Conflicts Committee consists of three members: Mr. Leimel and Mr. Sechrist (the "Majority Members"), and Travis Goad (the "Minority Member"). Nothing in the Conflicts Policy gives the Minority Member the power to interpret the Policy on behalf of the Manager, the Company, or the Conflicts Committee. Rather, the Majority Members, as the sole adopters of the Policy and as a majority of the Conflicts Committee, retain the power to interpret the Policy, with the guidance of Fund Counsel, which drafted the Policy.

There are four loans that are currently under review by the Conflicts Committee: Morongo II, Leave it to Beaver ("LTB"), IGP Rancho/818 Industrial ("IGP") and M2. At the time these loans were made, the Majority Members had financial interests in the underlying borrower entities, so they qualify as Related Party Transactions under the Policy. Such Related Party Transactions were permissible under the Company's operating agreement provided that they were made on prevailing market terms. Policy p. 1.

Since the four related party loans were made, the Majority Members have completely and unconditionally divested themselves from any and all of their financial interests in the LTB and IGP loans/borrowers, such that their only remaining interest managing these loans going forward fully aligns with the Company's interests. The Majority Members have provided documentation proving such divestment to the Minority Member. Thus, based on the advice of Fund Counsel who drafted the Policy and of the intentions of the Majority Members who adopted the Policy, the Majority Members are "disinterested members" of the Conflicts Committee with respect to decisions to be made going forward about how to manage these two loans. Policy p. 3. They acknowledge, however, that they are not "disinterested members" with respect to the issue of whether past transactions relating to these loans should be approved or ratified by the Conflicts Committee.

At the time they adopted the Policy, the Majority Members appointed Mr. Goad to the Conflicts Committee unaware of facially credible self-dealing allegations against Mr. Goad by one of his partners in another venture. *See* GMH Star-West LLC Amended Complaint, attached as Exhibit 1. Mr. Goad subsequently sought to appoint his counsel from that case, Allen & Overy, as counsel for the Conflicts Committee without disclosing his relationship with that firm. Had the Majority Members been aware of the self-dealing allegations being made against Mr. Goad, they never would have appointed him to the Conflicts Committee for the Company. This undisclosed activity, combined with recent activity by Mr. Goad detrimental to the Company in his capacity as Managing Director of the Manager, lead the Majority Members to believe that Mr. Goad is not suitable to serve on the Conflicts Committee.

The Majority Members dispute and disagree with all of the Minority Member's assertions that the four loans under review were not at market terms or that any improper payments have been made in connection with these loans. As discussed further below:

- The Minority Member fails to consider market terms of these loans at the time they were priced and underwritten, which predates the Manager's hiring of the Minority Member and involved market terms that were different than market terms of new loans priced and underwritten today. When these loans originated, the Company used a loan to value methodology to price and underwrite loans, which is significantly different than the loan to cost methodology cited in the Minority Member's memorandum as establishing "market terms."

- The Minority Member misunderstands and mischaracterizes the loan transactions and various payments made by and to the loan sponsors.

- The Minority Member misrepresents customary lending and disbursement practices when a general contractor is the borrower.

II.

Minority Member's Alleged Findings

Notwithstanding the facts that (1) the Conflicts Committee has never had a meeting, (2) the Minority Member has never met with the Majority Members to discuss the four loans under review, and (3) the Minority Member admittedly does not have all the information needed to conduct a thorough review, the Minority Member has nonetheless proceeded to make certain "findings" with respect to the four loans under review. Minority Member's Memorandum section II. The Majority Members dispute and disagree with such findings, and they summarize their response below .

A. Loan Amounts and Loan to Cost Ratios

All four loans under review were originated at a time when the Company used loan to value ratios, not loan to cost ratios, for purposes of pricing and underwriting loans. Hundreds of loans were originated on a loan to value ratio basis, and these loans were grandfathered in when the Company transitioned to a loan to cost basis for pricing and underwriting in late 2021. For example, the HHC loan in April 2021 that was headed up and approved by the Minority Member at the time had a loan to cost ratio of 137.77% but a loan to value ratio of 52.9%. Likewise, the Cookies loans led by the Minority Member had an 82.98% combined loan to cost ratio; the "Series A" closing on Statehouse (also led by the Minority Member) resulted in a 91.54% combined loan to cost ratio; and the "Dalvi" deed in lieu that the Minority Member led the restructure on and closed just one month ago has a 122.24% loan to cost ratio.

Recognizing this, the Minority Member even participated in and approved the decision to upsize the Morongo II and LTB loans on this loan to value basis in 2021. Similarly, warrants and equity kickers were not part of the Company's loan program at that time. The HHC loan noted earlier was the first loan quoted by the Company with a warrant/equity piece. Thus, the Minority Member's current statements about "market terms" are not consistent with market conditions and underwriting/pricing practices at the time these loans were made.

B. Equity Investment by Sponsors ("Skin in the Game")

The loan originations for M2, LTB, and Morongo II predated this structure. Thus, the "market terms" described in the Minority Member's memorandum are inapplicable to the time period of these loans. Market terms in effect at the time these loans were made were applied as evidenced by the terms of the historical loan portfolio, which predated the Minority Member's employment with the Manager.

With respect to IPG, the sponsors deposited $521,727 through the sale escrow. IPG also self-funded the entire $900K entitlement budget, thus totaling approximately $1.4 million "skin in the game." Moreover, IPG has received final approval on a +/- 671,824 sq ft Logistic Center with an estimated as is value of $14.850 million.

With respect to LTB, the Majority Members invested $550k each ($1.1 million total) for 25% of the LTB partnership. The total loan to the partnership at that time was $6.02

million, making their 25% allocation of that loan amount $1,506,250. Thus, their "skin in the game" was 73% of the proportional loan amount, which far exceeded "market terms" and was significantly higher than any other loan on the books at the time. Again, this loan structure predated the loan to cost structure and other material underwriting changes that only started to be partially implemented a few years later when the Company went to the "all-in Fund model". Worth noting, the Majority Members have advanced additional capital calls of approximately $500k.

C. Interest Reserves

All interest reserves were market terms at the time the loans originated.

Morongo II and LTB loans are larger developments with very long build times. Historically, the Manager, and Mr. Leimel in his capacity as an ARV Bridge Lender for 30 years, has structured many transactions this way. Again, worth noting is that these loans pre-dated loan to cost modeling and the Minority Member's employment with the Manager. The loans were initially structured with the intent to be upsized as the developments progressed.

M2 was a ground up loan as well, with two upsizes over a three-year period that included incremental interest reserves. Since the interest reserves have burned off on LTB and M2, regular interest payments are being made timely by the borrowers. IPG has put in writing that they intend to pay the loan off in full prior to maturity. Morongo II is the only asset in default, but there are clear paths to mitigate a default that will be discussed between the Conflicts Committee members at the appropriate time.

D. Interest Rates

LTB has a blended rate is justified by the leased and stabilized building. The Minority Member is aware of this and never questioned it previously.

M2 was modified to take advantage of a "stabilized" loan program during that period. At the time there was a tenant making monthly lease payments. The borrower/landlord is investing $700k for its current tenant. That said, a rate increase is to 12% would be acceptable to the Majority Members as a condition of ratification and approval by the Minority Member.

E. Recourse/Bad Boy Carve-out Guarantees

The requirement/nonrequirement of personal guarantees is transaction specific. Not all loans made by the Company have personal guarantees. In fact, since 2011 Pelorus has funded 329 loans with a weighted average of 82% having personal guarantees.

M2 - Although the Majority Members believe that this loan is sufficiently strong that it does not require a personal guarantee, the Majority Members are open to adding a personal guarantee of $1.2 million (50% of the loan amount) as a condition of ratification in addition to a rate increase to 12% as noted earlier.

LTB – as noted earlier, the Majority Members have no monetary interest or ownership in this project moving forward. There is a proposed structure by the borrower to mitigate risk and ensure that remaining partners continue making their interest payments, which is in the best interest of the Company and its members. The borrower's proposal will be submitted to the Conflicts Committee for review shortly.

Morongo II – The Minority Member approved the final upsize and requested a personal guarantee on the full amount of said upsize, which ended up at $3.5M. The existing personal guarantee is for $1.9M, which covered the interest reserve portion of the upsize. The Majority Members would agree to increase their personal guarantee from $1.9M to $3.5M as a condition of ratification by the Minority Member. If a deed in lieu of foreclosure is approved, the $3.5M guarantee would carry forward with an applicable asset pledge from the Majority Members until the properties are sold.

IPG – The original loan had a personal guarantee, but when the loan was assumed by the new developer (who is an unrelated third party), the personal guarantee requirement was removed due to the strength and history of the developer and the project was no longer a "cannabis" development.

F. Appraisals

The appraisals were prepared by independent appraisers that reviewed the budget, plans, permits, engineering, and all other related items for the proposed construction. That is the same process used for non-related party loans.

On Morongo II, the final stabilized value was used given the existence of multiple tenant LOI's referenced in the appraisal that included their own build out capital. Additionally, the Company had already made several loans in the Phase I and Phase II developments, and we had significant data on tenant cap ex and their ability to access capital. The appraisal report and all of the data within it was relied upon during underwriting, as with any other loan during underwriting.

G. Cross Collateralizing and Cross Defaulting

This practice was implemented a few years after these loans were originated. It was not market practice at the time of these loans originated, and thus, is not applicable.

Further, the only loan where the property and partnership are 100% owned by the Majority Members is M2. Given that the owners of LTB, Morongo II and IGP were not the same people, cross collateralizing/cross defaulting was not an option, nor would it have been required. The Minority Member knows this, so it is unclear why it is even mentioned.

As of today and , IPG, LTB and Morongo II would not be eligible to be retroactively cross-defaulted or cross-collateralized. Further, Morongo II is already in foreclosure per the Minority Member's recommendation.

H. Anomalous Payments

The Majority Members have not seen any evidence that any anomalous payments were made, and they are not aware of any such payments. The Minority Member has grossly mischaracterized the referenced payments and "market terms" in his memorandum.

With respect to Morongo II, the referenced payments of GC fees are not only permissible but very common--the opposite of unusual. Forty percent of the Company's historical cannabis loan portfolio consists of owner/builder loans where one of the principals was the GC. The contractor fee on Morongo II is in line with what was market at the time. Simply because the GC is a partner does not invalidate the legitimacy of their fee or make it suspicious. The GC is a legitimate business with employees and expenses. The construction budgets were reviewed by CIS, an independent consultant specializing in budget review. At no time was the GC fee questioned. Again, each draw has passed (1) independent 3rd party licensed and bonded fund control review and sign off (2) independent 3rd party oversight review and sign off , and (3) in-house review and approval by Head of Asset Management. The project is now 100% completed and ALL funds were accounted for with no evidence any funds were misappropriated. If the Minority Member had previous experience with underwriting construction loans, he would have known this. As to the $161k in surplus funds at closing, this was a nominal amount that is typical to be released to the borrowing entity.

With respect to LTB, the same comments about GC payments applies—those are common, market payments. With respect to the payments to the sponsors, tenant revenue was disbursed to the partners. We are not aware of any improper payments and do not see anything in the Minority Member's memorandum showing that there were.

With respect to IGP, the referenced payments were proceeds from the sale of the project to a third-party buyer. Rather than transferring the reserve to the buyer and increasing the purchase price, the $341k in existing reserves were released to the sponsors. There was nothing improper about that transaction, but as a condition of ratification, the Majority Members would agree to pledge assets to cover the $341k until the IPG loan pays off.

With respect to M2, both amounts were used for expenses and not disbursed as cash to the borrower. There was nothing improper about these payments.

III.

The Minority Member's Determinations

The following section responds to the so-called "determinations" in sections III and IV of the Minority Member's memorandum.

A. Information

The requested information relating to the four loans under review has already been provided to the Minority Member to the extent that such information is in the possession, custody, or control of the Majority Members except for certain borrower general ledgers that the Majority Members are working on gathering. The remaining information requested is either outside the scope of the Conflicts Committee's remit or outside the control of the Majority Members.

B. Decision-Making/Actions

With respect to LTB and IGP, the Majority Members have completely and unconditionally divested their interest in the borrowers/loans. Thus, as noted earlier, they are disinterested members of the Conflicts Committee with respect to future decisions to be made about the management of those loans, and they are entitled to participate and vote on decisions of the Conflicts Committee regarding recommendations to the Manager about how to manage those loans going forward.

With respect to the Morongo II loan, the Minority Member has recommended that the Manager declare a default on that loan and proceed with foreclosure proceedings or a deed in lieu of foreclosure. The default has been declared, and the Majority Members are not opposed to proceeding with a foreclosure or deed in lieu of foreclosure. However, once title to the property is transferred to the Company, such property becomes REO of the Company and outside the scope of the Conflicts Committee to manage.

With respect to the M2 loan, it is currently performing and adequately collateralized, and it is not due to mature until January 1, 2025. The Majority Members are not aware of any current decisions that need to be made regarding the ongoing management of that loan but fully reserve their rights to respond to any recommendations that may be made by the Minority Member about the future handling of that loan.

C. Disclosure

The issue of disclosure is being addressed by the Manager, in consultation with the Fund Counsel and the Company's accountants. It is outside the scope of the Conflicts Committee's remit, so it is not addressed further in this memorandum.

D. Other

The remaining "determinations" of the Minority Member purport to be requirements that the Minority Member seeks to impose on the Majority Members, borrowers, and the Manager. As noted earlier, the Minority Member does not have the power to require third parties to do anything. The Minority Member can, however, condition his vote to approve or ratify a Related Party Transaction on third parties agreeing to certain conditions. Thus, the Majority Members interpret the Minority Member's remaining "determinations" as conditions that the Minority Member would require for the Minority Member to approve or ratify the loans.

As a general matter, the Majority Members reject these conditions as unworkable, unnecessary, and overreaching for the reasons discussed earlier. For the avoidance of doubt, however, the Majority Members note the following:

1. M2 Loan

The M2 loan is a loan is fully performing and adequately collateralized, and the interest rate on the loan is at market due to the presence of a stable tenant that is paying rent. However, as a condition of the Minority Member ratifying and approving the loan, the Majority Members would agree to (1) increase the interest rate to 12%, and (2) personally guarantee 50% of the loan amount.

2. IGP Loan

The IGP loan is fully performing and securely collateralized with a 24.31% loan to value ratio. The original sponsor (in which the Majority Members owned an interest) sold the property to an unrelated third-party buyer who fully and unconditionally assumed this loan and has indicated an intent to fully repay it at maturity. The property has a market interest rate and a stable borrower. The Majority Members have no remaining interest in this loan or the borrower.

In connection with the sale of the property to the unrelated third party that assumed the loan, the unrelated third party decided that it did not need the $341k in reserves being held by the original sponsor, so those reserves were released to the sponsor's owner, which included the Majority Members. As a condition of the Minority Member approving and ratifying the loan, the Majority Members would pledge $341k in additional collateral to secure this loan.

3. LTB Loan

To address the Minority Member's concerns about the Majority Members' interest in the LTB partnership, the Majority Members fully and unconditionally surrendered their interests in that partnership, so they have no remaining financial interest in the borrower or loan. Their only remaining interest is to maximize the Company's returns on this loan.

This loan recently matured on January 1, 2024, and it was always expected that this loan would need to be extended at maturity as the project is still under development. The borrower has made every periodic payment due on this loan, including interest payments following the loan's maturity. The borrower has recently made a proposal to restructure and extend this loan, and the Majority Members – who, again, have no remaining interest in this loan—firmly believe it is in the best interests of the Company to negotiate a restructure and extension with the borrower.

The Minority Member asserts for the first time in his memorandum that the borrower is in default on the loan because the Majority Members surrendered their interests in the borrower partnership. That smacks of bad faith. The Majority Members surrendered their interest to address complaints made by the Minority Member about the Majority Members having an interest in the borrower. There is absolutely no prejudice to the Company associated with the surrender and no good faith basis for the Company to declare a default based on the surrender.

The Majority Members intend to make a presentation to the Committee on how to handle the borrower's proposal and manage this loan going forward, and because they have no ongoing interest in the borrower or this loan, they—as noted earlier—are disinterested members of the committee entitled to participate and vote in the Conflicts Committee on the future management of this loan.

4. Morongo II Loan

As noted earlier, the Majority Members would agree to increase their personal guarantee from $1.9 million to $3.5 million as a condition of ratification and approval by the Minority Member. If a deed in lieu of foreclosure is approved, the $3.5 million guarantee would carry forward with an applicable asset pledge from the Majority Members until the properties are sold.

IV.

Miscellaneous

In addition to the matters expressly addressed above, the Majority Members note that the Minority Member's report raises other issues that are clearly outside the scope and remit of the Conflicts Committee, such as the resignation of Tyler Grief, loans to unrelated third parties such as Ryan Csaftis, Michael Shadman, KSM Real Estate LLC, and Ohana Alliance Group LLC, and various other matters. Because these matters are outside the scope of the Conflicts Committee's remit, they are not addressed herein. For the avoidance of doubt, the Majority Members' failure to address any matter raised by the Minority Member is not intended to be, and should not be construed as, agreement with the Minority Member's assertions.

EXHIBIT E

MEMORANDUM

TO:	Pelorus Management Group, LLC
FROM:	Conflicts Committee of Pelorus Fund, LLC, by the Disinterested Member (as defined below)
CC:	R. Cowie, Alston & Bird LLP, Greenspoon Marder LLP
DATE:	February 21, 2024
RE:	Response to January 29, 2024 Memorandum by D. Leimel, Jr., R. Sechrist

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Travis Goad ("Mr. Goad" or the "Disinterested Member"), the sole disinterested member of the Conflicts Committee (the "Conflicts Committee" or the "Committee") of Pelorus Fund, LLC (the "Company") with respect to the Morongo II, Leave it to Beaver ("LTB"), IGP Rancho/818 Industrial ("IGP") and M2 loans (collectively, the "Related Party Loans" or "RP Loans") has received and reviewed the Memorandum of January 29, 2024 (the "RP Memo") from Mr. Leimel and Mr. Sechrist (the "Subject Related Parties") provided in response to the Memorandum of January 12, 2024 from the Disinterested Member (the "DM Memo"). Unless otherwise indicated, capitalized terms used in this Memorandum shall have the meanings given them in the DM Memo.

The RP Memo contains many misleading statements and mischaracterizations. While it is not the Disinterested Member's intent to address each of them, in this Memorandum, the Disinterested Member clarifies the most notable inaccuracies in the RP Memo.[1]

I. Misleading Terminology used in the RP Memo; Authority.

The RP Memo uses the term "Majority Members" to refer to Messrs. Leimel and Sechrist and the term "Minority Member" to refer to Mr. Goad in an apparent effort to mischaracterize the process for handling Related Party Transactions under the Policy and to minimize Mr. Goad's role and authority. The RP Memo also states that "the Majority Members, as the sole adopters of the Policy and as a majority of the Conflicts Committee, retain the power to interpret the Policy, with the guidance of Fund Counsel, which drafted the Policy." The terms "Majority Members" and "Minority Member" are not used in the Policy. The RP Memo's use of these terms is a clear attempt to subvert both the intent and clear language of the Policy by claiming that, notwithstanding whether any member of the Conflicts Committee is a Related Party with respect to a transaction, a simple majority of the Conflicts Committee has the authority to impose its interpretation of the Policy, and then take the actions it deems appropriate, over the objections of the disinterested minority. The Policy does not confer authority on a "majority" which includes

[1] As to the statements, characterizations, and assertions in the RP Memo which are not directly addressed herein, the Disinterested Member, on behalf of the Conflicts Committee, does not admit the veracity of same. Nothing contained herein shall be construed as an admission or waiver of any kind. The Disinterested Member on behalf of the Conflicts Committee expressly reserves all rights to challenge, object to, clarify and/or refute any and all such statements if and as necessary. A full reservation of rights, claims, defenses, and remedies is expressly made herein.

any Related Parties.[2] Likewise, no authority is conferred upon the Subject Related Parties under the Policy as "the sole adopters of the Policy." While the Subject Related Parties, in their capacities as managers of Pelorus Management Group, LLC (the "Manager"), executed the written consent adopting the Policy, the RP Memo conveniently glosses over the history of the Policy and the begrudging acquiescence of Messrs. Leimel and Sechrist to its adoption.[3]

The RP Memo also refers to Mr. Goad's "employment with the Manager" in an apparent effort to denigrate his role as merely one of employment. Again, such framing is neither relevant nor accurate. Mr. Goad is a partner in the Manager, and he owns a minority interest. Mr. Goad is not an employee. It is curious why the RP Memo contains such framing, as the respective Members' classification, ownership interest, and concepts of majority/minority status are neither mentioned in, nor relevant to, the Policy and the Conflicts Committee it created. Indeed, such terminology in no way assists in identifying much needed solutions for the instant RP Loans. The terms "Related Parties" and "disinterested member(s)" are used in the Policy. For clarity and consistency, these Policy terms are used in the DM Memo and in this Memorandum to refer to Messrs. Leimel and Sechrist ("Subject Related Parties") and Mr. Goad ("Disinterested Member").

The Policy has been adopted and indisputably created the three-member Conflicts Committee, and those members are Mr. Leimel, Mr. Sechrist, and Mr. Goad. It is agreed that the Conflicts Committee was created to review Related Party Transactions, and that four such Related Party Transactions are currently under review: Morongo II, LTB, IGP, and M2. With respect to that review, the Policy provides: "**Notwithstanding anything to the contrary otherwise contained in this Policy, no member of the Conflicts Committee shall participate in the review of any Related Party Transaction in respect of which he […] is the Related Party**." As Mr. Goad is the sole disinterested member of the Conflicts Committee with respect to the four RP Loans currently under review, Mr. Goad alone has the authority to review the RP Loans and "make recommendations for the approval, ratification or disapproval" of such loans. The review

[2] The Policy provides:

(i) "In the event that all the members of the Conflicts Committee are interested parties for a particular matter, a fourth disinterested member shall be added to make the decision(s) on the relevant matter."

(ii) "[T]he Manager has determined that the Conflicts Committee is best suited to review Related Party Transactions on behalf of the Manager and make recommendations to the Manager with respect to the approval, ratification or disapproval of any Related Party Transaction. It is the policy of the Company that all Related Party Transactions […] will be subject to review by the Conflicts Committee in accordance with the procedures set forth below and following such review, the recommendation by the Conflicts Committee shall constitute the good faith approval, ratification or disapproval of the Manager."

[3] To clarify, Alston & Bird LLP ("Company Counsel" or "Fund Counsel") drafted the Policy following Mr. Goad's request for guidance regarding the RP Loans. After some delay, the Subject Related Parties, in their capacities as managers of the Manager, reluctantly executed the written consent adopting the Policy as a result of the months-long insistence of Mr. Goad and the then-CFO of the Company, Tyler Greif, that the Manager take the actions necessary to protect the Company and its investors and to minimize any damage caused by the RP Loans, most of which, unbeknownst to Mr. Goad, were not performing as the Subject Related Parties had anticipated. Indeed, prior to his resignation, Mr. Greif made many of the same recommendations with respect to the RP Loans as were again made in the DM Memo. To date, most of those recommendations remain ignored, and none have been implemented by the Manager.

and recommendations of the Conflicts Committee with respect to the approval, ratification, or disapproval of the four RP Loans is the essence of the task currently under Mr. Goad's charge.[4] To interpret the Policy otherwise would divest the Conflicts Committee of any ability to direct the implementation of meaningful actions with respect to the RP Loans and would necessarily render the Conflicts Committee useless. Having a duty to act in the best interests of the Company and its investors, neither Company Counsel, as drafters of the Policy, nor the Subject Related Parties, as adopters of the Policy, should want to create such a result.

II. Divestment of Interests in LTB and IGP by the Subject Related Parties

As noted in the DM Memo, under the Policy, "a 'Related Party Transaction' is a transaction […] in which the Company or any subsidiary is […] a participant and in which any Related Party *had* or will have a direct or indirect monetary interest" (emphasis added). On its face, the Policy does not provide for recharacterization of a Related Party Transaction by the divestment of the Related Party's ownership interest. Per the Policy language, the Subject Related Parties *had* an interest in the LTB and IGP loans/borrowers. Therefore, these loans remain RP Loans. Given that the intent of the Policy is to protect the Company and its investors, from a practical perspective, interpreting the Policy to permit a Related Party to unilaterally divest itself of its ownership interest in a Related Party Transaction without input or oversight by the Conflicts Committee, and then claim that it is disinterested and thus able to participate in the decision-making process regarding such Related Party Transaction, would undermine one of the central purposes of the Policy: to prohibit a Related Party from making decisions with respect to a Related Party Transaction. As noted in the DM Memo, the Disinterested Member believes that the Subject Related Parties have, in fact, made decisions and taken actions with respect to the RP Loans that have served to cover up losses, including actions to extend additional credit in order to conceal, and delay discovery of, the amount of losses. Permitting the Subject Related Parties to formally exercise authority over the LTB and IGP loans would embolden the Subject Related Parties to continue to take such actions and further the interests of the Subject Related Parties and the Related Third Parties (as defined below) over the interests of the Company and its investors, an outcome that the Policy was adopted to prevent.

In addition, under the LTB loan documents, it is an event of default to transfer an interest in the borrower without the Company's approval. As an RP Loan, any action, including waiver of an event of default, requires the approval of the Disinterested Member. The Subject Related Parties did not seek such approval. Rather, they executed documents purportedly relinquishing their ownership interests in the borrower of the LTB loan for no apparent consideration (the "LTB Redemption"), a fact that has gone unexplained by the Subject Related Parties. As a result of the LTB Redemption, third parties who are borrowers in other RP Loans and non-Related Party loans made by the Company (Ryan Csaftis and Michael Shadman) ("Related Third Parties") together with other owners were likely left with a larger ownership interest in the borrower; however, the Disinterested Member has not received sufficient information to confirm the current ownership of the borrower. The Subject Related Parties also chose not to impose any Market Terms on the Related Third Parties as a condition to the LTB Redemption. Given that the redemption was

[4] In the RP Memo, the Subject Related Parties inexplicably cite to allegations in a wholly independent litigation involving Mr. Goad. That separate action has no bearing on the Committee's work and therefore does not warrant a response.

consummated for no consideration and that the project is largely vacant and therefore not generating sufficient income to cover debt service, it is reasonable to question whether any arrangement was made between the Subject Related Parties and the remaining ownership group as a *quid pro quo* for accepting the redemption. As noted in the DM Memo, these and similar arrangements, as well as ongoing decisions made by the Subject Related Parties which appear to favor the interests of the Related Third Parties in the form of non-Market Terms, strongly suggest that a continuing financial relationship exists between and among the Subject Related Parties, Rick Scatterday and Covenant Capital LLC, his affiliated entity, and the Related Third Parties (collectively, the "Related Party Ownership Group"). While the Subject Related Parties deny the existence of any such relationship in the RP Memo, they offer no explanation for their actions to refute this conclusion.

With respect to the IGP loan, the Subject Related Parties purportedly transferred their ownership interests in the borrower to one or more third parties prior to the adoption of the Policy (the "IGP Transfer," and together with the LTB Redemption, the "Transfers"), but the facts and circumstances of the IGP Transfer remain unknown to the Disinterested Member as the Subject Related Parties have failed to provide the documentation for the IGP Transfer. However, from his review of the IGP loan documentation, the Disinterested Member has determined that, as with the LTB Redemption, the Subject Related Parties did not impose any Market Terms on the transferee(s) of their interests as a condition to the IGP Transfer.

The Subject Related Parties also assert that, once the foreclosure or deed in lieu of foreclosure process for the Morongo II loan is completed, and "title to the property is transferred to the Company, such property becomes REO of the Company and outside the scope of the Conflicts Committee to manage." There is no basis for this assertion in the Policy or otherwise, as it would undermine the very reason for having the Policy by effectively substituting the Disinterested Member's authority with respect to a Related Party Transaction with the authority of the Related Parties themselves. As noted above, the RP Loans remain Related Party Transactions notwithstanding any changes of ownership.

Contrary to assertions made in the RP Memo that, upon the Subject Related Parties' divestment of their interests in the LTB and IGP borrowers, the Subject Related Parties' "only remaining interest managing these loans going forward fully aligns with the Company's interests," namely, "to maximize the Company's returns on [these] loans," the Subject Related Parties' proposed course of action with respect to the Morongo II loan, which was shared with the Disinterested Member, calls for additional funding to complete the project in excess of the completed market value of the project, which would lead to even greater losses to the Company, and involves continued payments to Palomar Coast Development, which is owned by the members of the Related Party Ownership Group (Ryan Csaftis and Michael Shadman), the same parties who contributed to the project's failure. Notwithstanding the Subject Related Parties' claims to the contrary, it is clear that the interests of the Subject Related Parties, as part of the Related Party Ownership Group, are not aligned with the Company's interests as evidenced by the proposed plan for the Morongo II loan as well as the proposed plan for the LTB loan.

Having purportedly divested themselves of their ownership interests in the borrowers of the LTB and IGP loans[5], the Subject Related Parties now seek to make further decisions with respect to these RP Loans without any real input of the Disinterested Member. While the Subject Related Parties have shared their plans with the Disinterested Member, they have also simultaneously acknowledged that they know he will not approve them. Such action is neither permissible under, nor consistent with, the Policy, and is certainly not in the best interests of the Company and its investors.

Accordingly, notwithstanding the fact that the LTB and IGP loans are RP Loans under the plain meaning and intent of the Policy, given that the Subject Related Parties "acknowledge . . . that they are not "disinterested members" with respect to the issue of whether past transactions relating to these loans should be approved or ratified by the Conflicts Committee", the Disinterested Member hereby notifies the Subject Related Parties that he does not approve or ratify the LTB Redemption or the IGP Transfer or the waiver of any event of default under the LTB loan documents. Consequently, the Subject Related Parties have no authority to make decisions or take actions in connection with the LTB and IGP loans, and any decisions made or actions taken by the Subject Related Parties are in violation of the Policy notwithstanding Company Counsel's apparent acquiescence to the contrary.

III. Response of the Subject Related Parties to Findings of the Disinterested Member

The Subject Related Parties dispute the findings of the Disinterested Member in the DM Memo with respect to the RP Loans on a number of points. The Disinterested Member is ready and willing to address each such point.

In order to reasonably determine when and whether Market Terms were implemented by the Company and to conduct a fair and complete assessment of the Company's loan portfolio, the Disinterested Member reviewed each cannabis-related real estate loan transaction entered into by the Company since the Company began making such loans in 2016. The results of this research are attached as Exhibit A to this memorandum (the "Historical Loan Tape") and in the charts set forth below (the "Historical Charts"). Given the unknown nature of the relationships between and among members of the Related Party Ownership Group, for purposes of compiling this information, the RP Loans (in which the Subject Related Parties are borrowers) were grouped together with non-Related Party loans in which the borrower is a member of the Related Party Ownership Group other than the Subject Related Parties (such loans, the "RPOG Loans"), providing a comparison of the key market terms of the RPOG Loans to those of all non-Related Party loans.

The results of the review revealed in the Historical Loan Tape and in the Historical Charts provide a more complete picture of the exceptional treatment given to the Related Party Ownership Group by the Subject Related Parties by showing that the examples of market terms provided by the Subject Related Parties in the RP Memo are, in fact, exceptions to the Company's ordinary course Market Terms.

The closing of each RP Loan and subsequent upsizes occurred as follows: (i) M2: closed on 6/11/19, modification closed on 1/12/2023; (ii) LTB: initially closed on 6/23/2020, Upsize 1

[5] As noted above, the Subject Related Parties also erroneously claim that, upon foreclosure of the Company's interests in the Morongo II loan, they will also become disinterested members of the Conflicts Committee with respect to such loan.

closed on 12/8/2021, Upsize 2 closed on 6/14/2022, and Upsize 3 closed on 11/1/2022; (iii) Morongo II: initially closed on 8/25/2021[6], Upsize 1 closed on 12/3/2021, Upsize 2 closed on 8/4/2022, and Upsize 3 closed on 3/17/2023; and (iv) IGP: closed on 9/14/2021, the Subject Related Parties purportedly transferred their ownership interests in IGP on 9/15/2022.

Loan-to-Cost and Loan-to-Value[7]

The RP Memo incorrectly states that "[a]ll four loans under review were originated at a time when the Company used loan to value [("LTV")] ratios, not loan to cost [("LTC")] ratios, for purposes of pricing and underwriting loans." That is not the case as evidenced by numerous contemporaneous emails from Mr. Leimel and others as well as other communications. The examples used in the RP Memo are misleading. The HHC loan was only assessed on an LTV basis as an exception to the rule based upon the unique facts of the underlying transaction. Specifically, with respect to the HHC loan, the borrower bought two properties, one of which was rural land which was rezoned for cannabis, obtaining uniquely favorable zoning for the property and allowing the borrower to grow ten times the amount of cannabis that the borrower would otherwise be permitted to grow, thus adding significant value over the purchase price. In addition, the LTV on the combined properties "as-is" prior to improvements that the Company intended to fund was $30MM, which resulted in a 60% LTV at closing. Further, the Company was granted a 25% equity interest in the sponsor, making this loan an attractive investment for the Company.

The following Historical Chart shows the Company's loan originations by year, comparing LTC ratios for RPOG Loans (see the column entitled "LTC-RPOG") to non-RPOG Loans (Market) (see the column entitled "LTC-Market") originated at or around the same time. As the chart clearly shows, the claims made in the RP Memo that the RP Loans were originated on Market Terms at the time of origination, and that the Disinterested Member "fails to consider market terms of these loans at the time they were priced and underwritten," are demonstrably false.

Comparison of LTVs/LTCs and Interest Reserves

Origination Year	# of Loans	LTV - Market	LTV - RPOG	LTC - Market	LTC - RPOG	Avg. Mo IR - Market	Avg. Mo IR - RPOG
2016	1	43.10%	N/A	48.08%	N/A	0.00	N/A
2017	3	33.72%	N/A	40.45%	N/A	3.00	N/A
2018	11	43.84%	N/A	63.40%	N/A	0.82	N/A
2019	10	51.79%	46.82%	56.64%	122.82%	2.67	12.00
2020	17	46.16%	52.25%	58.51%	120.80%	3.47	25.50
2021	13	51.93%	49.95%	78.54%	141.04%	4.09	28.00
2022	12	71.94%	N/A	78.39%	N/A	7.33	N/A
2023	2	85.81%	65.06%	87.97%	135.14%	6.00	9.00

The Dalvi transaction was a failed deal in which the borrower defrauded the Company and the Company, after taking possession of the property and the equity of the borrower, left the debt in place and funded an additional $5 million to fund construction and other costs, resulting in an LTC ratio of 75% at closing, not 122.24% as claimed by the Subject Related Parties.

Contrary to the representation of the Subject Related Parties, the Disinterested Member neither participated in nor approved the decision to upsize the Morongo II and LTB loans on an

[6] The original Morongo II loan was a bridge loan that closed on 2/25/2020.

[7] As noted in the DM Memo, with respect to the RP Loans, the Subject Related Parties used the loan-to-value methodology in conjunction with inappropriately inflated appraisals to boost the amounts of loans to cover interest payments and create substantial interest reserves. Then, when reserves became depleted and the RP Loans began to fail, the Subject Related Parties sought to upsize the loans to avoid default.

LTV basis in 2021, as the Disinterested Member only learned of these transactions on or around the date that each transaction closed when the emails announcing the transactions were sent out.

Warrants and Equity Kickers

Contrary to the assertions in the RP Memo, warrants and equity kickers were part of the Company's loan program at the time the RP Loans were made, and the Disinterested Member's current statements about "market terms" are entirely consistent with market conditions and underwriting/pricing practices when the RP Loans were made. The HHC loan was not the first loan quoted by the Company with a warrant/equity piece. The Company obtained warrants from borrowers as far back as January, 2020 when it received warrants in the GP Holdings transaction.[8] The Company regularly quoted loans with equity kickers around the time that the RP Loans were initially closed and/or upsized (including the Rubicon construction loan in July, 2020 which did not close, the LSL Management loan in July, 2020 (signed term sheet), the Butter loan in September, 2020, the Agronomed loan in September, 2020, and the Justice Grown PA loan in December, 2020, none of which proceeded), and in addition to the GP Holdings loan, the Company received equity participation/warrants in connection with the Humboldt loan in April, 2021, and the Item 9 loan which was quoted with warrants in December, 2020 and closed in August, 2021.

Interest Reserves

Contrary to the assertions in the RP Memo, none of the interest reserves for the RP Loans were made on Market Terms at the time they were originated. The following Historical Chart clearly shows that interest reserves for RPOG Loans are considerably higher than interest reserves for non-RPOG Loans (in 2020, over seven times higher) (See the column entitled "Avg. Mo IR — Market" as compared to the column entitled "Avg. Mo IR — RPOG").

Comparison of LTVs/LTCs and Interest Reserves

Origination Year	# of Loans	LTV - Market	LTV - RPOG	LTC - Market	LTC - RPOG	Avg. Mo IR - Market	Avg. Mo IR - RPOG
2016	1	43.10%	N/A	48.08%	N/A	0.00	N/A
2017	3	33.72%	N/A	40.45%	N/A	3.00	N/A
2018	11	43.84%	N/A	63.40%	N/A	0.82	N/A
2019	10	51.79%	46.82%	56.64%	122.82%	2.67	12.00
2020	17	46.16%	52.25%	58.51%	120.80%	3.47	25.50
2021	13	51.93%	49.95%	78.54%	141.04%	4.09	28.00
2022	12	71.94%	N/A	78.39%	N/A	7.33	N/A
2023	2	85.81%	65.06%	87.97%	135.14%	6.00	9.00

Currently, average interest reserves with respect to RP Loans are 32 months as compared to an average of 3.45 months for non-RP Loans. At the time of origination, M2 (closed on 6/11/2019) set the Company record with a 12-month initial interest reserve at closing. Prior to M2, the average was 1 month with 13 of the previous 17 loans having no interest reserve whatsoever. The Company's next longest interest reserve was put in place for Morongo II which was provided a 17-month interest reserve as a bridge loan on February 25, 2020, the longest ever provided by the Company up to that date. At the time of this Morongo II closing, the average interest reserve, excluding the RP Loans that were entered into at the time (M2 and Morongo II), was 1.8 months. Morongo II was subsequently refinanced with an additional 26 months of interest reserve for a combined 43-month total interest reserve, the longest in Company history to date.

[8] The GP Holdings loan was upsized three times with additional warrants granted to the Company each time.

The next longest interest reserves for all Company loans are LTB at 34 months and IGP at 30 months.

Equity Investment by Sponsors ("Skin in the Game")

Contrary to the assertions in the RP Memo, the loan originations for M2, LTB, and Morongo II did not predate this structure. Dating back to early 2020, when Mr. Goad joined the Company, the Company's tear sheets and internal communications establish that the Company had incorporated a requirement that borrowers invest substantial equity in connection with their loans. The RP Memo contains several other mischaracterizations with respect to the "skin in the game" analysis for RP Loans. With respect to the IPG loan, the estimated value of $14.850 million as a logistics center is not correct; rather, this valuation was based on a fully-entitled cannabis project for which the entitlements were never obtained, and, as a result, the property was sold to a traditional developer who required significant additional capital in order to exit. With respect to the LTB loan, although the Subject Related Parties purported to contribute a total of $1.1 million, as noted in the DM Memo, ultimately, the loan amount far exceeded costs so, while the Subject Related Parties may have put up the money, the Company still funded over 100% of the project costs and over $3 million was paid out to the Related Party Ownership Group including over $2 million of GC fees.

Appraisals

Contrary to assertions made in the RP Memo, appraisals for the RP Loans were not obtained "for the proposed construction." Instead, appraisals were obtained for scenarios costing significantly more than the planned, budgeted projects, resulting in outsized loans with meaningless LTV ratios and bloated interest reserves designed to protect the Subject Related Parties from having to come out of pocket for interest. This practice might have gone unnoticed had the RP Loans been properly vetted and underwritten; but they were not, and the Company and its investors have been left with all of the losses.

Cross-collateralization and Cross-defaulting

Contrary to assertions made in the RP Memo, cross-collateralization and cross-defaulting were indeed the market practice at the time the RP Loans were originated. Examples of loans which were cross-collateralized/cross-defaulted before, contemporaneously with, or shortly after the RP Loans were originated and/or upsized include the Muskrat, LLC #1963 loan which closed on 11/23/2016 and which was cross-collateralized and cross-defaulted with the Muskrat #1987 loan which closed on 12/15/2017; the William Conner #1966 loan which closed on 2/17/2017 and which was cross-collateralized and cross-defaulted with the William Conner #1989 loan which closed on 2/23/2018; the 5 Sheridan #2026 loan which closed on 8/10/2020 and which was cross-collateralized and cross-defaulted with the One Fourteen #2049 loan which closed on 9/17/2021; two Item 9 loans which closed on 8/25/2021 (the same day as the Morongo II refinancing); and two Cookies loans which closed on 5/11/2022 and 6/17/2022. The following Historical Chart shows that, of the 25 loans made by the Company in which a borrower is party to more than one loan, 12 of those loans are non-RPOG Loans, <u>all</u> of which are cross-collateralized and cross-defaulted, and 11 of those loans are RPOG Loans, <u>none</u> of which are cross-collateralized and cross-defaulted. [9] The only non-RPOG Loans that were not cross-collateralized and cross-defaulted were

[9] The Subject Related Parties claim that "[g]iven that the owners of LTB, Morongo II and IGP were not the same people, cross collateralizing/cross defaulting was not an option, nor would it have been required."

the Muskrat 15 and Muskrat 18 loans which were made to borrowers who were partners with the Subject Related Parties on the IGP loan and appear to have also received special treatment in this regard.

Cross-Collateralized / Cross-Defaulted		**%**	**Property**
Total number of Loans made to same sponsor	25	100.00%	
Same Sponsor & Cross-collateralized & Unrelated Parties	12	48.00%	Cookies / STHZ / Item 9 / Muskrat LLC / William Conner / 5Sheridan & OneFourteen
Same Sponsor / Not Cross-Collateralized / Related Party	11	44.00%	Related Party Ownership Group
Same Sponsor / Not Cross-Collateralized / Unrelated Party	2	8.00%	Muskrat Unit 15 / Muskrat Unit 18*
*Owners were also partners on 818 Industrial Park with Dan/Rob/Rick			

Anomalous Payments

With respect to anomalous payments, despite numerous emails from Mr. Leimel requesting and approving such payments, the Subject Related Parties falsely claim that "[t]he Majority Members have not seen any evidence that any anomalous payments were made, and they are not aware of any such payments." The RP Memo claims that "[w]ith respect to Morongo II, the referenced payments of GC fees are not only permissible but very common—the opposite of unusual." To the contrary, in the history of the Company, such payments were very unusual, unless the payments were made to a member of the Related Party Ownership Group, as shown in the following chart:

Owner/Builder GC Fees Paid			
Total # of Loans to Owner/Builder GC	28	Amount Paid	% Paid Life of Pelorus
Owner/Builder GC Paid Fees	8	$ 5,055,955	
Palomar (RPOG GC)	7	$ 4,901,855	97.0%
Non-Palomar GC Owner Builder Paid*	1	$ 154,100	3.0%
*This appears to have been paid to a company that our sponsor was working for at the time; he is not known to be a principal in the firm and his employer did the construction.			

Per the chart, of the Company's 28 construction loans involving an owner/builder (i.e., the GC and the borrower were either the same party or related parties), GCs were paid fees out of borrowed funds in only 8 of such loans amounting to payments of $5,055,955; of those 8 loans, 7 were RPOG Loans with total payments of $4,901,855 comprising 97% of such fees. All of such payments were made to Palomar Coast Development which is owned by the Related Third Parties (Ryan Csaftis and Michael Shadman).

The RP Memo refers to several payments made in connection with the RP Loans including a $161K payment in connection with Morongo II and a $341K payment in connection with IGP. These and other payments are not routine market payments and are emblematic of the mindset of

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This is not accurate. While the borrowers of each of the RP Loans are not identical, the Subject Related Parties could have (and still could) adequately cross-collateralized and cross-defaulted their interests in the RP Loans. In addition, given the ownership interests of the Related Third Parties in the RP Loans and the fact that such Related Third Parties are seeking concessions with respect to certain non-Related Party loans (e.g., Palm Drive), the Subject Related Parties could insist that such Related Third Parties also cross-collateralize and cross-default their interests. But the Subject Related Parties have refused to do so.

the Subject Related Parties who have a fiduciary obligation to act in the best interests of the Company and its investors.

Recourse/Bad Boy Guarantees

The RP Memo states that "since 2011 Pelorus has funded 329 loans with a weighted average of 82% having personal guarantees." The Company did not begin its cannabis lending business until 2016, so the statistic proffered by the Subject Related Parties includes many loans made by the Company when it was primarily making residential loans. Such loans are not relevant to the analysis. The following Historical Chart indicates that of the 69 cannabis-related real estate loans made by the Company, 58 of them (83%) were full recourse to individuals, public companies or investment funds, and 12 of them (17%) did not. Of the 12 non-recourse loans, 11 of them were RPOG Loans.

Recourse vs. Non-Recourse		
Recourse Type	**Count**	**%**
Recourse Personal and/or Corporate	57	83%
Non-Recourse	12	17%
Total	**69**	**100%**
Non-Recourse / Related Party Ownership Group	11	92%
Non-Recourse - Unrelated Party	1	8%

IV. Recommendations Moving Forward

As explained above and in the DM Memo, the Policy grants the Disinterested Member the authority to "take such action as it deems necessary" with respect to the RP Loans. Nevertheless, the Subject Related Parties appear to reject this mandate and reject many of the Disinterested Member's determinations and proposed actions. The Subject Related Parties agree that "the Conflicts Committee can condition its decision to recommend approval or ratification of a Related Party Transaction on third parties agreeing to take certain actions and "that [the Subject Related Parties] are not "disinterested members" with respect to the issue of whether past transactions relating to these loans should be approved or ratified by the Conflicts Committee." Putting aside the Disinterested Member's disagreement with such limitations and the other interpretations of the Policy expressed in the RP Memo, on behalf of the Conflicts Committee, the Disinterested Member hereby recommends:

(i) That the RP Loans be disapproved and not ratified; and

(ii) That the Subject Related Parties promptly meet with the Disinterested Member together with counsel to the Conflicts Committee to discuss the actions that the Disinterested Member deems necessary and appropriate as conditions to any modification of the foregoing recommendation.[10]

[10] Notwithstanding his willingness to meet with the Subject Related Parties about the RP Loans, given the position taken by the Subject Related Parties in the RP Memo, the Disinterested Member does not believe that such a meeting would be useful in his efforts to resolve the issues created by the RP Loans in a manner that is favorable to the Company and its investors. This belief is further reinforced by recent correspondence from Mr. Leimel stating that he knows that the Disinterested Member will vote not to approve the actions proposed by the Subject Related Parties with respect to the LTB loan but that they intend to proceed with a vote anyway. As noted above, the Disinterested Member has consistently maintained that recommendations with respect to the LTB loan and the other RP Loans are not subject to majority vote. Accordingly, any meeting regarding any of the RP Loans in which the vote of the Subject Related Parties presumes to be determinative of the Company's proposed actions clearly violates the Policy, serving only to conceal the illegitimacy of such proposed actions behind the imprimatur of legitimate corporate governance. If the Members cannot agree on this basic principle, the Disinterested Member questions the usefulness of any proposed meeting.

EXHIBIT A

Historical Loan Tape

(Attached)

EXHIBIT F

From: Travis Goad <travis@peloruscg.com>
Sent: Friday, April 26, 2024 4:36 PM
To: Dan Leimel Jr. <dan@peloruscg.com>; Rob Sechrist <rob@peloruscg.com>
Cc: Hammett, Donald <Donald.Hammett@alston.com>; lane.folsom@alston.com; Roger Cowie <rcowie@lockelord.com>; Samidh Guha <sguha@guhapllc.com>; Robert Wessely <Robert.Wessely@gmlaw.com>; Michael E. Ross <Michael.E.Ross@gmlaw.com>
Subject: Re: Morongo II / meeting notes re: DIL

Dan,

I'm adding back in Greenspoon, as they are Conflicts Committee Counsel and they have a role to play. I'm happy for you guys to reach out to Sandi and see what she says. But I need Greenspoon or Fennemore as counsel on any call.

Again, I remain ready to discuss the loan, with proper legal counsel and am flexible next week on timing. I'd offer up the same time windows on Monday, Tuesday and Wednesday, 9am pst - Noon PST. Or such other time that may work.

Travis

Get Outlook for iOS [aka.ms]

EXHIBIT G

From: Travis Goad <travis@peloruscg.com>
Sent: Tuesday, March 5, 2024 9:40 AM
To: Kelly Purcaro; Robert Wessely; Michael E. Ross
Subject: FW: Conflicts Committee / Attempts to Disband Committee

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[External Sender]

Travis Goad
Managing Partner

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New York, NY 10003
(954) 579-4934 Direct Line
www.pelorusequitygroup.com

From: Travis Goad
Sent: Tuesday, March 5, 2024 10:39 AM
To: Dan Leimel Jr. <dan@peloruscg.com>; Rob Sechrist <rob@peloruscg.com>
Cc: Hammett, Donald <Donald.Hammett@alston.com>; rcowie@lockelord.com; Samidh Guha <sguha@guhapllc.com>; lane.folsom@alston.com
Subject: Conflicts Committee / Attempts to Disband Committee

Dan/Rob,

We've been advised by Don and Lane that you are discontinuing Greenspoon's representation of the Conflicts Committee. You're attempting to do so without discussing with me, the only Disinterested Member and I disagree with this decision. This is effectively disbanding the Conflicts Committee and you guys do not have the authority to do so as Interested Members and certainly not in respect to the Related Party Loans in which you've been properly recused from the committee by Alston and Bird.

Don/Lane, as you know, Dan has been attempting to take steps in regards to Related Party Loans bypassing the committee. I have been working to address these issues he has raised and it will continue to require the assistance of Greenspoon. I will not disband the Conflicts Committee nor dismiss Greenspoon until that work is complete. Obviously if Dan and Rob introduce new issues with respect to the Related Party Loans, it extends the work Greenspoon needs to do.

Travis Goad
Managing Partner

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