

SUITABILITY SUBSCRIPTION AGREEMENT

DISTRESSED REALTY FUND I, LLC

A California Limited Liability Company

The Units offered pursuant to this Agreement have not been registered under the Securities Act of 1933, as amended (the “Securities Act”), or registered or qualified under the securities laws of any state. They are being offered and sold in reliance on exemptions from such registration and qualification requirements. After purchase, the Units may not be sold, pledged, hypothecated or otherwise transferred without both registration under the Securities Act and registration or qualification under applicable state laws unless an exemption from such requirements is then available with written approval from the Company’s Managing Member, Realty Fund Management, Inc.

Only Accredited Investors will be permitted to subscribe to invest in the Unit(s). An investment in the Units is speculative and involves a high degree of risk. Investors may lose all or part of their investment. An investment in the Units should be entered into only by Investors who are aware of the risks, who have sufficient financial resources to enable them to assume such risks, and who have the ability and willingness to accept the risk of total loss of their invested capital. Potential Investors should review carefully the specific risk factors referred to in the Confidential Private Placement Memorandum before making a decision to invest in the Units.

Subscription Instructions:

To subscribe, you must (1) carefully read this entire agreement and the accompanying Confidential Private Placement Memorandum, (2) complete and sign this Suitability Subscription Agreement Signature Page and Registration Form at the end of this Agreement, and (3) prepare a check to “Distressed Realty Fund I, LLC” for the total purchase price of the Units for which you are subscribing for (at \$25,000 per Unit), and (4) submit the complete agreement and check to:

Distressed Realty Fund I, LLC
c/o Realty Fund Management, Inc.
895 Dove Street, Suite 300
Newport Beach, CA 92660
Attention: David Zussman
Phone: (714) 342-0785
Fax: (949) 640-2814

ADDITIONAL INFORMATION

Prospective Investors may ask questions and receive answers concerning the terms and conditions of the Fund Offering and obtain any additional information that the Fund possesses or can acquire without unreasonable effort or expense that is necessary to verify the accuracy of information provided in this Memorandum. Prospective Investors are entitled to review copies of any material contracts or organizational documents relating to the Fund. Copies of all reports and financial statements prepared by third parties in connection with this Fund Offering are available upon request to the Managing Member.

SUPPLEMENTAL SALES LITERATURE

In connection with this Offering, the Fund will make use of flyers, brochures, pamphlets, web site, newspaper, and radio or television tombstone ads, describing certain aspects of this Offering. Such supplemental material will not contain any material written information that is not also set forth in this Memorandum. An Offering will be made only by means of this Memorandum.

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SUBSCRIPTION AGREEMENT

I, the undersigned subscriber, understand that DISTRESSED REALTY FUND 1, LLC, a California Limited Liability Company (the "Fund"), is offering for sale on a best-efforts basis up to 120 Units at the purchase price of \$25,000 per Unit, upon the terms and subject to the conditions set forth in this agreement and in the Fund's Confidential Private Placement Memorandum dated December 7, 2009 (together with all exhibits, amendments, and supplements thereto, the "Offering Memorandum"). I understand that the Offering will be made on a continuous basis until one year after the effective date of the raise of the \$100,000 minimum of the Offering subject to earlier completion, earlier termination at the Fund's option, or extension at the Fund's Option for up to an additional 180 days (the "Termination Date").

1. **Subscription for Units.** Subject to the terms and conditions of this agreement, I hereby irrevocably subscribe for and agree to purchase from the Fund the number of Units set forth on the Signature Page herein, at a purchase price of \$25,000 per Unit with a check payable to "DISTRESSED REALTY FUND I, LLC" for the full purchase price of the Units in immediately available funds. I understand that the minimum number of Units I may purchase is one (1), for the minimum purchase price of \$25,000.

2. **Acceptance of Subscription: Use of Proceeds.**

a. I understand and acknowledge that the Fund shall have the right to accept or reject my subscription, in whole or in part, and that my subscription shall be deemed to be accepted by the Fund only if and when this Agreement is accepted and executed by a duly authorized representative of the Fund.

b. I understand that all subscription funds received by the Fund hereunder shall be deposited in the Fund's bank account at Chase Bank, 551 Newport Center Dr., Newport Beach, California 92660. Management will determine whether to accept my subscription. If the Fund elects not to accept this agreement, the Fund shall promptly remit to me, without interest, all or the balance (in the case of a partial acceptance) of the purchase price tendered herewith. After accepting this agreement, in whole or in part, the Fund shall issue and deliver to me a certificate representing the number of Unit(s) purchased. Each such certificate shall be registered in the name of the person(s) that completed this document and delivered to the address, which the Investor specified on the Registration Form at the end of this Agreement.

c. I understand that the Fund will use the net proceeds from this Offering for the purposes that are described in the Offering Memorandum.

3. **Representations, Warranties and Covenants of the Subscriber.** By executing this agreement, I am making the following representations, warranties, and covenants in order to induce the Fund to accept my subscription for Units: I acknowledge that the Fund and its officers, directors, employees, consultants, counsel and agents will rely upon the following representations, warranties and covenants in determining my suitability as a purchaser of the Units and in determining whether the Offering is exempt from registration under the Securities Act and from registration and qualification under State Laws. I agree that such representations and warranties shall survive my purchase of Units.

a. I am the sole and true party in interest, am acquiring the Units as principal for my own account for investment, am not purchasing the Units for the benefit of any other person, and have no present intention of, or view to acquiring, holding or managing the Units for or with others or of selling, distributing or otherwise disposing of all or any portion of or interest in the Units.

b. I am (i) if a natural person, at least 21 years of age, and (ii) a bona fide permanent resident of and am domiciled in the state or jurisdiction set forth as my residence or business address on the Registration Form at the end of this Agreement.

c. I understand that the Fund is offering the Units under the exemption for non-public Offerings provided by Section 4(2) of the Securities Act and Regulation D thereunder, as well as the exemption for Offering solely to accredited Investors provided by Section 4(6) of the Securities Act. By initialing one of the accredited Investor categories listed on the Registration Form at the end of this agreement, I represent and warrant that I qualify as an "accredited investor" as defined in Rule 501 (a) of Regulation D ("Accredited Investor").

d. I have a preexisting personal and/or business relationship with one or more of the directors, officers or employees of the Managing Member of the Fund, or with the person or entity that introduced me to the Fund. The nature and duration of this preexisting relationship is such that the person with whom I have the relationship would know of my financial condition and reasonably believe that I qualify as an Accredited Investor.

e. The offer of the Units was directly communicated to me by the Fund. At no time was I presented with or solicited by any leaflet, newspaper or magazine article, radio or television advertisement, or any other form of general advertising or solicited or invited to attend a promotional meeting other than in connection and concurrently with such directly communicated offer.

f. I have such knowledge and experience in financial and business matters that I am capable of evaluating the merits and risks of an investment in the Units, of making an informed investment decision with respect thereto, and of protecting my interests in connection with an investment therein. I have significant prior investment experience, including such experience investing in securities that has allowed me to make an informed investment decision with respect to the Fund, and to protecting my interests in connection with an investment in the Fund.

g. I am aware that an investment in the Units is highly speculative and subject to substantial risks. I recognize that the Fund, its business and my investment in the Fund will be subject to numerous investment, business and operating risks, many of which will be beyond the control of the Fund. Neither the Fund nor its affiliates can guarantee the return of my capital or that I will derive any income or profit from my investment. I have adequate means of providing for my current financial needs and possible contingencies and have no need for liquidity in this investment. I have not borrowed funds to purchase my interest without having a source of repayment of the borrowed funds, other than the Units being purchased. I have the financial ability to bear the high degree of economic risk of this investment, including, but not limited to, the possibility of the complete loss of my entire investment and the limited

transferability of the Units, which could make the liquidation of this investment impossible for the indefinite future.

h. I have been informed of and understand the risk factors set forth in the Offering Memorandum under "Risk Factors" relating to an investment in the Fund. I acknowledge that the Offering Memorandum contains forward-looking statements that involve risks and uncertainties and that, due to, among other things, the risk factors set forth in the Offering Memorandum, the Fund's actual results may differ significantly from the results discussed and projected in such forward-looking statements. I also acknowledge that the list of risk factors set forth in the Offering Memorandum may not be exhaustive and that other factors may cause the actual results and the future financial condition of the Fund to differ significantly from the projections reflected in any forward-looking statements set forth in the Offering Memorandum.

i. I acknowledge that I have carefully read this entire agreement and have read and evaluated the entire Offering Memorandum, including, without limitation, the exhibits thereto. I acknowledge and confirm that I have had a reasonable opportunity to ask questions of and receive answers from the Fund concerning the Units, the Fund, the Offering and this subscription and that all questions have been answered to my full satisfaction. I acknowledge and confirm that all documents, books, records and materials that I have requested from the Fund have been made available to me for my review and that I have been supplied with all additional information concerning the Units and the Fund that I have requested.

j. I acknowledge that I have not relied upon the Fund or their advisers for legal, financial or tax advice, and have been advised to consult with my own attorney and financial and tax advisers concerning this investment, the risks associated with it, and its suitability to my current financial and tax situation and investment objectives. I have made such inquiries and investigations as my advisers and I determined to be appropriate for the purpose of deciding whether to invest in the Fund advisers and I have determined that an investment in the Units is suitable for me.

k. I have received no representation, written or oral, from the Fund, or any officer, director, employee or agent of the Fund or any of their affiliates or representatives, other than those contained in this agreement. In making my decision to purchase the Units, I have relied solely upon my review of this agreement and the Offering Memorandum and independent investigations made by me or my representatives without assistance from the Fund, or any officer, director, employee or agent of the Managing Member of the Fund.

l. I understand that the offering of the Units will not be registered under the Securities Act or registered or qualified under any state securities laws, in reliance upon exemptions from registration under Section 4(2) of the Securities Act and Rule 506 thereunder, Section 4(6) of the Securities Act, and similar provisions under applicable state' securities laws. I acknowledge that the Units have not been approved or disapproved by the Securities and Exchange Commission or the Securities commissioner of any state, and neither the Securities and Exchange Commission nor any other authority has passed upon or endorsed the adequacy or merits of the Offering. I understand and agree that the Units or any interest therein may not be sold, pledged, hypothecated or otherwise transferred by me without any required registration

under the Securities Act and the registration or qualification under applicable state securities laws or unless exemption for such registration and qualification requirements are available, as evidenced by a written opinion of counsel satisfactory to the Fund and its counsel, as well as prior written approval of the Fund's Managing Member.

m. I realize that there currently is no market for the sale of the Units for which I am subscribing, that there is no guarantee that such a market will ever develop, that I may have to hold my Units indefinitely, and that I may be unable to sell my Units under any circumstances, including any emergency.

n. None of the following information has ever been represented, guaranteed or warranted to me, expressly or by implication, by any person: (i) the amount or percentage of profit or loss that will be realized, if any, as a result of an investment in the Units, or (ii) the expectation that that the past performance or experience on the part of any officer, director, employee, agent or affiliate of the Fund or its Managing Member will accurately predict the results of ownership of the Units or the potential success of the Fund's operations for the future results.

o. This agreement is valid and binding, enforceable against me in accordance with its terms, except to the extent that its enforceability may be limited by applicable bankruptcy, insolvency, reorganization or other laws affecting the enforcement of creditors' rights generally and by principles of equity regarding the availability of remedies.

p. I covenant to notify the Fund immediately of any change in any of the information provided by me to the Fund in connection with this agreement, or of the occurrence of any event which would render inaccurate any of my representations or warranties made in this agreement, upon the occurrence of such change or event prior to the acceptance of my subscription hereunder.

4. **Representations and Warranties of the Company**. By accepting this agreement, the Fund makes the following representations and warranties. Unless otherwise indicated, the representations and warranties are made as of the date of the Fund's acceptance.

a. The Fund is a duly organized California Limited Liability Company in good standing.

b. The Fund has the legal right and power and all authority necessary to accept and execute this agreement, to issue and deliver the Units certificate and to perform fully its obligations hereunder.

c. The Fund's current capitalization and intended use of proceeds of the Offering is as described in the Offering Memorandum.

d. This agreement has been duly authorized and, upon proper acceptance and execution by a duly authorized representative of REALTY FUND MANAGEMENT, INC., the Managing Member of the Fund, will constitute a valid and binding agreement of the Fund, enforceable against it in accordance with its terms, except to the extent that its enforceability may be limited by applicable bankruptcy, insolvency, reorganization or other laws affecting the

enforcement of creditors' rights generally and by principles of equity regarding the availability of remedies.

5. **Non-Transferability.** I acknowledge and agree that neither this agreement nor any of my interest in it is transferable or assignable without the Fund's Managing Member's written approval.

6. **Acceptance of Subscription and Operating Agreements.**

a. My execution and delivery of this agreement shall constitute an offer to purchase the number of Units set forth herein, which offer may be accepted or rejected in whole or in part by the Fund in its sole discretion, for any reason or for no reason and without liability to the Fund. The Fund shall indicate acceptance of this agreement only by executing as indicated on the Signature Page of this Agreement.

b. My execution and delivery of this agreement shall, upon the Fund's acceptance hereof, constitute an agreement to be bound as an "Investor" by and under the terms of the Operating Agreement between the Fund and all purchasers of Units in the Offering, in the form attached to the Offering Memorandum (the "DISTRESSED REALTY FUND I, LLC, "Operating Agreement"), I confirm that I have read the entire Operating Agreement.

7. **Binding Agreement.** Upon delivery of this agreement, signed by me, to the Fund, I agree that I may not cancel, terminate or revoke any obligation made hereunder or under the Operating Agreement and that all representations, warranties, covenants and duties contained in this Agreement and the Operating Agreement shall be binding upon me and my heirs, successors, assigns, executors, administrators, guardians, conservators and personal representatives and shall survive (a) the acceptance of this agreement by the Fund and (b) my disability or death. I agree that the delivery to the Fund or its agents of my facsimile signature to this Agreement shall be effective to create a valid agreement, which is binding against me in accordance with its terms.

8. **Entire Agreement.** This Agreement and the Operating Agreement constitute the entire agreement and understanding between myself and the Fund pertaining to the subject matter here that it supersedes any and all prior agreements and contemporaneous understandings of the parties pertaining to the subject matter here, whether written or oral, and may be amended only by a writing executed by all parties. No representation, promise, inducement, covenant, agreement or condition, whether written or oral, that is not embodied or referenced in this Agreement or the Operating Agreement shall be valid or binding or shall be deemed to interpret, change or restrict the express provision of this agreement or the Operating Agreement.

9. **Further Assurances.** I agree to execute and deliver all such further documents, agreements and instruments and take such other and further actions as the Fund may reasonably require in order to carry out the full intent of this agreement.

10. **Construction.** All statements, representations and other information set forth on this Signature Page to this Agreement and the Registration Form attached at the end of this Agreement are incorporated herein as integral terms of this Agreement. Words in any gender are deemed to include the other genders. The singular is deemed to include the plural and vice versa.

Personal pronouns are deemed to include both individuals and entities of every kind. All headings and titles are for convenience of reference only and are not to be considered in construing this agreement. If any provision of this agreement is judicially determined to be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not be affected or impaired.

11. **Waiver**. The waiver by any party of a breach of this agreement must be in writing, signed by the party giving the waiver. No waiver by a party shall operate, or be construed as a waiver by that party of any subsequent breach.

12. **Arbitration**: Attorneys' Fees. Any controversy or claim arising out of or relating to this Agreement or the Operating Agreement, or breach thereof, including without limitation claims against any party, its directors, officers, employees, affiliates or agents, shall be settled solely by binding arbitration in Los Angeles or Orange County, California, in accordance with the Commercial Rules of the American Arbitration Association. The arbitrator shall be an active Member of the California bar. In the proceeding, the arbitrator shall apply California substantive law and the California Evidence Code, except that the arbitrator's authority in awarding damages shall be interpreted under New York law. The parties understand and agree that New York law precludes the awarding of punitive damages. The arbitrator shall prepare an award in writing, which shall include factual findings and any legal conclusions on which the decision is based. Judgment upon any award rendered by the arbitrator(s) may be entered in California State Court in Los Angeles or Orange County, California, or a Federal District Court in Los Angeles or Orange County, California, and those courts shall be the sole venue for the resolution of any non-arbitral dispute, including related to this arbitration provision or enforcement of any award upon any judgment rendered in arbitration. In the event of any arbitration or other action arising out of or related to this agreement, the prevailing party in such arbitration or other action shall be entitled to receive an award of all costs and expenses of such arbitration or other action, including reasonable attorneys' fees and costs, and all other expenses in connection therewith, in addition to any other award or remedy provided in such arbitration or action, and the same shall be include in the award and any judgment.

13. **Indemnification**. As the Investor, I covenant and agree to indemnify and hold the Fund, the Managing Member, and all directors, officers, affiliates and brokers, and agents free and harmless from and against any loss, damage or liability arising from or due to any false statement, representation or omission I have made in this Agreement (including on the Signature Page and the Registration Form) or any breach of the representations, warranties or covenants I have made in this Agreement. I hereby grant to the Managing Member a special Power of Attorney described as follows:

a. I hereby appoint the Managing Member as my attorney-in-fact with a limited power and authority to act in my name and on my behalf for the limited purpose of executing, acknowledging and swearing to in the execution of the DISTRESSED REALTY FUND I, LLC, and Operating Agreement. I acknowledge receipt of such Operating Agreement as an exhibit to the Offering Memorandum and agree to abide by the terms of the Operating Agreement.

b. The power of attorney is a special power of attorney coupled with an interest, is irrevocable, shall survive my death and is limited to those matters herein set forth.

c. The power of attorney may be exercised by the Managing Member acting alone for me by a facsimile signature of the Managing Member or by listing all of the Unit holders in the Company executing any instruction with a single signature of Managing Member acting as an attorney-in-fact for all of them.

Signature Page and Registration Form Follow

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SIGNATURE PAGE

I declare under penalty of perjury that the information, which I have supplied in this agreement (including on this Signature Page and the Registration Form) for the purpose of subscribing for Units from the Fund in the Offering, is true, correct and complete in all respects.

IN WITNESS WHEREOF, I have executed this agreement as of the ____ day of _____, 20____.

By:

Print name of subscriber

Number of Units subscribed for

Phone Number

Fax Number

Cell Number

E-Mail Address

By: _____

Signature of subscriber (or signature of the individual authorized to sign on behalf of the entity that is subscriber)

Total purchase price tendered for Units subscribed for, at \$25,000 per Unit (make check payable to "Distressed Realty Fund I, LLC

ACCEPTANCE

The undersigned hereby accepts the foregoing subscription with respect to Units as of the date set forth below.

Distressed Realty Fund I, LLC
c/o: Realty Fund Management, Inc.
Its: Managing Member, David Zussman, President,

Date: _____

By: _____
David Zussman, President

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REGISTRATION FORM

(Must be completed in full)

1. Form of ownership. If my subscription is accepted, then please register ownership of my Units as follows:

Joint Tenants

Tenants in Common

Husband and Wife, as community property

Married (Man) (Woman) as sole and separate property

Other (specify: e.g., corporation, partnership, trust, estate, limited liability company, single man or woman, etc.)

2. Name in which my Units are to be registered.

Please print _____

3. Registered address for delivery of notices and other Fund communications (including telephone number, facsimile number and email address).

Please print _____

Telephone No.

Facsimile No.

E-mail Address

4. Address for delivery of Unit certificate representing the Units (if different from above.)

Please print _____

5. My Social Security or Taxpayer ID Number _____

6. My status as an accredited Investor. By checking any item below, I certify that I qualify as the type of accredited Investor, which is described by that item:

Categories for Individuals:

A natural person whose net worth (or joint net worth with his or her spouse) is in excess of \$1,000,000 as of the date hereof.

A natural person who had individual income in excess of \$200,00 in each of the two most recent years or joint income with that person's spouse in excess of \$300,000 in each of those years and has a reasonable expectation of reaching the same income level in the current year.

Categories for Entities:

An organization described in Section 501(c)(3) of the Internal Revenue Code, corporation, Massachusetts or similar business trust, or partnership, not formed for the specific purpose of acquiring the Units, with total assets in excess of \$5,000,000.

A private business development company as defined in Section 202(a)(22) of the Investment Advisers Act of 1940.

A trust, with total assets in excess of \$5,000,000, not formed for the specific purpose of acquiring the securities offered, whose purchase is directed by a person who has such knowledge and experience in financial and business matters that he is capable of evaluating the merits and risks of the prospective investment.

A bank as defined in Section 3(a)(2) of the Securities Act, or a savings and loan association or institution as defined in Section 3(a)(5)(A) of the Securities Act with the team in its individual or fiduciary capacity.

A broker dealer registered pursuant to Section 15 of the Securities Exchange Act of 1934 ("Exchange Act").

An insurance company as defined in Section 2(13) of the Securities Act.

An investment company registered under the Investment Company Act of 1940 or business development company as defined in Section 2(a)(48) of the Act.

A Small Business Investment Company licensed by the U.S. Small Business Administration under Section 301 (c) or (d) of the Small Business Investment Act of 1958.

A plan established and maintained by a state, its political subdivisions, or any agency or instrumentality of a state or its political subdivisions, for the benefit of its employees, if such plan has total assets in excess of \$5,000,000.

An employee benefit plan within the meaning of the Employee Retirement Income Security Act of 1974 if the investment decision is made by a plan fiduciary, as defined in Section 3(21) of such Act, which is either a bank, savings and loan association,

insurance company, or registered investment adviser, or if the employee benefit plan has total assets in excess of \$5,000,000 or, if a self-directed plan, with investment decisions made solely by persons that are accredited Investors.

Any entity in which all of the equity owners are accredited Investors. (If you check this item, you must also provide a list of all the equity owners of the entity and their written certifications that they are each accredited Investors, identifying the category of accredited Investor of each.)

7. Purpose for forming the subscribing entity. If the subscriber is an entity, was the entity formed, organized, or reconstituted for the specific purpose of investing in the Units?

- Yes
- No
- Not applicable

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