

# Reliant Income Fund, LLC

Consolidated Financial Statements as of and  
for the Year Ended December 31, 2023, and  
Independent Auditor's Report

# RELIANT INCOME FUND, LLC

## TABLE OF CONTENTS

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	<b>Page</b>
INDEPENDENT AUDITOR'S REPORT	1–2
CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2023:	
Balance Sheet	3
Schedule of Investments	4
Statement of Operations	5
Statement of Changes in Net Assets	6
Statement of Cash Flows	7
Notes to Consolidated Financial Statements	8–30



**Deloitte & Touche LLP**

1700 Market St  
Suite 2700  
Philadelphia, PA 19103  
USA

Tel: 1 215 246 2300/ 1 215 957

1999

Fax: 1 215 569 2441

[www.deloitte.com](http://www.deloitte.com)

## **INDEPENDENT AUDITOR'S REPORT**

Reliant Income Fund, LLC

### **Opinion**

We have audited the consolidated financial statements of Reliant Income Fund, LLC and subsidiaries (the "Fund"), which comprise the consolidated balance sheet, including the consolidated schedule of investments, as of December 31, 2023, and the related consolidated statements of operations, changes in net assets, and statement of cash flows for the year then ended, and the related notes to the consolidated financial statements (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as of December 31, 2023, and the results of its operations, changes in its net assets, and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Fund and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Fund's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Fund's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

*Deloitte + Touche LLP*

June 6, 2024

# RELIANT INCOME FUND, LLC

## CONSOLIDATED BALANCE SHEET AS OF DECEMBER 31, 2023

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### ASSETS

CASH	\$ 8,395,917
RESTRICTED CASH	500,000
ADVANCES RECEIVABLE FROM RELATED PARTIES	490,160
ACCOUNTS AND OTHER RECEIVABLES	5,438,647
INVESTMENTS AT FAIR VALUE (Cost \$311,383,098)	349,837,922
ESCROW ADVANCES (Cost \$3,956,384)	3,878,512
OTHER ASSETS	<u>315,891</u>
TOTAL ASSETS	<u>\$ 368,857,049</u>

### LIABILITIES AND MEMBERS' EQUITY

#### LIABILITIES:

Accounts payable and accrued expenses	\$ 247,606
Advances payable to related parties	1,109,577
Notes payable	15,041,513
Secured borrowing	9,295,015
Subscriptions payable	1,606,000
Distributions payable	<u>17,779,400</u>

Total liabilities 45,079,111

MEMBERS' EQUITY 318,632,986

NON-CONTROLLING INTEREST 5,144,952

Total members' equity 323,777,938

TOTAL LIABILITIES AND MEMBERS' EQUITY \$ 368,857,049

See notes to consolidated financial statements.

# RELIANT INCOME FUND, LLC

## CONSOLIDATED SCHEDULE OF INVESTMENTS AS OF DECEMBER 31, 2023

Investments	Cost	Fair Value	Percentage of Members' Capital
Mortgage loans receivable	\$ 72,097,557	\$ 78,101,534	24 % *
Short-term business loans receivable	17,770,332	17,497,435	5 % *
REO	28,954,720	25,038,265	8 % *
Other investments	3,000,000	3,000,000	1 % *
Joint venture— Residential Credit Opportunities VI, LLC	26,909,221	50,413,478	16 % *
Joint venture— Residential Credit Opportunities VIII, LLC	58,387,561	60,959,938	19 % *
Joint venture— 1000 Montreal Rd	8,500,000	10,650,106	3 % *
Joint venture— Brentwood	7,500,000	7,799,604	2 % *
Joint venture— Athens	15,050,000	23,060,189	7 % *
Joint venture— Frontier Valley	6,940,000	7,043,666	2 % *
Joint venture— Shoreline	7,315,000	7,315,000	2 % *
Joint venture— The Louis	8,000,000	8,000,000	2 % *
Notes and accrued interest receivable from related parties	<u>50,958,707</u>	<u>50,958,707</u>	16 % *
<b>TOTAL INVESTMENTS</b>	<b><u>\$ 311,383,098</u></b>	<b><u>\$ 349,837,922</u></b>	

\*Percentages are stated as a percent of members' capital.

All investments are domiciled in the United States of America.

All individual loans and REOs are less than 2% of members' capital.

See Note 9 for details on geographic classification of mortgage loans, short-term business loans, and REOs held as of December 31, 2023.

See notes to consolidated financial statements.

# RELIANT INCOME FUND, LLC

## CONSOLIDATED STATEMENT OF OPERATIONS FOR THE YEAR ENDED DECEMBER 31, 2023

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INVESTMENT INCOME:	
Interest income on related-party notes receivable	\$ 1,561,938
Mortgage interest income	6,000,561
Other income	<u>1,440,003</u>
Total investment income	<u>9,002,502</u>
EXPENSES:	
Loan and REO costs	5,554,179
Administrative expenses	8,554,310
Interest expense	2,984,263
Income taxes	<u>35,968</u>
Total expenses	<u>17,128,720</u>
NET INVESTMENT LOSS	<u>(8,126,218)</u>
NET REALIZED AND UNREALIZED GAIN (LOSS) FROM INVESTMENTS:	
Gain on sale, payoffs and foreclosures of mortgage loan receivables	8,926,264
Loss on sale, payoffs and foreclosures of short-term business loans receivable	(738,722)
Loss on sale of REO	(1,979,654)
Unrealized loss from REOs	(4,011,204)
Unrealized gain from mortgage loan receivables	3,881,183
Unrealized loss from escrow advances	(77,872)
Unrealized loss from short-term business loans receivable	(272,896)
Unrealized gain from investment in joint ventures	<u>22,436,978</u>
Net realized and unrealized gain from investments	<u>28,164,077</u>
NET INCOME BEFORE INCOME ATTRIBUTABLE TO NON-CONTROLLING INTEREST	20,037,859
INCOME ATTRIBUTABLE TO NON-CONTROLLING INTEREST	<u>5,144,875</u>
INCOME ATTRIBUTABLE TO CONSOLIDATING MEMBERS	<u>\$ 14,892,984</u>

See notes to consolidated financial statements.

## RELIANT INCOME FUND, LLC

### CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED DECEMBER 31, 2023

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	<b>Total</b>
BALANCE—December 31, 2022	\$ 209,708,554
Net investment loss	(8,126,218)
Net realized gain from investments	6,207,888
Net unrealized gain from investments	21,956,189
Member contributions	197,916,000
Member redemptions	(72,865,000)
Member distributions	<u>(31,019,475)</u>
BALANCE—December 31, 2023	<u>\$ 323,777,938</u>

See notes to consolidated financial statements.

# RELIANT INCOME FUND, LLC

## CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2023

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### CASH FLOWS FROM OPERATING ACTIVITIES:

Net income	\$ 20,037,859
Adjustments to reconcile net income to net: Cash From Operating Activities:	
Loss on sale of REO	1,979,653
Proceeds from sale of REO	19,023,033
Unrealized loss from REO	4,011,204
Unrealized gain from mortgage loans receivable	(3,881,183)
Gain on sale and payoffs of mortgages loans receivable	(8,926,264)
Proceeds from sale and payoffs of mortgage loans receivables	24,289,040
Unrealized loss from escrow advances	77,872
Advances for short-term business loans	(1,650,711)
Proceeds from payoffs of short-term business loans	11,568,243
Loss on sale, payoffs and foreclosures of short-term business loans receivable	738,722
Unrealized loss from short-term business loans	272,896
Unrealized gain from investment in joint ventures	(22,436,978)
Acquisition of investment in joint ventures	(67,316,390)
Return of capital of investment in joint ventures	13,459,608
Changes in operating assets and liabilities:	
Accounts receivable	(4,523,566)
Accounts receivable from related parties	(490,160)
Escrow advances	161,576
Other assets	(305,764)
Repayments of notes and accrued interest receivable from related parties	44,763,832
Advances of notes and accrued interest receivable from related parties	(58,026,869)
Advances payable from related parties	1,109,577
Accounts payable and accrued expenses	(867,596)
Net cash used in operating activities	<u>(26,932,366)</u>

### CASH FLOWS FROM FINANCING ACTIVITIES:

Repayments on secured borrowing	(9,619,013)
Repayments on notes payable	(21,203,176)
Members' contributions	88,385,991
Subscriptions payable	1,279,035
Distributions payable	6,096,716
Members' redemptions	(5,085,000)
Members' distributions	<u>(26,423,918)</u>
Net cash provided by financing activities	<u>33,430,635</u>

### NET INCREASE IN CASH

6,498,269

### CASH—Beginning of period

2,397,648

### CASH—End of period

\$ 8,895,917

### SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:

#### Noncash activities:

Transfer of loans into REO through completion of foreclosure	<u>\$ 41,487,647</u>
Transfer of REOs from related-party settled through notes receivable from related parties	<u>\$ 3,295,908</u>
Transfer of loans from related-party settled through notes receivable from related parties	<u>\$ 24,028,326</u>
Transfer of other investments from related-party settled through notes receivable from related parties	<u>\$ 3,000,000</u>
Transfer of escrow advances from related-party settled through notes receivable from related parties	<u>\$ 1,090,456</u>
Limited partner contributions from related-party funds settled through notes receivable from related parties	<u>\$ 37,154,454</u>
Transfer of Advances receivable from related parties settled through notes receivable from related parties	<u>\$ 6,271,026</u>
Limited partner contributions from members' redemptions	<u>\$ 67,780,000</u>
Limited partner contributions from distributions	<u>\$ 4,595,555</u>
Cash paid for interest	<u>\$ 3,013,117</u>

See notes to consolidated financial statements.

# RELIANT INCOME FUND, LLC

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2023

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### 1. ORGANIZATION AND DESCRIPTION OF BUSINESS

**Organization**—Reliant Income Fund, LLC (“Reliant”) was formed on March 12, 2019. The Fund purchases, owns, refinances, and sells discounted and distressed mortgage loans, all of which are secured by deeds of trust or mortgage contracts. Reliant also extends loans to other related party entities to secure opportunities to acquire larger pools of notes. Reliant also invests in joint ventures and commercial real estate funds, acquires commercial real estate loans, and invests in multifamily rental properties.

The accompanying consolidated financial statements include the accounts of Reliant and its substantially wholly owned subsidiaries and the financial statements of Reliant Freedom Fund, LLC, a variable interest entity (“VIE”), (collectively, the “Fund”), as further described in Note 2.

**General Fund Provisions**—The rights, duties, and powers of the members of the Fund are governed by the operating agreement and by law. The description of the Fund’s operating agreement contained in these consolidated financial statements provides only general information. Members should refer to the Fund’s operating agreement for a more complete description of the provisions.

The Fund is managed by a Delaware limited liability company, Partners for Payment Relief DE, LLC (“PPR DE” or the “Manager”). The Manager is in control of Fund business and has the power and authority to act for and bind the Fund. The Manager is designated solely by the Class A member voting class. The Class A member voting class may remove any Manager at any time with or without cause.

**Term of the Fund**—The Fund will continue to operate indefinitely or until liquidated in accordance with the provisions of the Fund’s operating agreement.

**Partnership Classes**—The Fund has Class A, B, C, D, E, F and G members, with varying income and distributions, as defined below. Class A members are entitled to vote on all matters. Class B, C, D, E, F, and G members (“Limited Members”) are only entitled to vote on matters related to the execution of collateral of the Fund’s real estate mortgage notes when the preferred return has not been paid timely.

**Cumulative Preferred Return**—Class D receives a cumulative annual preferred return of 6%, Class B receives a cumulative annual preferred return of 8%, Class C and F receive a cumulative annual preferred return of 10%, Class E receives a cumulative annual preferred return of 11% and Class G receives a cumulative annual preferred return of 12% of the respective members’ adjusted capital contributions.

**Profits and Losses**—Limited Members can receive an allocation of cumulative profits up to the Cumulative Preferred Return and any profits in excess are allocated solely to the Class A members. Losses are allocated to all members with positive capital accounts.

**Distributions and Reinvestment**—Distributions will be made monthly from net cash flows generated from Fund operations up to the Cumulative Preferred Return for Limited Members. Any additional excess net cash available for distribution is made to the Class A members. Limited Members can elect to reinvest their distributions from the Fund and, if elected, such members would not receive distributions of operating preferred returns during such periods.

**Liquidity**—There is no public market for the interests of the Fund, and none is expected to develop in the foreseeable future. There are substantial restrictions on transferability of membership interests. Any transferee must be a permitted transferee or trust, as defined by the operating agreement.

**Withdrawals and Redemptions**—Members may elect to withdraw at any time after the defined redemption date with advance written notification to the Manager. A member does not have the right to sell their interest to any third party. The Fund may not establish a reserve to make withdrawals, and accordingly, the Fund’s ability to return a member’s capital is restricted to the availability of the Fund’s cash flows. On the Redemption Date, the Company shall pay Investor Member, as applicable, the amount of its accrued but unpaid Cumulative Preferred Return plus its Adjusted Capital Contributions. The Adjusted Capital Contribution is the original amount contributed by the member minus any distributions as a result of sales or liquidations or other income. There can be no assurance that the Company will have adequate cash on hand to satisfy these obligations as they come due.

Contributions, redemptions and distributions of Limited Members for the year ended December 31, 2023 are included in the table below:

	Limited Members					
	Class B	Class C	Class D	Class E	Class F	Class G
Contributions	160,000	1,610,000	1,425,000	-	30,150,000	164,570,000
Redemptions	(17,465,000)	(44,115,000)	(3,930,000)	(3,905,000)	(1,400,000)	(2,050,000)
Distributions	(1,669,939)	(16,945,954)	(135,999)	(1,433,142)	(1,341,331)	(9,493,110)

**Related Parties**—The Manager may be reimbursed for all expenses incurred in managing the Fund and may, at the Manager’s election, be entitled to compensation for management services rendered. The Class A member is the Manager. For the year ended December 31, 2023, no income was allocated, and no distributions were paid to the Manager. The capital balance of the Class A member is \$0 at December 31, 2023.

The Fund earns interest on loans to related-party entities, as discussed in Note 8.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Fund prepares its consolidated financial statements in accordance with accounting principles generally accepted in the United States of America (US GAAP) as codified in the Financial

Accounting Standards Board’s (FASB) Accounting Standards Codification (ASC), herein referenced as FASB ASC. Following are the significant accounting policies adopted by the Fund:

**Basis of Presentation**—The Fund is an investment company and follows the accounting and reporting guidance in FASB ASC 946, *Financial Services—Investment Companies*. The consolidated financial statements include Reliant and its subsidiaries that are themselves investment companies and are substantially wholly owned by Reliant. The Fund also consolidates the financial statements of Reliant Freedom Fund, LLC (“RFF”) a VIE effective January 19, 2023. RFF loans investor contributions into Reliant for the purpose of purchasing investments. As the Fund is the primary beneficiary of RFF, its financial statements have been consolidated. Investments in nonconsolidated investment entities are reported initially at their transaction price and subsequently at fair value.

**Basis of Consolidation**—The accompanying consolidated financial statements include the accounts and results of the entities listed below:

Consolidating Entity	Short Name	Type of Entity	Type of Assets Held
Home Preservation Partnership, LLC	HPP	Investment	Loans
HPP Properties, LLC	HPP Properties	Investment	Real Estate Owned
HPP Property II, LLC	HPP II	Investment	Real Estate Owned
Reliant Income Fund GA, LLC	RIF GA	Investment	Investment in Real Estate Joint Venture
1000 Montreal Rd RIF, LLC	1000 RIF	Investment	Investment in Real Estate Joint Venture
Reliant Income Fund GA I, LLC	RIF GA I	Investment	Investment in Real Estate Joint Venture
Reliant Income Fund GA Management I, LLC	RIF GA Mgmt I	Investment	Investment in Real Estate Joint Venture
Reliant Income Fund GA II, LLC	RIF GA II	Investment	Investment in Real Estate Joint Venture
Reliant Income STBL, LLC	STBL	Investment	Short-Term Business Loans
Reliant Income STBL II, LLC	STBL II	Investment	Short-Term Business Loans
Reliant Trust, Series RIF	TRUST RIF	Trust	Loans
Reliant Trust, Series HPP	TRUST HPP	Trust	Loans
Reliant Trust, Series HPP2	TRUST HPP2	Trust	Loans

<b>Consolidating Entity</b>	<b>Short Name</b>	<b>Type of Entity</b>	<b>Type of Assets Held</b>
Reliant Trust Series DEII	Trust DEII	Trust	Loans
Reliant Trust, Series DEIV	Trust DEIV	Trust	Loans
Reliant Income Austin, LLC	RIF Austin	Investment	Investment in Real Estate Joint Venture
Reliant Income Shoreline, LLC	RIF Shoreline	Investment	Investment in Real Estate Joint Venture
RIF Madison Member, LLC	RIF Member	Investment	Investment in Real Estate Joint Venture
RIF Madison MGR, LLC	RIF MGR	Investment	Investment in Real Estate Joint Venture
Reliant Freedom Fund, LLC	RFF	Investment	Investor Funds

All significant intercompany balances and transactions between Reliant and its consolidated subsidiaries have been eliminated in consolidation.

RFF has only one significant financing arrangement, a loan to Reliant. The loan is eliminated upon consolidation.

**Use of Estimates**—The preparation of consolidated financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying disclosures. Items subject to the use of estimates include, but are not limited to, the fair value measurements of investments, tax uncertainties, contingencies, and the reported amounts of income and expenses during the reporting period. While management evaluates its estimates and assumptions on an ongoing basis, actual results could differ materially from management’s estimates. Market conditions may increase the risk and complexity of judgments applied in these estimates.

#### **Investments at Fair Value**

**Investment in Mortgage Loans**—Investment in mortgage loans is residential mortgage loans generally secured by a lien on one to four unit residential properties. The Fund primarily invests in distressed mortgage loans that are delinquent or have delinquent pay histories, known as nonperforming loans and reperforming loans. The Fund’s goal with respect to its investment in mortgage loans is to maximize the return received from the ultimate disposition of the mortgage loans.

Disposition activities and outcomes include modification of loan terms to enable the borrower to make consistent monthly payments on the loan, allowing the loan to be sold to third parties as a reperforming loan; borrower full payoff of the loan; borrower sale of the property securing the lien on the mortgage at an amount insufficient to fully payoff the loan; foreclosure and sale to third parties through a trustee sale; and foreclosure and assumption of ownership by the Fund of the real estate securing the lien on the mortgage, converting it to real estate owned (“REO”).

Investment in mortgage loans is carried at fair value. Changes in the estimated fair value of the mortgage loans are recognized in current-period operations. The estimation process of fair value is further discussed in Note 4.

**Investment in Short-Term Business Loans**—Investment in short-term business loans is carried at fair value. Changes in the estimated fair value of the loans are recognized in current-period operations. The estimation process of fair value is further discussed in Note 4.

**Investment in Real Estate Owned**—REO includes real estate acquired in full or partial settlement of loan obligations, plus capitalized construction and other development costs incurred while preparing the real estate for sale. At the time of foreclosure, the property is recorded at fair value, and the gains or losses on foreclosure are recorded in the consolidated statement of operations. Following foreclosure, the Fund continues to account for REO at fair value, with the effect of changes in fair value recognized in current-period operations. The estimation process of fair value is further discussed in Note 4.

**Investment in Joint Ventures**—Investment in joint ventures includes the controlling ownership in member units of a limited liability company organized for the purpose of investing in nonperforming, reperforming, or distressed mortgage loans secured by residential real property (mortgage loans), residential real property acquired as a result of the resolution or enforcement of mortgage loans, REOs, and interest (whether debt, equity, or otherwise) in other entities that own mortgage loans or REOs.

Investment in joint ventures also include the ownership by and through wholly owned subsidiaries of the Fund for the purpose of ownership in multi-family properties (Note 5).

Investment in joint ventures is carried at fair value. Changes in the fair value of the joint ventures are recognized in current-period operations. The estimation process of fair value is further discussed in Note 4.

**Investment in Notes and Accrued Interest Receivable from Related Parties**—Notes and accrued interest receivable from related parties are valued at fair value which is commensurate with par value.

**Cash**—Cash represents cash deposits held at financial institutions. The Fund considers all highly liquid investments with a maturity of three months or less as cash. In the normal course of business, the Fund maintains its cash balances in financial institutions, which at times are subject to credit risk to the extent those balances exceed the limits of insurance provided by the Federal Deposit Insurance Corporation.

**Accounts Receivable**—Receivables due from the loan servicer contain mainly sales proceeds and principal and interest payments collected by the loan servicers on behalf of the Fund. Accounts Receivable are valued at approximate fair value which is commensurate of par value.

**Subscriptions Payable**—Investor contributions received by the Fund are deposited into a subscription cash account, and a subscription payable is established. Once an investment date is established, the subscription payable is transferred to equity contributions. The preferred return begins to accrue on the date the investment is accepted. Subscriptions payable were \$1,606,000 at December 31, 2023.

**Non-Controlling interest**—The Fund has an ownership interest in entities under their control for the purpose of owning investments in multi-family properties which are included in the consolidated financial statements. The agreements provide for the sharing of profits and losses based on the achievement of a return as defined in Note 5. The Fund's equity in the earnings of non-controlling partners at December 31, 2023 was \$5,144,952.

### **Revenue Recognition**

**Interest Income on Related-Party Notes Receivable**—Interest income on related-party loans is recognized as revenue when earned according to the contractual terms of the related-party loan agreement.

**Mortgage Interest Income**—Interest income is not recognized on the majority of the Fund's mortgage loans due to the nonperforming status of these loans. Interest income on nonperforming loans is recognized when received. Mortgage interest income on performing mortgage loans and short-term business loans is recognized as revenue when earned according to the contractual terms of the loan agreement.

**Realized Gain or Loss on Sale of Real Estate Owned**—REO sales are recorded, and a gain or loss is recognized, when the sale is consummated, the buyer's initial and continuing investments are adequate, any receivables are not subject to future subordination, and usual risks and rewards of ownership have been transferred to the buyer. The Fund has determined that these conditions are met upon the closing and settlement of the sale transaction. Any differences between the carrying value of the REO and the settlement amount are recorded as realized gain or loss.

**Realized Gain or Loss on Sale and Payoffs of Mortgage Loans Receivable**—A gain or loss on the sale of mortgage loans is recorded when a legally binding and enforceable agreement is signed to settle the loan sale and collection is reasonably assured. A receivable is recorded for the sales price of the asset. Such sales are often subject for a limited time to contractual obligations that require the Fund to repurchase the loans upon the occurrence of certain events. As of the date of the consolidated financial statements, the Fund does not anticipate that its obligations under these contracts will result in material losses.

For mortgage loans sold through a foreclosure sale, a realized gain or loss on the sale is recorded when the Fund receives notice from a trustee that a foreclosure auction was completed, and a qualifying bid was received from a buyer.

A receivable is recorded for the settlement amount. The Fund receives the proceeds from a foreclosure sale after the expiration of any confirmation or redemption periods required by law in the jurisdiction of the sale. During the confirmation and redemption period, the sale of the loan is subject to redemption by the borrower which results in a rescission of the foreclosure sale and a reinstatement of the mortgage loan.

Any differences between the cost basis of the mortgage loan and the settlement amount, less closing and other costs are recorded as a realized gain or loss.

Gain or loss on loan payoff is recognized when mortgage loans are paid off.

**Unrealized Gain or Losses**—Adjustments to the fair value of assets are recorded as unrealized gains or losses, as further discussed in Note 4.

**Income Taxes**—The Fund is treated as a partnership under the Internal Revenue Code and a similar section of the state code. The members of the Fund are taxed on their proportionate shares of the Fund’s taxable income. Therefore, no provision or liability for federal income taxes has been included in these consolidated financial statements. The Fund is, however, required to pay minimum state franchise tax and a gross receipts fee, as applicable.

The Fund has evaluated its current-tax positions and has concluded that as of December 31, 2023, no significant uncertain tax positions exist for which a reserve would be necessary.

The Fund’s income tax returns are subject to review and examination by federal, state, and local governmental authorities. As of December 31, 2023, there are three years open to examination by the Internal Revenue Service and by state and local governmental authorities.

To the extent penalties and interest are incurred through the examinations, they would be included in the administrative expenses section of the accompanying consolidated statement of operations. For the year ended December 31, 2023, there were no tax penalties or interest incurred.

**Fair Value Measurements**—The Fund carries its investments at its estimated fair values with changes in fair value recognized in current-period results of operations. Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability in the principal or most advantageous market in an orderly transaction between market participants on the measurement date. The Fund determines the fair values of its assets and liabilities based on a fair value hierarchy that includes three levels of input that may be used to measure fair value.

The three levels are defined as follows:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Fund can access at the measurement date.

Level 2 inputs are those other than quoted prices that are observable for the asset or liability, either directly or indirectly. This can include market prices for similar assets or liabilities, pricing models, or other relevant observable data.

Level 3 inputs are unobservable inputs for the asset or liability. Unobservable inputs reflect the Fund’s own financial model using assumptions that market participants would use in pricing the asset or liability (including assumptions about risk). Level 3 inputs are typically the least reliable and most subjective fair value measurements.

While the Manager believes its valuation methods are appropriate and consistent with those used by other market participants, the use of different methods or assumptions to estimate the fair value of certain financial instruments would likely result in a different estimate of fair value at the reporting date. Those estimated values may differ significantly from the values that would have been used had a readily available market for such assets or liabilities existed, or had such assets or liabilities been liquidated and those differences could be material to the consolidated financial statements.

### 3. CASH AND RESTRICTED CASH

Restricted cash consisted of the minimum cash required under one of the Fund's loan agreements with a financial institution:

Cash	\$ 8,395,917
Restricted cash	<u>500,000</u>
Cash and restricted cash in the consolidated statement of cash flows	<u>\$ 8,895,917</u>

### 4. FAIR VALUE OF INVESTMENTS

The following assets were measured at their fair values as of December 31, 2023:

	Level 1	Level 2	Level 3	Total
Mortgage loans receivable	\$ -	\$ -	\$ 78,101,534	\$ 78,101,534
Short-term business loans	-	-	17,497,435	17,497,435
REO	-	-	25,038,265	25,038,265
Joint ventures	-	-	175,241,981	175,241,981
Other investments	-	3,000,000	-	3,000,000
Notes and accrued interest receivable from related parties	-	50,958,707	-	50,958,707
	<u>-</u>	<u>50,958,707</u>	<u>-</u>	<u>50,958,707</u>
Total	<u>\$ -</u>	<u>\$ 53,958,707</u>	<u>\$ 295,879,215</u>	<u>\$ 349,837,922</u>

During 2023, REO assets transferred from a Level 2 asset to Level 3 due to a change in the valuation process to a discounted cash flow valuation model. The Company changed to a discounted cash flow model in order to be consistent with the methodology used in its investment in joint ventures who hold REO assets and account for them as a Level 3 asset. \$5,268,600 in REOs were converted to a Level 3 asset.

During 2023, Notes and accrued interest receivable from related parties transferred from a Level 3 asset to Level 2 due to the use of observable inputs. \$25,684,881 in Notes and accrued interest receivable were converted to a Level 2 asset.

Purchases of investments for the year ended December 31, 2023, were as follows:

Mortgage loans	\$ 24,028,326
REO	3,295,908
Investment in joint venture	67,316,390
Other investments	3,000,000

**Valuation Process and Techniques**—The Fund's assets carried at fair value with changes in fair value recognized in current-period operations represent 95% of total assets at December 31, 2023. Mortgage loans receivable, short-term business loans, REOs and joint ventures valued at fair value are Level 3 measurements which require the use of significant unobservable inputs in the estimation of the assets' values. Unobservable inputs reflect the Fund's own assumptions about the factors that market participants use in pricing an asset or liability and are based on the best

information available for that input. The Manager also utilizes on an annual basis the services of an external advisory company to determine an estimate of the fair value of the investments of the Fund. This valuation is used to calibrate the Manager's models to assess the reasonableness of certain model inputs, such as the discount rates used to discount future cash flows.

Due to their short-term nature, the carrying values of cash, accounts and other receivables, advances receivable from related parties, other assets, accounts payable and accrued expenses, notes payable, secured borrowing, subscriptions payable, and distributions payable approximate their fair values at December 31, 2023.

The valuation methods and assumptions applied in the measurement of investments are as follows:

***Mortgage Loans Receivable***—Mortgage loans held as investments are nonperforming and reperforming residential mortgage loans that generally are not saleable into active mortgage markets. As such, the Fund classified these assets as Level 3 within the fair value hierarchy. Their fair values are estimated using a discounted cash flow valuation model. Inputs to the model include loan amount, collection status, foreclosure and loss mitigation status, property type, property location, estimate of property value, probabilities of expected outcomes, and loss severities.

The model is a run at a loan level for each asset. Cash flows are forecasted for multiple outcomes which are assigned a probabilistic weight and summed for each mortgage loan and aggregation of loans. Forecasts of expected cash flows are discounted at a market discount rate appropriate for pools of nonperforming residential mortgage loans, reperforming residential mortgage loans, and REOs, based upon recently observed transactions. Adjustments to fair value are recorded to unrealized gain or loss from mortgage loans receivable in the accompanying consolidated statement of operations.

***Short-term Business Loans***—Short-term business loans are valued using inputs in a process requiring the exercise of significant judgment. Fair values are estimated using a discounted cash flow valuation model. Inputs to the model include loan amount, collection status, foreclosure and loss mitigation status, property type, property location, estimate of property value, probabilities of expected outcomes, and loss severities. Adjustments to fair value are recorded to unrealized gain or loss from short-term business loan receivable in the accompanying consolidated statement of operations.

***REOs***—REOs are valued using inputs in a process requiring the exercise of significant judgment. Fair values are estimated using a discounted cash flow valuation model. Inputs to the model include an estimate of value of the property from a broker's price opinion, an appraisal prepared by the Manager's staff appraiser, house price appreciation rates in the local market, known or estimated condition of the property, property tax rates, projected rehabilitation costs, and expected selling costs. The model-generated expected cash flows from the disposition of the REOs, which are discounted at a market discount rate appropriate for pools of nonperforming residential mortgage loans, reperforming residential mortgage loans, and REOs, based upon recently observed transactions. The Fund classifies fair values of REOs estimated using the discounted cash flow approach as a Level 3 investment.

***Other Investments***—The Fund uses the market approach for Other Investments which considers comparable assets in the marketplace and has determined the fair value to approximate par. The Fund classifies these assets as a Level 2 investment.

**Joint Ventures**—The Fund estimates fair value of joint ventures using a discounted cash flow valuation model. Inputs to the model include occupancy, annual income and expense, annual debt, capital expenditures, cash flows, and a capitalization rate to estimate the value of the investment. At each measurement date, the Fund reviews the valuation of each investment and records adjustments as necessary to reflect the expected exit value of the investment under current-market conditions. Ongoing reviews by the Fund’s management are based on an assessment of the type of investment, the stage in the life cycle of the portfolio company, and trends in the performance and credit profile of each portfolio company as of the measurement date. The Fund classifies these assets as a Level 3 investment. Adjustments to fair value are recorded to unrealized gain or loss from investment in joint venture in the accompanying consolidated statement of operations.

**Notes and Accrued Interest Receivable from Related Parties**— The Fund uses the market approach for Notes and Accrued Interest Receivable from Related Parties which considers comparable assets in the marketplace and has determined the fair value to approximate par. The Fund classifies these assets as a Level 2 investment.

**Significant Unobservable Inputs**—The following table summarizes the valuation techniques and significant unobservable inputs used for the Fund’s investments that are categorized in Level 3 of the fair value hierarchy as of December 31, 2023:

	Fair Value	Valuation Technique	Unobservable Inputs	Quantitative Information
Mortgage loans receivable	\$ 78,101,534	Discounted Cash Flow Model	Discount Rate Outcome probability of resolution	Average: 14.32% *
Short-term business loans	17,497,435	Discounted Cash Flow Model	Discount rate	12.00%
REOs	25,038,265	Discounted Cash Flow Model	Discount rate	12.00 - 15.00%
RCO-VI	50,413,478	Discounted Cash Flow Model	Discount rate	15.00%
RCO-VIII	60,959,938	Discounted Cash Flow Model	Discount rate	19.00%
Parc 1000 Montreal Road	10,650,106	Discounted Cash Flow Model	Discount rate Capitalization rate	15.00 - 25.51% 4.50 - 6.00%
Brentwood	7,799,604	Discounted Cash Flow Model	Discount rate Capitalization rate	15.00 - 23.04% 4.70 - 6.00%
Athens	23,060,189	Discounted Cash Flow Model	Discount rate Capitalization rate	15.00 - 24.00% 4.94 - 6.40%
Frontier Valley	7,043,666	Discounted Cash Flow Model	Discount rate Capitalization rate	15.73 - 23.74% 5.00%
Shoreline	7,315,000	Discounted Cash Flow Model	Discount rate Capitalization rate	15.11 - 19.04% 6.00 - 6.50%
Louis Overland Park	8,000,000	Discounted Cash Flow Model	Discount rate Capitalization rate	15.19 - 21.67% 5.25 - 5.70%

\* The Fund applies a factor at the asset level as to the probability of various resolution outcomes.

When determining fair values of investments, the Fund exercises significant judgment and uses information available as of the measurement date. Due to the inherent uncertainty of valuations, the fair values reflected in the consolidated financial statements as of the measurement date may differ materially from (1) values that would have been used had a principal or most advantageous market existed for such investments and (2) the values that may ultimately be realized.

## 5. INVESTMENT IN JOINT VENTURES

**Residential Credit Opportunities VI, LLC**—On September 24, 2021, Reliant entered into a joint venture agreement (the “RCOVI Agreement”) with American Mortgage Investment Partners Management, LLC (“Investment Manager” or “AMIP”) to form Residential Credit Opportunities VI, LLC (“RCO-VI”). RCO-VI acquired performing, nonperforming, or distressed mortgage loans secured by real estate property and interest (whether debt, equity or otherwise) in entities that own or intend to own such residential mortgage loans or property. In accordance with the RCOVI Agreement, the term of the joint venture is expected to expire upon the conclusion of

the period that is 33 months after the end of the investment period. The investment period ended June 30, 2022.

**Committed Capital**—The Fund committed a total of \$55,000,000 to RCO-VI. During 2023, the Fund funded \$0 in capital calls and received \$4,600,000 in distributed capital. Subject to approval of the joint venture members, the Investment Manager is authorized to make capital calls up to the amount of unfunded capital commitments to enable the purchase of investments, pay fees and expenses, or to provide reserves. No member is required to fund an amount more than their unfunded capital commitment, and distributed capital can be recalled at the discretion of the members. At December 31, 2023 the total unfunded commitment was \$0.

Beginning balance—December 31, 2022	\$ 31,509,221
Capital calls	-
Distributed capital	<u>(4,600,000)</u>
Ending balance—December 31, 2023	<u>\$ 26,909,221</u>

**Allocation of Profits between the Fund and the Joint Venture**—Net profits or net losses of the joint venture are primarily allocated to the capital accounts of its members in accordance with the members’ respective capital contributions to the Fund. Distributions are made in accordance with the following distribution priorities: first, to the members, pro rata in accordance with their capital contributions, if applicable, until the cumulative amount distributed to each member is equal to the sum of the member’s capital contributions; second, to the members, pro rata in accordance with their capital contributions, if applicable, until the gross adjusted internal rate of return received by the members from all distributions is equal to 10.96%; thereafter, 45% to the Investment Manager (the “RCOVI Carried Interest”) and 55% to members, pro rata in accordance with their respective capital contributions, if applicable. No member, other than the Fund, has made capital contributions to RCO-VI. Thus, the pro rata distributions above are effectively 100% to the Fund.

The joint venture has made a capital allocation for the future payment of the RCOVI Carried Interest and such allocation is reflected in the consolidated balance sheet of RCO-VI. The joint venture capital allocated to Carried Interest was \$6,446,065 at December 31, 2023.

**Residential Credit Opportunities VIII, LLC**—On July, 21, 2022, Reliant entered into a joint venture agreement (the “RCOVIII Agreement”) with AMIP to form Residential Credit Opportunities VIII, LLC (“RCO-VIII”). RCO-VIII acquires performing, nonperforming, or distressed mortgage loans secured by real estate property and interest (whether debt, equity or otherwise) in entities that own or intend to own such residential mortgage loans or property. In accordance with the RCOVIII Agreement, the term of the joint venture is expected to expire upon the conclusion of the period that is 33 months after the end of the investment period. The investment period is scheduled to terminate during March, 2024. The Investment Manager has the right, subject to the approval of the members, to extend the termination of the joint venture for one additional year.

**Committed Capital**—The Fund committed a total of \$77,000,000 to RCO-VIII. During 2023, the Fund funded \$44,261,389 in capital calls and received \$8,238,984 in distributed capital. Subject to the approval of the joint venture members, the Investment Manager is authorized to make capital calls up to the amount of unfunded capital commitments to enable the purchase of investments, pay fees and expenses, or to provide reserves. No member is required to fund an amount more than

their unfunded capital commitment, and distributed capital can be recalled at the discretion of the members. At December 31, 2023 the total unfunded commitment was \$10,239,992.

Beginning balance-December 31, 2022	\$ 22,365,156
Capital calls	44,261,389
Distributed capital	<u>(8,238,984)</u>
Ending balance-December 31, 2023	<u>\$ 58,387,561</u>

**Allocation of Profits between the Fund and the Joint Venture**—Net profits or net losses of the joint venture are primarily allocated to the capital accounts of its members in accordance with the members’ respective capital contributions to the Fund. Distributions are made in accordance with the following distribution priorities: first, to the members, pro rata in accordance with their capital contributions, if applicable, until the cumulative amount distributed to each member is equal to the sum of the member’s capital contributions; second, to the members, pro rata in accordance with their capital contributions, if applicable, until the gross adjusted internal rate of return received by the members from all distributions is equal to 10.50%; third, 38% to the Investment Manager and 62% to members, pro rata in accordance with their respective capital contributions, if applicable, until the gross adjusted internal rate of return received by the members from all distributions is equal to 23.60%; thereafter, 50% to the Investment Manager (the “RCOVIII Carried Interest”) and 50% to members, pro rata in accordance with their respective capital contributions, if applicable. During 2023 AMIP became an equity investor in RCO-VIII for an equity position of approximately 15%, and thus will share in the pro rata distributions above as a member.

The joint venture has made a capital allocation for the future payment of the RCOVIII Carried Interest and such allocation is reflected in the consolidated balance sheet of RCO-VIII. The joint venture capital allocated to Carried Interest was \$2,599,387 at December 31, 2023.

**Parc 1000 Montreal Rd**—On August 26, 2021, the Fund invested \$8,500,000 through its wholly owned subsidiary, Reliant Income Fund GA, LLC (“RIF GA”), as a joint venture partner in the purchase of a 284-unit apartment complex located at 1000 Montreal Road, Clarkston, GA 30021 known as Parc 1000 (the “Property”). The Fund, by and through RIF GA, is a tenant in common together with a subsidiary of its Manager, PPR DE, and its third party joint venture partner. At December 31, 2023 the total unfunded commitment was \$0.

**Allocation of Profits to the Fund**—According to the tenants in common and joint participation agreement, by and among the three tenants in common, RIF GA, as the participating investor, receives a 7.00% annual preferred return (simple interest) and a 3.00% annual preferred look-back rate. The preferred return is paid to RIF GA on a quarterly basis, as cash is available from net cash flow from operations. Upon sale, disposition, or refinancing of the Property, and subject to sufficient free cash flow, RIF GA will receive as the purchase price for its participating interest, its invested capital amount plus any unpaid and accrued annual preferred returns thereon plus, the accrued annual preferred look-back rate on such invested capital. Any returns in excess of the annual preferred return and annual preferred look-back rate are paid to the non-controlling member PPR DE.

**Brentwood**—On April 26, 2022, the Fund invested \$7,500,000 through its wholly owned subsidiary, Reliant Income Fund GA I, LLC (“RIF GA I”), as a joint venture partner in the purchase of 156-unit residential townhomes located at 3799 North Decatur Road, Decatur GA 30032 known as Brentwood. The Fund, by and through RIF GA I, is a tenant in common together with a subsidiary of

its Manager, PPR DE and its third party joint venture partner. At December 31, 2023 the total unfunded commitment was \$0.

**Allocation of Profits to the Fund**—According to the tenants in common and joint participation agreement, by and among the three tenants in common, RIF GA I, as the participating investor, receives a 7.00% annual preferred return (simple interest) and a 5.00% annual preferred look-back rate. The preferred return is paid to RIF GA I on a quarterly basis, as cash is available. Upon sale, disposition, or refinancing of the Property, and subject to sufficient free cash flow, RIF GA I will receive the purchase price for its participating interest, its invested capital amount plus any unpaid and accrued annual preferred returns thereon plus the accrued annual preferred look-back rate on such invested capital. Any returns in excess of the annual preferred return and annual preferred look-back rate are paid to the non-controlling member PPR DE.

**Athens**—On June 10, 2022, the Fund invested \$13,500,000 and subsequently an additional \$1,550,000 for a total of \$15,050,000 by and through its consolidated subsidiary, Reliant Income Fund GA II, LLC (“RIF GA II”), as a joint venture partner in Athens Portfolio TFC Reliant, LLC who purchased 206-unit duplexes located at 122 North Bluff Road, Athens GA, 30607, 79-unit residential townhomes located at 301 Highland Park Drive, Athens, GA 30605, 27-unit residential duplexes located at 301 Highland Park Drive, Athens, GA 30605 and 99-unit residential townhomes located at 160 Elkview Drive, Athens, GA 30607, collectively known as Athens. RIF GA II is a joint venture with its Manager PPR DE a non-controlling member. At December 31, 2023 the total unfunded commitment was \$0.

**Allocation of Profits to the Fund**—According to operating agreement, by and among the two members, RIF GA II, as the participating investor, receives a 7.00% annual preferred return (simple interest) and a 5.00% annual preferred look-back rate. The preferred return is paid to RIF GA II on a quarterly basis, as cash is available from net cash flow from operations. Upon sale, disposition, or refinancing of the Property, and subject to sufficient free cash flow, RIF GA II will receive as the purchase price for its participating interest, its invested capital plus any unpaid and accrued annual preferred returns thereon plus the accrued annual preferred look-back rate on such invested capital. RIF GA II will then receive 65% of proceeds until a leveraged IRR of 17% has been achieved, 50% until a leveraged IRR of 21% has been achieved, and 40% of proceeds in excess of a leveraged IRR Return of 21%.

**Frontier Valley**—On October 4, 2023, the Fund invested \$5,750,000 through its wholly owned subsidiary, Reliant Income Austin, LLC (“RIF Austin”), as a joint venture partner in 1418 Frontier Valley Owner, LLC who purchased for development a 1.68+/- acre of permitted land located at 1418 Frontier Valley Drive, Austin, TX 78741. RIF Austin has committed to funding a total of \$11,726,039. In November 2023, the Fund invested an additional \$1,190,000 for construction costs. At December 31, 2023 \$4,786,039 of the committed capital remains unfunded. A 101-unit residential building is being constructed with a portion of the units restricted to work force housing, in return for certain tax benefits.

**Allocation of Profits to the Fund**—According to the operating agreement, any and all free cash flows will be distributed among the members as follows:

First, 100% to the Members pro rata in accordance with their respective percentage interests until each member’s unpaid preferred return has been reduced to zero. Second, 100% to the Members, pro rata in accordance with their respective percentage interests until each Member’s capital contributions have been paid in full. Third 100% to the Members, pro rata in accordance with their

respective percentage interests until the cumulative amount distributed to each such Member achieves a gross adjusted IRR of 19%. Thereafter, 55% to RIF Austin and 45% to an affiliate of the joint venture partner; provided that construction is completed prior to the end of the construction period, the developer fee shall be paid and the split between the Fund and the joint venture partner shall instead be 50% to RIF Austin and 50% to affiliate of the joint venture partner.

**Shoreline**—On November 30, 2023, the Fund invested \$7,315,000 through a wholly owned subsidiary, Reliant Income Shoreline, LLC (“RIF Shoreline”), as a joint venture partner in 5455 Marginal Road, LLC who purchased real property located at 5455 N Marginal Road, Cleveland, OH 44114. At December 31, 2023 the total unfunded commitment was \$0.

**Allocation of Profits to the Fund**—According to the allocation of profits and losses in the operating agreement, any and all free cash flows will be distributed as follows:

First, 100% to the Members, pro rata in accordance with their respective capital contributions until all accrued and unpaid interest thereon and principal are paid, until the cumulative amount distributed to each achieves a Gross Adjusted IRR of 8%, per annum. Second, 60% to RIF Shoreline until the cumulative amount distributed achieves a Gross Adjusted IRR of 13%. Third, 50% to RIF Shoreline until the cumulative amount distributed achieves a Gross Adjusted IRR of 18%. Thereafter, 45% to RIF Shoreline.

**Louis Overland Park**—On December 21, 2023, the Fund invested \$8,000,000 through a wholly owned subsidiary, RIF Madison Member, LLC (“RIF Madison”), as a joint venture partner in Madison OP SPE, LLC who purchased real property located at 13900 Newton Street, Overland Park, KS 66233. At December 31, 2023 the total unfunded commitment was \$0.

**Allocation of Profits to the Fund**—According to the allocation of profits and losses in the operating agreement, profits shall be allocated in the following order or priority:

First to a non-affiliated third-party member (Class B Member) until both its capital contribution and its preferred return thereon are reduced to zero. Second, pro rata among the non-affiliated Class A Member, Class C Member (RIF Madison) and non-affiliated Class D Member; provided that with respect to the Class C Member and Class D Member, the Class C Member shall receive 100% until the cumulative amount distributed achieves an IRR of 8%, after which time, the distribution to RIF Madison shall be 80% until the cumulative amount distributed achieves an IRR of 18%, after which time, the distribution to RIF Madison shall be 50%.

## 6. NOTES PAYABLE

On January 24, 2022, the wholly owned subsidiary of Reliant, Reliant Income STBL, LLC entered into a Master Repurchase Agreement and Securities Contract with Churchill MRA Funding I, LLC (the “Buyer”), for a \$50,000,000 revolving credit line to be used to purchase a stake in eligible short-term business loans. The facility has no set maturity date but can be terminated with 90-day notice given by the Buyer. The facility bears interest at a rate ranging from the Secured Overnight Financing Rate (“SOFR”), plus 4.50% to SOFR, plus 4.00% depending on the aggregate purchase price outstanding. As of December 31, 2023, there was \$0 outstanding on the line of credit. The loan contains certain financial and non-financial covenants. As of December 31, 2023 the Company was in material compliance with all applicable financial and non-financial covenants.

On July 27, 2022, Reliant Trust Series HPP2 (“Trust HPP2”) and HPP Property II, LLC (“HPP II”), each wholly owned subsidiaries of Home Preservation Partnership, LLC (“HPP”) entered into a loan

agreement with Seattle Bank to finance the purchase of certain eligible home equity conversion mortgages from the US Department of Housing and Development (“HUD”) on August 17, 2022. The loan bears interest at 10%. On a monthly basis, the borrowing base of the loan is calculated which is the lower of 75% of the purchase price of the loan and 85% of the asset value. Payment of borrowing base deficiencies and interest is due monthly. The loan matures on August 17, 2024. As of December 31, 2023, there was \$12,041,513 outstanding. Mortgage loans receivable, which were funded through the loan agreement, were collateral under the agreement and amounted to \$16,303,762. The loan contains certain financial and non-financial covenants. As of December 31, 2023 the Company was in material compliance with all applicable financial and non-financial covenants.

On December 15, 2023, Reliant entered into a credit agreement and promissory note with an unrelated third party to borrow \$1,000,000. The note bears interest at 12%. The note is due in full, plus unpaid accrued interest at the maturity date of March 31, 2024. As of December 31, 2023, there was \$1,000,000 outstanding.

On December 19, 2023, Reliant entered into a credit agreement and promissory note with an unrelated third party to borrow \$2,000,000. The note bears interest at 12%. The note is due in full, plus unpaid accrued interest at the maturity date of February 13, 2024 and March 19, 2024. As of December 31, 2023, there was \$2,000,000 outstanding.

## **7. SECURED BORROWING**

On July 27, 2022, HPP entered into a loan participation agreement with Seattle Bank, subsequently assigned on August 17, 2022 to Trust HPP2 in which Trust HPP2 will sell a 75% participation of certain eligible home equity conversion mortgages purchased by Trust HPP2 from the HUD on August 17, 2022. Upon receipt by Trust HPP2 of any payment of principal or interest on a loan in the participation, proceeds will be distributed to Seattle Bank in accordance with its participating interest.

The Fund accounts for the loan participation agreement as a secured borrowing in accordance with ASC 860, *Transfer and Servicing*, since the conditions do not meet the criteria for sale accounting in accordance with ASC 860.

At December 31, 2023, Trust HPP2 had \$9,295,015 in secured borrowings outstanding. The fair value of the Home Equity Conversion Mortgage loans purchased through the participation amounts to \$14,171,236 at December 31, 2023, and is included in the mortgage loans receivable in the accompanying consolidated schedule of investments.

## 8. RELATED-PARTY TRANSACTIONS

**Notes Receivable and Accrued Interest from Related Parties**—The Fund had notes receivable and accrued interest with the following related-party entities at December 31, 2023:

Related Party	Credit Limit	Balance
PPR DE	\$ 36,253,358	\$ 36,253,358
CREF—facility agreement	7,500,000	7,625,000
CREF—convertible debt	1,500,000	1,505,725
CREF—short term note	5,000,000	-
CREF—bridge note	30,000,000	5,574,624
Total	<u>\$ 80,253,358</u>	<u>\$ 50,958,707</u>

The notes receivable to these related parties allowed them to purchase individual loans or pools of distressed mortgage loans. The notes receivable are secured by a blanket security agreement on the purchased mortgage loans.

Payment of the notes will be made based on the performance of the underlying collateral. Payments received by the related entity for performing loan payments, sales of notes, foreclosure, and subsequent sale of real estate provide the cash flows for repayment of interest and principal.

Due to the nature of the underlying assets, repayment of accrued interest and principal will vary due to the amount of time distressed assets require to generate cash flow. The Fund earned \$1,561,938 in interest through December 31, 2023.

### ***Foundation CREF LLC***

On November 6, 2020, the Fund loaned \$500,000 to Foundation CREF LLC (“CREF”). On June 6, 2021, the Fund loaned an additional \$500,000 to CREF. On February 28, 2022, the Fund loaned an additional \$500,000 to CREF. As of the issue date, each of the three loans bear interest at 10.00%, and as of October 31, 2023 each of the three loans bear interest at 16.74% pursuant to the amended and restated convertible promissory notes. During 2023 CREF granted an additional equity interest in CREF to Fund pursuant to the amended operating agreement of CREF, bringing the Fund’s total equity interest in CREF to 15% on a fully diluted basis, not including conversion of any convertible notes. The Fund has not invested capital into the entity and has not recorded the equity position in its consolidated financial statements due to the nominal value of the equity position at December 31, 2023. Unless otherwise converted, each convertible note, together with outstanding interest thereon at the new rate, shall be due and payable on November 30, 2027. Each note has an equity conversion feature based on certain triggering events, as further specified in the note agreement, which have yet to occur. Prepaid interest for the year ended December 31, 2023, was \$7,836 and is included in Accounts Payable and Accrued Expenses.

On May 26, 2021, the Fund executed a loan facility agreement (“Loan Facility Agreement”) with Foundation CREF Funding II, LLC for the express purpose of originating short, intermediate and long-term performing business loans (collectively “STBLs”). The Loan Facility Agreement is for a maximum amount of \$7,500,000, bears interest at 10% per annum, and matures on September 1, 2024, provided, however, the Fund may extend the maturity date in its sole discretion. The outstanding balance receivable at December 31, 2023, was \$7,500,000.

On April 6, 2022, the Fund amended the Loan Facility Agreement with Foundation CREF Funding II, LLC to permit short-term borrowing for the origination of additional STBLs (“the Short-Term Facility”). The Short-Term Facility allows for a secured borrowing up to \$5,000,000 and bears interest at 12%, and each note matures 30 calendar days from borrowing date.

On April 20, 2023, the Fund amended the Loan Facility Agreement with Foundation CREF Funding II, LLC to permit certain borrowing for the origination of additional STBLs (the “Bridge Facility”). The Bridge Facility was for a maximum amount of \$20,000,000. The Bridge Facility has a call right that the Fund may exercise at any time upon fifteen (15) calendar days’ notice.

On April 20, 2023 the Fund amended the Short-Term Facility to increase the interest rate on any note issued after April 19, 2023 to 13%. The outstanding balance receivable on the Short-Term Facility at December 31, 2023 was \$0.

On October 30, 2023, the maximum amount of the Bridge Facility was increased to \$30,000,000. The notes bears interest at 11% per annum, and mature three years from the date the loan is funded. The outstanding balance receivable on the Bridge Facility at December 31, 2023, was \$5,250,000.

**Partners for Payment Relief DE, LLC**—On December 31, 2023, Reliant entered into a loan agreement with Partners for Payment Relief DE, LLC (“PPR DE”) in the amount of \$36,253,358. This loan agreement bears interest at 12% per annum, or other such interest rate as Reliant and PPR DE may agree, and is due on December 31, 2024, along with any unpaid interest. Reliant may extend the maturity date for additional one-year periods up to a maximum of three extensions.

**Reliant Freedom Fund, LLC**—On January 19, 2023, Reliant Freedom Fund, LLC (“RFF”) was established to accept eligible investor deposits. On February 17, 2023, a loan facility was established with Reliant pursuant to which Reliant may borrow such amounts as is available thereafter. Each loan bears interest at 12.75% per annum, or other such interest rate as Reliant and RFF may agree and is secured by a pledge of certain ownership interests in affiliated entities and other property pursuant to a certain pledge agreement.

**Advances to Related Party**—The Fund provides working capital advances to related parties. The outstanding receivable was \$490,160 at December 31, 2023.

**Other Transactions with Related Parties**—During 2023, the Fund purchased (sold) 959 distressed notes with a net total unpaid principal balance of \$53,638,035 for a purchase price of \$24,028,326 with the related parties listed below:

<b>Related Party</b>	<b>Asset Count</b>	<b>Purchase Price</b>	<b>UPB</b>
Empire Community Development, LLC	19	\$ 857,430	\$ 1,642,811
Partners for Payment Relief DE II, LLC	83	1,597,060	4,296,084
Partners for Payment Relief DE IV, LLC	194	5,369,430	11,897,800
Partners for Payment Relief DE, LLC	1	29,521	84,498
Partners for Payment Relief, LLC	2	17,703	22,251
Reliant Liquidity Fund, LLC	172	5,621,674	10,072,746
Reliant Trust, Series DEII	90	1,693,077	4,487,492
Reliant Trust, Series DEIV	372	7,199,702	19,034,650
Reliant Trust, Series RLF	2	94,121	185,965
Pentex	23	1,436,433	1,801,563
Reliant Loan Servicing	1	112,175	112,175
	<b>959</b>	<b>\$ 24,028,326</b>	<b>\$ 53,638,035</b>

During 2023, the Fund purchased (sold) 20 REOs with a net purchase price of \$3,295,908 with the related parties listed below:

<b>Related Party</b>	<b>Asset Count</b>	<b>Purchase Price</b>
Partners for Payment Relief DE II, LLC	11	2,711,456
Partners for Payment Relief DE IV, LLC	4	488,226
Partners for Payment Relief, LLC	1	54,800
Pentex Holdings, LLC	1	(47,231)
Reliant Income Fund, LLC	1	46,800
Reliant Trust, Series DEIV	2	41,857
	<b>20</b>	<b>\$ 3,295,908</b>

During 2023, the Fund purchased (sold) 51 escrow advance balances with a net purchase price of \$1,090,456 with the related parties listed below:

<b>Related Party</b>	<b>Asset Count</b>	<b>Purchase Price</b>
Empire Community Development, LLC	6	(59,563)
Partners for Payment Relief DE II, LLC	3	7,344
Partners for Payment Relief DE IV, LLC	11	590,671
Pentex	10	354,985
Reliant Liquidity Fund, LLC	4	33,469
Reliant Trust, Series DEII	1	3,342
Reliant Trust, Series DEIV	16	160,208
	<b>51</b>	<b>\$ 1,090,456</b>

Home Preservation, Inc. dba Home Preservation Exchange (“HPE”) has a membership interest in

HPP, provided however that HPE owns no economic interests in HPP other than rights to receive the asset management fee detailed herein. Under the terms of the operating agreement for HPP, HPE receives as an asset management fee, a one-time payment equaling 1% of the purchase price of any purchased assets, payable on or after the time of purchase. During the year ended December 31, 2023, HPP paid asset management fees of \$241,228 which were included in accrued expenses in the balance sheet at December 31, 2022.

On August 17, 2022, Reliant entered into a master mortgage asset purchase agreement with Trust HPP2, which agreement on August 17, 2022 was assigned to Reliant Trust, Series HPP (“Trust HPP”) and HPP Property, LLC (“HPP REO”), each wholly owned subsidiaries of HPP. Pursuant to the agreement, Trust HPP and HPP REO may purchase loans or REO properties from HPP2 for an agreed-upon purchase price of the original acquisition price, plus a margin payment of 8.5%.

**Overhead Charges from the Manager**—During the year ended December 31, 2023, the Fund was charged \$8,057,299 for certain operating and administrative services provided by the Manager and is included in Administrative Expenses in the Consolidated Statement of Operations.

## 9. RISKS AND UNCERTAINTIES

### Concentration Risk

**Investment Income**—The Fund generated 17% of its total investment income from related-party notes receivable during the year ended December 31, 2023.

**Total Assets**—At December 31, 2023, 14% of its total assets in notes receivable were with related parties.

**Mortgage Loans Receivable**—At December 31, 2023, mortgage loans are composed of 1,276 loans with a total fair value of \$78,101,534.

The distribution of mortgage loan values by fair value at December 31, 2023, was as follows:

	Fair Value	Percentage of Investment in Mortgage Loans	Percentage of Members’ Capital
First liens	\$ 50,283,829	64%	16%
Second liens	<u>27,817,705</u>	36%	9%
	<u>\$ 78,101,534</u>		

**Short-Term Business Loans Receivable**—At December 31, 2023, short-term business loans are composed of 10 loans with a total fair value of \$17,497,435, all of which are secured by a first lien on residential properties.

**Concentration by State of Mortgage Loans and Short-Term Business Loans**—The 10 states with the largest concentration of the combined loans receivable at December 31, 2023, were as follows:

State	Fair Value	Percentage of Members' Capital
Maryland	\$ 20,021,818	6.18 %
Florida	8,327,616	2.57
New Jersey	7,645,631	2.36
Massachusetts	7,182,394	2.22
New York	6,798,380	2.10
Washington D.C.	4,981,076	1.54
Texas	4,951,292	1.53
Pennsylvania	4,905,749	1.52
Illinois	4,892,680	1.51
California	4,141,155	1.28
All other states	<u>21,751,178</u>	<u>6.72</u>
Total	<u>\$ 95,598,969</u>	<u>29.53 %</u>

**Real Estate Owned**—At December 31, 2023, real estate owned was composed of 97 properties with a total fair value of \$25,038,265.

The five states with the largest concentration of real estate owned at December 31, 2023, were as follows:

State	Fair Value
Maryland	\$ 3,377,285
Virginia	3,326,224
California	3,172,613
Illinois	2,084,140
Tennessee	1,955,043
All other states	<u>11,122,960</u>
Total	<u>\$ 25,038,265</u>

**Default Risk**—In the normal course of its business, the Fund is exposed to default risk related to its investment portfolio. In the event a borrower defaults on a loan, the Fund is normally able to foreclose on the loan, receive title to the underlying property, and attempt to sell the property to recover its investment. However, there is no guarantee that the original investment will be recovered.

**Operating Risk**—The Fund may be influenced by the current macroeconomic environment with rising interest rates and inflation, which may impact production volume, margins, and financing operations, the consequences of which cannot be readily determined, but may impact the Fund's ability to meet future obligations.

## 10. COMMITMENTS AND CONTINGENCIES

In the normal course of business, the Fund has been named as a defendant in various matters. These legal actions generally arise from the Fund's activities associated with the servicing of its investments in mortgage loans and REO. The Manager, after consultation with legal counsel, believes the resolution of these matters will not have a material adverse effect on the financial condition, results of operations, or cash flows of the Fund.

Employees, officers, and directors of the Fund, the Fund's members, and the Fund's Manager are indemnified by the Fund against certain liabilities arising out of the performance of their duties to the Fund. In addition, in the normal course of business, the Fund may enter into contracts that provide general indemnification to other parties. The Fund's maximum exposure under these arrangements is unknown, as this would involve future claims that may be made against the Fund that have not yet occurred and may not occur. The Fund has not experienced prior claims or losses pursuant to these contracts and expects the risk of loss from such claims to be remote.

## 11. REGULATORY REQUIREMENTS

**Securities Laws**—In offering the units of membership interest, the Fund is subject to applicable federal and state securities laws. Membership interests have not been registered with the Securities and Exchange Commission under the Securities Act of 1933, as amended (the "Act"), in reliance upon the exemptions provided for under Rule 506 of Regulation D of the Act and on similar exemptions under state applicable laws.

Under Rule 506 and certain state laws, the Fund must determine that a person, or a person together with a purchaser representative, meets certain suitability requirements before offering to sell interests to such an individual. Registration under Rule 506 also allows the Fund to operate nationally.

## 12. FINANCIAL HIGHLIGHTS

The following table summarizes the Fund's financial highlights, consisting of the Members' annual total return, and expense and net investment income ratios for the year ended December 31, 2023:

	<b>Class B</b>	<b>Class C</b>	<b>Class D</b>	<b>Class E</b>	<b>Class F</b>	<b>Class G</b>
Annual Total Return to Limited Members	8.19%	10.75%	6.16%	11.26%	10.13%	12.17%
Year-to-Date Ratios to Average Limited Members' Capital:						
Total Expenses	6.03%	6.03%	6.03%	6.03%	6.03%	6.03%
Net Investment Income	-2.86%	-2.86%	-2.86%	-2.86%	-2.86%	-2.86%

The financial highlights provided are intended to facilitate the understanding of the Fund's performance for the year ended December 31, 2023. Total return is computed for the limited partners taken as a whole and is based on the change in value for the year ended December 31, 2023 of a theoretical investment made at the beginning of the year, adjusted for cash flows related to capital contributions or capital withdrawals during the same year. For capital cash flows that occurred during the reporting year,

returns are geometrically linked based on such cash flow dates, which eliminate the effects of capital contributions and capital withdrawals. The variation in returns can be influenced by the timing of investors' contributions or withdrawals.

The expenses and net investment income ratios are computed based upon the monthly weighted average Member's capital for the year ended December 31, 2023.

### **13. SUBSEQUENT EVENTS**

The Fund has evaluated subsequent events through June 6, 2023, the date at which the financial statements were available to be issued. There are no events that would require adjustments to or disclosures in the financial statements.

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