Distressed Realty Fund 2, LLC

Executive Summary Profile as of June 1, 2016

The Distressed Realty Fund 2, LLC (hereinafter the "Fund") plans to purchase a large quantity of distressed houses, condos, townhouses and small commercial properties throughout the nation. The purchased properties will be managed, repaired, rented, and the properties are expected to produce net profits when they are sold.

The Fund plans to also purchase hundreds of tax certificates on distressed real estate from county treasurers throughout the nation. The tax certificates will produce a strong income return when the majority of them (estimated 95%) are expected to be redeemed within the state set one, two or three years. The remaining (estimated 5%) of the tax certificates that don't redeem will allow management to select the most valuable properties to foreclose on in order to produce strong net profits when sold. Often, the foreclosure process will force the property owner, heirs or any lender to redeem the tax certificate.

This Distressed Realty Fund 2, LLC investment offering is on a best-efforts basis. The Fund is offering 1,000 investment Units of ownership interest in this crowd funding **www.distressedrealtyfund.net** investment offering. The minimum investment amount is $5,000 for the purchase of one investment Unit in the Fund. The Fund expects to raise $5,000,000 from accredited investors. If the initial offering is sold out, the Fund will extend the offering amount to $10,000,000 on the same terms.

Currently our distressed real estate investment Fund is available to potential accredited investors on the following crowd funding investment platforms: **www.Fundable.com**, **www.Crowdfunder.com, and www.EquityNet.com.** **O**ur Fund's offering is also available on **www.distressedrealtyfund.net**. Other investment platforms are planned to be added soon.

Management has recently joined in June with Fund America Securities our Broker Dealer who is located at 3455 Peachtree Road N E, 5th Floor Atlanta, Georgia 30326. Fund America Securities will represent the Fund in screening all potential investors to see if they are accredited which is required by the SEC before the investor's money can be accepted. They will also check to see if any potential investor is restricted from becoming an investor by any government agency.

Since the first of this year, the Fund's management has received several email offers from wealthy foreign investors who have seen our Fund's investment offering online. Each interested foreign investor has offered to invest at least $5,000,000 into the Fund. However, at that time, management was not able to perform the SEC required due diligence and accreditation screening of any investor.

Our Fund has also received several hundred online requests from U.S. potential investors who have seen our distressed real estate investment Fund offering online. These potential investors have all requested the Fund's investment prospectus including our subscription agreement and have expressed an interest in investing their money into our Fund. However, at that time, management was not able to perform the SEC required due diligence and accreditation screening of any investor. Now that Fund America Securities, our Broker Dealer, has joined with our Fund in June, they will be able to properly complete the accreditation screening required of all potential investors. These potential investors are being sent the Fund America Securities investment information and many of them are expected to invest. Investors that have been screened and are qualified to invest will now be able to immediately invest in the Fund using the Fund America Securities "INVEST NOW" online button. When the button is pushed by the screened investor, their investment money will automatically be transferred directly into the Fund America Securities trust account. Thereafter, the investment money will be bank wired directly into the Fund's bank account at Chase Bank in Las Vegas.

This is how Management Plans to Invest the Investors' Capital.

Management expects to invest part of the raised capital into the purchase of a quantity of distressed houses, condos, townhouses, and a few small commercial properties. Once the properties have been selected and inspected, the Fund will bank wire the investment money to the escrow company to complete the purchase. Some of these distressed houses and properties will be acquired from bankruptcies, foreclosures, REO's, short sales, and similar distressed property sources. The balance of properties will be acquired from properties that are listed for sale in the local MLS listings in all major cities. These MLS listed properties will be purchased by the Fund at below market prices because they require repairs and renovation before they can be rented or sold.

All distressed properties will be purchased in the name of Distressed Realty Fund 2, LLC, by its Managing Member, Realty Fund Management 2, Inc. David Zussman J D is the President and CEO of Realty Fund Management 2, Inc. The Fund's management team will use local realtors, local service people and local businesses to complete the necessary repairs for our investors' purchased properties. The management team will purchase all properties that will either be rented to produce current income and/or be sold to produce net profits. After each property is sold, the invested capital will be returned to the Fund to be reinvested into other distressed properties. All net profits produced from the sale will pay the Fund's operating expenses, the investors' quarterly income payments and the investors' net profits on March 31.

Management expects to invest the remainder of raised investment capital into the purchase of hundreds of redeemable tax certificates on real estate properties throughout the nation. Tax certificates (tax liens and/or tax deeds) are sold to banks, insurance companies and public investors by the over 1,900 county treasurers in 26 states. A tax certificate is sold by the county treasurer when the property owner failed to pay their prior year's property taxes on time. Each county treasurer has to raise the missing property tax money by selling a tax certificate on the property, to some investors. The county treasurer uses the raised property tax money to pay the county government expenses in order to provide necessary local services. Any investor has the opportunity to purchase the available yearly supply of millions of tax certificates. The investor must immediately pay by cash/cashier check to the local county treasurer to complete the purchase and to earn the high rate of interest per year.

The 1,900 counties will sell a tax certificate on any kind of property including houses, buildings, vacant land, farm land, oil land, and commercial properties. Each county treasurer will tax every privately owned property located within the county's jurisdiction. If the property owner wants to keep their property, they must pay the county treasurer on time the property taxes or they must redeem the county sold tax certificate. For the property owner to redeem their property, the county treasurer will charge the property owner the high rate of interest set by the county treasurer or set at the auction bidding system including any county fees. The redemption of the tax certificate must be completed within the one, two or three-year time period that is set by each state/county. If the property owner, their heirs or any lender on title fails to redeem the sold tax certificate on time, then all of the above parties will lose the property and title to the tax certificate investor/Fund for the price they paid to purchase the tax certificate at the auction.

The 1,900 county treasurers have already sold many millions of tax certificates to investors on properties during the last 200 years that tax certificates have been available. Each tax certificate was sold by the county treasurer to a cash investor at a county held auction which is usually held on the courthouse steps. County auctions typically take place only one or two days per year on planned selling dates. If the tax certificate isn't redeemed on time, then the Fund has the legal right to file a foreclosure lawsuit to acquire the property. Assuming the lawsuit is won, the Judge will issue a court order stating that the property and the title must be transferred to the investor/Fund "free and clear" of all mortgages and mechanic debts. The lawsuit notice that is served to the three interested parties will often cause one of the interested parties (usually the lender) to redeem the tax certificate with the county treasurer. Then the county treasurer will then pay the Fund its invested money plus the earned interest to date.

This Investment Fund is Unique.

Management expects that each investor will receive up to five separate income checks from the Fund during each business year. The business year begins on January 1 and end on December 31. At the end of each quarter of the business year, management will mail an income check to each investor on the 30th day of the following month. Investors are expected to receive a quarterly check from the Fund for approximate a 1% return on their invested money. The first quarterly income payment will start within six months after each investor has invested their money in the Fund. The Fund will use this time period to select and buy additional real estate assets to produce the income and potential net profits that will be used to pay the investors. Management anticipates that each investor is expected to receive an income return of up to 1% per quarter / 4% per business year. The quarterly and annual income is expected to be earned from the following three income sources during each business year: #1 received rents from rented houses and properties, #2 earned interest from redeemed tax certificates and #3 net profits from sold properties.

There are several major differences between our Fund and most of the other investment funds. Our Fund will annually pay our investors a 75% share of all remaining net profits produced during each business year. Our investors will be paid their net profit share each March 31 of the following business year.

Most competitor real estate investment funds will not pay their investors any yearly net profit share. They instead, wait until the end of the operating life of their fund which is usually around the 10th business year before selling off their properties. If their fund made a net profit during its 10-year operating life, then they will pay the net profit share to their investors. There is a potential problem with this way of paying your investors their share of any earned net profits. During any 10 year time period, the economy and the real estate market will usually experience at least one recession. There will usually be some strong business years and there are usually some weak business years. Often, the profits made during the strong years may be wiped out during the weak years and there may not be any or very little net profits remaining for investors at the end of the 10 years.

The Fund will pay the Managing Member (Realty Fund Management 2, Inc.) an annual management fee of 2% per business year plus the actual operating expenses to manage the Fund. The Fund will pay the CPA firm that provides the current bookkeeping, the annual K-1 tax reports to investors and the annual tax returns for the Fund. The legal and accounting expenses can only be estimated for each business year, but are expected them to be approximately 2% each business year.

Every business year the investors are expected to be paid their annual 4% / 1% quarterly. On March 31 of the following year, management will pay all investors their 75% share of all remaining net profits from the prior business year. This additional net profit share paid to all investors is estimated to be an additional 1% to 3% per business year. During the same business year, the remaining 25% balance of net profits from the prior business year will be paid to the Managing Member as of March 31. If the Fund has used leverage of investing borrowed capital into more properties, the income and profit results are expected to be higher.

The biggest variable for the Fund each business year is the amount of net profit earned during the prior business year from the sale of properties. During some years, the Fund may not sell as many of the profitable properties to produce sufficient net profits for that business year. During those years, the Fund will continue to own the rented properties and they will be sold in a future business year. The investors will then be paid the remainder of any net profits from all sold properties in a future year.

The Fund will also receive the invested money and earned interest from all of the redeemed tax certificates during each business year. The Fund is expected to have a small percentage of unredeemed tax certificates after the redemption time has expired. The Fund will file a foreclosure lawsuit on the most valuable tax certificate properties and the valuable acquired properties will be listed for sale.

Domestic and World Issues Will Affect the U.S. Economy Including All Real Estate.

The future of the U.S. economy, employment, real estate prices, interest rates, and the availability & cost of mortgage money are all unknown factors. There are many economic, financial and political issues that will affect the cost and the demand to purchase available properties and tax certificates. Due to the effect from expected recessions (every 4 to 7 years) there may be many property owners that are unable to pay their mortgage and/or property taxes on time. Millions of properties could become distressed or delinquent and they may be sold at discounted prices to cash investors. This is one of the ways that the Fund is able to purchase distressed real estate and tax certificates at attractive prices. These acquired distressed properties are expected to earn a high rental and interest income and return strong net profits when sold.

Most investors who purchase distressed properties do so by using borrowed money (mortgages/loans) which increases both their risk and potential results. During difficult financial times, millions of workers will lose their jobs. This will cause most unemployed people to lose their homes or investment properties through foreclosure, bankruptcy or short sale. Some property owners will sell their property to a cash buyer at a distressed price. During a recession, it is very difficult to refinance owned property or to receive a new mortgage to purchase property. The Fund will pay cash for every purchased property and tax certificate.

During the last major recession / depression in the U.S. that started in 2008 and continued through 2012, the stock market, real estate market, and employment market all crashed at the same time. This crash caused the Dow Jones 30 Stock Index to fall by over 8,000 points, which was over a 50% drop in this major stock market index. At the same time, home values fell by 50% to 80%. The crash caused businesses and shoppers to stop spending and over 10 million people lost their jobs.

Approximately 6,000,000 people lost their homes through bankruptcy, foreclosure or short sale and millions of additional people severely damaged their personal credit. It usually takes at least 7 years to recover a credit and FICO score to be able to purchase another property. That is why most of these prior homeowners became renters which caused the demand and rental prices to increase greatly.

During the past seven years, most new house construction ceased while the population has continued to increase by several million people. Currently, the U.S. has a supply and demand housing problem because there are more home buyers than available houses to sell. The slow (1.5%) economic recovery of the U.S. during the last 7 years has caused the price of most houses to slowly recover throughout the nation. Since 2012, housing prices have only recovered approximately 40% - 70% of the 2008 pre-crash high prices.

The Fund's offering prospectus states that management can use borrowing capital when it is needed. The Fund can borrow the capital against its assets to create some leverage to purchase additional distressed real estate. Management will only use up to 50% borrowed capital / leverage when a potential profitable distressed property opportunity has been found. The interest cost to the Fund to borrow the capital must allow the Fund to make a net profit after the cost to borrow the capital. Most of our competitors use leverage at all times and they use debt of up to 80% of the market value of all properties they own. No investor in our Fund is personally liable or responsible for any money borrowed by the investment Fund because it is a (LLC) Limited Liability Company.

Our Management Team Has Operated Since 2004.

Our management team has created and operated three prior affiliate distressed real estate investment Funds. These prior funds have purchased and renovated over 100 distressed properties that cost the funds over $12,000,000 cash to buy. These prior funds have purchased over 3,000 tax certificates on properties that cost the funds over $10,000,000 cash to buy. The market value of all purchased real estate and all tax certificate properties was over $ One Billion Dollars that the prior funds purchased for approximately $22,000,000 cash. The prior funds didn't use any borrowed money to buy any of the distressed properties.

You can see the street view picture of many of the prior purchased houses by our prior investment funds. Go to our website at **www.distressedrealtyfund.net.** You can also go to any of the following platforms that offer our investment Fund information**.** Our management team created and has managed the following distressed real estate investment funds for many years: **www.yieldprofitfund.net, www.taxlienfund.com, www.retaxlienfund.net.**

Our current management team has invested in distressed real estate for the benefit of approximately 140 accredited investors. Our prior average accredited investor has invested approximately $43,000 and a few prior investors invest several hundred thousands of dollars each into at least one of our three prior affiliate investment funds. The minimum investment amount in the Distressed Realty Fund 2, LLC is $5,000 per purchased unit.

There is Competition to Buy Distressed Properties.
Many large competitor funds only purchase the larger properties such as shopping malls, apartment complexes and office buildings to rent. When these large properties are sold there are only a few wealthy buyers that can afford the multimillion dollar selling price of these types of large properties. There are also lots of smaller investment funds that purchase the less expensive distressed real estate that our investment funds do and we compete with them for the properties.

Why Our Investment Fund is Unique.
Our Fund is a small boutique investment fund that can make management decisions as quickly as needed. During most business years, the expected yearly rental income, the earned net profit from sold real estate, and the received interest from redeemed tax certificates is expected to be approximately 10%. The total received income is expected to vary from property to property and from year to year. When the Fund is using borrowed money to purchase more distressed properties, the returns are expected to be higher.

Management will do the necessary due diligence of researching the most desirable distressed properties and tax certificates before they are purchased. Management will determine the maximum amount the Fund can pay to purchase each property or tax certificate. Management will also determine the amount of repairs, expected rental income, insurance, property taxes, and local realtor / property manager fees before the properties are purchased.

Most of the prior purchased properties have been located in Atlanta, Memphis, Miami, St Louis, Chicago, Phoenix and Las Vegas. Most of the acquired properties were rented for several years before our three prior investment funds sold most of them for an average profit return of 25% to over 100% per property. The three prior funds also collected rental income on over 80 properties for several years. The investor also received the interest income from thousands of tax certificates when they were redeemed over several years. The investors also received the approximate 3% depreciation each business year from all owned properties. Most of the prior purchased properties were in the inner-city areas where the purchase costs were lower, the properties were older, but they rented for a higher income return.

The Fund Plans to Originally Purchase All Distressed Properties and Tax Certificates for Cash.
The money to purchase all properties by our investment funds have always been fully paid to the escrow by bank wire or cashier check. The purchase prices for most of our prior acquired houses have been between $50,000 and $350,000 each, with an average price per house of approximately $175,000 each. Houses in this price range have produced strong rental income to the fund that owned the properties. The prior funds have always completed the needed repairs / renovations to make the acquired houses ready to rent or sell at a higher price.

The Fund Will Purchase Tax Certificates.
All county treasurers set their annual property tax rate at approximately 1% to 2% of the county assessed value of each property. The county assessed value of each property is usually much lower than the actual value of the property. The buyer's name is printed on each sold tax certificate and is recorded on the property title by the county treasurer as the first lien on the title of the property. The tax certificate is recorded ahead of all mortgages and all mechanic debts which are wiped out if the tax certificate owner isn't redeemed and the investor/Fund files a foreclosure lawsuit in the local court to acquire the title/property.

There are four separate bidding systems that are used by the over 1,900 counties to determine who is the best or highest bidder for each of the millions of sold tax certificates. There are **22 states that sell redeemable tax liens and only 4 states that sell redeemable tax deeds (please review the chart below showing the 26 states tax certificate information on page 7.**

A tax certificates can only be redeemed from the county treasurer by one of the following three interested parties to the property. They are the property owner, their heirs, or any lender on title during the redemption time period. To redeem a tax certificate, only one of these above interested parties can pay the county the past due property taxes and the rate of interest for each month and year the tax certificate is outstanding. In the 26 tax certificate states, the redemption time period is set by each state/county law which is either one, two or three years. The other 24 states don't sell tax certificates to investors, but the counties or the state will sell properties to investors for cash that can't be redeemed.

Each county within a state can set different redemption laws and also different rates of interest to be earned on each sold tax certificate in their county. Each of the 26 states has a different number of counties that can sell and redeem tax certificates. The number of counties in the 26 states range from a low of 5 counties in Hawaii up to 254 counties in Texas.

If a **redeemable tax lien certificate** does not redeem within the state/county set redemption time period, the tax certificate investor/Fund has the legal right to foreclose on the unredeemed tax lien certificate property in the local court. The foreclosure lawsuit may cost around $2,000 in legal fees if it is uncontested and will take approximately one year before the Judge will rule on the motion. The local court Judge will order the title of the foreclosed property to be issued to the Fund "free and clear" of all mortgages and all mechanic/vendor debts. Thereafter, the Fund will take the court order to the county treasurer to record the property title in the Fund's name. Then the county treasurer will issue a new clear title on the property to the Fund as soon as it pays the county treasurer all of the unpaid prior property taxes and fees.
These are a few of the redeemable tax lien states: Alabama, Florida, Indiana and Kentucky.

Our prior affiliate investment funds have been very successful at filing foreclosure lawsuits on a large quantity of unredeemed valuable tax certificate properties. Some of the tax certificate properties our prior affiliate funds have acquired were rented for a few years before they were sold. Two of our prior funds are currently in foreclosing on over 50 unredeemed tax certificate properties in Alabama. The properties have a market value of several million dollars that these funds are pursuing.

If a **redeemable tax deed certificate** is not redeemed by either the property owner, heirs, or any lender within the time period set by state/county law, then the Fund doesn't have to file a foreclosure lawsuit. In the four states listed below, the county treasurer originally sells a tax deed on the property directly to the Fund. If the tax deed doesn't redeem, the Fund goes directly to the county treasurer and they will issue the Fund a clear title to the property as soon as all due county property taxes and fees have been paid. After the property title has been acquired by the Fund, the property can be rented or sold. These are the four tax deed states: Georgia, Hawaii, Tennessee and Texas.

The interest to be earned on all sold tax certificates is not paid until the tax certificate is either redeemed by one of the three interested parties or the property is acquired by the investor/Fund. During the entire time period, the earned interest is accruing but won't be paid until sometime in the future when the sold tax certificate comes to an end. Every day, the tax certificate is earning the same rate of interest as agreed to at the county held auction when the tax certificate was sold.

If the tax certificate is foreclosed and the property acquired by the investor/Fund, then there will not be any earned interest paid to the investor because they received the title to the property instead. If the tax certificate is redeemed by one of the three interested parties, the cost of the tax certificate and accrued interest that is due is paid to the county treasurer. Then the county treasurer notifies the investor/Fund and sends a county check to the investor/Fund for the invested money amount plus the accrued interest to date and the tax certificate is cancelled by the county treasurer and removed from the title to the property.

There is no minimum time that a purchased tax certificate must remain unredeemed. The property owner, their heirs or any lender on title can pay off the county treasurer at any time for all of the prior years of unpaid property taxes, any outstanding tax certificates and earned interest, and all county fees. Then the county treasurer will cancel the prior sold tax certificate on the property title and it will issue a check to the tax certificate owner to pay them off.

Below are the 26 states with over 1,900 counties that sell Tax Lien or Tax Deed Certificates to Investors on real estate when the property owner failed to pay their yearly property taxes on time.

	State	Number of Counties	Tax Lien or Tax Deed	Yield Per Year	Penalty % Flat Rate	Auction Bidding System	Maximum Redemption Period	Auction Time
1	Alabama	67	Lien	12%		Bid Up Price	3 Years	Spring
2	Arizona	15	Lien	16%		Bid Down %	3 Years	Spring
3	Colorado	64	Lien	9%+Prime		Bid Up Price	3 Years	Fall
4	Florida	67	Lien	18%	5% minimum	Bid Down %	2 Years	Summer
5	Georgia	159	Deed	20%		Bid Up Price	1 Year	All Year
6	Hawaii	5	Deed	12%		Bid Up Price	1 Year	Fall
7	Illinois	102	Lien		18% per 6 months	Bid Down %	6 Months to 3 Years	Fall
8	Indiana	92	Lien	15%		Bid Up Price	1 Year	Fall
9	Iowa	99	Lien	24%		Smallest Title Interest	2 Years	Summer
10	Kentucky	120	Lien	12%		Lottery	1 Year	All Year
11	Louisiana	64	Lien	12%	Plus 5%	Smallest Title Interest	3 Years	Summer
12	Maryland	23	Lien			Bid Up Price	6 Months	Spring
13	Mississippi	82	Lien	18%		Bid Up Price	2 Years	Summer
14	Missouri	114	Lien	10%	(Locals Only)	Bid Up Price	1 Year	Summer
15	Nebraska	93	Lien	14%		Lottery	3 Years	Spring
16	New Jersey	21	Lien	18%		Bid Down %	2 Years	All Year
17	Ohio	88	Lien	18%		Bulk	1 Year	Fall
18	Oklahoma	77	Lien	8%		Lottery	2 Years	Summer
19	Rhode Island	5	Lien	10%		Smallest Title Interest	1 Year	Spring
20	South Carolina	46	Lien	12%		Bid Up Price	1 Year	Fall
21	South Dakota	66	Lien	10%		Bid Up Price	3 Years	Fall
22	Tennessee	95	Deed	10%		Bid Up Price	1 Year	All Year
23	Texas	254	Deed		25% for 6 months	Bid Up Price	6 Months	All Year
24	Vermont	14	Lien	12%		Bid Up Price	1 Year	All Year
25	West Virginia	55	Lien	12%		Bid Up Price	17 Months	Fall
26	Wyoming	23	Lien	15%	3%	Lottery	4 Years	Fall

There are four states that use a fixed annual penalty rate instead of an annual interest rate. In these four penalty states, even a one day ownership of a tax certificate is sufficient time to earn the full penalty amount for the entire redemption time period of (six months or one year). The property owner, heirs, or any lender on title can wait until the redemption time period is ending before they must redeem the tax certificate from the county to keep the property. Any one of the interested three parties can pay the county treasurer the cost of the tax certificate, the fixed amount of penalty that is due and any county fees. The county will issue a check to the tax certificate owner/Fund for the return of the invested money plus the earned penalty amount. These are the four penalty states that sell tax deeds and have a flat fee penalty amount: the state of Texas is 25% for any part of six months, Georgia is 20% for any part of one year, Hawaii is 12% for any part of one year and Tennessee is 10% for any part of one year.

Most lenders will immediately pay off the tax certificate on the property to clear the title and to protect their mortgage position. Thereafter, the lender will usually go after the property owner and call the mortgage due in full on the property. If the owner can't immediately pay off the entire mortgage amount, they may lose their property to the lender.

There are three states/counties that will extend the original three year redemption time for several additional years. The rate of interest to be earned on the additional years is the same rate of interest as the original rate on the tax certificate. The additional redemption time will automatically start after the first three years when the tax certificate owner hires an attorney to file a foreclosure lawsuit on the tax certificate property. The attorney must notify all interested parties by registered U S mail that the fund intends to foreclose on the property. Then the states/counties allow all three interested parties several additional years to try to redeem the property by paying the unpaid property taxes, the earned interest to date, and all county fees. The three states that extend the redemption time from 3 years up to 8/10 years are: Alabama, Arizona and Florida. Each of these three states has a different set of laws to determine who will receive the property title or the redemption money.

All 26 states and 1,900 counties use one of the following four types of bidding systems to determine which investor will be the cash buyer of each sold tax certificate. The bidding systems are; **bid up the price paid to purchase each sold tax certificate, bid down the rate of interest to be earned on each sold tax certificate, bid down the percentage of ownership interest in the title of each sold tax certificate, or the random lottery bidding system.**

A few states also offer unsold tax certificates (over the counter) OTC to investors. The investor goes to the county office and looks through the list of unsold tax certificates and buys the certificates they want. There isn't any bidding to buy the left over tax certificates and the original county cost of the tax certificate and the county set interest rate doesn't change. All counties use the "buyers beware" notices and don't offer the buyers any guarantees.

The most commonly used bidding system in 14 states is the **bid up the price paid to purchase each sold tax certificate.** In these states/counties, the bidding price starts at the amount of money that is owed on the unpaid property taxes. The amount of unpaid property taxes that are due to the county on an average property is approximately 1% of the county assessed value of each property. The average cost of property taxes on the average property may only cost approximately a few hundred dollars per year. However, some properties are more valuable and the property taxes may be several thousand dollars per year. In these bid up the price of the tax certificate states/counties, once the bidding starts, usually the bidding price will increase very quickly until the highest bidder is finally reached within a minute or two for each sold tax lien certificate.

Most of the time, the selling price of the tax certificate will move up quickly to $10,000, $25,000 or even higher for each sold tax certificate because of the strong market value of the property. If the owner, heirs, or any lender wants to redeem the sold tax certificate, one of them must pay the county treasurer the rate of interest on the entire tax certificate purchase price that was set at the auction. Usually the county treasurer holds the over bid money until the tax certificate time to redeem has ended and the party that receives the property is determined.

The property owner or heirs may receive from the county some or all of the over bid amount of money for their prior equity in the property. This only happens if the tax certificate isn't redeemed, there wasn't any lender debt and the investor/Fund receives the property and title.

Most county auctions will sell several thousand tax certificates in one or two days to investors and there may be hundreds of cash bidders attempting to buy each of the offered tax certificates. Some counties also have online auctions where there are thousands of additional bidders. The interest rate to be earned on each purchased tax certificate will be based on the final bid purchase price for each sold tax lien certificate. The original past due property tax amount is usually over bided by a large amount of money. These are a few bid up states, Alabama is 12%, Indiana is 10%, Colorado is 9% and Georgia is 20%.

Some states use the **bid down rate of interest to be earned on each sold tax certificate** system. In these states/counties, the buyer of each sold tax certificate is the bidder that will accept the lowest interest rate return on their invested money for the entire redemption time period. In these states, the amount of money that is due on each sold tax certificate does not change from the original amount of unpaid property taxes. In these states, the counties starting the interest rate bidding at the county set percentage of 10% to 36% per year. However, in the bid down system the buyer of each sold tax certificate may accept a 4% to 8% interest rate per year. Arizona starts at 16%, Florida starts at 18%, New Jersey starts at 18% and Illinois starts at 36% per year and they all use the bid down rate of interest system.

A few states use the **bid down the percentage of the ownership interest in the title to the property system**. When the tax certificate is offered for sale by the county treasurer they are offering a 100% ownership tax certificate interest in the title of the property. However, when the bidding starts, the ownership interest in the title to the property can move down quickly to as low as 1% to determine who will be the one buyer of each sold tax certificate. The reason a buyer will bid down the ownership interest that low is because a tax certificate is a cloud on title. The tax certificate cloud makes the valuable property unmarketable until the cloud is removed by the tax certificate being redeemed by one of the three interested parties. The buyer of each sold tax certificate will receive the original rate of interest set by the state/county while they wait for the tax lien to be redeemed. These three states that use the bid down ownership interest system: Iowa earned 24%, Rhode Island earns 10%, and Louisiana earns 12% per year.

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There are a few states that use the **random lottery, chance/raffle bidding** system. These states/counties use different kinds of raffles/chances to determine who the buyer of each sold tax certificate will be. In the state of Kentucky they earn 12%, Oklahoma earns 8% and Wyoming earns 15% using the lottery system.

The county treasurer usually notifies the Fund by U.S. mail or email when the tax certificate has been redeemed. Thereafter, the Fund will usually have to return the original issued tax certificate document to the county treasurer to be paid. Most states/counties use computer that have replaced the paper issued tax certificates to show the ownership interest in the property. If the tax certificate is redeemed by one of the three interested parties, then the county treasurer will issue a check to the Fund for the original invested amount in the tax certificate plus all earned interest to date. The returned invested capital will be reinvested into additional tax certificates and the earned interest will be used to pay the investors and operating expenses.

The Fund Expects to Pay All Investors' Returns and Operating Expenses from All Earned Income. Assuming the Fund raises the $5,000,000 of investment capital, management expects that the Fund will earn an estimated annual gross income on the investment money of approximately 10% ($500,000). From this estimated total annual earned income amount, the Fund expects to pay the following yearly operating expenses.

- Quarterly - investors are expected to receive an estimated 1% income check which would amount to approximately $200,000 per business year.
- Quarterly - the Managing Member is expected to receive a .5% management fee which would amount to approximately $100,000 per business year.

- Quarterly - the legal and accounting expenses are expected to cost .5% which would amount to approximately $100,000 per business year.

Assuming these above listed expenses are correct, it could leave the Fund with approximately $100,000 of additional earnings each business year to pay all operating expenses and the investors their 75% share of all remaining net profits on March 31. If the Fund earns more than a 10% annual gross profit each business year, then the Fund could have additional net profits to pay the investors. Assuming the Fund will use borrowed capital to create leverage to buy additional properties, the Fund would be expected to make additional profits to pay the investors each business year.

In Conclusion: The Distressed Reality Fund 2, LLC, ("Fund") management team offers 12 years of hands on experience finding, renovating, renting and selling over 100 distressed houses. Management also has 12 years of purchasing over 3,000 tax certificates on distressed real estate in 20 states. The management team has years of extensive legal knowledge and operating experience with distressed real estate properties. The Fund will have a diversified investment portfolio of distressed real estate and property tax certificates.

Our unique business plan is expected to be advantageous to our investors because the investors' money will be used to purchase a large quantity of distressed properties and tax certificates for cash. The purchased properties are expected to produce a combined annual gross income of approximate 10% or more for the Fund, until all properties are sold. The investment risk for our Fund's investors should be lower due to it paying cash to purchase most properties. The use of any leverage by the Fund will be limited to a maximum ratio of 50% borrowed capital to the estimated market value of the purchased real estate. The rate of interest on borrowed capital is also limited to the amount that will still allow the Fund to make a net profit from the purchase and sale of the property.

All investors are expected to receive their annual 4% income (paid 1% quarterly) and all operating expenses are expected to be paid each business. Thereafter, all investors will receive a 75% share of all remaining net profits that were produced during each business year. The net profits will be disbursed on March 31 of the following business year. This Fund is expected to operate for approximately 10 years.

The Fund's office is located at 3960 Howard Hughes Parkway, Suite 500, Las Vegas, Nevada 89169, The Fund will be managed by Realty Fund Management 2, Inc., located at the same address. In 2014, the Distressed Realty Fund 2, LLC, and Realty Fund Management 2, Inc., were both formed and operate in the state of Nevada. All capital raised by our Broker Dealer, Fund America Securities, will be direct deposited into the Fund's business bank account at Chase Bank in Las Vegas.

The Fund's offering is displayed on several private crowd funding investment platforms such as **www.Fundable.com, www.Crowdfunder.com, and www.EquityNet.com and on our own website at www.distressedrealtyfund.net.** On each of these platforms, the potential investors will need to complete the Fund America Securities (our Broker Dealer) due diligence accreditation screening which will include using the Invest Now button. Upon completion of the required accreditation screening, Fund America Securities will automatically withdraw from the investor's bank account the amount of investment money they selected. The money will be directly deposited into the Fund America Securities investment trust account. Thereafter, Fund America will transfer the investment capital into our Fund's bank account at Chase Bank in Las Vegas.

Investors can invest money from several sources such as their IRA retirement self-directed trust account, from their family trust account, from their personal money and/or from their corporate pension plan. The Fund will mail the earned quarterly income checks and the annual share of net profit payments to the investor's designated home address or to their selected IRA trust account company address. Over 70 of our prior affiliate funds investors have used the following IRA trust companies which management has worked with over the last 10 years: Equity Trust, Sterling Trust, Trust Management, IRA Services and Ameritrade Securities.

This offering will be available to investors until it is sold out within two years. Once the requested amount of investment capital has been raised, management expects to create and file the next similar distressed real estate investment fund. The Fund will be reimbursed 1% of the total amount of raised capital to cover the legal expenses for our lawyer Brad Wiggins who wrote the offering prospectus of the Fund. The received 1% fee will be used to pay the cost of filing the offering with the SEC and various state regulators in each investor's resident state. The received fee will also be used to cover the marketing and advertising expenses for the investment offering on several online platforms. Our Broker Dealer Fund America Securities will charge a small variable percentage fee for the due diligence screening required by federal law. The small fee will be based on the amount of investment money each investor has invested in the Fund.

Realty Fund Management 2, Inc. is the Managing Member of the Distressed Realty Fund 2, LLC.
Mr. David Zussman is the President and CEO of the Managing Member and heads the management team. Mr. Zussman has a Juris Doctor of Law Degree, is a licensed Broker Realtor and a licensed Property Manager in Nevada. Mr. Zussman is a licensed Real Estate Agent in California and may become licensed in other states. Mr. Zussman has been a registered Investment Adviser with the SEC and California for many years. He has a lifetime instructor's credential in California where he has taught adult courses for several years in the subjects of finance, banking, law and investments. Mr. Zussman offers professional investment experience, having worked with many Wall Street Broker Dealers and investment firms since the 1970s.

Mr. Zussman is also the current President and CEO of the Managing Member of several prior operating affiliated distressed real estate investment funds. Mr. Zussman will lead the management team that has worked with dozens of local experts to locate, purchase, renovate, rent and sell properties for several prior distressed real estate investment funds. The management team has worked together for years with local renovation people, realtors, lawyers, title and escrow companies, and lenders in the cities of Atlanta, Memphis, St. Louis, Chicago, Miami, Phoenix and Las Vegas. David and Lynda Zussman have been married for 38 years and have lived for 16 years in their home in Newport Beach, CA.

Stephen Verchick, J.D. is serving as independent Legal Counsel for Distressed Realty Fund 2, LLC. Mr. Verchick has worked for approximately 20 years on all legal matters for the prior affiliate investment funds managed by Mr. Zussman. Mr. Verchick has practiced law in Los Angeles and New York City for over 40 years. Steve and Elaine Verchick have been married for 43 years and live in Woodland Hills, CA.

Brian Hill is an independent CPA and is the founder of BCH Consulting in Irvine, CA. For several years, his accounting firm has provided corporate accounting and bookkeeping, issued all investor K-1's, and prepared federal and state tax returns for all of Mr. Zussman's prior distressed real estate investment funds. Mr. Hill and his family live in Irvine, CA.

Dave Bogan is an independent tax certificate expert who has purchased thousands of tax certificates from dozens of county treasurers for several of Mr. Zussman's prior investment funds. Mr. Bogan knows the various state and county tax certificate laws and procedures. He has traveled to hundreds of tax certificate auctions and purchased many thousands of tax certificates for his clients. He has handled thousands of tax certificate redemptions and completed hundreds of Broker Property Option valuations on properties. He has handled foreclosures on several hundred unredeemed tax certificate properties throughout the nation. Dave Bogan lives in Ft Lauderdale, FL.

Thank you for considering our Distressed Realty Fund 2, LLC, investment Fund and we hope you will join our investment family and invest into the Distressed Realty Fund 2, LLC to receive quarterly income and annual profits. Our team looks forward to a mutually profitable and long term professional relationship.

THIS EXECUTIVE SUMMARY DOES NOT REPRESENT AN OFFER TO SELL THIS INVESTMENT. THE OFFER OF THE INVESTMENT UNITS OF DISTRESSED REALTY FUND 2, LLC, MAY ONLY BE MADE PURSUANT TO THE REVISED CONFIDENTIAL PRIVATE PLACEMENT MEMORANDUM PROSPECTUS OF THE FUND, DATED JUNE 1, 2016.