

May 29, 2024

Via electronic mail

Pelorus Capital Group, LLC
124 Tustin Avenue, Suite 200
Newport Beach, CA 92663
c/o Jason R. Outlaw
Alston & Bird
Jason.Outlaw@alston.com

Re: Travis Goad - Resignation

Dear Jason:

As you are aware, we represent Travis Goad in his personal capacity and his role as President of TGCA PEL LLC in connection with his rights, duties and obligations as a partner of and investor in Pelorus Capital Group, LLC and its affiliated entities (collectively, "PCG"). Thank you for your recent assistance in providing greater transparency to Mr. Goad regarding the ongoing SEC inquiries and concerns expressed by the Fund's current auditors

Mr. Goad has been hopeful that the issues described in this letter and the issues that we have discussed previously could be resolved in a manner that would allow him to continue to serve properly the interests of the Fund and its investors. However, at this time, it does not appear that he can do so. This letter shall serve as notice of Mr. Goad's resignation from the officer positions he holds with PCG, as defined by Section 5.5 of the Pelorus Capital Group, L.L.C. Amended and Restated Limited Liability Company Operating Agreement, dated as of January 3, 2023, effective immediately.

Mr. Goad is resigning for the reasons stated below, which are not intended to be complete recitations, either factually or legally, of the basis for his decision.

First, Mr. Goad initially became aware in either late 2021 or early 2022 of a single, personal ownership interest held by Mr. Leimel and Mr. Sechrist in an investment that utilized PCG investor capital but was not disclosed to PCG, Mr. Goad or PCG investors. Mr. Goad immediately raised his concerns to Mr. Leimel, Mr. Sechrist and outside counsel Donald Hammett and Lane Folsom, who were partners at the Dentons law firm at the time. Hammett and Folsom advised Mr. Goad that in their opinion no disclosure was needed due to the relatively small amount of PCG investor funds used. Mr. Leimel and Mr. Sechrist assured Mr. Goad that they would promptly divest their ownership interest and/or satisfy the loan in full, and they would never use investor funds for personal projects in the future

In approximately the next twelve months, Mr. Goad became aware that, contrary to their representations, Mr. Leimel and Mr. Sechrist did not divest their interest in the first loan and instead increased the amount of PCG investor capital lent to themselves without informing Mr. Goad. In addition, Mr. Goad and other PCG professionals conducted further due diligence and learned that

Mr. Leimel and Mr. Sechrist also held undisclosed ownership interests in three other investments that utilized PCG investor funds, almost all of which were substantially increased in size in 2022 (collectively with the first undisclosed related party loan, the “Related Party Loans”), also unbeknownst to Mr. Goad. None of the Related Party Loans were vetted through the PCG investment committee and subjected to its protocols, as is expected for PCG investments.

Upon learning of these additional loans and the recent increases in size, Mr. Goad and other PCG professionals conducted due diligence with respect to the Related Party Loans which demonstrated that Mr. Leimel and Mr. Sechrist unilaterally entered into the Related Party Loans on terms that were unusual and favorable to their interests over those of the Fund and its investors. By way of example only:

- The Morongo II Loan was structured by Mr. Leimel and Mr. Sechrist to include abnormally long interest reserves totaling over 40 months, exceeding the average interest reserves for other loans at this time that ranged typically from three to six months. This structure resulted in little to no personal investment required from Mr. Leimel and Mr. Sechrist.
- Initially Mr. Leimel and Mr. Sechrist obtained an appraisal for the project they intended to build that resulted in value lower than the Loan amount could support. Outside the PCG investment protocols, Mr. Leimel and Mr. Sechrist obtained a second appraisal 30 days after the initial appraisal that valued Morongo II which assumed a completed property with significantly higher quality build out than contemplated or budgeted. (There were not enough funds available to complete the higher end build out.) This new appraisal resulted in an loan to value (“LTV”) reported to PCG investors that was significantly lower than the actual projected LTV. This also allowed them to structure a loan to themselves with little to no personal investment from Mr. Leimel or Mr. Sechrist. This loan has now defaulted and the property is worth less than PCG investor funds used and investors face a loss tied to this loan.
- The originated at loan to cost ratios (“LTCs”) for the Related Party Loans ranged between an average between 122% and 135% LTC at time of origination. This compares unfavorably with LTCs ranging on average between, 56% and 88% for non-related party loans originated at the same time.

Upon learning of this information and consulting with other PCG professionals, Mr. Goad again raised these issues with Mr. Leimel and Mr. Sechrist without any meaningful response. Despite his consistent efforts to ensure proper treatment of the Related Party Loans, Mr. Goad remains uncomfortable that Mr. Leimel and Mr. Sechrist have honored their or the Fund’s obligations with respect to the Related Party Loans.

Second, Mr. Goad persistently pressed the issues relating to the Related Party Loans with Hammett and Folsom, who had now moved to Alston & Bird (“A&B Corporate Counsel”) and continued to serve as outside counsel for PCG at their new firm. Mr. Goad demanded prompt and complete disclosure to PCG investors, PCG auditors and the appropriate regulatory bodies.

A&B Corporate Counsel, in response to Mr. Goad's heightened concerns, and at his insistence, designed and implemented the PGC Related Party Committee ("RPC") in the fall of 2023 and appointed Mr. Goad as the sole unconflicted member of the RPC to address the Related Party Loans. A&B Corporate Counsel further authorized the retention of independent counsel to advise Mr. Goad and the RPC in connection with the Related Party Loans. Mr. Leimel, Mr. Sechrist and the A&B Corporate Counsel expressly approved the selection of Greenspoon Marder as RPC independent counsel and memorialized the recusal of Mr. Leimel and Mr. Sechrist from the RPC work, which commenced promptly.

The RPC, as advised by Greenspoon Marder issued a report (*Memorandum re Related Party Transactions - Pelorus Fund, LLC dated January 12, 2024*) that analyzed the out of market nature of the Related Party Loans and made initial proposals, orally and otherwise, regarding fulsome disclosure and remediation. However, Mr. Leimel and Mr. Sechrist unequivocally rejected the recommendations of the RPC and instead provided a response that contained inaccurate information and argumentative non sequiturs. (*Pelorus Conflicts Committee - Response Memorandum of Committee Majority dated January 29, 2024-c*). The RPC issued a second report to clarify the errors in the response from Mr. Lemiel and Mr. Sechrist. (*Memorandum re Response to January 29 2024 Memorandum - Conflicts Committee of Pelorus Fund LLC dated February 21, 2024*). Mr. Goad asked that these reports be shared with PGC investors and where appropriate its regulators and auditors but has not been informed whether or not such disclosures were made.

Third, Mr. Leimel and Mr. Sechrist insisted and continues to insist on retaining exclusive decision-making with respect to the Related Party Loans to the detriment of PCG and the PCG investors, despite the creation of the RPC by A&B Outside Counsel.

To the contrary, Mr. Leimel unilaterally terminated the RPC independent counsel rather than address the RPC recommendations. To this day, Mr. Leimel and Mr. Sechrist persist in making unilateral decisions with respect to the Related Party Loans over the objections of and/or without the involvement of the RPC. As but one example, Mr. Leimel and Mr. Sechrist unilaterally modified and upsized the Leave It To Beaver loan that was subject to the RPC purview, which was in default. A&O Corporate Counsel advised Mr. Leimel and Mr. Sechrist that they were acting contrary to the RPC and contrary to the opinion of A&O Corporate Counsel, an opinion that A&O Corporate Counsel memorialized by electronic mail dated March 13, 2024.

Fourth, Mr. Leimel and Mr. Sechrist, with the support and assistance of A&B, violated Section 5.5(i) by refusing to consult with Mr. Goad and the RPC. Instead, they persisted in taking actions in their own interests at the expense of PCG and PCG investors, some of which Mr. Goad learned through other PCG professionals and others through third parties.

Fifth, Mr. Leimel and Mr. Sechrist ignored Mr. Goad's demands for full disclosure of the Related Party Loans to PCG investors, PCG auditors and PCG regulators, including the RPC recommendations.

Sixth, Mr. Leimel, Mr. Sechrist and A&B Corporate Counsel affirmatively misled Mr. Goad and the RPC about representations that they collectively made to PCG investors, PCG auditors and PCG regulators.

Seventh, Mr. Leimel, Mr. Sechrist have refused to share with Mr. Goad and the RPC their efforts to resolve concerns raised by certain PCG investors. It is Mr. Goad's understanding that Mr. Leimel and Mr. Sechrist have sharply restricted A&O Corporate Counsel's ability to share information with Mr. Goad.

Eighth, Mr. Leimel and Mr. Sechrist have taken retaliatory measures against Mr. Goad for his efforts, including but not limited to efforts by Mr. Leimel to manufacture a demonstrably false record against Mr. Goad following the creation of the RPC and the issuance of its recommendations. Mr. Leimel and Mr. Sechrist have excluded Mr. Goad from the vast majority of PCG strategy and decision making since the fall of 2023. Mr. Leimel and Mr. Sechrist have taken steps to dilute Mr. Goad's vote on the investment committee in a PCG Board meeting dated February 21, 2024. Neither Mr. Leimel, Mr. Sechrist or A&B Corporate Counsel informed Mr. Goad of the change in the investment committee. Mr. Goad learned of it from documentation provided to him from an external third party in nearly a month later.

In sum, Mr. Goad cannot exercise his duties and obligations as an officer of PCG under these circumstances. Mr. Goad has advised Mr. Leimel and Mr. Sechrist directly and through A&B Corporate Counsel since the fall of 2023 of his concerns and those of the RPC to no avail. Notwithstanding his resignation, Mr. Goad will remain available to provide the requisite transparency to PCG regulators, auditors and investors to ensure fulfilment of PCG's obligations.

Mr. Goad reserves all of his rights and remedies, both on behalf of PCG and personally, with regard to these matters.

Please do not hesitate to contact us with any questions that you may have.

Sincerely,



Samidh Guha

cc: Dan Leimel, Jr. (via electronic mail)
Robert Sechrist (via electronic mail)
Donald Hammett (via electronic mail)
Lane Folsom (via electronic mail)
Roger Cowie (personal counsel to Mr. Leimel and Mr. Sechrist) (via electronic mail)