

RE: TBH Series 4535, LLC (f/k/a Tailor Built Homes, LLC Loan 4535)

February 26, 2019

Dear Investor,

We are writing to provide an update on the above-referenced property. Since the completion of foreclosure in January, Ignite Funding, as Asset Manager, has been able to assess the current status of the property. As you may recall the \$525,000 loan on this property was intended for the construction of a three bedroom, two and a half bath home in Holladay, Utah. The borrower received \$124,986 cash at the close of the loan to begin the construction of the home, leaving an additional \$128,842 in a construction control account to be accessed as construction continued to completion.

Upon taking ownership of this property, on behalf of investors, at foreclosure and reviewing the status of the property, it appears that the borrower may have misappropriated the initial construction funds received at closing. No work has begun on the construction of the home, which has resulted in an impaired value of the asset. It is estimated that the current value of this property is \$200,000, based on current market conditions, plus the remaining construction control funds, which is now held by Ignite Funding, on behalf of investors. The resulting loss of principal to investors is anticipated to be approximately 65% of the original investment amount.

ACTIONS TAKEN BY IGNITE FUNDING

Ignite Funding, on behalf of investors, is in the process of exploring the possibility of an insurance claim against the general liability policy for the borrower for the above-described misappropriation of construction control funds. Once we receive a response from the insurance company, we will send an additional update to investors.

Additionally, Ignite Funding is in the process of filing a deficiency claim against the borrower through the courts. In the state of Utah when a lender forecloses on a property and the value assessed at the Trustee Sale is less than the original loan amount, the lender may file a claim of deficiency on the difference between the two. The deficiency claim must be filed within 90 days of the foreclosure. The estimated deficiency on this property is \$186,000. The claim allows Ignite Funding, on behalf of the investors, to document the anticipated loss and protect investor's rights to file further legal action against the borrower on this deficiency, if desired.

ADDITIONAL REMEDIES TO BE CONSIDERED

In addition to the pending insurance claim, it may be possible to file a fraud lawsuit against the borrower. It is important to understand that there will be time and expense associated with a fraud lawsuit, which could harm the final return to investors if the lawsuit is denied or if the borrower is unable to pay any potential award through the courts. Once we receive a determination on the pending insurance claim, we will ballot investors on whether or not the majority want to proceed with a fraud lawsuit, and from there we will be able to provide more detailed information as to the process of such a lawsuit and the estimated expense to pursue the lawsuit.

We will continue to keep you informed regarding the status of the property, including the pending insurance claim, through additional correspondence.

Additionally, all updates are posted on the Tailor Built Homes portal at:

<https://ignitefunding.com/tailor-built-homes-investments-default-updates/>

The password to enter the page is: **Tailor**

Please contact your Investment Representative should you have any questions.

Sincerely,

Ignite Funding