RE: TBH Series 4476, LLC

August 16, 2019

Dear Investor,

We are writing to provide and update on the above-referenced property and the pending deficiency and fraud claims against the borrower, Tailor Built Homes, LLC.

**DEFICIENCY CLAIM**

As you may recall from the communication dated April 1, 2019, the deficiency amount that could be claimed is the difference between the total amount due on the loan through the foreclosure date and the highest bid amount at the Trustee Sale on January 9, 2019 as listed on the Recorded Trustee's Deed. Tailor Built Homes did not respond to the Amended Complaints for Deficiency which is likely to result in a default judgement against Tailor Built Homes. However, as our legal counsel points out:

*"Tailor Built Homes' decision to not litigate these matters indicates that the entity is insolvent and does not have assets to satisfy judgments. As a practical matter, a judgement against Tailor Built Homes may have very little monetary value."*

**FRAUD CLAIM**

In addition to the Deficiency Claim filed against the borrower, the investor majority (51% of the loan balance) voted to pursue a fraud lawsuit against the borrowing entity and its owners (collectively, "the borrower") for any misappropriation of funds that may have occurred from the original loan with Ignite Funding, understanding that the costs to pursue such a claim would be borne by the investors.

As discussed in the April 1, 2019 communication and ballot, fraud involves the intention of the borrower and must be proven by clear and convincing evidence, typically requiring a trial. As Ignite Funding communicated on June 5, 2019, attorneys for both Ignite Funding and the borrower conducted Rule 2004 Examinations for each owner of the company. A representative from Ignite Funding was present for the examinations and we have since had numerous discussions with our legal counsel as to the findings that includes; likelihood of the success to pursuing the fraud claim, ability to collect on a judgement if one were to be awarded and the estimated costs that would be incurred by investors.

As we discussed, a fraud claim places the burden of proof on the plaintiff to show clear and convincing evidence that the defendant intended to defraud or harm Ignite Funding and its investors. Based on the testimony from the Rule 2004 Examinations conducted in July, it appears that it will be difficult to prove such intent. Each of the owners of Tailor Built Homes testified that they intended to build the homes that they borrowed the funds from Ignite Funding for, but they simply ran out of money to start and/or complete the homes as intended. They assert that due to changing market conditions and bad business management their business failed. They also claimed that the construction of their projects started getting delayed due to labor shortages which ultimately led to cost overruns. Additionally, they claim they experienced an increase in costs for building materials and this combined with the labor shortage and cost overruns ultimately resulted in Tailor Built Homes losing money to the point the company could not recover.

Legal counsel suggested that the only way to provide evidence to the contrary would be to hire a forensic accountant to provide evidence to the contrary by recreating business records to determine the exact inflows and outflows of funds from the company over the last few years of operations. Our legal counsel estimates the forensic accountant would cost approximately $75,000.00 and take months to complete given the nature of the business.

Once the forensic accounting is completed, if it is determined there was not fraudulent activities (removing funds from the company for their own personal gain) by any of the owners of the company then it would be the burden of the plaintiffs to prove the borrower knowingly intended to harm the investors of Ignite Funding, rather than making bad business decisions. This would put the case to a trial that would ultimately render additional costs estimated at another $50,000.00 to $75,000.00 in discovery and trial costs.

This information coupled with the fact that there are numerous lawsuits pending against Tailor Built Homes by the unpaid contractors makes it highly unlikely that if a judgement was awarded that a payment would follow.

As a result, the likelihood of successfully pursuing a fraud claim is low.

Although this is not the outcome we had hoped for, Ignite Funding accepts the opinion and findings of our legal counsel and believes it would be in the best interest of investors to cease any further legal action against the borrower and return the remaining 75% of funds held back from construction control or to be deducted from the sale of a property to pursue the fraud lawsuit. If you have any questions or object to dismissing the charges against Tailor Built Homes please contact us in writing at investors@ignitefunding.com by August 23, 2019. **Remaining construction control funds will be processed as a principal reduction and returned to investors after this date, which may occur prior to the sale of the property, creating a principal paydown with a final payoff at the time that the property sells.**

**PROPERTY UPDATE**

The previous purchase offer presented to investors for ballot vote on June 5, 2019 has fallen out of contract. The property remains listed on the market for sale but there are no active offers on the property at this time.

Following is a link to the current listing for the property: https://www.zillow.com/homedetails/1326-W-Midas-Point-Cv-Riverton-UT-84065/145607246_zpid/

We will continue to update you on the status of this property through additional correspondence, and upon the final sale of the property.

If you have any questions, please contact your Investment Representative.

Sincerely,

**Ignite Funding**