

August 16, 2019

RE: KD Commerce, LLC | Loan 4402 - Forbearance Extension Proposal and Purchase Offer Ballot

Dear Investor,

### **Status of State Mediation between KD Commerce and the Homeowner's Association**

We are writing to provide an update on the above-referenced investment. As we previously communicated the borrower has been working through the State of Nevada's Office of the Ombudsman to achieve dispute resolution with the Homeowner's Association (HOA) concerning the acceptable architectural plans for the property. Through the mediation process the borrower and the HOA were able to come to an agreement on the plans that would be allowed in the community. Attached to this communication is a copy of the letter and schematic approved and agreed to by all parties for this property.

Through the successful mediation with the HOA the borrower is now able to continue to market the property for sale to another builder. The impediment to selling the property previously has been the inability for the prospective buyers to have clear direction as to what architectural plans would be approved by the HOA.

### **Return of Construction Control Funds and Interest Reserve**

As you may recall, funds were held aside at the closing of this loan by a third-party construction control company to allow the borrower to complete construction of the homes on finished lots. In addition, there was some interest reserve money remaining on this loan. All construction control funds, and interest reserve funds have been processed as a principal reduction on your loan. All payments have been disbursed according to the payment direction you have on file with Ignite Funding, and you should see the check or deposit to your account within the next couple of days. This disbursement provides approximately 55% of your principal investment back, leaving the remaining amount outstanding pending the final deposition of the property.

### **Purchase Offer for Investor Ballot Consideration**

The borrower is currently negotiating a purchase offer that we are presenting for investor vote from Richmond American Homes, a public homebuilder. The offer is to purchase this property in its entirety. As you may recall the borrower, KD Commerce, has a total of six loans which encumber 20 finished lots and 64 partially finished lots. It is the intent of the borrower to purchase the 20 finished lots by the end of 2019, and then complete the purchase of the remaining lots in 2020. If the purchase offer is accepted by the investor majority on all six of the loans, the buyer will deposit a non-refundable deposit that would go hard upon the close of the lots, which is anticipated to occur by December 31, 2019.

The amount that has been offered specific to this loan is \$80,000, which is anticipated to provide a total return of approximately 71% of principal to the investors, which does include the return detailed above,

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with an anticipated close date by the end of the year. Based on this offer, the additional return of principal to investors upon the close would be approximately 16%.

In order to make an educated decision in regard to this offer it is important to understand the current market conditions and valuation of the property. Over the last year the borrower has been working with the existing Homeowner's Association to allow prospective buyers of the community to construct attached homes with smaller square footage, while maintaining the architectural integrity of the community.

Although the borrower has obtained final approval from the State of Nevada Real Estate Division to build on the finished lots based on architectural integrity approvals from the HOA, it does not overcome the fact that the Covenants, Conditions and Restrictions (CC&Rs) govern that the homes must be approximately 1,800 square feet. In today's environment (not just Las Vegas), buyers of attached homes are seeking a lower price point than a detached home. The size of these attached homes makes that difficult for homebuilders to make the revenue needed to build to this product type, given the size requirements and price point the market demands.

Additionally, the land adjacent to this development recently sold for a value that is below the amount owed on the KD Commerce loans. The adjacent land will be an active selling community for the next few years which makes it difficult, if not impossible, for any homebuilder to buy this property and be able to compete with the other community on the sale prices of the homes.

Due to these factors, investors need to consider whether to agree to sell now at a loss, as estimated above; complete foreclosure of the property and hold until the market improves, which is not likely to happen until the adjacent community is sold out which could be a few years from now.

**The alternative to accepting the current purchase offer and granting a continued forbearance is to proceed with foreclosure of the property immediately to eliminate the borrower's claim to the property, understanding that there will be expenses and tax consequences to the investors once ownership is transferred to the investors through the successful completion of the foreclosure process, and then continue to market the property for sale in anticipation of a higher offer in the future.** Should the investor majority (51% of the loan balance) vote to reject the Borrower's forbearance proposal as outlined above, Ignite Funding will initiate the default process on the property.

**YOUR IMMEDIATE BALLOT RESPONSE IS REQUIRED. Please return the enclosed ballot to Ignite Funding by Friday, August 23, 2019.** Executed ballots may be e-signed, emailed to [investors@ignitefunding.com](mailto:investors@ignitefunding.com), faxed to 702.739.7735, or may be mailed to Ignite Funding at the following address:

Ignite Funding, LLC  
2140 E Pebble Rd #160  
Las Vegas, NV 89123

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We will continue to update you on the status of this property, including ballot results, through additional correspondence.

Please contact your Investment Representative should you have any questions.

Sincerely,

**Ignite Funding**  
Attachment

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August 16, 2019

Re: KD Commerce, LLC | Loan 4402

**Please return your ballot (postmarked, faxed, or emailed) by Friday, August 23, 2019.**

Executed ballots may be mailed to Ignite Funding, may be e-signed, faxed to 702.739.7735, or may be emailed to [investors@ignitefunding.com](mailto:investors@ignitefunding.com).

- I/we agree to accept** the proposal to the extend the forbearance on the property through June 30, 2020 to allow the borrower to complete the sale of the property to Richmond American Homes, as described in the attached letter dated August 16, 2019. I understand that the purchase offer, if approved, will result in a loss of principal to me. It is estimated that the total loss would be 29% of my current invested amount on this loan.
  
- I/we wish to reject** the current purchase offer on the property, and instead proceed with the foreclosure process immediately. I understand that there will be expenses and tax consequences associated with the completion of a foreclosure, and that there is no guarantee a higher purchase offer will ever be received for this property

By my/our signature(s) below I/we do hereby acknowledge my/our understanding of this proposal and my/our decision of acceptance or refusal as marked above. I/we do further agree and acknowledge that Ignite Funding, LLC hereby provides no guarantees regarding the performance and outcome of the proposed action.

<b>Investor Acknowledgement:</b>		
_____	_____	_____
Print Name	Signature	Date

<b>Investor Acknowledgement:</b>		
_____	_____	_____
Print Name	Signature	Date

Thank you,

**Ignite Funding**

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STEVE SISOLAK  
Governor



MICHAEL J. BROWN  
Director

SHARATH CHANDRA  
Administrator

CHARVEZ FOGER  
Ombudsman

STATE OF NEVADA  
DEPARTMENT OF BUSINESS AND INDUSTRY  
REAL ESTATE DIVISION  
COMMON-INTEREST COMMUNITIES AND  
CONDOMINIUM HOTELS PROGRAM

[CICombudsman@red.nv.gov](mailto:CICombudsman@red.nv.gov)

<http://www.red.nv.gov>

June 20, 2019

**Claimant(s):**

KD COMMERCE, LLC  
C/O ATKIN WINNER & SHERROD  
ATTN: JUSTIN ZARCONE  
1117 SOUTH RANCHO DRIVE  
LAS VEGAS, NV 89102

**Respondent(s):**

SENNA COMMUNITY HOMEOWNERS'  
ASSOCIATION  
TYSON & MENDES, LLP  
ATTN: CHRISTOPHER A. LUND  
3960 HOWARD HUGHES PARKWAY, STE. 600  
LAS VEGAS, NV 89169

Alternative Dispute Resolution (ADR) Control #: 19-179 / **MEDIATION AGREEMENT**

Dear Sir or Madam:

The Claimant and Respondent participated in mediation on May 01, 2019 through the Division's Alternative Dispute Resolution Program as described in NRS 38. The mediator assigned to this claim, **(Henry Melton)**, has notified the Division that a Settlement agreement has been reached. This matter is now closed.

Sincerely,

A handwritten signature in cursive script that reads "Elizabeth Meza".

Elizabeth Meza  
ADR Supervisor

**NRED CLAIM #19-179**

**KD Commerce, LLC**

**vs.**

**Senna Community Homeowners' Association**

**(Mediation Feb. 26, 2019-May 1, 2019)**

May 1, 2019

**ATTENDEES**

*Claimants:*

KD Commerce, LLC  
Justin Zarcone, Esq.  
Dave Allsop, K.D. Commerce  
Karen Allsop, K.D. Commerce  
Patrick Vasser, K.D. Commerce  
Kerry Cook, K.D. Commerce

*Respondents:*

Senna Community Homeowners' Association  
Christopher A. Lund, Esq.  
Kerry Shalian, HOA Board  
Alyssa Waters, CMA  
Cyndi Koester, CMA  
Dallas Trip, HOA BOARD

**NO SHOW**

**OUTCOME**

A.  Compromise Resolution      B.  No Compromise Resolution

**SUMMARY:**

A compromise resolution was reached by the parties. This concludes the mediation associated with NRED #19-179.

\* Double hung  
windows on front

\* No white wood  
frames

9'-0" to 8'-6"

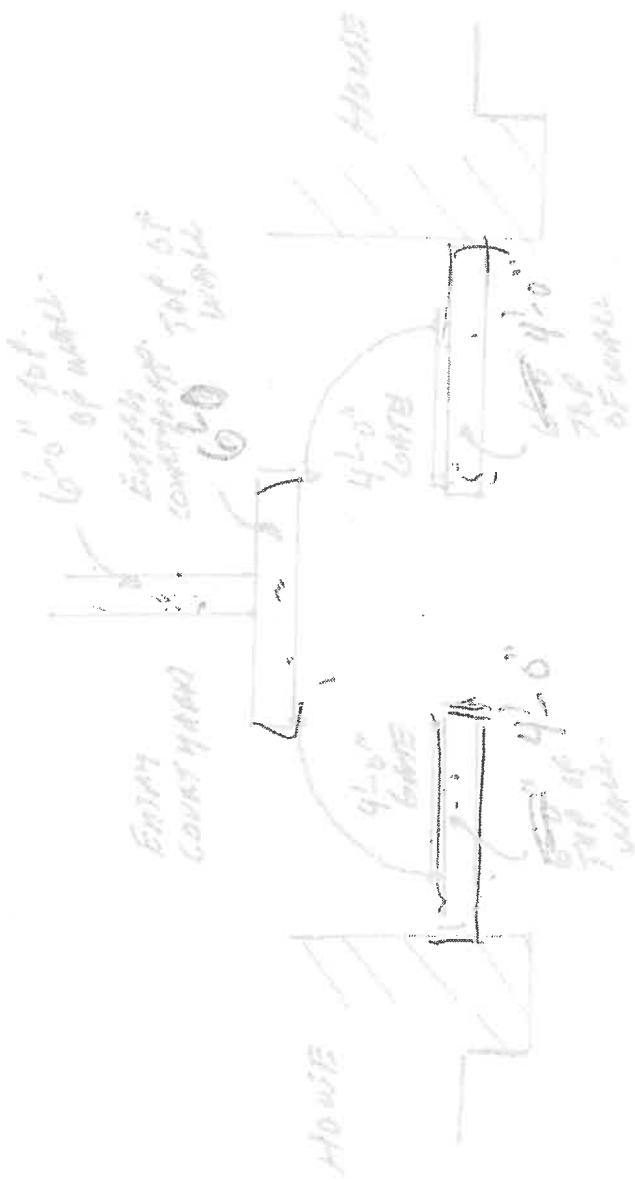
Pop up

6'-0"



KD Commerce, LLC  
K. D. Schum  
W. A. Beck

  
KMS



6'-8" brick wall BEHIND.

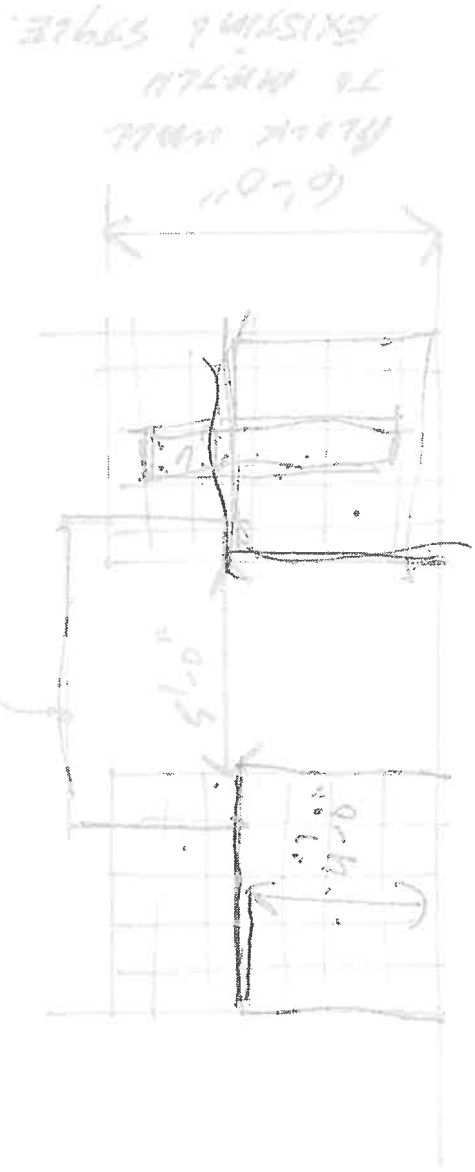


EXHIBIT 'A' - ENTRY GATE  
ALTERNATE FROM ORIGINAL STYLE.

6'D COMMERCIAL, LLC  
W.S. CUMMINGS,  
MANAGER

KMS

*[Signature]*

OK