

January 17, 2019

RE: KD Commerce, LLC | Loan 4404

Dear Investor,

We are writing to provide an update on the above-referenced investment. As previously communicated, the investor majority voted to approve the sale of the property to LGI Homes with an anticipated close date of February 1<sup>st</sup>, following a 45-day due diligence period in which the buyer would work to finalize their building plans with the homeowner's association. Unfortunately, the buyer has not been able to finalize the plans or gain approval from the Board of Directors of the Homeowner's Association, which prohibits the buyer from completing their due diligence and ultimately has resulted in the delay of closing.

As you may recall, another buyer was under contract to purchase this property and ultimately fell out of contract because they were unsuccessful in completing their due diligence as a result of the Homeowner's Association unwillingness to approve any of the proposed building plans. It is our belief, as well as the original borrower, and the buyer that the Homeowner's Association is placing unreasonable restrictions and architectural requirements on potential buyers which is hindering the borrower's ability to sell this property. The borrower continues to remain in active contact with Ignite Funding through the resolution of this property and has initiated legal action against the Homeowner's Association in an effort to ultimately sell this property and resolve the default of this loan.

In the State of Nevada the first step in a legal action against a homeowner's association is to file an Alternative Dispute Resolution Claim Form (ADR) with the Office of the Ombudsman at the Department of Business and Industry, which seeks to mediate disputes between the homeowner's association and property owner. The borrower filed an ADR with the State on January 14, 2019 citing the fact that the Homeowner's Association continues to place unreasonable restrictions on building plan proposals which prohibits the borrower from selling the property.

It is still the intention of LGI Homes to complete the purchase of the property, unfortunately they cannot proceed until they have received approval from the Homeowner's Association for their proposed building plans. We will continue to update you on the status of the ADR claim filed with the State. Once a resolution is achieved the buyer can complete the due diligence period and establish a new closing date.

If you have any questions please contact your Investment Representative.

Sincerely,

**Ignite Funding**