

July 28, 2020

RE: KD Commerce, LLC | Loan 4246 – Ballot Options

Dear Investor,

Please visit the Ignite Funding Loan Default Portal for a list of all updates concerning this loan, including a new Q&A video between our President and Director of Underwriting about this loan and the history of the loan to date: <https://ignitefunding.com/kd-commerce/>. The password to enter the portal is: **Commerce** (case sensitive).

We are writing to provide an update on the above-referenced property. This loan is collateralized by 64 lots outside of the Homeowner's Association (HOA) and 10 lots within and governed by the HOA. The current principal amount remaining on this loan is \$3,534,300. As you may recall this property has been under contract to sell to multiple buyer's over the last couple of years but due to the challenges associated with the finished lots inside the HOA the sales have continued to fall out of contract. The hesitant or unwilling buyers have not been able to work within the imposed requirements of the HOA to make a desirable profit to build an approximate 2,300 square foot attached home given the competition in the area for this product type.

In an effort to segregate the lots in this loan (64 lots outside the HOA and 10 within the HOA) it makes the most sense to likewise segregate the sale of the property into two parts; wherein the 64 lots are sold independently from the other 10 lots. Based on previous offers and feedback from builders, the borrower believes that separating the lots in this fashion could provide a higher sale price and thereby greater overall return of principal to the investor.

As you may recall in February 2020, the investor majority agreed to accept a proposal to joint venture with Edward Homes to build through the lots and sell finished homes. Edward Homes estimated the cost to build to be approximately \$85 per square foot, or \$183,742 per lot. Based on the cost to build, estimated sale price upon completion and associated closing costs, investors could have expected to receive a total return on the original investment of approximately 80% when combined with the principal return processed in August 2019 from construction control funds and interest reserve that the borrower released for disbursement to investors. Once Edward Homes began their due diligence, they discovered there are some significant hindrances to building the homes which would decrease the builders profit margin. The HOA architectural design requirements (specific to the 10 lots inside the community) that requires a significantly larger square footage than traditional attached homes in the market increases the cost to build these homes.

As a result, Edward Homes has proposed two options for investors to consider. The first is proceeding with a joint venture allowing Edward Homes to build through the 10 lots within the HOA; however, this would require a construction loan on the property and would require current investors to subordinate their lien position on the loan to the construction loan, which could result in the complete loss of investor principal if the builder were unable to complete the homes or sell the homes as intended.

The second option proposed by Edward Homes is to sell the 10 lots within the HOA now "as is" for a price of \$35,000 per lot. Additionally, if the investor majority approve the sale, Edward Homes will place a non-refundable deposit on the lots of \$5,000 per lot. If the sale does not close for any reason, the deposit would be retained by investors. The anticipated close time for this proposed purchase is two

months. Accepting this offer would allow investors to receive a partial principal paydown on this investment and open the door to be able to market and sale the remaining 64 lots, which would no longer be bound by the restrictions of the HOA. In order for investors to be able to make an educated decision, Ignite Funding recently obtained two broker's price opinions for this property. The value of the remaining 64 lots is approximately \$3,000,000 based on the average of the two separate BPOs.

There is a third option available to investors to consider and that is to do nothing at this time. The borrower would remain in forbearance on the property until the property taxes come due again, in July 2021, at which time the property would again be marketed for sale.

We are presenting for investor ballot consideration the three options described above to determine how the investor majority would like to proceed with this property. **YOUR IMMEDIATE BALLOT RESPONSE IS REQUIRED. Please return the enclosed ballot to Ignite Funding by Friday, July 31, 2020.** Executed ballots may be e-signed, emailed to [investors@ignitefunding.com](mailto:investors@ignitefunding.com), texted to 702.630.1313, or faxed to 702.739.7735.

Remember to visit the Ignite Funding Loan Default Portal for a list of all updates concerning this loan, including a new Q&A video between our President and Director of Underwriting about this loan and the history of the loan to date: <https://ignitefunding.com/kd-commerce/>. The password to enter the portal is: **Commerce** (case sensitive).

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**

July 28, 2020

Re: KD Commerce, LLC | Loan 4246

**Please return your ballot (postmarked, faxed, or emailed) by Friday, July 31, 2020.**

Executed ballots may be mailed to Ignite Funding, may be e-signed, texted to 702.630.1313, faxed to 702.739.7735, or may be emailed to [investors@ignitefunding.com](mailto:investors@ignitefunding.com).

- I/we elect to** accept the joint venture proposal as described in the communication dated July 28, 2020 and agree to subordinate my current priority lien position on this property to allow a construction loan to be taken against the property to complete the construction of the homes. I understand that by electing this option, I may be subject to the total loss of my principal if the construction is not completed as intended or if the borrower is ultimately unable to pay off the construction loan.
  
- I/we elect to** accept the purchase proposal as described in the communication dated July 28, 2020 and sell the 10 lots within the HOA community “as is” to Edward Homes, under the conditions described in the above-referenced communication. The remaining 64 lots would continue to be marketed for sale.
  
- I/we elect to** do nothing. I/we understand that the loan will remain in forbearance for one year, through July 31, 2021, at which time the borrower will once again attempt to market the property for sale.

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**