

July 28, 2020

RE: KD Commerce, LLC | Loan 4402 – 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. As previously communicated, this loan consists of 2 lots of 20 remaining lots in a much larger 134-lot community, governed by an established Homeowner's Association (HOA). As you may recall, these lots have been under contract to sell to multiple buyer's over the last couple of years and due to the challenges associated with being 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.

The borrower has fielded multiple bids from builders to estimate the cost to build through these lots and sell a finished home versus selling the lots as is. However, there is only one builder who presented a bid that would be feasible based on the cost to build and the Broker Price Opinion (BPO) received for the lots "as is", and that is Edward Homes. 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 below what was originally anticipated, and require the builder to seek financing due to the increased cost to build a larger than anticipated square footage attached home.

As a result, Edward Homes has proposed two options for investors to consider. The first is proceeding with the joint venture, allowing Edward Homes to build homes on the lots; 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 lots 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 sale is two months. The estimated return to investors on the original investment amount under this scenario would be approximately 75%, when combined with the interest paid by the borrower when the loan was performing, and the principal return previously processed in August 2019.

There is a third option available to investors to consider and that is to do nothing. 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, 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 4402

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.

- 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 lots "as is" to Edward Homes, under the conditions described in the above-referenced communication. By electing this option the principal return will be approximately 75%.

- 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.

Investor Acknowledgement:		
Print Name	Signature	Date

Investor Acknowledgement:		
Print Name	Signature	Date

Thank you,
Ignite Funding