

CONFIDENTIAL PRIVATE PLACEMENT MEMORANDUM

DATED: SEPTEMBER 2016

FTF LENDING, LLC

BORROWER PAYMENT DEPENDENT NOTES

FTF Lending, LLC (the “Company”) is making a private offering of borrower payment dependent notes solely to accredited investors. The borrower payment dependent notes (“Notes”) are secured by a pledge to the indenture trustee of the specified corresponding loan(s) made to entities engaged in real estate transactions (“Underlying Loan”), but not by any other assets of the Company (including any other Underlying Loans). The Notes are special limited recourse obligations, not full recourse obligations in that each Note will be dependent for payment solely on payments that we receive on the Underlying Loan that will be secured by a deed of trust, mortgage, security agreement, or legal title to real estate. The Notes are being offered through the online investment platform www.fundthatflip.com, which is owned and operated by our parent company and sole owner, Fund That Flip, Inc. (the “Parent Company”).

On an ongoing basis, the Company will issue separate series of Notes. Each Note will correspond to one or more specific Underlying Loans to a borrower secured by real property that we (or an affiliate) originate directly or which are listed on www.fundthatflip.com by other real estate companies.

Each time we offer a series of Notes we will also prepare a disclosure supplement (which will be posted on www.fundthatflip.com) with information about the applicable series of Notes, and the corresponding Underlying Loan for that series, which the Company refers to as a “Series Disclosure Sheet.” Each Series Disclosure Sheet provides information about the specific series of Notes offered for sale and the Underlying Loan with respect to such Notes, as well as other applicable or relevant information relating to the series of Notes then being offered on www.fundthatflip.com.

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NOTICES TO POTENTIAL INVESTORS

NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THESE NOTES OR PASSED UPON THE ADEQUACY OR ACCURACY OF THIS MEMORANDUM. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE. THIS OFFERING IS MADE IN RELIANCE ON AN EXEMPTION FROM REGISTRATION WITH THE SECURITIES AND EXCHANGE COMMISSION PROVIDED BY SECTION 4(2) OF THE SECURITIES ACT OF 1933, AS AMENDED, AND RULE 506 OF REGULATION D PROMULGATED THEREUNDER.

THIS OFFERING IS HIGHLY SPECULATIVE AND THE NOTES INVOLVE A HIGH DEGREE OF RISK. INVESTING IN THE NOTES SHOULD BE CONSIDERED ONLY BY PERSONS WHO CAN AFFORD TO SUSTAIN THE LOSS OF THEIR ENTIRE INVESTMENT, INCLUDING PRINCIPAL INVESTED. THIS OFFERING IS OPEN ONLY TO INVESTORS WHO QUALIFY AS "ACCREDITED INVESTORS" UNDER RULE 501 OF REGULATION D UNDER THE SECURITIES ACT OF 1933, AS AMENDED.

THESE SECURITIES HAVE NOT BEEN QUALIFIED OR REGISTERED IN ANY STATE IN RELIANCE UPON THE EXEMPTIONS FROM SUCH QUALIFICATION OR REGISTRATION UNDER STATE LAW. THESE SECURITIES ARE "RESTRICTED SECURITIES" AND MAY NOT BE RESOLD OR OTHERWISE DISPOSED OF UNLESS A REGISTRATION STATEMENT COVERING DISPOSITION OF SUCH SHARES IS THEN IN EFFECT, OR AN EXEMPTION FROM SUCH REGISTRATION IS AVAILABLE.

THERE IS NO PUBLIC MARKET FOR THE NOTES AND NONE IS EXPECTED TO DEVELOP IN THE FUTURE. THE NOTES ARE ALSO SUBJECT TO SUBSTANTIAL RESTRICTIONS UPON WITHDRAWAL AND TRANSFER. THE NOTES OFFERED HEREBY SHOULD BE PURCHASED ONLY BY INVESTORS WHO HAVE NO NEED FOR LIQUIDITY IN THEIR INVESTMENT. INVESTORS SHOULD BE MADE AWARE THAT THEY WILL BE REQUIRED TO BEAR THE FINANCIAL RISKS OF THIS INVESTMENT FOR AN INDEFINITE PERIOD OF TIME.

THIS MEMORANDUM HAS BEEN PREPARED SOLELY FOR THE BENEFIT OF AUTHORIZED PERSONS INTERESTED IN THE OFFERING. IT CONTAINS CONFIDENTIAL INFORMATION AND MAY ONLY BE DISCLOSED BY A POTENTIAL INVESTOR TO PERSONS SUCH AS ACCOUNTANTS, FINANCIAL PLANNERS OR ATTORNEYS RETAINED FOR THE PURPOSE OF RENDERING PROFESSIONAL ADVICE RELATED TO THE EVALUATION OF AN INVESTMENT IN THE NOTES OFFERED HEREBY. IT MAY NOT BE REPRODUCED, DIVULGED OR USED FOR ANY OTHER PURPOSE WITHOUT THE WRITTEN PERMISSION OF THE COMPANY.

PROSPECTIVE INVESTORS SHOULD NOT REGARD THE CONTENTS OF THIS MEMORANDUM OR ANY OTHER COMMUNICATION FROM THE COMPANY AS TAX, LEGAL OR INVESTMENT ADVICE. EACH POTENTIAL INVESTOR IS ENCOURAGED TO CONSULT WITH HIS, HER OR ITS OWN INDEPENDENT LEGAL COUNSEL, ACCOUNTANT AND OTHER PROFESSIONALS WITH RESPECT TO THE LEGAL, TAX

AND OTHER ASPECTS OF THIS INVESTMENT AND WITH SPECIFIC REFERENCE TO HIS, HER, OR ITS OWN TAX SITUATION, PRIOR TO SUBSCRIBING FOR THE NOTES. THE COMPANY IS NOT PROVIDING THE PROSPECTIVE INVESTOR WITH ANY INVESTMENT ADVICE AND MAKES NO REPRESENTATIONS REGARDING WHETHER AN INVESTMENT IN THE NOTES IS SUITABLE OR APPROPRIATE FOR A PARTICULAR INVESTOR.

NEITHER THE DELIVERY OF THIS MEMORANDUM NOR ANY SALES HEREUNDER SHALL, UNDER ANY CIRCUMSTANCES, CREATE AN IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE COMPANY OR IN THE INFORMATION SET FORTH HEREIN SINCE THE DATE OF THIS MEMORANDUM SET FORTH ABOVE.

IN MAKING AN INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE NOTES AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

THIS MEMORANDUM CONTAINS FORWARD-LOOKING STATEMENTS THAT INVOLVE SUBSTANTIAL RISKS AND UNCERTAINTIES. ALL STATEMENTS, OTHER THAN STATEMENTS OF HISTORICAL FACTS, INCLUDED IN THIS MEMORANDUM REGARDING REAL ESTATE INVESTMENTS, REAL ESTATE COMPANIES, THE COMPANY'S STRATEGY, FUTURE OPERATIONS, FUTURE FINANCIAL POSITION, FUTURE REVENUE, PROJECTED COSTS, PROSPECTS, PLANS, OBJECTIVES OF MANAGEMENT AND EXPECTED MARKET GROWTH ARE FORWARD-LOOKING STATEMENTS. THE WORDS "ANTICIPATE," "BELIEVE," "ESTIMATE," "EXPECT," "INTEND," "MAY," "PLAN," "PREDICT," "PROJECT," "WILL," "WOULD" AND SIMILAR EXPRESSIONS ARE INTENDED TO IDENTIFY FORWARD-LOOKING STATEMENTS, ALTHOUGH NOT ALL FORWARD-LOOKING STATEMENTS CONTAIN THESE IDENTIFYING WORDS.

THE COMPANY MAY NOT ACTUALLY ACHIEVE THE PLANS, INTENTIONS OR EXPECTATIONS DISCLOSED IN FORWARD-LOOKING STATEMENTS, AND PROSPECTIVE INVESTORS SHOULD NOT PLACE UNDUE RELIANCE ON FORWARD-LOOKING STATEMENTS. ACTUAL RESULTS OR EVENTS COULD DIFFER MATERIALLY FROM THE PLANS, INTENTIONS AND EXPECTATIONS DISCLOSED IN FORWARD-LOOKING STATEMENTS. THE COMPANY HAS INCLUDED IMPORTANT FACTORS IN THE CAUTIONARY STATEMENTS INCLUDED IN THIS MEMORANDUM, PARTICULARLY IN THE "*RISK FACTORS*" SECTION, THAT COULD CAUSE ACTUAL RESULTS OR EVENTS TO DIFFER MATERIALLY FROM FORWARD-LOOKING STATEMENTS CONTAINED IN THIS MEMORANDUM.

WE DO NOT ASSUME ANY OBLIGATION TO UPDATE ANY FORWARD-LOOKING STATEMENTS, WHETHER AS A RESULT OF NEW INFORMATION, FUTURE EVENTS OR OTHERWISE, EXCEPT AS REQUIRED BY LAW.

SUMMARY OF TERMS

Note Issuer	<p>The Notes are issued by FTF Lending, LLC, a Delaware limited liability company.</p>
Features of the Notes	<p>The Notes will be obligations of the Company that are issued in series, with payment under the Notes tied solely to the performance of an Underlying Loan. The Company will issue a series of Notes for each Underlying Loan that is funded. Payments on each series of Notes are dependent on the payments that the Company receives on the Underlying Loan. The Underlying Loan (or the components thereof) will be secured by a deed of trust, mortgage, security agreement, or legal title to real estate.</p> <p>The Note will be a special limited secured obligation of the Company, meaning that the Note will be secured by a pledge to the indenture trustee of the Note, mortgage and cash flow from the specific Underlying Loan, but not by any other assets of the Company (including any other Underlying Loans). Except for the limited pledge described in the foregoing sentence, the Notes are not recourse obligations of the Company. The Company does not guarantee payment of the Notes or the Underlying Loans, and the Notes are not obligations of the underlying borrowers. To the extent the Company is unable to collect payments (or portions thereof) under an Underlying Loan, the Company will not be obligated to make any corresponding payment (or portion thereof) under the Notes.</p> <p>Each series of Notes will have its own set of terms. Generally, each Note will bear interest from the date of issuance, but different series of Notes will have different interest rates and have different terms to maturity, depending on the Underlying Loan. Investors must consult the applicable Series Disclosure Sheet in respect of each Note, a copy of which will be posted on www.fundthatflip.com, to review and evaluate the specific terms and conditions associated with any particular Note.</p>
Security for the Underlying Loan	<p>Each Underlying Loan (or the components thereof) will be secured by a first lien security interest such as a mortgage, deed of trust or security deed on the real estate being purchased with the Underlying Loan. The Notes will be secured by a pledge to the indenture trustee of the promissory Note, mortgage and cash flow from the specific Underlying Loan, but not by any other assets of the Company (including any other Underlying Loans). As stated</p>

	<p>below, only the indenture trustee, not the holders of the Notes, has a security interest in the collateral.</p>
<p>Protections Upon Company Bankruptcy</p>	<p>The Company was formed so that, in the event of a bankruptcy of the entities that directly or indirectly control it, the Underlying Loans that the Company owns should be shielded from claims by the creditors of the entities that directly or indirectly control the Company, thereby protecting the interests of Note holders in the Underlying Loans and the proceeds thereof. The Company has granted the indenture trustee, for the benefit of each Note holder, a security interest in the specific Underlying Loan corresponding to the relevant Note and the payments and proceeds that the Company receives on such Underlying Loan. The indenture trustee may exercise its legal rights to the collateral only if an “Event of Default” has occurred under the Indenture for the Notes (the “<u>Indenture</u>”), which would include the Company becoming subject to a bankruptcy or similar proceeding.</p> <p>Only the indenture trustee, not the holder of a Note, has a security interest in the Underlying Loan corresponding to the relevant Note.</p> <p>If the indenture trustee were to exercise its legal rights to the Underlying Loan and the collateral, the Indenture provides that amounts collected on a particular Underlying Loan (minus allowable fees and expenses) are to be applied to amounts due and owing on the corresponding Note. There can be no assurance, however, that the indenture trustee, or ultimately the Note holders, would realize any amounts from the collateral. See the section below entitled “<i>Risk Factors</i>.”</p>
<p>The Borrowers</p>	<p>The Company will make Underlying Loans secured by real property to borrowers listed on www.fundthatflip.com. The Company may enter into a relationship whereby one or more third parties originates (and/or services) the Underlying Loans and the Company then purchases Underlying Loans from the third party.</p> <p>The Company reserves the right, in its discretion, to not disclose the name or identity of the borrower with respect to any series of Notes. In such circumstances, Investors must make their respective investment decisions based solely on information provided about the borrower, the Note, the Underlying Loan and other material facts, but without knowledge of the identity or name of the borrower.</p>
<p>Interest on the Notes</p>	<p>The Company will generally pay each Note holder principal and interest on such holder’s Note in an amount equal to each such Note’s pro rata portion of the principal and interest payments, if any,</p>

	<p>that the Company receives on the Underlying Loan, net of any Company fees or other third-party servicing fee, if applicable. Any such fees will vary with each series of Notes, and the applicable information will be provided on the Series Disclosure Sheet posted online or made available to you prior to your investment. The Company may vary from a precise <i>pro rata</i> formula if one or more investors have been granted special investment incentives (e.g., where such Note holder is investing sizable amounts).</p> <p>As described on each Series Disclosure Sheet, Investors may receive a shared percentage of fees charged by the Company to borrowers for beneficiary statements and demands, late charges, postponement and extension fees, processing fees, default interest charged to the borrower, forbearance fees, inspection fees, administrative fees and any other payments or fees due from the borrower (except for returned check charges, which will always be retained in full by the Company), net of any fees paid to third party vendors.</p>
<p>Term of the Notes</p>	<p>The term of each of the Notes will vary by series and the term of the corresponding Underlying Loan. Generally, the terms will be between six (6) to twelve (12) months, with the possibility for ranges less than one (1) month or up to sixty (60) months from the date that the corresponding Underlying Loan is made.</p>
<p>Maturity Date</p>	<p>The Notes in each series will mature at the end of the given term (the “<u>Initial Maturity Date</u>”), unless any payments of the Underlying Loan remain due and payable upon such date, in which case the maturity of the Notes will be automatically extended to the time when all payments from the Underlying Loan are received from the borrower (which shall be extended for a period from the date of the Initial Maturity Date determined by the Company) (the “<u>Final Maturity Date</u>”). However, because the Company may, in its discretion and, subject to its loan standards as then in effect, amend, modify, sell to a third-party debt purchaser or charge off the Underlying Loan at any time after its delinquency, and because the Company may charge off an Underlying Loan after it becomes past due when the Company deems such action appropriate, the Underlying Loan may never reach the final maturity date.</p>
<p>Payment Date</p>	<p>Payments on the Notes will depend on the terms of each series of Notes and will be set forth in the Series Disclosure Sheet for a particular series of Notes. Generally, payments are expected to be on a monthly basis during the term of the Note. Payments will only be made only to the extent that the Company receives payments on the corresponding Underlying Loan.</p>

Prepayment	Borrowers may or may not have prepayment penalties attached to their loan. On loans that do not have a prepayment penalty, the Notes will similarly be pre-payable without penalty. If the borrower has a prepayment penalty and such penalty is actually paid, the Notes may share in that prepayment penalty.
Use of Proceeds	The proceeds of each series of Notes may be used to fund the Underlying Loan or to purchase the Underlying Loan or, in some cases, to repay funds the Company has directly financed through a bridge loan or otherwise borrowed from a third-party. The Company may enter into short term line of credit arrangements pursuant to which an entity lends the Company amounts needed to initially fund an Underlying Loan, with Investor capital used to pay down such borrowings.
Investor Qualifications	<p>An investment in Notes is available only to accredited investors under Regulation D, Rule 506(c) promulgated under the Securities Act of 1933, as amended (the “<u>Securities Act</u>”).</p> <p>Each prospective Note holder will be required to make certain additional representations in its Investor Agreement executed in consummating its purchase of its Note. See “<i>Investor Qualifications</i>” below.</p>
Purchases by Company or its Affiliates	The Company, its affiliates or an entity over which the Company or one of its affiliates has control (each an “ <u>Affiliated Purchaser</u> ”) may, and likely will, purchase Notes for their own account. Investment amounts attributable to purchases by Affiliated Purchasers will be included in determining whether a given series of Notes has met its required minimum funding amount, and such minimum funding amount may be funded in whole or in part by such Affiliated Purchasers.
Investment Process	The Notes are sold to investors (“ <u>Investors</u> ”) who remit funds and execute an Investor Agreement relating to a particular Series Disclosure Sheet on the platform, which funds and Investor Agreement may be ultimately accepted by the Company. Notes are issued in the principal amount of Investors’ respective investments. After a Series Disclosure Sheet is posted, Investors can place investments on that listing until the listing has received investments totaling the requested funding amount. The Company currently accepts investments in amounts of as little as \$5,000 (and in subsequent \$5,000 denominations), although in some cases these amounts may change or be waived in the Company’s discretion either with respect to a particular Investor or a series of Notes. When we prefund an Underlying Loan, the loan may be funded by our revolving line of credit, by short-term debt investors or by equity

	<p>investors (each of whom may be a party affiliated with the Company) who agree to provide bridge financing between the making of the Underlying Loan and the sale of Notes linked to that loan. Investors begin to accrue interest as of the date all the following steps are completed: (1) receipt and clearing of funds into our account; (2) execution of the Investor Agreement and Note; and (3) verification of an Investor's status as an accredited investor.</p>
<p>U.S. Federal Income Tax Consequences</p>	<p>No authority directly addresses the treatment of the Notes or instruments similar to the Notes for U.S. federal income tax purposes. Although the matter is not free from doubt, the Company intends to treat the Notes as indebtedness of the Company for U.S. federal income tax purposes. Under this treatment the Notes will have original issue discount ("OID") for U.S. federal income tax purposes because the Company is not unconditionally obligated to pay interest on the Notes, and payments are made to the Investors only to the extent payments are received by the Company on the Underlying Loan. Furthermore, an Investor will generally be required to include the OID as ordinary interest income for U.S. federal income tax purposes as it accrues (which may be in advance of interest being paid on the Note), regardless of such Investor's regular method of tax accounting. Prospective purchasers of the Notes should consult their own tax advisors regarding the U.S. federal, state, local and non-U.S. tax consequences of the purchase and ownership of the Notes, including any possible differing treatment of the Notes. See the section entitled "<i>Certain U.S. Federal Income Tax Considerations</i>" for more information.</p>

INVESTOR QUALIFICATIONS

For each investment, an Investor will be required to sign an Investor Agreement pursuant to which he, she or it represents (among other things) that the Investor meets certain requirements related to private offerings made to accredited investors, and must produce evidence of such Investors' accredited status to the reasonable satisfaction of the Company. Each person acquiring a Note will also be required to represent that he, she, or it is purchasing for his, her, or its own account for investment purposes and not with a view to resale or distribution. Only Investors with adequate assets should invest in the Notes and should understand the risks involved in such an investment (See the section entitled "*Risk Factors*").

The discussion contained in this Memorandum is directed to U.S. investors and assumes an investment in the Notes is being made by an Investor with a domicile in the U.S. While not prohibited from investing in one or more series of Notes, the Company recommends that non-U.S. investors consult with independent tax and legal counsel to evaluate any investment in the Notes from the perspective of a non-U.S. investor. This Memorandum does not address

international laws, rules or regulations (such as, without limitation, taxation, securities and/or investment laws, rules or regulations of any foreign jurisdiction).

THE NOTES AND THE INDENTURE

In September 2016, the Company and Delaware Trust, as indenture trustee, entered into an Indenture (the “Indenture”). The Indenture contains provisions that define Note holders’ rights under the Notes. In addition, the Indenture governs the obligations of the Company under the Notes. The terms of the Notes include those stated in the Indenture (including the form of Note attached to the Indenture). The Indenture is governed by the laws of the State of Delaware.

The Notes are the Company’s special, limited obligations that are tied to the performance of a particular secured Underlying Loan, and are secured by a pledge to the Indenture trustee of the Underlying Loan, but not by any other assets of the Company (including any other Underlying Loans). The Notes will be denominated in U.S. dollars and will be issued in series under the Indenture. The Indenture does not limit the aggregate principal amount of Notes that the Company can issue under the Indenture. In addition, the Indenture does not contain any provisions that limit the Company’s ability to incur indebtedness in addition to the Notes. The Company has no obligation to make any payments on the Notes unless, and only to the extent that, the Company has received payments on the corresponding Underlying Loan.

The exact form of Note for each particular series of Notes offered to Investors will vary based on the terms and conditions of the specific transaction. Because certain terms (*e.g.*, issuance date) of a Note may not be known until funds have been received, the form of Note will simply be posted on www.fundthatflip.com along with the Series Disclosure Sheet and this Memorandum, and Investors will need to execute only an Investor Agreement for the Note amount desired. Investors can check the applicable date and any updated terms of their Note through their investor account, but clerical alterations to the final form of Notes will be reflected in the Company’s internal records without further Investor notification.

All Notes will be issued in electronic form only, through www.fundthatflip.com. The registration, processing and payment systems are automated and electronic. We do not have any physical branches, deposit-taking or interest payment activities. The website will provide detailed information about the Note offerings, as well as the Series Disclosure Sheet applicable to each series of Notes. The Series Disclosure Sheet will provide Investors with a description of the Notes, the terms of the Underlying Loan, some information about the borrower (but not necessarily the name or identity of the borrower), and the nature of the security of the Underlying Loan. The website provides various forms of customer support should the Investor have any questions about the mechanics of investing or navigation on www.fundthatflip.com.

For each series, the Notes will be sold to Investors who remit funds and execute an Investor Agreement relating to a particular Series Disclosure Sheet on www.fundthatflip.com, which funds and Investor Agreement may be ultimately accepted by the Company. Notes are issued in the principal amount of Investors’ respective investments. After a Series Disclosure Sheet is posted online, Investors can place investments on that listing until the listing has received investments totaling the requested loan amount. The Company currently accepts investments in

amounts of as little as \$5,000 (and in additional increments of \$5,000), although in some cases the minimum investment amounts may change or be waived in the Company's discretion with respect to a series or a specific Investor. If the Series Disclosure Sheet does not receive the necessary aggregate investments prior to the end of the listing period, the Company may, at its option, either (i) take the remainder of the requested loan amount for that series on its balance sheet, or (ii) if the Company believes that additional Investors may later elect to participate in the listing, the Company may elect (in its discretion) to extend the listing, and the listing will remain active until the listing is fully funded. In such cases, Investors who had already committed to Notes at the time the listing is extended will begin to accrue interest as of the date they complete all steps of their individual investment commitment.

For some Underlying Loans, the Company may, and likely will, enter into one or more relationships whereby one or more third parties originates (and/or services) the Underlying Loan and the Company then purchases the Underlying Loan from the third party. The Company may service or originate the loan directly or may put in place a third party loan originator or servicer, which may be a wholly-owned subsidiary of the Company itself. The Company may also enter into short term line of credit arrangements pursuant to which an entity lends the Company amounts needed to initially fund an Underlying Loan, with Investor capital used to pay down such borrowings.

Affiliated Purchasers may, and likely will, purchase Notes for their own account. Investment amounts attributable to purchases by Affiliated Purchasers will be included in determining whether a given series of Notes has met its required minimum funding amount, and such minimum funding amount may be funded in whole or in part by amounts invested by such Affiliated Purchasers.

Unless clearly indicated otherwise, each of the Underlying Loans (or the components thereof) will be secured by a mortgage, deed of trust, security agreement, or legal title. Borrowers generally will be required to maintain satisfactory property casualty insurance, whereby the Company will generally be named as the primary loss payee on such insurance, and title insurance will be obtained.

The Indenture provides that the Company or a third-party servicer shall use commercially reasonable efforts to service and collect on the Underlying Loan in good faith, accurately and in accordance with industry standards customary for servicing loans such as the Underlying Loans, and may in applying that standard amend or waive any term of such Underlying Loan, or when the Company deems appropriate and advisable, write off and cancel such corresponding Underlying Loan without the consent of the Holder of this Note.

The Indenture contains provisions permitting (subject to the servicing standard) the Company and the indenture trustee, with the consent of the holders of not less than a majority in aggregate principal amount of each series of Notes affected thereby at the time outstanding, evidenced as provided in the Indenture, to execute supplemental indentures adding any provisions to, or changing in any manner or eliminating any of the provisions of, the Indenture or of any indenture supplemental thereto or modifying in any manner the rights of the holder of a Note. However, no such supplemental indenture may: (1) change the stated maturity of the principal of, or any installment of principal or interest on, a Note, or reduce the principal amount thereof or the rate

of interest thereon that would be due and payable upon a declaration of acceleration of maturity thereof or change the place of payment where, or change the coin or currency in which, any installment of principal and interest on any Note is payable or impair the right to institute suit for the enforcement of any such payment on or after the stated maturity thereof, (2) reduce the percentage in principal amount of the outstanding Notes, the consent of whose holders is required for any such amendment or supplemental indenture, or the consent of whose holders is required for any waiver (of compliance with certain provisions of the indenture or certain defaults thereunder and their consequences) with respect to the Notes, or (3) modify any of the provisions of Section 5.4 (clauses (a) and (b)), Section 5.7 or Section 8.2 of the Indenture, except to increase the percentage of outstanding Notes required for such actions to provide that certain other provisions of the Indenture cannot be modified or waived without the consent of the holder of each outstanding Note affected thereby.

The Indenture also contains provisions permitting the holders of at least a majority of the aggregate principal amount of the Notes of all affected series at the time outstanding, on behalf of the holders of all the Notes of such series, to waive, insofar as those series are concerned, compliance by the Company with certain provisions of the Indenture and certain past defaults under the Indenture and their consequences. Any such consent by the holder of a Note (unless revoked as provided in the indenture) shall be conclusive and binding upon such holder and upon all future holders and owners of this Note and any Notes that may be issued upon the registration of transfer thereof or, irrespective of whether or not any notation thereof is made upon the Note or other such Notes. The Trustee shall have no duty or liability with regards to the servicing of the Underlying Loan.

Notes held or purchased by the Company or its affiliates are considered “outstanding” for purposes of the Indenture and are counted in determining whether the threshold for actions by holders have been met.

The Indenture prohibits the Company from consolidating with or merging into another business entity or conveying, transferring or leasing its properties and assets substantially as an entirety to any business entity, unless: (1) (a) the Company is the continuing corporation or limited liability company after such consolidation, merger or sale of assets, or (b) (i) the surviving or acquiring entity is a U.S. corporation, limited liability company, partnership or trust, and (ii) it expressly assumes the Company’s obligations with respect to the outstanding Notes by executing a supplemental indenture; (2) immediately after giving effect to the transaction, no default shall have occurred or be continuing; and (3) the Company has delivered to the indenture trustee an officers’ certificate stating that the transaction, and if a supplemental indenture is required in connection with such transaction, such supplemental indenture, complies with the Indenture and all conditions precedent relating to such transaction have been complied with.

Investors can review, on www.fundthatflip.com, the Series Disclosure Sheet describing a series of Notes. The Series Disclosure Sheet (posted online) will, together with this Memorandum and the form of Note, contain the authoritative description of any series of Notes offered by the Company.

Denominations, Form and Registration

The Company will issue the Notes only in registered, electronic form. This means that each Note will be stored on www.fundthatflip.com. You can view a record of the Notes you own and the form of your Notes online and print copies for your records by visiting your secure, password-protected section of www.fundthatflip.com. The Company will not issue certificates for the Notes. Investors will be required to hold their Notes through the Company's electronic Note register.

We will treat the Investors in whose names the Notes are registered as the owners thereof for the purpose of receiving payments and for all other purposes.

Custodial Arrangement

In order to perfect a security interest in the promissory note related to an Underlying Loan, and in order to ensure the priority of that perfected security interest, the secured party must take possession of the promissory note. The indenture trustee will take and maintain possession of the promissory note with respect to each pledged Underlying Loan.

Interest Rates

The net interest rate applicable for each series of Notes will be set forth in the Series Disclosure Sheet. The Company expects that, in nearly all cases, the proceeds provided to Investors in the Notes will be *less* than the proceeds paid to the Company or its affiliates by the borrower on the Underlying Loan, as the Company typically charges a management fee that will vary among series of Notes in order to cover certain servicing, administrative and compliance costs. The Underlying Loans generally adopt the simple interest methodology of calculating interest based on a 360-day year.

The interest rates payable on each Underlying Loan will vary, depending on various factors applicable to the underlying property and the borrower. Consequently, the interest rate will vary for each series of Notes, and the yield an Investor earns on one series of Notes may differ from the yield earned by other Investors on other series of Notes. In addition, in some cases, the interest paid to all Investors will not be the same. The Company is permitted to enter into investment agreements with certain Investors as it may from time to time deem advisable. For example purposes only, such agreements might stipulate certain incentives to be provided where an Investor contributes a particularly significant amount to the Company. In such cases, the Company may offer one or more Investors such discounts or rebates on the management fee as it deems advisable.

From time to time, some series of Notes may feature additional contingent payment provisions reflecting a similar feature in a Underlying Loan, whereby Investors may be able to realize additional payments upon the occurrence of certain events during the life of the Underlying Loan. Any such contingent payments, if applicable, will be described in detail in the Series Disclosure Sheet; however, such contingent payment provisions are expected to be available only infrequently, and if the Series Disclosure Sheet does not describe such a contingent payment mechanism, then no such payments will apply for that series of Notes.

Maturity

Each series of Notes will have varying terms, depending on the term of the Underlying Loan. Most of the Underlying Loans, and thus the Notes, will have a typical duration of between six (6) to twelve (12) months, but may range from less than one (1) month to up to sixty (60) months.

The Notes in each series will mature at the end of the term of the Underlying Loan plus ten (10) business days (“initial maturity date”). If there are amounts owing to the Company on the Underlying Loan at the end of the initial maturity date, the term of the Notes may be extended, as the Company deems appropriate and advisable, to allow for more time for the Company to receive further payments due on the Underlying Loan and for Investors to thus receive further payments on the corresponding Notes.

The Notes may never reach final maturity, however, because we expect that in most cases Underlying Loans may be prepaid without penalty, and because we may, in our sole discretion and, subject to the applicable servicing standards, amend, modify, assign or charge off the Underlying Loan at any time after any delinquency thereon.

Ranking; Sinking Fund

In the event of a bankruptcy or similar proceeding of the Company, the relative rights of the holder of a Note as compared to the holders of other indebtedness of the Company with respect to payment from the proceeds of the Underlying Loans or other assets of the Company is uncertain. See the section entitled “*Risk Factors*.” Each series of Notes will correspond to a specific Underlying Loan, and payment will depend on payments we receive on the Underlying Loan. The Notes will not have the benefit of a sinking fund.

Servicing and Payments

Subject to the limitations described below under the section entitled “*Limitations on Payments*,” we will make installment payments on the Notes upon receiving payments in respect of the Underlying Loan. In some cases, the Company may collect payments on the Underlying Loan, while in other cases the Company may enter into a relationship with a third party or an affiliate in order to have that third party or affiliate issue, or act as the servicer or sub-servicer of, the Underlying Loan. In all cases, the Company, an affiliate or a third party (including the indenture trustee) will disburse corresponding payments on the applicable series of Notes.

The Series Disclosure Sheet will generally provide for periodic payments over a term equal to the Underlying Loan and will specify the type of periodic payments (monthly, quarterly, etc.) applicable to that series of Notes. After any Underlying Loan is paid in full, either as a result of the borrower paying off the Underlying Loan or as a result of a payoff in a foreclosure proceeding, the Company will pay off the Note and pay Investor with the proceeds (net of any fees, charges and reimbursement of advances payable to the Company) as soon as practicable. Investors will only receive interest payments made through the date of payoff to the Company, not through the date the Company distributes funds to Investors.

We expect that, for each Underlying Loan, we will request a payment from the borrower (by check, wire or through the Automated Clearing House system (the “ACH”) of the U.S. Federal

Reserve Board or a successor system providing electronic funds transfers between banks, which we collectively refer to as the “Payment”) on the business day prior to the payment due date, and that we will normally receive payment within five (5) business days. A payment by the borrower may not be distributed to the Note holder until as late as the fifteenth (15th) business day after the Payment was requested. Investors can review their account statements online and see that they have received payment on the Notes beginning on the twentieth (20th) business day after the Payment was requested. The same process occurs upon maturity of the Note. Although payment under the Notes will be made up to fifteen (15) business days after the applicable payment and maturity date, the Company will treat the payment date and maturity date of the Note to be the same as the dates applicable to the Underlying Loan. While the Company does not generally accommodate requests for payments by wire, and a fee not to exceed \$100 may be applied to any special requests for payment by wire transfer. The Company reserves the right to refuse any request for payment by wire transfer.

Pursuant to the terms of the applicable Underlying Loan, the borrower may have a grace period from the date that payments are due under the Underlying Loan. Within ten (10) days after the expiration of any grace period and/or in accordance with applicable state law, the Company will generally telephone and/or send a notice of delinquency to the borrower. If the borrower does not adequately respond to the notice of delinquency within a reasonable time, then (or as may be in accordance with state law) the Company generally will record a notice of default, if applicable, with respect to the Underlying Loan. The Company may exercise its discretion in the timing of the filing of the notice of default. The Company may also exercise its discretion in the timing of any foreclosure under the power of sale contained in the applicable security instrument, including granting short term extensions of the foreclosure date.

Limitations on Payments

Any amounts received on Underlying Loans will be forwarded by the Company or the indenture trustee to the holders of the corresponding series of Notes, net of any fees, charges, advances or other reimbursements payable to the Company or its affiliates. Each Investor’s right to receive installment payments and other amounts in respect of that series of Notes is limited in all cases to the Investor’s *pro rata* portion of the amounts received by the Company in connection with the Underlying Loan, including, without limitation, all principal and interest payments, prepayments, partial payments, late payments or settlements, the proceeds from any foreclosure on collateral, or the proceeds from an assignment to a collections agent, subject to the repayment of any Company advances made in connection with collection or similar efforts made with respect to the Underlying Loan or any Company or third-party fees. To the extent the Company does not receive a required payment on an Underlying Loan, we will not make any payments on the series of Notes related to that payment (or the portion thereof that we do not receive, in the case of a partial payment), and a holder of a Note will not have any rights against the Company or the borrower in respect of the Note or the Underlying Loan.

An “unsuccessful payment fee” is a fee charged by the Company or a third-party or affiliated servicer or collection agency when a payment request is denied or a check is returned unpaid for any reason, including but not limited to, insufficient funds in the borrower’s bank account or the closing of that bank account. The unsuccessful payment fee currently charged by the Company on Underlying Loans is \$50 or such lesser amount permitted by law.

The Company retains the authority to grant appropriate payment deferrals based on its overall assessment of a borrower, the property situation, and market conditions generally. In such cases, the payment terms of the Notes will be correspondingly adjusted. The Company, or an affiliate, may also, in its sole discretion, advance amounts necessary to protect the security of any Underlying Loan. Such amounts may include the payment of taxes, prior encumbrances or liens, property and casualty insurance, foreclosure expenses, repair, litigation expenses and similar items, and also for accountant fees, consultants, property maintenance and similar items. The Company may make such advances when, in its sole discretion, it determines that the Underlying Loan may be at risk and believes that the making of such advances will ultimately be economically beneficial. The Company will notify Investors in the applicable series of Notes if and when such advances are made and that the amount of such advances may be withheld from payments that Investors would otherwise receive on the Notes. The Company is not required to make any such advances and may choose whether or not to make any such advance in its sole discretion. Any advances made by the Company will, at the Company's sole discretion, bear interest at the lesser of the applicable Note interest rate or the maximum rate allowed by law, and will be reimbursable to the Company upon receipt of funds from the borrower. Furthermore, in the event of foreclosure, the Company is entitled to recover the costs of foreclosure and any amounts advanced by the Company (with applicable interest thereon) in respect of the property being foreclosed upon prior to any payment or other distribution being made to holders of Notes.

Each series of Notes will mature on their Initial Maturity Date, unless any scheduled payments in respect of the Underlying Loan remain due and payable upon the Initial Maturity Date, in which case the maturity of the Notes may be automatically extended to the Final Maturity Date and the unpaid portion of the Underlying Loan will continue to accrue interest at the applicable rate. After the Final Maturity Date, Investors will have no further right to receive payments on the Notes, even if the Company later recovers additional amounts relating to the Underlying Loan.

Prepayments

To the extent that a borrower prepays an Underlying Loan, holders of the series of Notes related to that Underlying Loan will typically be entitled to receive their *pro rata* share of the prepayment, net of any accrued or owing fees, charges or other reimbursements otherwise due and payable to the Company or its affiliates or third-party vendors.

Events of Default and Right of Action

Under the terms of the Indenture, any of the following events will constitute an event of default for a series of Notes:

- (1) subject to the limitations on required payments contained in the Indenture, the Notes and the Investor Agreement, the Company defaults, in the payment of any principal of, or interest upon, any Note of such series when the same becomes due and payable and continuance of such default for a period of thirty (30) days;

(2) the Company fails to comply with any of its agreements in the Notes or the Indenture (other than those referred to in (1) above) and such failure continues for ninety (90) days after receipt by the Company of a notice of default; provided, however, that if the Company shall proceed to take curative action which, if begun and prosecuted with due diligence, cannot be completed within a period of ninety (90) days then such period shall be increased to such extent as shall be necessary to enable the Company diligently to complete such curative action;

(3) certain specified events relating to the Company's bankruptcy, insolvency or reorganization; or

(4) any other event of default that is specifically provided with respect to a series of Notes.

It is not a default or event of default under the terms of the Indenture if the Company does not make payments on a series of Notes when a borrower does not make payments on the Underlying Loan. In that case, the Company is not required to make payments on the Notes, so no default occurs. See "*Risk Factors*" for more information. An event of default with respect to one series of Notes is not automatically an event of default for any other series, even where the same Investor is an Investor on both loans.

If an event of default as provided in the Indenture occurs, then the stated principal amount of all outstanding Notes of the affected series shall become due and payable immediately without any act by the indenture trustee or any holder of Notes. The holders of at least a majority in aggregate principal amount of the outstanding Notes of any series, by notice to the indenture trustee (and without notice to any other holder of Notes), may on behalf of the holders of all Notes of the series rescind an acceleration and the consequences thereof so long as (1) such rescission does not conflict with any judgment or decree and (2) all events of default have been cured or waived.

To limit the risk of the Company's insolvency, the Company has granted the indenture trustee a security interest in all of the Underlying Loans corresponding to the Notes and the related payments. The indenture trustee may exercise its legal rights to the collateral only if an event of default has occurred under the Indenture. Only the indenture trustee, not the holders of the Notes, will have a secured claim to the above collateral.

The holders of at least a majority in aggregate principal amount of the outstanding Notes of any series, by notice to the indenture trustee (and without notice to any other holder of Notes), may on behalf of the holders of all Notes of the series waive an existing default with respect to such Notes, except (1) a default in the payment of amounts due in respect of such Notes or (2) a default in respect of a provision of the Indenture that cannot be amended without the consent of each holder affected by such waiver. When a default is permanently and irrevocably waived, it is deemed cured, but no such waiver shall extend to any subsequent or other default or impair any consequent right.

Notes held or purchased by the Company or its affiliates are considered "outstanding" for purposes of the Indenture.

A Note holder may not institute a suit against the Company for enforcement of such holder's rights under the Indenture or pursue any other remedy with respect to the indenture or the Notes unless:

- (1) the holder gives the indenture trustee written notice stating that an event of default with respect to a series of Notes is continuing;
- (2) the holders of at least twenty five percent (25%) in aggregate principal amount of the outstanding Notes of that series make a written request to the indenture trustee to pursue the remedy;
- (3) such holder or holders offer to the indenture trustee security or indemnity satisfactory to the indenture trustee;
- (4) the indenture trustee does not comply with the request within sixty (60) days after receipt of the notice, the request and the offer of security or indemnity; and
- (5) the holders of at least a majority in aggregate principal amount of the outstanding Notes of that series do not give the indenture trustee a direction inconsistent with such request during such sixty (60) day period.

The Indenture provides that Note holders may not use the Indenture to prejudice the rights of any other Note holder or to obtain a preference or priority over any other Note holder (but the indenture trustee has no affirmative duty to determine whether or not any such actions or forbearances are unduly prejudicial to such other Note holders).

Satisfaction and Discharge of the Indenture

The Indenture will generally cease to be of any further effect with respect to a series of Notes if (1) all of the Notes of that series (with certain limited exceptions) have been delivered for cancellation or (2) all Notes of that series not previously delivered for cancellation have become due and payable or will become due and payable within one year and the Company has deposited with the indenture trustee as trust funds the entire amount sufficient to pay at maturity all of the amounts due with respect to those Notes. In either case, the Company must also pay or cause to be paid all other sums payable under the Indenture by it and deliver to the indenture trustee an officers' certificate and opinion of counsel stating that all conditions precedent to the satisfaction and discharge of the indenture have been complied with.

The Indenture does not contain any provisions for legal or covenant defeasance of the Notes.

Certain Aspects of the Loans and Special Types of Real Estate Debt

As discussed above, if the borrower remains in default after any accommodation granted by the Company to the borrower to cure such default, the Company (or, in a participation arrangement, the lead lender) may foreclose on the property corresponding to the Underlying Loan. The terms of Underlying Loans with respect to default and foreclosure will vary. Borrower loan documents may provide, for example, that a default by the borrower on any other loan or obligation made or arranged by the Company will cause the Company (or lead lender) to declare a default under the

deed of trust relating to the Underlying Loan. The Company may add a shortfall from the borrower on one loan to the payoff demand on another loan from the same borrower; in such a case, the Company would direct the shortfall amount back to the Investors in the series of Notes relating to the first loan.

The Company may also determine that an advance is necessary and prudent to protect Investors' interests. Such instances might include the cancellation or expiration of insurance, the delinquency of property taxes, removal of mechanics liens, additional expenses necessary to complete construction, expenses to market the property, or any other expenses that Company deems necessary. Any such advances would be added to the Underlying Loan amounts, bear interest at the loan rate, and, in the case of forced insurance, may be significantly more expensive than conventional fire insurance.

Some series of Notes and their Underlying Loans may provide for monthly payments of interest only and will require the borrower to make a "balloon" payment of the unpaid principal and interest at the end of the loan term. Some series of Notes and the Underlying Loan may be partially amortized loans, and will require the borrower to make a "balloon" payment of the unpaid principal and interest at the end of the loan term. The Company does not currently expect to make or arrange loans that contain provisions for negative amortization.

From time to time Company will rewrite loans requiring "balloon" payments that Company has previously made to a borrower. With respect to such rewritten loans, Company will apply the same underwriting guidelines and may not obtain a new appraisal of the property.

The Company may offer some series of Notes relating to construction loans for various types of properties, including single family residential, condominiums, multi-family residential, apartment complexes, student housing, industrial, all varying kinds of commercial (including but not limited to shopping center, office, multiuse, storage), foreclosed (REO), unimproved land with entitlements, small tract properties, and other kinds of varying real estate transactions. The loan underwriting for construction, rehabilitation and unimproved land with entitlement loans is typically based upon a determined "as completed" value, *i.e.*, the projected value of the property *after* the completion of the construction or rehabilitation of a property. Special builder's risk insurance, or "course of construction" insurance, may be required by the Company in these cases.

Although construction loans may be fully funded at the closing of the series of Notes, the proceeds of a construction loan may be disbursed by the Company or its service provider either directly to the borrower or to a construction or builder's fund control company (which may be affiliated with the Company) as agent for the Investors. The borrowers will typically be required to enter into a construction loan agreement that governs the release of the loan proceeds in a number of draws. Disbursements would be made by the Company, its authorized agent, or the construction or builder's fund control company only as portions of the construction work are completed, and only upon instructions from the Company or its agent after monitoring such progress, with the amount of disbursement based upon a percentage of work completed. The laws of some states compel only one (1) disbursement of funds, or prohibit collection of monthly interest in funds not yet disbursed. Disbursements may include interest on the construction loan and advance payments to the Investors of up to three (3) months interest or more. The amount of

the disbursement to pay the contractor and the subcontractors generally would be based upon a percentage of completion of construction. In its discretion, the Company may require the retention of a percentage of the amounts paid to the contractor or subcontractors. Disbursements may be made directly to the borrower or contractors or subcontractors or jointly to the borrower and to the contractors or the subcontractors or jointly to the contractors and subcontractors.

For rehabilitation loans, a portion of the loan proceeds will typically be disbursed directly to the borrower or to a construction or builder's fund control company, and the borrower would enter into a loan disbursement agreement that will govern the release of the portion of the loan proceeds that are intended to be used for repairs and rehabilitation. The borrower will generally be required to commence work promptly, and the Company will generally limit the initial amount released to the borrower to one-half of the total amount of the retained proceeds, although this figure can vary. In most cases, Company will require the borrower to have already completed certain line items within the scope of work before they will be entitled to receive any money. Construction or rehabilitation disbursements will be made by the Company, its servicing agent, or the construction or builder's fund control company based on the disbursement schedule and fund control authorization. The laws of some states compel only one disbursement of funds, or prohibit collection of monthly interest in funds not yet disbursed. If the improvements have not been completed within the time period set forth in the construction or rehabilitation agreement, or if the Company were to determine that the balance of the loan proceeds was not sufficient to complete the construction, then the Company or its loan servicer may use any remaining retained funds to complete the construction or may require the borrower to deposit additional funds with the Company or the construction or builder's fund control company.

Interest on this type of loan will accrue as set forth in the applicable Note and Series Disclosure Sheet. Upon any default pursuant to the Underlying Loan, the Company or its loan servicer may apply all or any portion of the amount in the Company's trust account or held by the construction or builder's fund control company to amounts due under the Underlying Loan.

For some projects, Company will require the borrower to obtain builder's risk insurance, which is also known as course of construction insurance. This specialized insurance is intended to insure structures while they are under construction. Materials, fixtures and appliances that are intended to become an integral part of the structure being built are also insured. The insurance is provided for loss resulting from accidental direct physical damage to the structure under construction. The policies generally include broad coverage, but exclude earthquake, flood and damage caused by earth movement. Some builder's risk policies limit coverage to physical damage caused by specifically named perils, such as fire and theft. These perils would be specifically listed in the policy.

Company Fees

The Company, or any third party originating entities, will generally earn and be paid certain loan origination fees based on the principal amount of each Underlying Loan from the borrower. Such fees may be funded from the loan proceeds. The amount of the loan origination fee depends upon market conditions and is payable at the time the loan closes.

To the extent that the Company (or an affiliate or a third party) charges the borrower certain loan origination fees (“points”), the principal amount of the loan may be increased, which may adversely affect the ability of the borrower to repay the loan. In addition, loan fees or points, (when added to the amount of the loan) will increase the gross amount of the loan thereby decreasing the borrower’s equity in his or her property and correspondingly decreasing the Investor’s security.

If the loan is a construction or rehabilitation loan, the Company (or an affiliate or a third party) may be reimbursed for its expenses and receive builder control fees for inspecting construction progress and monitoring disbursements from a loan disbursement account (if any). These fees and expenses will be payable by the borrower and may be payable out of loan or sales proceeds.

A series of Notes may also entitle the Company to a management fee. Any such management fees will be disclosed in the Series Disclosure Sheet. The Company or its affiliates may share with Investors fees for loans that incur late charges, postponement and extension fees, processing fees, default interest charged to the borrower, forbearance fees, inspection fees, administrative fees and any other payments or fees due from the borrower (except for returned check or non-sufficient funds charges, which will always be retained in full by the Company), net of any third-party fees. Unless otherwise provided in the Series Disclosure Sheet, all such fees shall be paid to the Company or its affiliates. In addition, any legal fees or additional collections or servicing fees will be deducted from the proceeds of the Underlying Loan.

RISK FACTORS

Investing in the Notes involves a high degree of risk. In deciding whether to purchase Notes, a prospective Investor should carefully consider the following risk factors, while keeping in mind that these risk factors only represent some of the risks to which an Investor will be exposed if he, she or it invests in the Notes. The Company believes these risk factors are illustrative of some, but not all, of the various risks involved in this type of investment. Any of the following risks could have a material adverse effect on the value of the Notes an investor purchases and could cause the Investor to lose all or part of his, her or its initial purchase price or could adversely affect future payments the investor expects to receive on the Notes. Only Investors who can bear the loss of their entire purchase price should purchase Notes.

General Investment Risk Factors

Investments are generally risky and offer no guarantee of success.

All investments generally bear the risk of loss of capital. There is no guarantee that an investment will be profitable.

Changes in capital markets and the economy generally may materially and adversely affect operations.

Each Underlying Loan could be affected by conditions in the global capital markets and the economy generally. Concerns over inflation, energy costs, geopolitical issues, the availability and cost of credit have contributed to increased volatility and diminished expectations for the

economy and the markets going forward. These factors, combined with volatile oil prices, wavering business and consumer confidence and sustained unemployment, have resulted in an unstable economy. All of these factors can contribute to an increased likelihood of borrower default.

A note may not realize income or gains from the Underlying Loan.

An investment may decline in value due to defaults. Accordingly, a Note may not be able to realize income or gains from the relevant Underlying Loan. Any income that an investment realizes may not be sufficient to offset its expenses, anticipated or unanticipated.

There are risks in investing in instruments linked to real estate.

An investment in the Notes is an indirect investment in an Underlying Loan made to a borrower to fund a real estate project. The ability of the borrower to pay on the Underlying Loan will be subject to the general risks inherent in the ownership of real property. In particular, the value of real property and the ability to generate income from real property is affected by many factors, such as general and local economic conditions, energy supplies, the supply of and demand for, property, environmental regulations, federal and local controls and real property tax rates. Certain expenditures associated with real estate investments, principally mortgage payments, real estate taxes and some maintenance costs, generally remain constant despite a decrease in income derived from such investments. Thus, the cost of operating a given property may exceed the income earned therefrom. The ability of a borrower to pay on its Underlying Loan in a timely manner will depend on factors such as these.

Real estate values are volatile.

A borrower's ability to repay principal and interest on its Underlying Loan may be dependent upon the value of the underlying real estate. Real estate values are subject to volatility and may be affected adversely by a number of factors, including, without limitation: national, regional and local economic conditions (which may be adversely affected by plant closings, industry slowdowns and other factors as well as general macro economic trends); local real estate conditions (such as an oversupply of housing, retail, industrial, office or other commercial space); changes or continued weakness in specific industry segments; convenience, services and attractiveness of the property; the willingness and ability of the property's owner to provide capable management and adequate maintenance; construction quality, age and design; demographic factors; retroactive changes to building or similar codes; and increases in construction costs. Adverse changes in the factors above could affect the borrower's ability to make payments on the Underlying Loan.

Risks Related to the Notes and the Borrowers

The Company does not have significant historical performance data about performance of the Underlying Loans. Loss rates on the Underlying Loans may increase. Prior to investing you should consider the risk of non-payment and default.

Only a limited number of Underlying Loans have been offered through www.fundthatflip.com to date. The Company does not yet know what its long-term loan loss experience will be.

Payments on the Notes depend entirely on payments the Company receives on Underlying Loans. If a borrower fails to make any payments on the Underlying Loan related to your Note, payments on your Note will be correspondingly reduced.

The Company will only make payments *pro rata* on a series of Notes after it receives a borrower's payment on the Underlying Loan. The Company also will retain from the funds received from the relevant borrower and otherwise available for payment on the Notes any non-sufficient funds fees and the amounts of any attorneys' fees or collection fees if, a third-party servicer or collection agency imposes in connection with collection efforts. Under the terms of the Notes, if the Company does not receive any or all payments on the Underlying Loan, payments on your Note will be correspondingly reduced in whole or in part. If the relevant borrower does not make a payment on a specific monthly loan payment date, no payment will be made on your Note on the corresponding succeeding Note payment date.

The Notes are special, limited obligations of the Company only and, except for the security interest in the specific Underlying Loan granted to the indenture trustee, are not secured by any collateral or guaranteed or insured by any third party.

While the Underlying Loans (or the components thereof) may be secured by a mortgage, deed of trust, security agreement, or legal title, the Notes themselves are special, limited obligations of the Company and will not represent an obligation of the borrower or any other party except the Company. The Notes are not secured by any collateral except for the security interest in the specific Underlying Loan granted to the indenture trustee and are not guaranteed or insured by any governmental agency, instrumentality or any third party. Investors in the Notes may look only to the Company for payment of the Notes and then only to the extent of payments received with respect to the specific Underlying Loan. Furthermore, if a borrower fails to make any payments on the Underlying Loan, Investors in the related Notes will not receive any payments on their respective Notes. Investors will not be able to pursue collection against the borrower and are prohibited from contacting the borrower about the defaulted Underlying Loan.

Note holders do not themselves have a direct security interest in the Underlying Loan or the right to payment thereunder. If an event of default under the Indenture were to occur, the Note holders would be dependent on the indenture trustee's ability to realize on the collateral and make payments on the Notes in the manner contemplated by the Indenture. In addition, although the Company will take all actions that it believes are required under applicable law to perfect the security interest of the indenture trustee in the collateral, if its analysis of the required actions is incorrect or if it fails timely to take any required action, the indenture trustee's security interest may not be effective and holders of the Notes could be required to share the collateral (and any proceeds thereof) with the Company's other creditors, or, if a bankruptcy court were to order the substantive consolidation of the Company and its direct or indirect parent entities, those entities' creditors.

If payments on the Underlying Loan relating to your Notes become past due or are otherwise in default, it is likely you will not receive the full principal and interest payments that you expect to receive on your Notes, and you may not recover your original purchase price.

If an Underlying Loan becomes past due or is otherwise in default, the Company or a third party chosen by the company may need to foreclose on the property corresponding to the Underlying Loan at a foreclosure sale unless the property is purchased by a third party bidder at the foreclosure sale. The Company, one of its affiliates, or a third party chosen by the company may act as manager for the foreclosed real estate, and the costs of foreclosure will be advanced by Company, but if the Company cannot quickly sell such property and the property does not produce any significant income, the cost of owning, maintaining, and selling the property would reduce any proceeds gained through the sale. If the foreclosed real estate cannot be sold for net proceeds that can fully return the outstanding amount of principal and interest due under the related Notes, Investors will lose part or all of their investment.

For some non-performing Underlying Loans, the Company may not be able to recover any of the unpaid loan balance and, as a result, an Investor who has purchased a corresponding Note may receive little, if any, of the unpaid principal and interest payable under the Note. You must rely on the collection efforts of the Company, loan servicer, or third party chosen by the company, or the applicable collection agency to which such corresponding Underlying Loans are referred. Investors are not permitted to attempt to collect payments on the corresponding Underlying Loans in any manner.

Loans ending with large “balloon” payments carry particular risks.

Some of the Underlying Loan may be interest-only loans providing for relatively small monthly payments with a large “balloon” payment of principal due at the end of the term. Borrowers may be unable to repay such balloon payments out of their own funds and will be compelled to refinance or sell their property. Fluctuations in real estate values, interest rates and the unavailability of mortgage funds could adversely affect the ability of borrowers to refinance their loans at maturity or successfully sell the property for enough money to pay off the Underlying Loan.

Construction and rehabilitation loans carry particular risks.

Construction and rehabilitation loans involve a number of particular risks, involving, among other things, the timeliness of the project’s completion, the integrity of appraisal values, whether or not the completed property can be sold for the amount anticipated, unanticipated extra construction costs, and the length of ultimate sale process.

If construction work is not completed (due to contractor abandonment, unsatisfactory work performance, or various other factors) and all the Underlying Loan funds have already been expended, then in the event of a default the Company may have to invest significant additional funds to complete the construction work. Any such investment would be recuperated by the Company prior to the Investor being paid back on the Note. If the value of an uncompleted property is materially less than the amount of the construction loan even if the work were completed, then upon a default, the Company might need to invest additional funds in order to

recoup all or a portion of the investment. Default risks also exist where it takes a borrower longer than anticipated either to construct or then resell the property, or if the borrower does not receive sufficient proceeds from the sale to repay the corresponding Underlying Loan in full.

Management discretion of Underlying Loan is with the Company and not investors.

The Company will manage the Underlying Loan as it sees fit. While Company may solicit non-binding investor input, the management strategy of the Underlying Loan is in the discretion of the Company. The Company may use strategies that are not described herein, and these strategies may subject the Underlying Loan to additional risks.

Usury laws may affect the investment.

Certain states where the properties are located have usury laws in place that limit the maximum interest rate of the Underlying Loan. At times, these laws may effectively affect payments by preventing the recovery of certain payment amounts. Further, usury laws may be subject to change at the hands of state legislators. If a borrower were to succeed in bringing a claim against the Company for a state law usury violation, and the court were to find that the rate charged exceeded the maximum allowable rate applicable in such state, not only would the Underlying Loan not receive the anticipated full value of its loan investment, but it could be subject to fines and other penalties.

Information supplied by borrowers may be inaccurate or intentionally false.

Borrowers supply a variety of information regarding the property valuations, market data, their own construction and real estate development experience, personal identifying information, and other information, some of which may be included in the Series Disclosure Sheets. The Company makes an attempt to verify some of this information, but as a practical matter, cannot verify the majority of it, which may be incomplete, inaccurate or intentionally false. Borrowers may also misrepresent their intentions for the use of Underlying Loan proceeds. The Company does not verify any statements by applicants as to how loan proceeds are to be used. If a borrower supplies false, misleading or inaccurate information, you may lose all or a portion of your investment in the Note.

With the exception of loans which have a draw feature coupled with them, when the Company finances an Underlying Loan, its primary assurances that the financing proceeds will be properly spent by the borrower are the contractual covenants agreed to by the borrower, along with the borrower's business history and reputation. Should the proceeds of a financing be diverted improperly, the borrower might become insolvent, which could cause the purchasers of the corresponding Notes to lose their entire investment.

Neither the indenture trustee nor holders of any Notes will have any contractual or other relationship with any borrower that would enable the indenture trustee or such holder to make any claim against such borrower for fraud or breach of any representation or warranty in relation to any false, incomplete or misleading information supplied by such borrower in relation to the relevant Underlying Loan or Note.

Projected revenues from a property could fall short of the amounts projected.

The payment schedules with respect to many corresponding Underlying Loans are based on projected revenues generated by the property over the term of the corresponding Underlying Loan. These projections are based on factors such as expected expense rates and other projected income and expense figures relating to the property. The actual revenues generated by a property could fall short of projections due to factors such as lower-than-expected resale values. In such event, the borrower's cash flow could be inadequate to repay the Underlying Loan in full.

The success of each Underlying Loan is dependent on the performance of the borrower and other third parties over which we have no control.

With respect to a particular property, the borrower is responsible for various business, management, and legal functions that are essential to the success of the Project, including budgeting, proper construction and rehabilitation, property marketing (and leasing rates if an equity deal), payment of bills, maintenance of insurance, and property management generally. Poor management on the part of the borrower could adversely affect the financial performance of the Underlying Loan or expose it to unanticipated operating risks, which could reduce the property's cash flow and adversely affect the borrower's ability to repay the Underlying Loan.

The property valuation models used by the Company in determining whether to make a Underlying Loan may be deficient and may increase the risk of default.

Real estate valuation is an inherently inexact process and depends on numerous factors, all of which are subject to change. Appraisals or opinions of value may prove to be insufficiently supported, and the Company's review of the value of the underlying property in determining whether to make an Underlying Loan and the value of the underlying security may be based on information that is incorrect or opinions that are overly optimistic. The risk of default in such situations is increased, and the risk of loss to Investors will be commensurately greater.

The real property security for the Underlying Loan may decline in value.

The value of the real property security for each Underlying Loan will be subject to the risks generally incident to the ownership of improved and unimproved real estate, including changes in general or local economic conditions, increases in interest rates for real estate financing, physical damage that is not covered by insurance, zoning, entitlements, and other risks. Many borrowers expect to use resale proceeds to repay their Underlying Loan. A decline in property values could result in an Underlying Loan amount being greater than the property value, which could increase the likelihood of borrower default.

You will not receive any payments after the final maturity date of the Notes.

The initial maturity date of the Notes may be extended in certain circumstances to allow the Note holder to receive any payments that the Company receives during such period on the Underlying Loan after the maturity of the Underlying Loan. However, if we receive any principal or interest payments from an Underlying Loan after such extended final maturity date

of a Note, we may retain one hundred percent (100%) of such payments and are not obligated to distribute those payments to you with respect to your Note. A conflict of interest could thus exist, as significant delays in receiving borrower funds would result in additional money coming to us. Since the confidence of Investors is, however, of primary importance to the success of the Company, diligent collection efforts and success thereon will generally be in the Company's best interest.

Insurance against risks faced by a property could become more costly or could become unavailable altogether.

Real estate properties are typically insured against risk of fire damage and other typically insured property casualties, but are sometimes not covered by severe weather or natural disaster events such as landslides, earthquakes, or floods. Changes in the conditions affecting the economic environment in which insurance companies do business could affect the borrower's ability to continue insuring the property at a reasonable cost or could result in insurance being unavailable altogether. Moreover, any hazard losses not then covered by the borrower's insurance policy would result in the Underlying Loan becoming significantly under-secured, and an Investor in a Note could sustain a significant reduction, or complete elimination of, the return and repayment of principal from that Note.

Environmental issues may affect the operation of a borrower property.

If toxic environmental contamination is discovered to exist on a property underlying a corresponding Underlying Loan, it might affect the borrower's ability to repay the corresponding Underlying Loan and the Company could suffer from a devaluation of the loan security. To the extent that the Company is forced to foreclose and/or operate such a property, potential additional liabilities include reporting requirements, remediation costs, fines, penalties and damages, all of which would adversely affect the likelihood that Investors would be repaid on the Notes.

Of particular concern may be those properties that are, or have been, the site of manufacturing, industrial or disposal activity. These environmental risks may give rise to a diminution in value of the security property or liability for clean-up costs or other remedial actions. This liability could exceed the value of the real property or the principal balance of the related mortgage loan. For this reason, the Company may choose not to foreclose on contaminated property rather than risk incurring liability for remedial actions, in which event you would lose your entire investment other than payments received prior to the event giving rise to a foreclosure right.

Under the laws of certain states, an owner's failure to perform remedial actions required under environmental laws may give rise to a lien on mortgaged property to ensure the reimbursement of remedial costs. In some states this lien has priority over the lien of an existing mortgage against the real property. Because the costs of remedial action could be substantial, the value of a mortgaged property as collateral for a mortgage loan could be adversely affected by the existence of an environmental condition giving rise to a lien.

The state of law is currently unclear as to whether and under what circumstances clean-up costs, or the obligation to take remedial actions, can be imposed on a secured lender. If a lender does

become liable for cleanup costs, it may bring an action for contribution against the current owners or operators, the owners or operators at the time of on-site disposal activity or any other party who contributed to the environmental hazard, but these persons or entities may be bankrupt or otherwise judgment-proof. Furthermore, an action against the borrower may be adversely affected by the limitations on recourse in the loan documents.

Loss rates on the Underlying Loans may increase as a result of economic conditions, natural disasters, war, terrorist attacks, or Acts of God beyond the Company's control and beyond the control of the borrower.

Borrower loan loss rates may be significantly affected by economic downturns or general economic conditions, natural disasters, war, terrorist attacks, or Acts of God beyond the Company's control and beyond the control of individual borrowers. In particular, loss rates on corresponding Underlying Loans may increase due to factors such as (among other things) local real estate market conditions, prevailing interest rates, the rate of unemployment, the level of consumer confidence, the value of the U.S. dollar, energy prices, changes in consumer spending, the number of personal bankruptcies, disruptions in the credit markets and other factors. Loss rates may also increase due to certain natural disasters, such as fires, floods, hurricanes, tornados, tsunamis, or earthquakes, war, terrorist attacks, or other Acts of God.

The Company has an incentive to fund as many Underlying Loans as possible, which could impair its ability to devote adequate attention and resources to collection of Underlying Loans.

Substantially all of the Company's revenues are derived from management fees to cover administrative, management, and servicing costs. As a result, it has an incentive to finance as many projects as possible to maximize the amount of management fees it is able to generate. Increased project volume increases the demands on its management resources and its ability to devote adequate attention and resources to the collection of Underlying Loans. In the event that the Company takes on loan volumes that exceed its ability to service outstanding Underlying Loan, our ability to make timely payments on the Notes will suffer.

Security of the Underlying Loans does not remove the risks associated with foreclosure.

Different property types involve different types of risk in terms of realizing on the collateral in the event that the borrower defaults. These risks include completion costs in the case of an incomplete project (including potential payments to third-parties involved in the project), partial resale for condominiums and tracts and lease-up (finding tenants) for multifamily residential, small commercial and industrial properties. The Company may not be able to sell a foreclosed commercial property, for example, before expending efforts to find tenants to make the property more fully leased and more attractive to potential buyers.

Moreover, foreclosure statutes or other methods recovery vary widely from state to state. Properties underlying defaulted loans will need to be foreclosed upon in compliance with the laws of the state where such property is located. Many states require lengthy processing periods or the obtaining of a court decree before a mortgaged property may be sold or otherwise foreclosed upon. Further, statutory rights to redemption and the effects of anti-deficiency and

other laws may limit the ability for the Company to timely recover the value of its loan in the event that a borrower defaults on a loan.

A bankruptcy of the borrower will prevent the Company from exercising its foreclosure remedy promptly.

If the borrower enters bankruptcy, an automatic stay of all proceedings against the borrower's property will be granted. This stay will prevent the Company from foreclosing on the property unless relief from the stay can be obtained from the bankruptcy court, and there is no guarantee that any such relief will be obtained. Significant legal fees and costs may be incurred in attempting to obtain relief from a bankruptcy stay from the bankruptcy court and, even if such relief is ultimately granted, it may take several months or more to obtain. In such event, the Company will be unable to promptly exercise its foreclosure remedy and realize any proceeds from a property sale.

In addition, bankruptcy courts have broad powers to permit a sale of the real property free of the Company's lien, to compel the Company to accept an amount less than the balance due under the loan and to permit the borrower to repay the loan over a term which may be substantially longer than the original term of the loan.

Charging origination fees may increase amount of borrower indebtedness.

To the extent that the originating entity charges the borrower an Origination Fee, the principal amount of the Underlying Loan may be increased, which may adversely affect the ability of the borrower to repay the loan. In addition, origination fees (when added to the amount of the loan) will increase the gross amount of the loan thereby decreasing the borrower's equity in his or her property and correspondingly decreasing the loan security.

Purchasers of Notes will not have the protection of the provisions of the Trust Indenture Act of 1939.

Because this offering is being made in reliance on an exemption from registration under the non-public offering exemption of Section 4(2) of the Securities Act, it is not subject to the Trust Indenture Act of 1939. Consequently, purchasers of Notes will not have the protection of the provisions of the Trust Indenture Act of 1939.

The Company does not intend to provide Investors with audited financial statements.

The Company does not intend to make the large expenditures necessary to provide audited financial statements to Investors. There will be no independent certified public account reviewing the Company's finances and Investors will thus not be in a position to independently evaluate the Company's financial health in determining whether to purchase the Notes.

The Notes are restricted securities, are subject to transfer restrictions, will not be listed on any securities exchange, and no liquid market for the Notes is expected to develop.

The Notes are not being registered under the Securities Act, but rather are being offered in reliance on Rule 506 under the “non-public” offering exemption of Section 4(2) of the Securities Act. The Notes will not be listed on any securities exchange or interdealer quotation system. There is no trading market for the Notes, and we do not expect that such a trading market will develop in the foreseeable future, nor do we intend in the near future to offer any features on our platform to facilitate or accommodate such trading. Although the Notes by their terms are pre-payable at any time without penalty, there is no obligation on our part to repurchase or otherwise prepay any Notes at the election of an Investor. Further, the Notes generally may not be transferred without the prior written consent of the Company, which may be granted or withheld in the Company’s sole discretion. Therefore, any investment in the Notes will be highly illiquid, and Investors in the Notes may not be able to sell or otherwise dispose of their Notes in the open market. Accordingly, you should be prepared to hold the Notes you purchase until they mature.

Borrower prepayments will extinguish or limit your ability to earn additional returns on a Note.

Prepayment by a borrower occurs when a borrower decides to pay some or all of the principal amount on the Underlying Loan earlier than originally scheduled. With most of the investment opportunities financed on the investment platform, the borrower may prepay all or a portion of the remaining principal amount at any time without penalty. Upon a prepayment of the entire remaining unpaid principal amount of the corresponding Underlying Loan, you will receive your share of such prepayment, but further interest will not accrue after the date on which the payment is made. If prevailing commercial loan rates decline in relation to the Note’s effective interest rate, the borrower may choose to prepay the Underlying Loan with lower-cost funds. If the borrower prepays a portion of the remaining unpaid principal balance on the Underlying Loan, the term for repayment of the Underlying Loan will not change, but you will not earn a return on the prepaid portion, and your anticipated total investment return may thus decrease. In addition, you may not be able to find a similar rate of return on another investment at the time at which the Underlying Loan is prepaid.

Risks Related to the Company

If we were to become subject to a bankruptcy or similar proceeding, the rights of the holders of the Notes could be uncertain, and the recovery, if any, of a holder on a Note may be substantially delayed and/or substantially less than the amounts due and/or to become due on the Note.

In the event of the Company’s bankruptcy or a similar proceeding, the rights of Investors to continue receiving payments on the Notes could be subject to the following risks and uncertainties:

- Interest on the Notes may not accrue during a bankruptcy proceeding. Accordingly, if Investors received any recovery on their Notes, any such recovery might be based on the Investors’ claims for principal and interest accrued only up to the date the proceeding commenced.

- Our obligation to continue making payments on the Notes would likely be suspended even if the funds to make such payments were available. Because a bankruptcy or similar proceeding may take months or years to complete, even if the suspended payments were resumed, the suspension might effectively reduce the value of any recovery that a holder of a Note might receive by the time such recovery occurs.
- The Notes are secured only by a pledge to the indenture trustee of the Underlying Loan. Investors do not have a direct security interest in, or any direct claim to, the Underlying Loan.
- Because the terms of the Notes provide that they will be repaid only out of the proceeds of the Underlying Loan, Investors might not be entitled to share in the other assets of the Company available for distribution to general creditors, even though other general creditors might be entitled to a share of the proceeds of such Underlying Loans.
- If a borrower has paid the Company on any Underlying Loans before the bankruptcy proceedings are commenced and those funds are held in the clearing account and have not been used by the Company to make payments on the Notes, there can be no assurance that the Company will be able to use such funds to make payments on the Notes.
- If a bankruptcy proceeding commences after the purchase price of Notes has been paid, holders of the Notes may not be able to obtain a return of the purchase price even if the offering proceeds have not yet been used to fund a project.
- Our ability to transfer our obligations to a back-up entity may be limited and subject to the approval of the bankruptcy court or other presiding authority. The bankruptcy process may delay or prevent the implementation of back-up services, which may impair the collection of Underlying Loans to the detriment of the Notes.

If the Company were to enter bankruptcy proceedings, the activities with respect to the Underlying Loans and the Notes would be interrupted.

If the Company were to enter bankruptcy proceedings or were to cease operations, we would be required to find other ways to meet obligations regarding the Underlying Loans and the Notes. Such alternatives could result in delays in the disbursement of payments on your Notes or could require us to pay significant fees to another company that we engage to perform services for the Underlying Loans and the Notes.

In a bankruptcy or similar proceeding of the Company, there may be uncertainty regarding the rights of a holder of a Note, if any, to access funds sent to the Company.

If the Company became a debtor in a bankruptcy proceeding, the legal right to administer the Company funds would vest with the bankruptcy trustee or debtor in possession. In that case, investors may have to seek a bankruptcy court order lifting the automatic stay and permitting them to withdraw their funds. Investors may suffer delays in accessing their funds in any Company account as a result. Moreover, U.S. bankruptcy courts have broad powers and a bankruptcy court could determine that some or all of such funds were beneficially owned by the Company and therefore that they became available to the creditors of the Company generally.

“Events of Default” under the Notes are limited to narrow circumstances.

Under the Notes and the Indenture, the Company’s bankruptcy or a similar event related to the Company’s insolvency is deemed to be an Event of Default, upon which the entire outstanding principal balance of the Notes and all accrued and unpaid interest thereon will become immediately due and payable. Other acts or omissions by the Company that may represent breaches of contract, including the Company’s failure to act in good faith in collecting Underlying Loans, do not represent Events of Default under the Notes and do not result in the entire principal balance becoming due and payable.

The Company relies on third-party banks and on third-party computer hardware and software. If we are unable to continue utilizing these services, our business and ability to service the Underlying Loans may be adversely affected.

The Company and the Parent Company rely on third-party and FDIC-insured depository institutions to process our transactions, including payments of Underlying Loans and remittances to holders of the Notes. Under the ACH rules, if we experience a high rate of reversed transactions (known as “chargebacks”), the Company may be subject to sanctions and potentially disqualified from using the ACH system to process payments. The Parent Company and the Company also rely on computer hardware purchased and software licensed from third parties that operates the platform. This purchased or licensed hardware and software may be physically located off-site, as is often the case with “cloud services.” This purchased or licensed hardware and software may not continue to be available on commercially reasonable terms, or at all. If the platform cannot continue to obtain such services elsewhere, or if it cannot transition to another processor quickly, our ability to process payments will suffer and your ability to receive payments on the Notes will be delayed or impaired.

If the security of our Investors’ confidential information is breached or otherwise subjected to unauthorized access, your secure information may be stolen.

The Parent Company’s investment platform may store Investors’ bank information and other personally-identifiable sensitive data. However, any accidental or willful security breach or other unauthorized access could cause your secure information to be stolen and used for criminal purposes, and you would be subject to increased risk of fraud or identity theft. Because techniques used to obtain unauthorized access or to sabotage systems change frequently and generally are not recognized until they are launched against a target, the platform and its third-party hosting facilities may be unable to anticipate these techniques or to implement adequate preventative measures.

We are not subject to the banking regulations of any state or federal regulatory agency.

The Company is not subject to the periodic examinations to which commercial banks and other thrift institutions are subject. Consequently, the Company's financing decisions and our decisions regarding establishing loan loss reserves are not subject to period review by any governmental agency. Moreover, we are not subject to regulatory oversight relating to our capital, asset quality, management or compliance with laws.

The U.S. federal income tax consequences of an investment in the Notes are uncertain.

There are no statutory provisions, regulations, published rulings or judicial decisions that directly address the characterization of the Notes or instruments similar to the Notes for U.S. federal income tax purposes. However, although the matter is not free from doubt the Company intends to treat the Notes as indebtedness of the Company for U.S. federal income tax purposes. Because the Company is not unconditionally obligated to pay interest on the Notes, and payments are made to the Investors only to the extent payments are received by us on the Underlying Loan, the Notes will have OID for U.S. federal income tax purposes. By investing in a Note, you will be deemed to have agreed to treat the Notes as debt for U.S. federal income tax purposes. The IRS, however, is not bound by the Company's characterization of the Notes and the IRS or a court may take a different position with respect to the proper characterization of the Notes. For example, the IRS could determine that, in substance, each Investor owns a proportionate interest in the Underlying Loan for U.S. federal income tax purposes or, for example, the IRS could treat the Notes as a different financial instrument (including an equity interest or a derivative financial instrument). Any different characterization could significantly affect the amount, timing, and character of income, gain or loss recognized in respect of a Note. A different characterization may significantly reduce the amount available to pay interest on the Notes. Investors are strongly advised to consult their own tax advisors regarding the U.S. federal, state, local and non-U.S. tax consequences of the purchase, ownership, and disposition of the Notes (including any possible alternative tax characterization of the Notes). For a discussion of the U.S. federal income tax consequences of an investment in the Notes, see "*Certain U.S. Federal Income Tax Considerations.*"

The Company's ability to pay principal and interest on the Notes may be affected by its ability to match the timing of its income and deductions for U.S. federal income tax purposes.

You should be aware that the Company's ability to pay principal and interest on a Note may be affected by its ability, for U.S. federal income tax purposes, to match the timing of income it receives from a corresponding Underlying Loan that it holds and the timing of deductions that it may be entitled to in respect of payments made on the Notes that it issues. For example, if the Notes are treated as contingent payment debt instruments for U.S. federal income tax purposes but the corresponding Underlying Loans are not, there could be a potential mismatch in the timing of the Company's income and deductions for U.S. federal income tax purposes, and the Company's resulting tax liabilities could affect its ability to make payments on the Notes.

Risks Related to Compliance and Regulation

If the Company is required to register under the Investment Company Act or became subject to the SEC's regulations governing broker-dealers, its ability to conduct its business could be materially and adversely affected.

The SEC heavily regulates the manner in which “investment companies” and “broker-dealers” are permitted to conduct their business activities. The Company believes it has conducted its business in a manner that does not result in it being characterized as an investment company or broker-dealer, as it does not believe that it engages in any of the activities described under Section 3(a)(1) of the Investment Company Act of 1940, as amended, or in the business of (i) effecting transactions in securities for the account of others as described under Section 3(a)(4)(A) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”) or any similar provisions under state law or (ii) buying and selling securities for our own account, through a broker or otherwise as described under Section 3(a)(5)(A) of the Exchange Act or any similar provisions under state law. If, however, it is deemed to be an investment company or a broker-dealer, it may be required to institute burdensome compliance requirements, incur significant disclosure obligations and its activities may be restricted, which would affect its business to a material degree.

U.S. state licensing requirements may change.

We believe that the Company and the Parent Company have obtained all licenses necessary for participating lawfully in the business of online real estate lending in each state in which it plans to make loans prior to commencing operations, based on current assessment of the regulatory requirements of each such state. However, the online lending regulatory landscape is still developing. This means that while we may believe that that the Company's or the Parent Company's practices in a particular state are compliant with that state's current regime, it is possible that that regime might come under question from state or other regulatory authorities, and/or be changed in such a way as to adversely affect the Company's or the Parent Company's ability to continue lending or conducting business in that state or may prohibit continuation of the Company's loans in that state. The Company intends to monitor such regulatory activity closely, but may fail to correctly or adequately anticipate regulatory action in this developing arena.

Laws intended to prohibit money laundering may require the Company to disclose Investor information to regulatory authorities.

The Uniting and Strengthening America By Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (the “PATRIOT Act”) requires that financial institutions establish and maintain compliance programs to guard against money laundering activities, and requires the Secretary of the U.S. Treasury (“Treasury”) to prescribe regulations in connection with antimoney laundering policies of financial institutions. The Financial Crimes Enforcement Network (“FinCEN”), an agency of the Treasury, has announced that it is likely that such regulations would subject certain pooled investment vehicles to enact anti-money laundering policies. It is possible that there could be promulgated legislation or regulations that would require the Company or its service providers to share information with governmental authorities with respect to prospective investors in connection with the establishment of anti-money laundering procedures. Such legislation and/or regulations could require the Company to

implement additional restrictions on the transfer of the Notes. The Company reserves the right to request such information as is necessary to verify the identity of prospective Investors and the source of the payment of subscription monies, or as is necessary to comply with any customer identification programs required by FinCEN and/or the SEC. In the event of delay or failure by a prospective investor to produce any information required for verification purposes, an application for or transfer of the Notes may be refused.

As Internet commerce develops, federal and state governments may adopt new laws to regulate Internet commerce, which may negatively affect our business.

As Internet commerce continues to evolve, increasing regulation by federal and state governments becomes more likely. Our business could be negatively affected by the application of existing laws and regulations or the enactment of new laws applicable to lending. The cost to comply with such laws or regulations could be significant and would increase our operating expenses, and we may be required to pass along those costs to our borrowers and investors in the form of increased fees.

Failure of third-party vendors to meet compliance requirements could have an adverse effect on the Company.

The Company either internally conducts or contracts out certain compliance services to meet KYC, AML, OFAC, and Rule 501 accredited investor compliance. The Company believes its internal procedures and vendors meet industry compliance standards. However, the SEC or other regulatory agencies could determine, for example, that the Company has failed to use “reasonable steps” for verification of accreditation status. This determination could result in penalties to the Company, a loss of some or all returns for certain Investors, a potential revocation right for affected investors, as well as a delay in payments to investors, cessation of operations of the Company, or other adverse effects towards Investors or the Company.

Conflicts of interest could affect the Company’s decision-making.

The Company reserves the right to acquire properties in foreclosure, including properties that were subject to loans originated or funded by the Company relating to the Notes described in this Memorandum. The Company may serve as the original or substituted trustee of a deed of trust and may be entitled to all or some portion of the statutory trustee fees upon foreclosure (i.e. the fees that would otherwise be payable or paid to a third party serving as the trustee).

The Company may arrange and service other loans for other investors at the same time that Notes are being offered to Investors (such loans may not be part of this offering), and these loans may be more secure or more profitable than the loans funded pursuant to this offering. In addition, the Company may also arrange multiple loans for a single borrower. Where a borrower with multiple loans arranged by the Company defaults, the Company may choose or be required to enforce or forbear from enforcing this loan to the detriment of the investors while not enforcing or forbearing on another loan with the same borrower managed by the Company and managed or administered by the Company.

The Company may provide some loans for short-term purposes. This type of lending will typically occur through a bridge financing facility between the Company and affiliates of the Company, including the Parent Company and its subsidiaries and affiliates. In some instances the Company may provide bridge financing in order for escrow to be closed on an Underlying Loan, so that the listing can remain active on the Parent Company's investment platform until the listing is fully funded.

Some Underlying Loans may provide for prepayment charges to be imposed on the borrower in the event of certain early payments on the loans. Such charges are typically allowed by applicable law. If an Underlying Loan does contain a prepayment charge, which would be set forth in the Series Disclosure Sheet, the Investors would be entitled to keep the charge as described in the Series Disclosure Sheet for the applicable loan, net of any Company, affiliate or third-party fees.

Some of the Investors and principals in the Company may be affiliated with or part of entities or organizations with which the Company may hold a past, present or future business or commercial relationship. The Company may, in its sole discretion, conduct business with such affiliated parties, and without any notice or disclosure thereof to Investors. These arrangements may create a potential conflict of interest for investors.

Risks related to the Parent Company and the use of the Site

If the security of our Investors' confidential information stored in the platform's systems is breached or otherwise subjected to unauthorized access, your secure information may be stolen.

The Site operated by the Parent Company may store Investors' bank information and other personally-identifiable sensitive data. Any accidental or willful security breach or other unauthorized access could cause an Investor's secure information to be stolen and used for criminal purposes, and an Investor would be subject to increased risk of fraud or identity theft. Because techniques used to obtain unauthorized access or to sabotage systems change frequently and generally are not recognized until they are launched against a target, the Site and its third-party hosting facilities may be unable to anticipate these techniques or to implement adequate preventative measures.

The Company is reliant on the Parent Company and the operation of the Site

For the Company to be successful, the volume of financings offered through the Parent Company's Site will need to increase, which will require the Parent Company to increase its facilities, personnel, technology, and infrastructure to accommodate the greater obligations and demands on the Site. The Company is dependent on the Site of the Parent Company to maintain current listings and transactions in Notes. The Parent Company also expects to constantly update its software and website, expand its customer support services and retain an appropriate number of employees to maintain the operations of its Site. If the Parent Company is unable to increase the capacity of the Site and maintain the necessary infrastructure, Investors may experience

delays in receipt of payments on the Notes and periodic downtime of the Parent Company's systems.

The Company and Parent Company operate under a brand new business model.

The Parent Company operates a real estate crowdfunding (or peer-to-peer lending) portal, a business that did not exist before the JOBS Act of 2012. Consequently, the Parent Company's business model is brand new and untested. The Site and other crowdfunding portals are literally inventing the business model as we go, trying to build successful businesses by connecting investors with real estate entrepreneurs as permitted by the JOBS Act. However, the Parent Company has no model to follow and, moreover, no proof that a successful model can be built. If the Parent Company and the Site are unsuccessful, the Company's operations and future viability will be significantly adversely affected.

The Parent Company will need to raise substantial additional capital to fund its operations, and if it fails to obtain additional funding, it may be unable to continue operations and management of the Site.

At this early stage in its development, the Parent Company has funded substantially all of its operations with private investment. Substantial additional funds will be required to continue the development of the Parent Company's Site. To meet its financing requirements in the future, it may raise funds through equity offerings, debt financings or strategic alliances. Raising additional funds may involve agreements or covenants that restrict the Company's or the Parent Company's business activities and options. Additional funding may not be available to the Parent Company on favorable terms, or at all. If the Parent Company is unable to obtain additional funds, it may be forced to reduce or terminate its operations, including its operations of the Site. Any inability for the Parent Company to fund its operations could have a substantial and deleterious effect on the viability and operations of the Company.

The Parent Company has incurred net losses in the past and expects to incur net losses in the future.

The Parent Company has incurred net losses in the past and expects to incur net losses in the future. Its failure to become profitable could impair the operations of its Site by limiting its access to working capital to operate the Site. The Parent Company has not, to date, been profitable, and it may not become profitable. In addition, it expects its operating expenses to increase in the future as it expands its operations. If the Parent Company's operating expenses exceed its expectations, its financial performance could be adversely affected. If its revenue does not grow to offset these increased expenses, it may never become profitable. In future periods, the Company may not have any revenue growth, or its revenue could decline. As noted above, the ability of the Company to operate and issue Notes is dependent on the continued operation of the Parent Company's Site.

The Parent Company's business will suffer if it is unable to attract investors to the Site, who may be skeptical of this alternative investment.

The Parent Company's and the Company's business plan depends on attracting qualified accredited investors to the Site, and assumes that they will invest in the real estate projects listed on the Site in large numbers. The success of this business model depends on a fundamental and unprecedented change in consumer behavior, where investors are persuaded to register and invest through crowdfunding sites on the Internet. Although the Parent Company and Company are optimistic, there is no certainty that this fundamental change will occur, at least not in time for the Parent Company and Company to achieve success.

The Parent Company's and the Company's business is dependent on results of returns for investors.

Although the Parent Company is selective about the Note opportunities it offers on the Site, real estate is as much an art as a science and we have no way of knowing whether the projects will be successful. If projects funded through the Site are unsuccessful, whether relative to an industry benchmark, relative to projects listed by other crowdfunding platforms, relative to the stock market or mutual funds, or simply because they leave our investors unhappy, it will be very damaging to the Parent Company's and, ultimately, the Company's business.

The Parent Company and the Company may suffer if it is unable to attract or access quality real estate investment opportunities.

Just as the Site could have difficulty attracting investors, the Parent Company could also have difficulty finding quality real estate investments to list. Indeed the two are related; if the Parent Company cannot attract investors then it will not be able to attract quality investments, and *vice versa*. Today there is an enormous pool of institutional capital, both domestic and international, searching for U.S. real estate. It has become increasingly difficult to identify investment opportunities, and prices continue to increase.

The Parent Company faces competition from other real estate crowdfunding portals.

Although the Parent Company does not have firm numbers, there are a large number of other real estate crowdfunding portals, with more coming online literally every day. Given the relatively low barriers to entry, the Parent Company expects many more portals to be created over the next year. Moreover, because the portal business is, by definition, conducted online, every one of these new portals will compete with the Site. Some of the Parent Company's competitors could have superior technology, better marketing plans, greater access to capital, more experienced management, better brand recognition, and other advantages.

The Parent Company and Company faces competition from institutions.

The Parent Company and Company do not compete only with other real estate crowdfunding portals. Broadly speaking, the Parent Company competes with banks, private equity funds, real estate investment trusts, traditional hard money or private money lenders, and other investors for real estate projects; and it competes with mutual funds, financial advisors; investing banking firms, and a host of others for investors and investment dollars.

THE FOREGOING RISKS ARE NOT A COMPLETE EXPLANATION OF ALL RISKS INVOLVED IN INVESTING IN THE NOTES. PROSPECTIVE INVESTORS ARE URGED TO READ THIS ENTIRE MEMORANDUM AND TO CONSULT WITH THEIR BUSINESS, TAX AND LEGAL ADVISORS, BEFORE MAKING A DETERMINATION OF WHETHER TO INVEST IN THE NOTES.

DOCUMENTATION AND INFORMATION AVAILABLE TO THE INVESTORS

In addition to this Memorandum, the following documentation will be available to each Investor on www.fundthatflip.com:

- A form of the Note;
- The Investor Agreement for the Investor to execute;
- The Indenture; and
- The Series Disclosure Sheet.

CERTAIN U.S. FEDERAL INCOME TAX CONSIDERATIONS

The following discussion contains certain U.S. federal income tax considerations generally applicable to purchasers of the Notes. This discussion is based on the U.S. Internal Revenue Code of 1986, as amended (the “Code”), Treasury regulations promulgated thereunder (the “Treasury Regulations”), administrative pronouncements of the U.S. Internal Revenue Service (the “IRS”) and judicial decisions, all as currently in effect and all of which are subject to change and to different interpretations. Changes to any of the foregoing authorities could apply on a retroactive basis, and could affect the U.S. federal income tax consequences described below.

This discussion does not address all of the U.S. federal income tax considerations that may be relevant to a particular Note holder’s circumstances, and does not discuss any aspect of U.S. federal tax law other than income taxation or any state, local or non-U.S. tax consequences of the purchase, ownership and disposition of the Notes. This discussion applies only to investors who purchase the Notes for cash at original issue and who hold the Notes as capital assets within the meaning of the Internal Revenue Code (generally, property held for investment). This discussion does not address all of the U.S. federal income tax considerations that might be applicable to Note holders in light of their particular circumstances, including alternative minimum tax and Medicare contribution tax consequences, and differing tax consequences applicable to Investors that are, for instance:

- securities dealers or brokers, or traders in securities electing mark-to-market treatment;
- banks, thrifts or other financial institutions;
- insurance companies;

- regulated investment companies or real estate investment trusts;
- tax-exempt organizations;
- persons holding Notes as part of a “straddle,” “hedge,” “synthetic security,” or “conversion transaction” for U.S. federal income tax purposes, or as part of some other integrated investment;
- partnerships or other pass-through entities;
- persons subject to the alternative minimum tax; certain former citizens or residents of the United States;
- Non-U.S. Holders (as defined below); and
- U.S. Holders (as defined below) whose functional currency is not the U.S. dollar.

If a partnership holds Notes, the U.S. federal income tax treatment of a partner will generally depend on the status of the partner and the activities of the partnership. A partnership holding Notes, and partners in such a partnership, should consult their own tax advisors with regard to the U.S. federal income tax consequences of the purchase, ownership and disposition of the Notes by the partnership.

This discussion applies only to U.S. Holders. A “U.S. Holder” is a beneficial owner of Notes that is, for U.S. federal income tax purposes, (i) an individual citizen or resident of the United States, (ii) a corporation (or any other entity treated as a corporation for U.S. federal income tax purposes) created or organized in or under the laws of the United States, any state thereof or the District of Columbia, (iii) an estate whose income is subject to U.S. federal income tax regardless of its source, or (iv) a trust if (A) a United States court has the authority to exercise primary supervision over the administration of the trust and one or more U.S. persons (as defined under the Code) are authorized to control all substantial decisions of the trust or (B) it has a valid election in place to be treated as a U.S. person.

THIS DISCUSSION OF CERTAIN U.S. FEDERAL INCOME TAX CONSIDERATIONS OF THE PURCHASE, OWNERSHIP AND DISPOSITION OF THE NOTES IS NOT INTENDED TO BE, NOR SHOULD IT BE CONSTRUED TO BE, LEGAL OR TAX ADVICE TO ANY PARTICULAR PERSON. ACCORDINGLY, ALL PROSPECTIVE INVESTORS ARE URGED TO CONSULT THEIR OWN TAX ADVISORS WITH RESPECT TO THE U.S. FEDERAL, STATE, LOCAL AND NON-US. TAX CONSEQUENCES RELATING TO THE PURCHASE, OWNERSHIP AND DISPOSITION OF THE NOTES BASED ON THEIR PARTICULAR CIRCUMSTANCES.

Taxation of the Notes

In General

No authority directly addresses the treatment of the Notes or instruments similar to the Notes for U.S. federal income tax purposes. However, although the matter is not free from doubt, we intend to treat the Notes as our indebtedness for U.S. federal income tax purposes.

No assurance can be given that the IRS or a court will agree with the tax characterizations and tax consequences described below, and the IRS or a court may take contrary positions. Where the form of a transaction does not reflect the economic realities of the transaction, the substance rather than the form should determine the tax consequences. Each series of Notes will correspond to an Underlying Loan, and we have no obligation to make any payments on the Notes unless, and then only to the extent that, we have received payments on the corresponding Underlying Loan. Accordingly, the IRS could determine that, in substance, each U.S. Holder owns a proportionate interest in the corresponding Underlying Loan for U.S. federal income tax purposes. The IRS could also determine that the Notes are not our indebtedness but another financial instrument (including an equity interest or a derivative financial instrument).

Any differing treatment of the Notes could significantly affect the amount, timing and character of income, gain or loss in respect of an investment in the Notes and may affect our ability to make payments on the Notes. Accordingly, all prospective purchasers of the Notes are advised to consult their own tax advisors regarding the U.S. federal, state, local and non-U.S. tax consequences of the purchase, ownership and disposition of the Notes (including any possible alternative treatments of the Notes).

The following discussion is based upon the assumption that each Note will be treated as our indebtedness for U.S. federal income tax purposes. Unless otherwise Noted, the following discussion assumes that the Notes will not be subject to the rules governing contingent payment debt instruments.

Taxation of Payments on the Notes

The Notes will have OID, for U.S. federal income tax purposes because we are not unconditionally obligated to pay interest on the Notes and payments are made to the U.S. Holders only to the extent payments are received by us on the Underlying Loan. A U.S. Holder of a Note will be required to include such OID in income as ordinary interest income for U.S. federal income tax purposes as it accrues under a constant yield method, regardless of such U.S. Holder's regular method of tax accounting. If a Note is paid in accordance with its payment schedule, which will be available on the Serial Note Listing, the amount of OID includible in income by a U.S. Holder is anticipated to be based on the yield of the Note determined net of any fees, as described below, which yield will be lower than the stated interest rate on the Note. As a result, a U.S. Holder will generally be required to include an amount of OID in income that is less than the amount of stated interest paid on the Note. If a payment on a Note is not made in accordance with such payment schedule, for example because the borrower did not make timely payment in respect of the corresponding Underlying Loan, a U.S. Holder will be required to include such amount of OID in taxable income as interest even though such interest has not been paid.

The Treasury Regulations governing OID provide special rules for determining the amount and accrual of OID for debt instruments that provide for one or more alternative payment schedules

applicable upon the occurrence of contingencies. If the timing and amounts of the payments that comprise each payment schedule are known as of the issue date, and based on all the facts and circumstances as of the issue date, a single payment schedule for a debt instrument, including the stated payment schedule, is significantly more likely than not to occur, the amount and accrual of OID is determined based on that payment schedule. In addition, under the applicable Treasury Regulations, remote and/or incidental contingencies generally may be ignored.

The Notes provide for one or more alternative payment schedules because we are obligated to make payments on a Note only to the extent that we receive payments on the Underlying Loan. The general payment schedule for each Note, which will be available on the Serial Note Listing on www.fundthatflip.com, provides for payments of principal and interest (net of any fees) on the Note in accordance with the payment schedule for the Underlying Loan. In addition to scheduled payments, we will prepay a Note to the extent that a borrower prepays the Underlying Loan corresponding to the Note, and late fees collected on the Underlying Loan corresponding to a Note will be paid to the U.S. Holders. Notwithstanding such contingencies, we have determined to use the payment schedule of a Note to determine the amount and accrual of OID on the Note because we believe that a Note is significantly more likely than not to be paid in accordance with such payment schedule and/or the likelihood of nonpayment, prepayment, or late payment by the borrower on the Underlying Loan to such Note will be remote or incidental. If, in the future, we determine that the previous sentence does not apply to a Note, we anticipate that we will be required to determine the amount and accrual of OID for such Note pursuant to the rules applicable to contingent payment debt instruments, which are described below, and shall so notify the U.S. Holder of the Note.

The OID on a Note will equal the excess of the Note's "stated redemption price at maturity" over its "issue price." The stated redemption price at maturity of a Note includes all payments of principal and stated interest on the Note (net of any management fee) under the payment schedule of the Note. The issue price of the Notes will equal the principal amount of the Notes.

The amount of OID includible in a U.S. Holder's income for a taxable year is the sum of the "daily portions" of OID with respect to the Note for each day during the taxable year in which the U.S. Holder held the Note. The daily portion of OID is determined by allocating to each day of any accrual period within a taxable year a pro rata portion of an amount equal to the product of such Note's adjusted issue price at the beginning of the accrual period and its yield to maturity (properly adjusted for the length of the period). The adjusted issue price of a Note at the beginning of any accrual period should be its issue price, increased by the aggregate amount of OID previously accrued with respect to the Note, and decreased by any payments of principal and interest previously made on the Note (net of any fee). A Note's yield to maturity should be the discount rate that, when used to compute the present value of all payments of principal and interest to be made on the Note (net of any management fee) under the payment schedule of the Note, produces an amount equal to the issue price of such Note.

Cash payments of interest and principal (net of any fees) under the payment schedule on the Notes will not be separately included in income, but rather will be treated first as payments of previously accrued but unpaid OID and then as payments of principal.

If the IRS determines that the Notes are contingent payment debt instruments due to the contingencies described above (or in the future, we so conclude with respect to a particular series of Notes), the Notes will be subject to special rules applicable to contingent payment debt instruments. Such rules generally require a holder to (i) accrue interest income based on a projected payment schedule and comparable yield, which may be higher or lower than the stated interest rate on the Notes, and (ii) treat as ordinary income, rather than capital gain, any gain recognized on the sale, exchange, or retirement of the debt instrument and treat any loss recognized on such a disposition as an ordinary loss to the extent of prior OID inclusions and as capital loss thereafter.

Short-Term Notes

The following discussion applies to Notes that have a maturity of one year or less from the date of issue ("Short-Term Notes"). There are special rules that address the U.S. federal income taxation of Short-Term Notes. These rules are not entirely clear in all situations. Accordingly, U.S. Holders are strongly advised to consult their own tax advisor with regard to the U.S. federal income tax consequences of the purchase, ownership and disposition of Short-Term Notes.

In general, the Treasury Regulations provide that, in the case of a debt instrument with a maturity date of one year or less, no payments of interest are considered qualified stated interest. This means that a Short-Term Note is treated as having OID equal to the excess of the total payments on the obligation over its issue price. In general, U.S. Holders that are cash method taxpayers should not be required to recognize interest income until actual or constructive receipt of payment, unless they elect to accrue OID in income on a current basis under either a straight-line or a constant yield method. A U.S. Holder that does not elect to currently include accrued OID in income will not be allowed to deduct any of the interest paid or accrued on any indebtedness incurred or maintained to purchase or carry the Note (in an amount not exceeding the deferred income), and instead will be required to defer deductions for such interest until the deferred income is realized upon the maturity of the Note or its earlier disposition in a taxable transaction. Notwithstanding the foregoing, if a U.S. Holder elects to include accrued OID in income on a current basis, the limitation on the deductibility of interest will not apply. Upon disposition of a Short-Term Note, U.S. Holders will be required to characterize some or all of the gain realized on a sale, exchange or retirement of the Note as ordinary income. The amount characterized as ordinary income upon such disposition will generally equal an amount of OID that would have accrued under a straight-line basis or, if a U.S. Holder so elects, an amount of OID that would have accrued under a constant yield method. U.S. Holders that are accrual method taxpayers will generally be required to accrue OID in income on a current basis on either a straight-line basis or, at their election, under the constant yield method based on daily compounding. In addition, while there are special rules that address the U.S. federal income taxation of Notes that have a maturity date of more than one year and that provide for one or more contingent payments (as discussed above), those rules generally do not apply to short term obligations. Accordingly, the U.S. federal income taxation of short-term obligations that provide for contingent payments is not entirely clear. U.S. Holders should consult their own tax advisors regarding the U.S. federal income tax consequences if Short-Term Notes are considered short-term obligations that provide for contingent payments.

Sale, Retirement or Other Taxable Disposition of Notes

Upon the sale, retirement or other taxable disposition of a Note, you generally will recognize gain or loss equal to the difference, if any, between the amount realized upon the sale, retirement or other taxable disposition and your adjusted tax basis in the Note. In general, your adjusted tax basis in the Note will equal your cost for the Note, increased by any OID and market discount previously included in gross income by the U.S. Holder, as discussed below, and reduced by any payments previously received by the U.S. Holder in respect of the Note.

Except as discussed below with respect to a Note subject to rules governing market discount or contingent payment debt instruments, your gain or loss on the taxable disposition of the Note generally will be long-term capital gain or loss if the Note has been held for more than one year and short-term otherwise. The deductibility of capital losses is subject to limitations.

Additional Tax on Net Investment Income

Certain non-corporate U.S. Holders are subject to a 3.8% tax, in addition to regular tax on income and gains, on some or all of their "net investment income," which generally will include interest realized on a Note and any net gain recognized upon a sale or other disposition of a Note. U.S. Holders should consult their tax advisors regarding the applicability of this tax in respect of the Notes.

Prepayments

If we prepay a Note in full, the Note will be treated as retired and, as described above, you will generally have gain or loss equal to the difference, if any, between the amount realized upon the retirement and your adjusted tax basis in the Note. If we prepay a Note in part, a portion of the Note will be treated as retired. Generally, for purposes of determining (i) the gain or loss attributable to the portion of the Note retired and (ii) the OID accruals on the portion of the Note remaining outstanding, the adjusted issue price, the U.S. Holder's adjusted tax basis, and the accrued but unpaid OID of the Note, determined immediately before the prepayment, will be allocated between the two portions of the Note based on the portion of the Note that is treated as retired. The yield to maturity of a Note is not affected by a partial prepayment.

Late Payments and Fees

As discussed above, late fees collected on Underlying Loans corresponding to the Notes will generally be paid to you. The Company anticipates that any late fees paid will be insignificant relative to the total expected amount of the remaining payments on the Note. In such case, any late fees paid to you should be taxable as ordinary income at the time such fees are paid or accrued in accordance with your regular method of accounting for U.S. federal income tax purposes. The Company or its affiliates and the Investors may share a portion of the fees for Underlying Loans that incur late charges, postponement and extension fees, processing fees, default interest charged to the borrower, forbearance fees, inspection fees, administrative fees and any other payments or fees due from the borrower (except for returned check or non-sufficient funds charges, which will always be retained in full by the Company), net of any third-party fees. The Company anticipates that any late fees paid will be insignificant relative to the total expected amount of the remaining payments on the Note. In such case, any late fees paid to

you should be taxable as ordinary income at the time such fees are paid or accrued in accordance with your regular method of accounting for U.S. federal income tax purposes.

Nonpayment of Loan Corresponding to Note - Automatic Extension

In the event that we do not make scheduled payments on a Note as a result of nonpayment by the borrower on the corresponding Underlying Loan, a U.S. Holder must continue to accrue and include OID on a Note in taxable income until the maturity date. If scheduled payments are not made, solely for purposes of the OID rules, the Note may be treated as retired and reissued on the scheduled payment date for an amount equal to the Note's adjusted issue price on that date. As a result of such reissuance, the amount and accrual of OID on the Note may change. At the time of the deemed reissuance, due to nonpayment by the borrower, we may not be able to conclude that it is significantly more likely than not that the Note will be paid in accordance with one payment schedule and/or that the likelihood of future nonpayment, prepayment, or late payment by the borrower on the loan corresponding to such Note is remote or incidental. Accordingly, the Note may become subject to the contingent payment debt instrument rules (as discussed in more detail below). In addition, in the event that a Note's maturity date is extended because amounts remain due and payable on the loan corresponding to the Note on the initial maturity, the Note likely will be treated as reissued and become subject to the contingent payment debt instrument rules. If we determine that a Note is subject to the contingent payment debt instrument rules as a result of such a reissuance, we will notify the U.S. Holders and make the projected payment schedule and comparable yield available at www.fundthatflip.com.

If collection on a Note becomes doubtful, you may be able to stop accruing OID on the Note. Under current IRS guidance, it is not clear whether you may stop accruing OID if scheduled payments on a Note are not made.

You should consult your own tax advisor regarding the accrual and inclusion of OID in income when collection on a Note becomes doubtful.

Losses as a Result of Worthlessness

If a Note becomes wholly worthless, a U.S. Holder should generally be entitled to deduct their loss on the Note as a capital loss in the taxable year the Note becomes wholly worthless. The portion of your loss attributable to accrued but unpaid OID may be deductible as an ordinary loss, although such treatment is not entirely free from doubt.

Potential Characterization as Contingent Payment Debt Instruments

Although we believe our intended treatment of a Note as our debt instrument that is not subject to the contingent payment debt instrument rules is reasonable, our position is not binding on the IRS or the courts and we cannot predict what the IRS or a court would ultimately decide with respect to the proper U.S. federal income tax treatment of the Notes. Accordingly, there exists a risk that the IRS or a court could determine that the Notes are "contingent payment debt instruments" because payments on the Notes are linked to performance on the Underlying Loan. If the Notes are characterized as contingent payment debt instruments, or in the future, if we conclude that a Note is subject to the contingent payment debt instrument rules, the Notes would be subject to special rules applicable to contingent payment debt instruments. If these rules were to apply,

you would generally be required to accrue interest income under the non-contingent bond method. Under this method, interest would be taken into account whether or not the amount of any payment was fixed or determinable in the taxable year. The amount of interest that would be taken into account would generally be determined based on a hypothetical non-contingent bond, which is based on a “comparable yield” (generally, a hypothetical yield to be applied to determine interest accruals with respect to the Note, and which can be no less than the applicable federal rate) and a “projected payment schedule” (generally, a series of projected payments, the amount and timing of which would produce a yield to maturity on that Note equal to the comparable yield). Based on the comparable yield and the projected payment schedule, you will generally be required to accrue as OID the sum of the daily portions of interest for each day in the taxable year that you held the Note, adjusted to reflect the difference, if any, between the actual and projected amount of any contingent payments on the Note. The daily portions of interest are determined by allocating to each day in an accrual period the ratable portion of interest that accrues in such accrual period. The amount of interest you may accrue under this method could be higher or lower than the stated interest rate on the Notes. In addition, any gain recognized on the sale, exchange or retirement of your Note will generally be treated as ordinary interest income, and any loss will be treated as ordinary loss to the extent of prior OID inclusions, and then as capital loss thereafter.

Backup Withholding and Reporting

In general, we will provide information returns to non-corporate U.S. Holders, and corresponding returns to the IRS, with respect to (i) payments, and accruals of OID, on the Notes and (ii) payments with respect to proceeds from a sale, retirement or other taxable disposition of a Note. In addition, a non-corporate U.S. Holder may be subject to backup withholding (currently at a twenty eight percent (28%) rate) on such payments if the U.S. Holder (i) fails to provide an accurate taxpayer identification number to the applicable withholding agent; (ii) has been notified by the IRS of a failure to report all interest or dividends required to be shown on its U.S. federal income tax returns; or (iii) in certain circumstances, fails to comply with applicable certification requirements or otherwise establish an exemption from backup withholding.

Backup withholding is not an additional tax and any amounts withheld under the backup withholding rules will be allowed as a refund or a credit against a U.S. Holder's U.S. federal income tax liability provided the required information is furnished to the IRS on a timely basis. U.S. Holders should consult their tax advisors regarding the application of information reporting and backup withholding rules in their particular situations.

ERISA CONSIDERATIONS

The Employee Retirement Income Security Act of 1974, as amended (“ERISA”), and corresponding provisions of the Internal Revenue Code, imposes certain requirements on pension, profit sharing, and other employee benefit plans to which it applies, including individual retirement accounts and annuities, Keogh plans, and other tax-exempt plans (“Plans”), and on those persons who are fiduciaries or parties in “interest” with respect to such Plans. In considering an investment of assets of a Plan in the Notes, a Plan fiduciary should consider,

among other things: (i) the purposes, requirements, and liquidity needs of such Plan; (ii) the definition of Plan assets under ERISA and applicable U.S. Department of Labor regulations; (iii) whether the investment satisfies the diversification requirements of Section 404(a)(1)(c) of ERISA; and (iv) whether such an investment is appropriate for the Plan and prudent considering the nature of the investment.

In addition, Sections 406 and 407 of ERISA and Section 4975 of the Internal Revenue Code prohibit certain transactions that involve a Plan and a “party in interest” under ERISA or “disqualified” persons under the Internal Revenue Code with respect to the Plan and Plan assets. Consequently, a Plan contemplating an investment in the Notes should consider whether Company, or any affiliate of Company, is or might become a party in interest or a disqualified person with respect to the Plan. Potential Plan Investors are urged to consult with, and rely upon, their own advisors and counsel for advice on the ERISA and IRS issues relating to a Plan’s investment in the Notes.

RESTRICTIONS ON TRANSFERS

The Notes are not being registered under the Securities Act. The Notes may not be sold or transferred unless they are registered under the Securities Act and the applicable securities laws of any appropriate jurisdiction, or unless exemptions from such registration requirements are available. Accordingly, the Notes will not be listed on any securities exchange, nor do we have plans to establish any kind of trading platform to assist investors who wish to sell their Notes. There is no public market for the Notes, and none is expected to develop. Accordingly, Investors may be required to hold Notes to maturity.

As a condition to this offering, we have placed in the Note, the Investor Agreement and the Indenture impose various restrictions upon the ability of Investors to resell or otherwise dispose of any Notes purchased, including without limitation the following:

1. No Investor may resell or otherwise transfer any Notes except to a person or entity that meets the eligibility standards described herein (See the section entitled “*Investor Qualifications*”).
2. A transfer fee shall be charged for every transfer request made by Investor to the Company for administrative and legal costs.
3. No sale or transfer shall be effective unless the buyer or transferee has executed and delivered to the Company all documents required by the Company, in its discretion, for investing in the Notes and paid to the Company any expenses incurred by the Company in connection with the transfer.
4. All transfers must be approved by the Company and the Company may, in its discretion, grant or withhold such approval.

The Notes will be registered electronically with the Company and the Company does not anticipate issuing physical Notes or related instruments. The form of Note that will be

available online will contain one or more legends stating that the Notes have not been registered under the Securities Act and describing the applicable limitations on resale.

ADDITIONAL INFORMATION AND UNDERTAKINGS

The Company undertakes to make available to each potential Investor every opportunity to obtain any additional information from the Company necessary to verify the accuracy of the information contained in this Memorandum. The Company will provide such information to the extent that it possesses such information or can acquire it without unreasonable effort or expense. Should you have any questions, please do not hesitate to contact the Company as follows:

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