Investment Thesis

The Investor / Fund will acquire real estate mortgages commonly referred to as “scratch and dent, and Non-performing loans. Scratch and dent mortgages and NPN’s are those loans that fall outside the parameters of customary originator underwriting guidelines or performance expectations. While the majority of scratch and dent loans are performing, they may also be either re-performing, non-performing or sub-performing. By investing in these mortgages, the investor will seek to achieve returns that exceed those produced by investing in more traditional asset classes. The investor/Fund will invest primarily in the following:

- **First lien mortgages**: The investor or Fund will invest in first lien mortgages issued throughout the U.S., including residential, but no commercial mortgages at this time, or core emphasis is on residential loans. Residential mortgages will range in size from $20,000 to $400,000.00.

- **Second lien mortgages:** These loans will be considered for investment on a case by case basis, given that they can require a more significant allocation of capital. In the case of a second lien mortgage, additional expense is incurred as it is frequently necessary to buy out the first position lien holder in order to protect the investor’s position in the second mortgage.

The Secondary Mortgage Market

Mortgages are originated in the primary market, where home buyers obtain loans from banks, credit unions or other financial institutions. Most lenders pool the loans they have originated and sell these pools in order to generate funds for continued lending. The secondary mortgage market is a $134 billion industry in which all types of mortgage loans, prime, sub-prime, conforming and non-conforming, are sold to investors, occasionally individually but most commonly in pools that aggregate multiple mortgages.

Buyers of loans in the secondary mortgage market include large institutions as well as smaller investment funds and other professional investors who specialize in mortgage investing. Many large institutional investors repackage mortgages into mortgage-backed securities (MBS) that are in turn sold to other investors. Investors may also purchase loans to hold to maturity in a loan portfolio or produce cash flows that will offset other future liabilities.

Investors can purchase non-performing “scratch and dent” loans at prices significantly below the mortgage outstanding balances otherwise known as “the UPB”. The investor can then rehabilitate the loans or foreclose on the property, thus generating an attractive return on the original investment. This is the primary goal of this investor / Fund.

Non-Performing Mortgages

Many of the mortgages that fall into the scratch and dent segment are originated in the sub prime sector of the mortgage market. While the definition of sub prime varies among institutions, sub prime borrowers typically have lower credit scores, credit histories that may include late payments, foreclosures, bankruptcies, high debt-to-income ratios or other negative characteristics. When economic and financial pressures mount, these borrowers are more likely to encounter difficulty in remaining current on mortgage payments.

Fueled by record low interest rates and a burgeoning residential real estate market, homebuyers have taken on mortgage debt at a feverish pace from 2003 to 2007. According to data from the Office of Federal Housing Enterprise Oversight (OFHEO), outstanding single-family mortgages totaled $4.8 trillion at the end of 2000. By the third quarter of 2007, the figure had reached $9.2 trillion. Of this total, adjustable rate mortgages (ARMs) constituted 21%, or $1.93 billion.

Adjustable rate mortgages allow borrowers to take advantage of lower initial interest rates, with payments that are periodically reset based on an index-linked interest rate. Typically, the interest rate and monthly payments change on a predetermined basis, sometimes as often as every year. These types of mortgages have been extremely popular in the sub prime segment of the mortgage market. In the current environment of increasing interest rates, many borrowers, particularly sub prime borrowers, are facing unpleasant surprises as their monthly mortgage payments increase dramatically.

For borrowers who are already stretched thin, substantial increases in the monthly mortgage payment can compromise their ability to pay, particularly when combined with other economic pressures such as high debt levels and low incomes. Even for borrowers holding fixed rate mortgages, increasing economic pressures have a negative impact on their ability to make mortgage payments. Record high oil prices increase the burden on these borrowers, filtering through the economy in ways ranging from higher utility bills and increased prices for manufactured goods to high gasoline prices. For lower income consumers, high gasoline prices pose a particular burden.

The effects of rising interest rates, high debt loads, energy prices and a deteriorating housing market are combining to precipitate a marked increase in home loan delinquencies. According to the Mortgage Banker’s Association, delinquencies swelled to a 2 ½ year high at the end of 2005 and have continued to rise every year through 2012. While reaching a peak in 2012, 2013 is currently being watched as a bubble year for the mortgage industry. Even with rising housing prices. As of Dec. 2013 there are over 215Billion in 1st lien shadow inventory sitting on the books of over 3600+ US banks. In earlier market conditions, it was all too easy for borrowers to purchase homes they cannot afford. Lenders, lulled by low interest rates and a hot housing market, lowered standards precipitously and have consequently seen the volume of troubled loans exceed expectations.

This market environment has created significant opportunity for the Investors / Fund, as the majority of the investor / Fund's investments will be made in residential mortgages that are in or nearing foreclosure. For each loan purchased, the Investor / Fund will have the option to renegotiate terms with the borrower and return the loan to current status or continue with the foreclosure process. Should Management choose to go forward with foreclosure, the loan is typically collateralized by property valued at significantly more than the purchase price of the loan, thus generating value for the Fund. The risk to the investor / Fund's investors is reduced since the loans are collateralized by low LTV and low ITV (investment to value) on the properties.

Non-Conforming Mortgages

Many mortgages become available for purchase due to failure to comply with underwriting guidelines. When mortgages fail to comply with underwriting standards, the originating lender is unable to sell off the loan through standard exit strategies. Non-compliance does not necessarily indicate that the loan is of poor quality, but rather that the lender's in-house underwriter failed to ensure that the loan met all stated lending guidelines. Loans may be categorized as non-conforming for many reasons: some form of documentation may have been omitted, the incorrect interest rate was assigned, or the loan was made for a second residence when only a primary residence mortgage was acceptable. Investment in a non-conforming loan may carry fewer risks, as the borrower is very likely to have maintained an acceptable payment history. Non-conforming mortgages are less likely to be purchased at a steep discount.

Relationships with Mortgage Originators and Asset Management firms.

The business of investing in non-performing and non-conforming mortgages is highly fragmented and the industry is undercapitalized. Given the current structure of the marketplace, significant inefficiencies exist. Many smaller investors are active in this market, and lack the capital and analytical capacity needed to efficiently evaluate and bid on mortgage assets. The Investor / Fund, by aggregating a significant pool of capital with extensive mortgage market experience and sophisticated analytical capabilities, we can offer a timely response to lenders wishing to dispose of non-performing and/or non-conforming mortgages.

Management has developed strong relationships with a number of national mortgage lenders, including Bank of America, Option One and GMAC Homecomings Financial, as well as a substantial number of US based asset management firms and regularly receives notification of available pools of mortgages with unpaid principal balances (UPBs). These relationships ensure a strong and consistent pipeline of potential investments. By combining sophisticated analytical capabilities with the purchasing power afforded by significant capitalization, the Investor / Fund are able to guarantee lenders attractive pricing and speed in closing transactions.

Throughout the life of the Investor / Fund, Management will continue to develop new lender relationships in order to maintain substantial deal flow. Aggressive marketing and the creation of a strong brand identity will provide the cornerstones for building these relationships. Management will actively undertake a series of road shows and lender meetings to solidify a reputation as the preeminent investor in arena of NPN's and scratch and dent mortgages.

Legal and Regulatory Environment

A number of laws, including the Real Estate Settlement Procedures Act (RESPA), the Truth in Lending Act (TILA), and the Home Ownership and Equity Protection Act (HOEPA) have been passed to protect borrowers and promote consumer understanding of the direct and indirect costs, terms and conditions of credit agreements.

The Real Estate Settlement Procedures Act (RESPA) was passed in 1974 to offer protection to consumers who borrow in the mortgage market. RESPA covers transactions involving a federally related mortgage loan, which includes most loans secured by a lien (first or subordinate position) on residential property. This includes home purchase loans, refinances, lender approved assumptions, property improvement loans, equity lines of credit, and reverse mortgages.

The Truth in Lending Act was designed to protect consumers in credit transactions by mandating clear disclosure of the key terms and total costs of any lending transaction. Regulation Z of TILA applies to any individual or business that offers or extends credit if the following conditions are met: 1) credit is offered to consumers, 2) credit is offered on a regular basis, 3) credit is primarily for personal, family or household purposes, and 4) the credit is subject to a finance charge paid in more than four installments according to a written agreement.

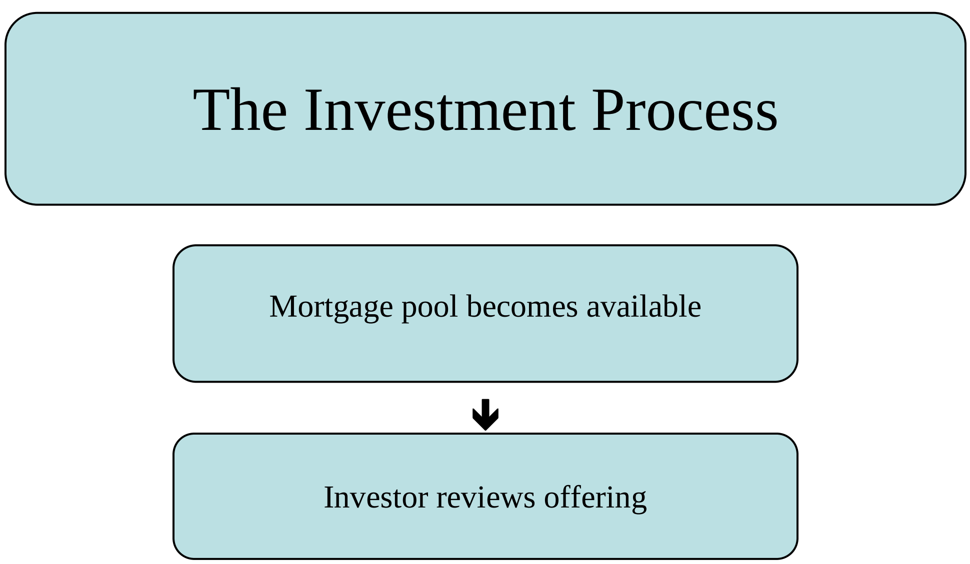
HOEPA addresses certain deceptive and unfair practices in home equity lending, amends the Truth in Lending Act and establishes requirements for certain loans with high rates or fees. The rules for such loans are outlined in Section 32 of Regulation Z, which implements TILA, and consequently such loans are called Section 32 mortgages.

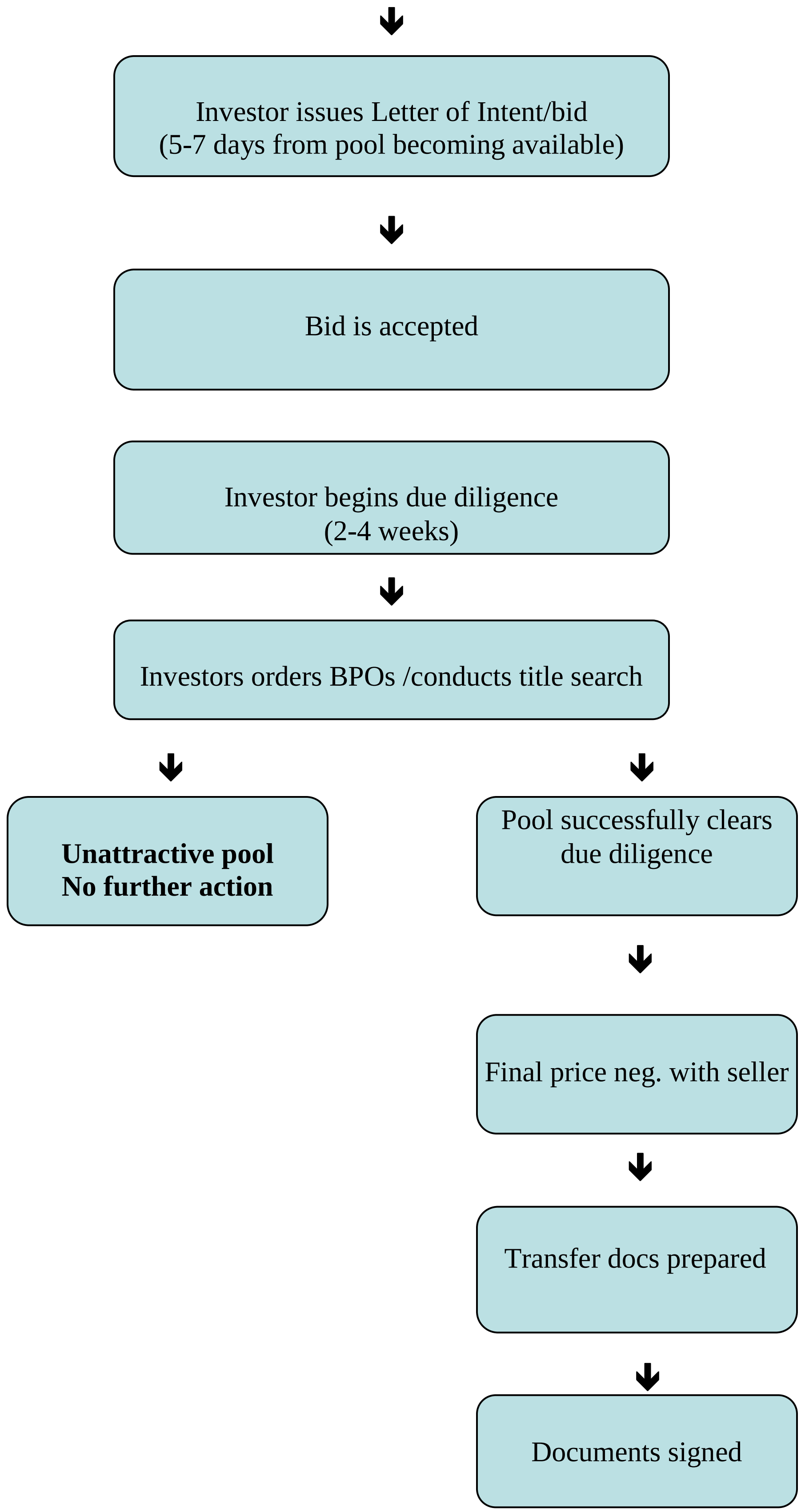
The Investor / Fund does not engage in lending, but rather invests in loans that have been funded and closed. Consequently, the majority of the regulations that apply to lenders do not impact the Investor / Fund's activities. However, in certain circumstances, some components of RESPA, and particularly Section 32 strictures, may apply to some of the Investor / Fund's activities. Each mortgage is reviewed to ensure compliance with all legal and regulatory requirements. In the event of foreclosure on a property, legal requirements will vary on a state-by-state basis and counsel will be retained in each state where the Investor / Fund are active in order to ensure compliance.

The Investment Process

The process of investing in a pool of mortgages or single mortgage investment typically takes around 7 to 30 days from the time a asset / pool is made available by the seller. Management places a bid on the pool, based on careful analysis of the mortgages included. Once the bid is accepted by the seller, Management undertakes a rigorous due diligence process incorporating a detailed review of the characteristics of each mortgage. In the case of large pools of a 100+ loans, due diligence may be conducted on site at the seller's location to ensure that each loan file is reviewed thoroughly and in its entirety. Loan characteristics of primary interest during the due diligence process include property type and value, an accurate legal description of the property, clear title and the existence of unpaid taxes or other liens. Taxes must be current on every property, and in the event that unpaid taxes exist, the amount of the tax liability can be subtracted from the bid. Typically, a period of representations and warrants is agreed upon by the buyer and seller. During this period, which extends anywhere from 3 to 12 months, the seller agrees to buy back any mortgage that a title search reveals to have unpaid taxes or other obligations outstanding or lacks the enforceability factor.

Once the due diligence and title search has been completed, transfer documents are prepared and closing is effected through a title company or the seller's attorney. In some instances, the transaction may be completed directly between the buyer and seller. However, it is common practice to use a title company or attorney of the seller's choosing.




Investor issues Letter of Intent/bid
(5-7 days from pool becoming available)
Bid is accepted
Investor begins due diligence
(2-4 weeks)
Investors orders BPOs /conducts title search
Unattractive pool
No further action
Pool successfully clears due diligence
Final price neg. with seller
Transfer docs prepared
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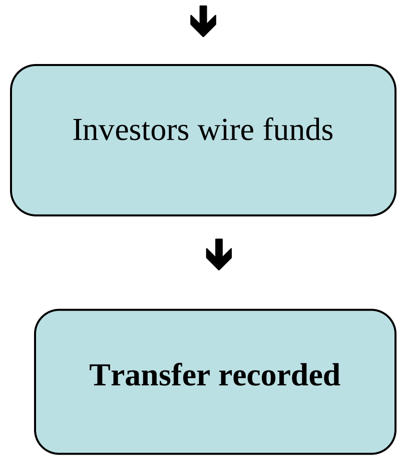

Evaluating Mortgages for Purchase

Loans are typically aggregated and sold in pools, which may contain various types of mortgages ranging from first lien residential mortgages to second lien, non-conforming and commercial mortgages. Pools that offer a more homogenous aggregation of loans are more attractive since investors are not saddled with loans outside their areas of interest. Sellers frequently aggregate loans into homogenous pools to enhance pricing, although approximately 60% of the available mortgage supply continues to be aggregated in heterogeneous pools containing residential and commercial mortgages as well as home equity lines of credit.

Pools are evaluated and priced based predominantly on location and the average loan to value (LTV) ratio. The LTV is the principal determinant of the pool's price. For example, a pool with a 95% loan to value ratio would sell at a lower price than a pool with an 80% LTV. A lower ratio affords more opportunity for recovery and offers greater upside potential. Broker price opinions (BPO) are also taken into consideration when evaluating loan pools.

A BPO, also called a comparative market analysis, is a method of appraisal in which the selling price of comparable properties is used as a basis for estimating value. In most cases, the seller will have already obtained a broker price opinion. Although an existing BPO can facilitate the initial review process, the Investor / Fund's management prefer to obtain a second BPO on every mortgage purchased. Since a broker price opinion is less formal than a more complex valuation, BPOs tend to be lower than a property's true value. This discrepancy frequently favors the investor.

Our primary BPO supplier will be - www.ClearCapital.com

In evaluating a second lien mortgage, the general rule of thumb is that the first lien should be no more than 3 times the value of the second lien. Typically, second lien pools have a very high combined loan to value (CLTV). CLTV is defined as the aggregate principal balances of all mortgages on a property divided by the property's value. A high CLTV ratio makes a loan inexpensive to purchase but very expensive to hold given that there will be likely be more management involved in rehabilitation, and there is a greater probability of foreclosure.

Multiple Sources of Revenue

Investment in scratch and dent mortgage loans generates multiple income streams.

Capital Appreciation:

Rehabilitated mortgages can be resold to other investors for a profit, thus allowing the investor / Fund to generate a return through appreciation in price. In instances where a mortgage cannot be rehabilitated, foreclosure can result in ownership of a property that significantly exceeds the purchase price of the mortgage, also resulting in an attractive return on the initial investment. Based on industry averages, Management estimates that 30-40% of loans will end in foreclosure.

Mortgage Interest Income:

Management will work with each borrower to rehabilitate the non-performing mortgages and return the loan to current status. While federally insured lenders such as banks and credit unions are limited in their flexibility due to federal guidelines, private investors such as the Fund are free to make any repayment arrangements they consider appropriate. In the case of loans with significant arrears, Management may choose to add fees and arrears to the loan balance and modify the mortgage to create a new payment plan. By working with borrowers to restructure their obligations, Management can create a steady stream of interest income and principal repayment. Non-conforming loans, typically current in payments, can also be held to collect interest income.

Prepayment Penalties:

Some loans will contain a prepayment penalty provision equal to [3%] of the original loan value, collected as the loan is paid off over its lifetime. Some loans will yield this income, unless Management chooses to resell the loan before maturity, in which case prepayment penalties will be transferable to the loan purchaser.

Set-up, Collection Fees and Late Fees:

The borrower will be charged a set-up fee and a monthly collection fee. Late fees will apply if monthly payments are not received on time. These fees, however, will be received by a third-party loan servicing company and are not included in our p*ro forma* projections for the Investor / Fund.

Holding Period

Some loans will be quickly sold off to other investors and consequently held by the Investor / Fund for only a short period of time. Given the abbreviated holding period, these loans should generate a significantly higher yield.

Management considers it in the best interest of the Investor / Fund to hold loans to maturity only if the loans meet the following criteria:

- LTV of 80% or less
- Borrower credit score of 625 or greater
- Property Type Residential 1-4
- Loans with prepayment penalties
- Loans with balloon payments/ 30 year term

By adhering to these guidelines, Management seeks to build an attractive portfolio while avoiding investment in loans that would likely demand a high level of Management intervention and result in an unacceptable level of costs.

Returns will vary depending upon the individual characteristics of each obligation as well as the type of loan, but should range between 40-90%+ IRR and will be outlined on a case by case bases after DD has been concluded and a clear exit plan has been written up for the investor.

Cost of Acquisition and Administration

A number of costs are associated with the investment process as well as the management of the single asset or loan portfolio. The basic cost for each loan is outlined below.

Cost of Acquisition:

Legal: $4 - $800 per loan
Recording: $50 per loan
Document costs: approximately $200 per loan
BPO: approximately $125 per loan
Title Search: $150 per loan

Cost of Administration:

Administrative Staff: $4,000 monthly per 400 loans
Postage/Shipping: $35 per loan
Servicing: $25 set up fee, $15 per month per loan
Blanket Property Insurance Policy: $300 per loan

Business Structure

Legal Structure and Relationship to the Investment Pool

The management company (Management) is a limited liability corporation (LLC) owned and operated by the managing principals. The new funding company (Funding Company) is a _____________ registered LLC that is wholly owned by the investment management company. An Operating Agreement between the entities enables Management to invest the assets of the Funding Company and limit transactions between the entities. These limitations include restrictions on the transfer of assets and incentives from the Funding Company to Management except as outlined in the Operating Agreement.

Dividends, Interest Payments and Other Disbursement to Investors

Dividends and interest payments will be distributed to investors on a monthly or quarterly basis, as funds are available and mutuality agreeable between both parties. In the event that the Fund is liquidated, investors in the Funding Company will benefit from a preferred liquidation status in the LLC.

Liquidity Requirements

The Funding Company will be required to maintain adequate liquidity to meet its requirements as outlined in the Investor Agreement. The Funding Company will also be subject to minimum collateral obligations as outlined in the Operating Agreement.

Operating Agreement with the Management Team

The Operating Agreement articulates the fundamental principles governing the relationships between the Management and the Funding Company as well as the relationships between the entities. The Operating Agreement:

- identifies the core responsibilities of each principal
- establishes a set of controls over the acquisition, management and divestment of assets in the portfolio
- provides liquidating preferences over the collective entities
- creates a clearly delineated mechanism for cash management between entities.

Management Team Biographies

(Add your own Bio and any team members that you are working the business with – legal, accounting, Etc.)

Risks and Risk Management

The Investor / Fund is subject to a variety of risks in the course of its operation. Following are described the principal types of risk exposure.

Litigation/Liability Risk The Investor / Fund may be exposed to lawsuits filed by the owners of loans that have been foreclosed.

Market Risk While the housing market has been attractive in the past, there is no guarantee that market conditions will remain favorable.

Slow Ramp-Up There is no assurance that the Investor / Fund will achieve its forecasted growth.

Barriers to Entry Barriers to entry are low, and competitors may continue to enter the market with or without an investor base.

Regulatory Risk The Investor / Fund will comply with all applicable federal, state and local laws. However, changes in the regulatory environment are possible and may or may not be favorable to the Investor / Fund.

Access to Capital There is no guarantee that the Investor / Fund will be able to raise the necessary capital.

Key Employee Risk The Investor / Fund is managed by _______ key individuals, and Management will obtain "key man" insurance to reduce this risk.

Redemption Risk

A small number of states have right of redemption laws, which give a property owner the opportunity to reclaim his or her property by paying off the amount owed. For example, Michigan has a statutory twelve month redemption period during which the borrower may reclaim property by paying any and all associated costs as well as the outstanding mortgage balance to the foreclosing entity, in the case the Investor /Fund. In 2010, less than 2% of defaulting borrowers in Michigan took advantage of this law.

Default Risk

Management anticipates a low default rate, not to exceed 3% of revenues, based on the national average for foreclosures. In 2011, the national average was less than 6.4%[1], but based on the market sector in which the Investor / Fund invests, Management considers 3% to be a conservative estimate.

Avoiding Default

Management believes that it is essential to work with borrowers to avoid default. Only in the event that a borrower chooses not to cooperate would Management choose to foreclose on the property. Although foreclosure has a potentially higher short term profit, it also carries the burden of additional administrative costs. It is in the best interests of the Investor / Fund and the borrower to agree on an equitable resolution.

As a measure to manage the Investor / Fund's risk exposure, Management will construct a loan portfolio or assets that will significant equity collateral to more than offset outstanding loan balances. This equity will provide an additional incentive for borrowers to avoid default. If a default should occur, options will include:

1) Negotiating a workout with the borrower
2) Forcing the borrower to deed in lieu of foreclosure
3) Foreclosing on the property.

Under the second and third options, the Fund will acquire ownership of the property. Subsequent liquidation will generate proceeds greater than the defaulted loan balance. If the Investor / Fund's residential loans are non-owner-occupied, most RESPA and HOEPA regulations and many redemption rights allotted to homesteads do not apply.

Risk Management

Management will undertake a number of additional measures to manage and mitigate risk exposure.

- The Investor / Fund will not invest in any loan unless Management is prepared to assume ownership of the property and sell it at a profit.
- Extensive due diligence will be conducted prior to any investment
- If state foreclosure processes are onerous, the Investor / Fund may own the property and grant the owner an option to buy.

Exit Strategy

[1] According to data from First National Acceptance Association

Once the original investment has been recouped, the Investor / Fund will distribute loan repayment to its investors**.** Three exit strategies will be considered on a loan by loan basis.

- Once a loan is returned to performing status, it will be held for approximately one year and then sold at a premium price.

- Non-performing loans will be foreclosed on, with proceeds generated at a foreclosure auction.

- The loan will be re-sold to an investor in the area where the property is located.

The second and third options will provide relatively quick returns, whereas the first option is a longer-term but profitable exit strategy.