

Your investment portfolio with CM Capital Services (CMCS) has been impacted by the dramatic decline in the real estate market and the resulting Borrower defaults. Depending on the stage of an investment, CMCS and Investors' roles change. Therefore, it is important for you to fully understand your roles, rights and responsibilities as Lenders and Property Owners, as well as CMCS' roles as Loan Servicing Agent, Default Coordinator, Asset Manager and Resolution Coordinator. We hope this information will be a valuable tool in assisting you in gaining a greater understanding of default processes and expenses, as well as the services CMCS provides to assist you in managing your assets.

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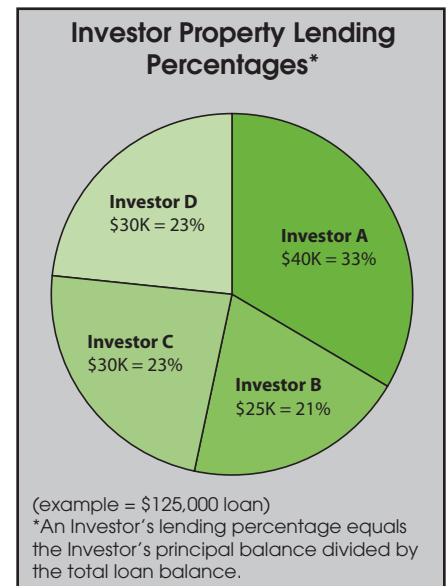
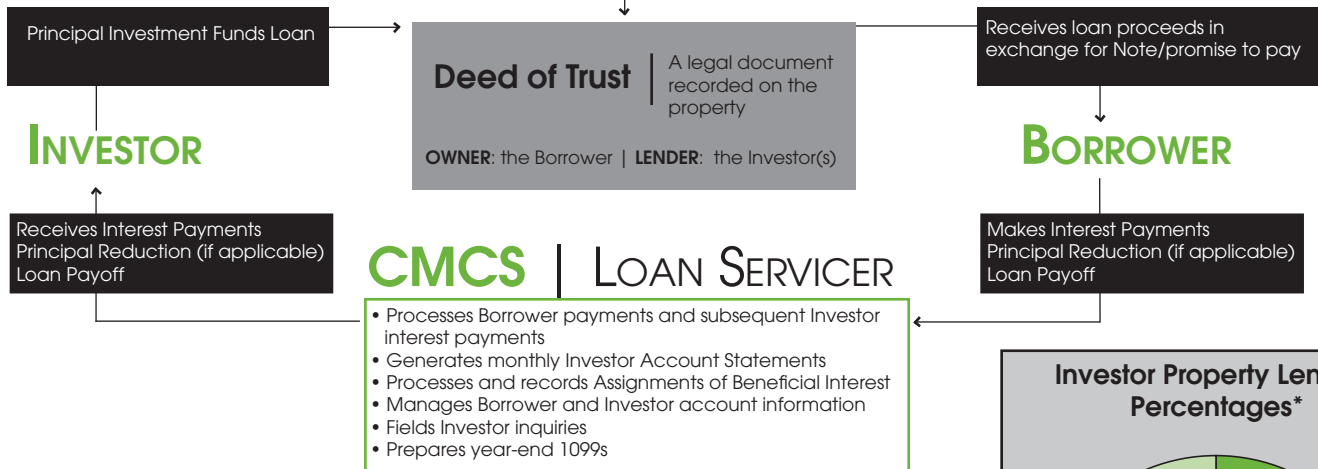
CMCS is a Loan Origination and Servicing Agent

CMCS brings Borrowers and Investors together in a lending environment.

CMCS | LOAN ORIGINATOR

- Underwrites loan
- Coordinates completion, receipt, and recording of required loan documentation with Borrower, Lender(s) and Title company
- Sends verification to Investors

CMCS' loan portfolio includes a mixture of vacant land, development, construction and equity loans.



THE STANDARD INVESTOR LENDING PROCESS IS AS FOLLOWS:

1. Investor selects a loan to participate in.
2. Investor loans a dollar amount, representing a percentage of the total loan on the property. Investors and their beneficial interests (investment amount / total loan amount) are listed on the Exhibit A of the recorded Deed of Trust.
3. Investor receives interest payments throughout the duration of the loan per the specific loan terms.
4. Upon repayment of the loan by the Borrower, Investor receives principal payoff in full.
5. Borrower or subsequent purchaser is granted Title to the property when the loan is repaid.
6. CMCS provides Investors with required tax reporting information.

CMCS is a Default Coordinator

A loan is categorized as being "in Default" when a Borrower fails to make a scheduled interest payment within the payment's grace period (10 days following payment due date). CMCS contacts the Borrower to determine the timing of the outstanding payment and a reasonable explanation for the lack of payment.

Once the loan becomes 90 days past due, it is added to CMCS' Loan Resolution Department portfolio management system. Investors will begin to receive communication regarding the loan/property status. With the Investors' best interests in mind, during this period CMCS attempts to keep communication open with all parties and evaluate the best possible courses of action.

INVESTOR COMMUNICATION

The Loan Resolution Department prepares letters to Investors regarding the status of the loan and the Borrower's current financial position with respect to future payments.

Investors receive status updates via:

- Monthly Investor Account Statements
- CMCS' defaulted loan web-based communication platform (<http://www.CMcapitalservices.com/Login.aspx>)
- Specific letter communication (when applicable)

BORROWER COMMUNICATION / NEGOTIATION

CMCS works with the Borrower to determine feasible workout plan proposals for Investor review and ballot vote.

INVESTOR PROPOSAL FOR DEFAULT PROCEEDINGS

CMCS, via a letter communication to Investors, will present the most viable Investor options from the adjacent list for Investor consideration and ballot vote.

The weight of your ballot vote is your remaining principal balance divided by the total remaining principal balance on the property. Majority ballot decision on how to proceed on the property is based on the 51% loan balance majority vote.

IMPLEMENTATION OF INVESTOR DECISION

CMCS takes action on the property as directed by the Investors per the majority ballot decision.

- Coordinates with Title to record a Notice of Default or Deed in Lieu
- Coordinates with the Borrower on the modification of the loan
- Sends communication to Investors regarding progress/status
- If foreclosure action is taken, continues to negotiate with Borrower for a workout strategy
- Coordinates with legal counsel regarding Borrower bankruptcy, litigation, etc.

WHAT ARE INVESTOR OPTIONS AT THE TIME OF BORROWER DEFAULT?

Loan Modification of loan terms (maturity date, reduced interest payments, etc.).

Loan Forbearance Investors hold off on starting foreclosure proceedings, and allow Borrower payments to be suspended for a designated period of time. Interest may or may not accrue during this period per Investor approved Forbearance Agreement terms.

Foreclosure Proceedings to pursue Investor ownership of the property.

- When a Notice of Default is recorded on the property, the Borrower is given a specific "cure period" (typically 90 or 120 days based upon the state in which the property is located) during which to make payments current and/or pay off the balance owed on the property.
- The Borrower has until the Trustee's Sale Date (the foreclosure date) to cure the debt or the Borrower's claim to the property will be eliminated.
- The Borrower may file for Bankruptcy protection in an attempt to stall or prevent foreclosure on the property.
- There are direct costs associated with completing foreclosure on the property including recording costs, property transfer taxes, etc.

Deed in Lieu of Foreclosure may be executed with the Borrower for Investors to obtain immediate property ownership.

- This process forgoes the 90-120 day foreclosure process allowing immediate transfer of ownership to Investors.
- Deed in Lieu often requires Investors to release the Borrower and the Guarantor(s) from their obligations under the Note, and possibly other loan documents including the Guaranty.
- CMCS may market the property for sale immediately (upon property ownership transfer).
- There are direct costs associated with recording a Deed in Lieu including recording costs, property transfer taxes, etc.
- Investors avoid many of the costs tied to pursuing property ownership through foreclosure.
- Deed in Lieu is only considered when there is clean title with no liens on the property.

No action against the Borrower on the property.

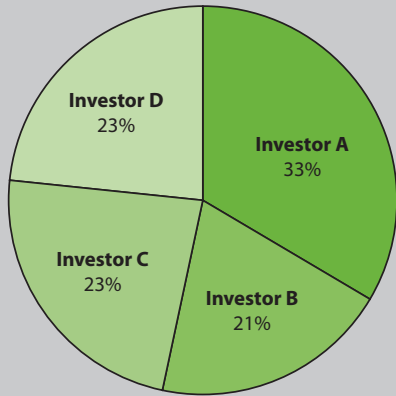
- CMCS will continue negotiations with the Borrower to attempt to identify a feasible workout plan for the property.



CMCS is an Asset Manager

Upon completed foreclosure or execution of a Deed in Lieu of Foreclosure on the property, Investors transition from lenders to owners of an asset: the property.

LLC Membership Percentages



LLC Membership percentages are property ownership units.

To facilitate property ownership, a special purpose entity (a Limited Liability Company—LLC) is created by CMCS and is recorded on title as the owner of the property. The LLC name is then referenced on monthly Investor Account Statements in place of the original loan/Borrower name. CMCS is not the property owner; however, its role as Manager is to manage the property including maintenance, expense management, and individual property concerns on behalf of you, the Investor. CMCS is not a shareholder in the LLC, but is the Manager of the LLC. Investors are represented as Members of this LLC and the LLC's Operating Agreement details the Investor membership/ownership percentages. The LLC has one asset: the property.

CMCS, as Asset Manager, coordinates the following on behalf of Investors as Members/property owners:

- Special Purpose Entity creation and management (drafts Operating Agreement, applies for and maintains Articles of Organization for LLC, etc.)
- Bill payment and collection
- Coordination of ownership responsibilities
- Physical property oversight (dust management, fencing, security, landscaping)
- Bond management
- Site inspections
- Property sale or joint venture opportunity negotiation
- Initiation/management of Investor communication of property status
- Management of liens on property and other title issues
- Representation through legal proceedings regarding Borrower litigation and/or liens
- Preparation of annual K-1's for investor tax reporting purposes

In our experience, fees and expenses for a Real Estate Owned property (REO) generally total approximately 5% of the original principal balance for the first year, and approximately 2.5% per year thereafter. The condition of the property and its obligations can dramatically impact the immediate and ongoing liabilities and costs of ownership.

At the time of foreclosure, Investors' loan participation percentages transform into ownership percentages. As a property owner, the value of your ownership percentage is now tied to the market value of the property rather than the original principal balance of your investment. In other words, the property is only worth what a legitimate buyer is willing to pay for it. Market conditions have significantly depressed property values resulting in short sale offers (prior to foreclosure) and purchase offers yielding well below 100% principal returns.

PROPERTY OWNERSHIP HAS DIRECT COSTS, RESPONSIBILITIES AND LIABILITIES.

Immediate costs to transfer ownership from the Borrower to Investors include:

- Recording fees
- Document fees
- Transfer taxes
- LLC Setup fees (Articles of Organization; Initial List of Members)
- Back taxes owed
- Back property assessments owed

Immediate liabilities to Investors as property owners include:

- Property Insurance
- Property Taxes
- HOA (Home Owners Association) Dues
- LID and SID Expenses (Local and Special Improvement Districts—Municipality improvements such as street pavement, curbs and gutters, sidewalks, streetlights, driveways, sewer and water facilities, etc.)
- Pollution permit management and expenses (state and EPA Stormwater Pollution Prevention Plan compliance, dust control requirements, etc.)
- Property Management Fees

Option to remove CMCS as Manager

A Manager must be on record for the Investor Special Purpose Entity LLC. While CMCS offers this service on REO properties, Investors have the option to elect an alternate Manager such as a law firm or property management group or representative to manage your property. Should Investors seek to elect a new Manager, the name and credentials of the proposed Manager must be sent to CMCS to present to Investors for ballot vote. A 51% majority Investor ballot vote must be obtained in order to initiate the removal of CMCS as the property's Manager. Upon majority ballot decision to elect a new Manager and reimbursement of outstanding fees and expenses owed to CMCS, CMCS will transfer servicing/management responsibilities to the individual or entity appointed as the replacement Manager.

Default Expense Account

CMCS has fronted over \$9 million in foreclosure expenses, legal fees, property carrying costs, deferred fees, etc. to date. This amount represents a small portion of the total projected expenses over the course of property resolution. These fees and expenses are the responsibility of the property owners.

Creating reserve funds to cover carrying costs alleviates the burden which might force Investors into accepting low offers because of their inability to support the property expenses while they await better market conditions.

A property's Default Expense Account represents up to 10% of the balance of the original loan on the subject property. Default Expense Account funds are anticipated to cover reimbursement to CMCS for expenses and fees incurred to-date plus ongoing expenses and fees for 18-24 months (term varies by property).

Understandably, many Investors have questions and concerns about their own financial responsibilities as they transition from property Lenders to property Owners. The payment of foreclosure fees and the costs of property ownership is ultimately the responsibility of Investors as property owners. Property expenses must be managed and paid until a resolution for the property has been executed. The risk of not paying ongoing property expenses is additional expenses in the form of penalties and late charges, as well as the Investors' potential loss of the property due to foreclosure.

CMCS realizes that both the expenses of securing property ownership coupled with ongoing property carrying costs may be too cumbersome for the majority of Investors to pay out-of-pocket. CMCS, unable to continue to front the expenses of Investor property ownership and sensitive to the financial out-of-pocket limitations facing most Investors as property owners, identified a solution which allows Investors to continue to benefit from CMCS' services while not requiring Investors to directly carry the financial burden of property ownership and resolution. This proposed solution is the funding of a Default Expense Account.

As a reminder, the Default Expense Account for each applicable property is created from loan proceeds from CMCS' efforts to obtain financing in the name of the Special Purpose Entity formed on behalf of Investors and secured by the subject REO property.

CMCS has reviewed each property to determine its risk exposure and imminent need for Default Expense funds. For example, several properties were at the risk of foreclosure following lien and foreclosure actions due to mounting tax and HOA assessments, which required immediate attention. Upon receiving majority approval from Investors, CMCS swiftly recorded loans in order to fulfill such obligations and alleviate Investors from this immediate and significant risk of losing their property.

It is important for Investors to understand that up-front foreclosure costs coupled with the ongoing carrying costs of property ownership and management will reduce their total return once a property is sold. While collateralizing the property with a loan to create a Default Expense Account of up to 10% of the original principal balance provides the LLC with the funds it requires as the property owner, it also creates additional expense in the form of interest payments and points. Should Investors on a property determine that they collectively have the financial capacity to cover these expenses on their own, they may contact CMCS to demonstrate their capabilities, reimburse the expenses and fees incurred thus far, and take over all expense maintenance in order to avoid the cost of borrowing.

CMCS is a Resolution Coordinator

While Investors have taken on additional decision roles and responsibilities as a result of market effects on their CMCS investment portfolio, CMCS has also taken on new roles and performs new functions in order to properly manage and coordinate aspects of property resolution on behalf of Investors. CMCS' Loan Resolution Department provides the dedicated resources required to service and work through Investors' REO portfolio assets.

In conjunction with property maintenance functions performed as Asset Manager, CMCS coordinates the following in an effort to identify a feasible resolution for your property:

- Property marketing and listing agent agreements
- Solicitation of developer and/or builders as potential joint venture partners
- Property sale or joint venture negotiation
- Investor property update and proposal communications

CMCS has received Investor majority ballot acceptance for 332 of 338 proposals, totaling over \$100 million in property resolutions.

Investors as LLC members determine property outcome based upon 51% majority Investor ballot vote. Investors decide whether to sell the property under the proposed terms or to reject the offer in anticipation of more favorable resolution terms.

Investor Contact Information Share

We realize that you may be interested in sharing your contact information with other Investors on your property to discuss resolution options for the property. Please contact the Loan Resolution Department via phone (702.739.9090) or email (newscm@CMemail.com) to request a CMCS Consent To Share Information Acknowledgement Form. Completed forms may be mailed to CMCS Attn: Loan Resolution Department, may be faxed to 702.739.7735, or may be emailed to newscm@CMemail.com. Authorized Investor contact information will be included under applicable default loan updates in monthly Investor Account Statements and web postings on CMCS' default communication website platform (<http://www.CMcapitalservices.com/Login.aspx>). Investor contact information will only be shared with Investors via the communication channels detailed above. CMCS will only post authorized Investor contact information for those loans/properties in which the Investor holds a principal investment interest. Per privacy laws, CMCS will not share Investor contact information with other Investors unless an executed consent form is received from the Investor.