

THIS NOTE HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"), OR UNDER ANY STATE SECURITIES LAWS. THIS NOTE IS SUBJECT TO RESTRICTIONS ON TRANSFERABILITY AND RESALE AND MAY NOT BE TRANSFERRED, SOLD, OFFERED FOR SALE, PLEDGED OR HYPOTHECATED IN THE ABSENCE OF A REGISTRATION STATEMENT IN EFFECT WITH RESPECT TO THIS NOTE UNDER THE ACT OR APPLICABLE STATE SECURITIES LAWS OR AN OPINION OF COUNSEL SATISFACTORY TO THE ISSUER THAT ANY PROPOSED TRANSFER OR RESALE IS IN COMPLIANCE WITH THE ACT AND ANY APPLICABLE STATE SECURITIES LAWS. SEE THE SUBSCRIPTION AGREEMENT BETWEEN THE ISSUER AND THE PAYEE WITH RESPECT TO THIS NOTE (THE "SUBSCRIPTION AGREEMENT") FOR MORE DETAILS.

**NON-RECOURSE BORROWER DEPENDENT**

**PROMISSORY NOTE**

Date: \_\_\_\_\_ Los Angeles, California

Corresponding Investment Property: \_\_\_\_\_

Corresponding Borrower Loan Principal Amount: \$ \_\_\_\_\_

Original Issue Date of Corresponding Borrower Loan: \_\_\_\_\_

Initial Maturity Date: \_\_\_\_\_

Final Maturity Date: \_\_\_\_\_

FOR VALUE RECEIVED, the undersigned, Patch of Land, Inc., a Wyoming corporation (the "Issuer"), hereby promises to pay to the order of \_\_\_\_\_, with a principal residence at \_\_\_\_\_ (the "Investor"), the principal amount of \_\_\_\_\_ and no/100 Dollars (\$ \_\_\_\_\_) (the "Principal Amount"), together with interest on the unpaid principal balance of this Note, as provided herein.

FOR PURPOSES OF SECTIONS 1272, 1273 AND 1275 OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED, THIS NOTE IS BEING ISSUED WITH ORIGINAL ISSUE DISCOUNT ("OID") BECAUSE PAYMENTS ON THIS NOTE ARE DEPENDENT ON PAYMENTS ON THE CORRESPONDING BORROWER LOAN. THIS NOTE'S ISSUE PRICE IS THIS NOTE'S STATED PRINCIPAL AMOUNT, AND THE ISSUE DATE IS THE ORIGINAL ISSUE DATE. FOR FURTHER INFORMATION REGARDING THE AMOUNT OF ORIGINAL ISSUE DISCOUNT AND THE YIELD TO MATURITY OF THIS NOTE, THE HOLDER OF THIS NOTE SHOULD CONTACT THE ISSUER, WHICH WILL PROMPTLY MAKE SUCH INFORMATION AVAILABLE.

**Section 1. Loans.** This promissory note (the "Note") will correspond to a single loan secured by real estate (a "Corresponding Borrower Loan") that the Issuer has made or will make to a pre-screened real estate company (or an individual operating a real estate business) that provides security for the loan (the "Borrower"). Details regarding the Borrower, the Corresponding Borrower Loan, and the Corresponding Investment Property can be found on the Issuer's website (the "Site") and the investment

listing statement corresponding to this Note (the “Series Note Listing”) presented on the Site. This Note is part of a series of Notes, which series of Notes is held in the aggregate by multiple payees. The loan made hereunder entitles the Investor, subject to the terms and conditions of this Note, to a pro-rata share of payment based on (i) the original principal amount of this Note divided by (ii) the aggregate principal and accrued interest of the Corresponding Borrower Loan.

This Note represents a limited obligation of the Issuer that is entirely dependent upon receipt by the Issuer of payment on the Corresponding Borrower Loan. No payments of principal and/or interest on this Note payable to Investor hereunder shall be due or payable unless the Issuer has received payments under the Corresponding Borrower Loan and then only to the extent of such payments received by the Issuer. Investor shall have no recourse against Issuer unless, and then only to the extent that, Issuer has failed to pay Investor’s pro-rata share of the payments received by Issuer under the Corresponding Borrower Loan or has otherwise breached a covenant of this Note.

**Section 2. Interest.** Interest on the unpaid principal balance will accrue at an annual rate equal to \_\_\_\_\_ percent (\_\_\_\_\_ %) per annum from the date that proceeds of this Note are advanced by the Issuer to the entity or individual receiving the Corresponding Borrower Loan.

**Section 3. Manner and Payment of Principal and Interest.**

**3.1 Payment Schedule.** Payment of the Principal Amount and accrued interest due under this Note to Investor shall be paid in accordance with this Note’s payment schedule, which is available on [www.patchofland.com](http://www.patchofland.com) and attached hereto as Schedule A, and subject to prepayment until the Initial Maturity Date or, if the maturity of the Note has been extended, until the Final Maturity Date. However, if no payments are made to Issuer pursuant to the terms of the Corresponding Borrower Loan, then the Issuer is not obligated to make the corresponding payments to the Investor pursuant to the payment schedule referenced hereinabove. Issuer may prepay this Note in whole or in part at any time without any penalty. All prepayments of principal on this Note shall be applied to the most remote principal installment or installments then unpaid.

**3.2 Manner of Payment.** The principal and interest payable on any payment date will be paid to the party in whose name this Note is registered at the close of business on the record date next preceding such payment date. Payments due under the Note shall be due and payable in arrears in consecutive periodic installments in accordance with this Note’s payment schedule, within the first twenty (20) business days of the most recently occurring of such scheduled payment dates, so long as payment is made to Issuer on the Corresponding Borrower Loan. All payments of principal and interest on this Note due to the Investor shall be made in U.S. dollars, in immediately available funds, by intra-institution book entry transfer to the Investor’s designated account through the Issuer’s online platform found at [www.patchofland.com](http://www.patchofland.com). Such payments shall continue until the entire indebtedness evidenced by this Note and all accrued and unpaid interest are fully paid, with any unpaid principal and interest due and payable on the Initial Maturity Date shown above unless the Issuer has extended the maturity date to the Final Maturity Date.

**3.3 Borrower Payment Required Prior to Payment to Investor.** The Issuer shall only be obligated to make any payment on this Note if and only if, and only to the extent of the amount that, Issuer receives payment on the Corresponding Borrower Loan. In the event that the Issuer does not receive any payments due from the Corresponding Borrower Loan, Issuer will have no payment obligation to Investor under the

terms of this Note. The Issuer will act in good faith (as defined in Article 1 of the Uniform Commercial Code) in taking action to collect the Corresponding Borrower Loan obligations, including, in its sole discretion, in enforcing its security interest in the assets pledged to secure Corresponding Borrower Loans.

**3.4 Payment on Maturity Date.** The Note will mature on the Initial Maturity Date; *provided, however,* that if on the Initial Maturity Date any principal or interest payments in respect of the Corresponding Borrower Loan remain due and payable to the Issuer, the maturity date of this Note will be extended to the Final Maturity Date. In no event will the maturity of this Note be extended beyond the Final Maturity Date. The Issuer may, in its sole discretion, make principal or interest payments on the Note following the Final Maturity Date [in the event of Borrower's default on the Corresponding Borrower Loan and the Issuer's liquidation of its security interest in the Corresponding Borrower Loan].

**3.5 Necessary Payment Withholding.** If any withholding tax is imposed on any payment made by the Issuer to Investor pursuant to this Note, such tax shall reduce the amount otherwise payable with respect to such payment. Upon request of the Issuer, Investor shall provide the Issuer with an Internal Revenue Service Form W-9, W-BEN, W-8ECI, W-8IMY or other similar withholding certificate of a state, local or foreign governmental authority such that the Issuer may make payments under the Note without deduction for, or at a reduced rate of deduction for, any tax.

**Section 4. Amounts Advanced by Issuer.** The Issuer will, at its sole discretion (and with no obligation), advance any and all amounts necessary to protect its interest in the Corresponding Borrower Loan, including (without limitation) foreclosure fees and related costs as well as payments necessary to pay property taxes, senior liens, junior liens, and other fees and costs Issuer deems necessary to protect its lien in the Corresponding Borrower Loan (the "Issuer's Advances"). Any fees advanced by the Issuer will earn interest at the interest rate applicable to the Corresponding Borrower Loan. Any amounts paid to the Issuer under the Corresponding Borrower Loan shall be payable as follows: (1) to the Issuer, to recoup the Issuer's Advances, (2) to the Issuer or third parties for any fees and costs related to servicing the Corresponding Borrower Loan, and (3) the balance, if any, pro rata to the investors in the series of promissory notes (the "Notes"), including this Note, dependent upon payments on the Corresponding Borrower Loan.

**Section 5. Events of Default.** For purposes of this Note, an "Event of Default" includes each of the following: (i) the Issuer's failure to pay any installment or other sum due under this Note when due and payable if the Issuer has received the same pursuant to the Corresponding Borrower Loan (whether by extension, acceleration, or otherwise); (b) the Issuer's termination of its operations or taking of steps or actions in connection with its dissolution or liquidation; (c) the commencement or any insolvency or bankruptcy proceedings (whether voluntary or involuntary) involving the Issuer; or (d) the Issuer's failure to timely observe or perform any other provision of this Note. If the Issuer fails to cure an Event of Default within sixty (60) days, the Investor may, at its option, declare this Note (including, without limitation, all accrued interest) due and payable immediately regardless of the applicable maturity date. The Issuer must receive notice of the exercise of this option. For the purposes of this paragraph, the Issuer shall be deemed to receive Investor's notice if Investor follows the notice provisions in Section 7.2 of this Note.

**Section 6. Corresponding Borrower Loan Transfer.** Subject to compliance with the Act and applicable securities laws and regulations, Issuer may sell, convey, assign or otherwise transfer (a) all or any part of the Corresponding Borrower Loan or (b) any interest in the Corresponding Borrower Loan, whether any such sale, conveyance, assignment or other transfer occurs directly or indirectly, voluntarily or involuntarily or by operation of law, without the prior written consent of the Investor.

**Section 7. Miscellaneous**

**7.1 Waiver.** The Issuer, endorsers, and all other persons liable or to become liable on this Note waive diligence, presentment, protest and demand, and also notice of protest, demand, nonpayment, dishonor and maturity and consents to any extension of the time or terms of payment hereof, any and all renewals or extensions of the terms hereof, any release of all or any part of the security given for this Note, any acceptance of additional security of any kind and any release of any party liable under this Note.

**7.2 Notice.** Any notice required to be provided in this Note shall be given and received via electronic mail, unless applicable law requires that such notice be given in writing. All notices shall be addressed to the party to whom such notice is to be given at (i) support@patchofland.com, if the recipient is the Issuer or (ii) the electronic mail address used by Investor when registering online at the Issuer's investment platform if the recipient is the Investor; subject to the parties updating such addresses by providing notice pursuant to this Section 7.2.

**7.3 Forbearance Not a Waiver.** If the Investor delays in exercising or fails to exercise any of its rights under this Note, that delay or failure shall not constitute a waiver of any the Investor rights or of any breach, default, or failure of condition under this Note. No waiver by the Investor of any of its rights or of any such breach, default, or failure of condition shall be effective, unless the waiver is expressly stated in a writing signed by Investor.

**7.4 Merger or Consolidation.** In the event of any merger or consolidation of the Issuer with another entity that results in any entity other than the Issuer becoming the surviving entity, the Issuer will cause the surviving entity, as a condition to the consummation of such merger or consolidation, to assume all of the obligations of the Issuer under this Note in a written form and substance acceptable to Investor in Investor's sole discretion, and after such assumption, such other entity shall for all purposes hereunder be deemed to be the Issuer.

**7.5 Governing Law; Severability.** This Note shall be deemed to be made under, and shall be construed and enforced in accordance with, the laws of the State of California, without regard to any principles of conflicts of laws. If all or any part of the provisions of this Note is unenforceable or invalid, then such provision or part shall be ineffective to the extent of such unenforceability or invalidity without affecting the enforceability or validity of the remainder of such provision or the other provisions of this Note.

**7.6 Time Is of the Essence.** Time is of the essence with respect to all obligations of the Issuer under this Note.

**7.7 Amendments; No Waiver.** Any amendment hereto or waiver of any provision hereof must be in writing and signed by the Issuer and Investor. A waiver of any provision in one event shall not be

construed as a waiver of any other provision at any time, as a continuing waiver, or as a waiver of such provision on a subsequent event.

**Section 8. Nonrecourse Generally.**

(i) The Issuer shall not be personally liable, and Investor shall not commence or prosecute any action against the Issuer, for the non-payment or non-performance of any obligation due to Investor on this Note in the event of failure or default of the Corresponding Borrower Loan; (ii) Investor shall not seek, obtain, or enforce a deficiency judgment against the Issuer for any claim under this Note; (iii) Investor's recourse for the Issuer's payment obligations shall be limited to the payments and amounts, if any, and to such extent, received by Issuer on the Corresponding Borrower Loan; (iv) the Investor shall not be entitled to obtain specific performance or any other similar order, remedy, or relief against the Issuer relating to any claim arising from the Note; and (v) the Investor waives any right to exercise any banker's right of set-off arising from the Note, against any funds of the Issuer in the Investor's custody, control, or possession. No recourse under or upon any obligation, covenant or agreement contained in this Note, or because of any indebtedness evidenced thereby, shall be had against any past, present or future shareholder, officer, director or agent, as such, of the Issuer, either directly or through the Issuer, under any rule of law, statute or constitutional provision or by the enforcement of any assessment or penalty or otherwise, all such personal liability of every such incorporator, shareholder, officer, director or agent, as such, being expressly waived and released by the acceptance hereof and as a condition of and as part of the consideration for the issuance of this Note. Notwithstanding the foregoing, Investor shall have no recourse against Issuer unless, and then only to the extent that, Issuer has failed to pay Investor's pro-rata share of the payments received by Issuer under the Corresponding Borrower Loan or has otherwise breached a covenant of this Note.

**Section 9. Acknowledgement of Note Series Limitation.** Investor understands and agrees that this Note is part of a series of Notes, which series of Notes is held in the aggregate by multiple payees. The Investor shall not assert any right of action, including (without limitation) any arbitration, lawsuit or otherwise, except in conjunction or aggregation with other payees of the Notes as set forth in the Subscription Agreement.

**Section 10. Transfer of Note.** This Note may not be transferred or assigned except as may be permitted under the terms of the Subscription Agreement. In the event that all conditions for transfer set forth therein have been satisfied, then upon due presentment for registration of transfer of this Note at the principal office of the Issuer, accompanied by a written instrument of transfer in form satisfactory to the Issuer duly executed by the Investor or the Investor's attorney in writing, a new Note or Notes for an equal aggregate principal amount and with the identical interest rate and maturity will be issued to the transferee in exchange therefor, subject to a \$500 transfer fee payable to the Issuer and to any stamp tax or other governmental charge imposed in connection therewith.

**Section 11. Tax Matters.** Investor, by acceptance of a Note, shall be deemed to have agreed to treat, and shall treat, such Note as debt of the Issuer for United States federal income tax purposes and shall refrain from taking any action inconsistent with such treatment.

**IN WITNESS WHEREOF**, the Issuer has caused this instrument to be signed by its duly authorized officer.

PATCH OF LAND, INC.

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

***Note to Investor:*** This non-recourse borrower dependent promissory note will be executed by an Officer of Patch of Land, Inc. after receiving this document package executed by you as part of the investment completion process.

SCHEDULE A  
NOTE PAYMENT SCHEDULE

**THESE NOTES SUBSCRIBED FOR HEREIN HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”) OR THE SECURITIES LAWS OF ANY STATE OR APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION, ANY STATE SECURITIES COMMISSION OR OTHER REGULATORY AGENCY, NOR HAS THE SECURITIES AND EXCHANGE COMMISSION, ANY STATE AUTHORITY OR ANY REGULATORY AGENCY PASSED UPON OR ENDORSED THE MERITS OF THIS OFFERING OR THE ACCURACY OR ADEQUACY OF THIS SUBSCRIPTION AGREEMENT. ANY REPRESENTATION TO THE CONTRARY IS UNLAWFUL.**

## **PATCH OF LAND, INC.**

### **SUBSCRIPTION AGREEMENT**

THIS SUBSCRIPTION AGREEMENT (this “Agreement” or this “Subscription”) is made and entered into as of \_\_\_\_\_, by and between the undersigned (the “Subscriber,” “Investor,” or “you”) and Patch of Land, Inc., a Wyoming corporation (the “Company” or “we” or “us” or “our”), in connection with the subscription for non-recourse borrower payment dependent promissory notes (the “Note” or “Notes”).

### **BACKGROUND**

The Company will issue the Notes on an ongoing basis, and will issue the Notes in series, through its online website platform. Each series will correspond to a single loan secured by real estate (a “corresponding borrower loan”) that the Company has made to a pre-screened real estate company (or an individual operating a real estate business) that provides security for the loan (the “borrower”). Each corresponding borrower loan will be secured by a deed of trust, mortgage, security agreement, or legal title to the underlying real estate, although the Notes themselves are unsecured obligations of the Company. Upon purchasing a Note, the Subscriber will be entitled, subject to the terms and conditions of such Note, to a pro-rata share of payments due under the corresponding borrower loan based on (i) the original principal amount of the Note divided by (ii) the aggregate principal and accrued interest of the corresponding borrower loan.

Subject to the terms and conditions of this Agreement, the Subscriber desires to irrevocably subscribe for and purchase (subject to acceptance of such subscription by the Company) a certain Note, as set forth in Section 1 and on the signature page hereto. In order to implement the foregoing and in consideration of the mutual representations, warranties, covenants and agreements contained herein and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the parties hereto agree as follows:

#### **1. Subscription for and Purchase of the Notes.**

1.1 Subject to the express terms and conditions set forth herein and the form of Note, the Subscriber hereby irrevocably subscribes for and agrees to purchase the Note (the “Purchase”) for the subscription price (“Subscription Price”) as set forth upon the signature page hereof



1.2 The offering of Notes (the “Offering”) is described in this Agreement, including the form of Note attached as Exhibit A, the Company’s description of the transaction attached as Exhibit B, and the investment listing statement for that series of Notes (a “Series Note Listing”) presented on the Company’s website (the “Site”). Please read this Agreement, the form of Note, the transaction description and the Series Note Listing relating to any series of Notes you desire to purchase. While they are subject to change, as described below, you should print and retain a copy of these documents for your records. By signing electronically below, you agree to the provisions of this Agreement together with the Terms of Use, consent to our Privacy Policy, and agree to transact business with us and to receive communications relating to the Notes electronically.

1.3 The Company will review this Subscription and has the unrestricted right to reject or limit this Subscription for any reason including, without limitation, if the Subscriber is not verified as an accredited investor, if the Company does not receive the minimum funding necessary for the applicable Series Note Listing or if the Company otherwise determines not to consummate the transaction and withdraws the Series Note Listing, or for no reason at all.

1.4 The Subscription is irrevocable by Subscriber, and Subscriber may not cancel, terminate or revoke this Agreement, which, in the case of an individual, shall survive Subscriber’s death or disability and shall be binding upon the Subscriber, Subscriber’s heirs, trustees, beneficiaries, executors, personal or legal administrators or representatives, successors, transferees and assigns.

1.5 The Company may cancel or withdraw a Series Note Listing for any reason (or no reason) in its sole and absolute discretion within the time allotted to accept such commitments prior to funding (the “Offering Period”). Prior to funding, the Company may similarly remove the Series Note Listing from the Site and cancel, without liability, all investor purchase commitments relating to the corresponding series of Notes.

## **2. Terms for and Purchase of the Notes.**

2.1 The Notes shall have the terms and conditions described in this Agreement, the Series Note Listing, and the form of Note, which is available for review on the Site. The interest rate, maturity and other specific terms of the Notes are described in the Series Note Listing. Upon request, the corresponding financing agreements between the borrower and the Company will be made available for review on the Site (generally with information identifying the borrower redacted).

2.2 The Purchase Price is payable with the execution and submission of this Agreement.

2.3 The Company will hold the Purchase Price in a secure third party escrow account until the closing of the Offering Period for that series of Notes, at which time the balance shall be immediately available to the Company for use in furtherance of its business. If the Company returns the Purchase Price to the Subscriber for any reason, the Company will not pay any interest to the Subscriber.

2.4 If this Subscription is accepted by the Company, the Subscriber agrees to comply fully with the terms of this Agreement, the Note and all other applicable documents or instruments of the Company applicable to the Subscription. The Subscriber further agrees to execute any other necessary documents or instruments in connection with this Subscription and the Subscriber’s purchase of the Notes.

2.5 In the event that this Subscription is rejected in full or the Offering is terminated, the Company will refund the Purchase Price to the Subscriber without interest and without deduction, and all of the obligations of the Subscriber hereunder shall terminate. To the extent that this Subscription is rejected in part, the Company shall refund to the Subscriber that portion of the Purchase Price allocable to the rejected portion of this Subscription without interest and without deduction, and all of the obligations of

Subscriber hereunder shall remain in full force and effect except for those obligations with respect to the rejected portion of this Subscription, which shall terminate.

**3. Representations and Warranties of the Subscriber.** The Subscriber represents and warrants to the Company the following:

3.1 The Subscriber recognizes that the purchase of the Notes involves a high degree of risk in that (i) the Company will need additional capital but has no assurance of additional necessary capital; (ii) an investment in the Notes is highly speculative and only investors who can afford the loss of their entire investment should consider investing in the Notes; (iii) an investor may not be able to liquidate his, her or its investment; (iv) transferability of the Notes is extremely limited; (v) an investor could sustain the loss of his, her or its entire investment; and (vi) the Company is and will be subject to numerous other risks and uncertainties, including without limitation, significant and material risks relating to the Company's business, and the industries and markets in which the Company will operate, as well as risks associated with the Offering.

3.2 Pursuant to federal securities laws and regulations, the Company may offer the opportunity to invest in the Note only to accredited investors. The Subscriber qualifies as an "accredited investor" as that term is defined in Rule 501(a) of Regulation D under the Securities Act of 1933, as amended (the "Act") because Subscriber is:

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\* For purposes of this item, "net worth" means the EXCESS of total assets (such as cash, stock, securities, personal property and real estate) at fair market value, whether liquid or illiquid, and excluding the value of such person's principal residence, but including home furnishings and automobiles, OVER total debts and liabilities (other than a mortgage or other debt secured by such person's principal residence). In the event that the amount of any mortgage or other indebtedness secured by such person's principal residence exceeds the fair market value of such person's principal residence, such excess liability should also be deducted from such person's net worth. Any mortgage or indebtedness secured by such person's principal residence within 60 days before the time of the purchase of securities offered hereunder, other than as a result of the acquisition of the primary residence, shall also be deducted from such person's net worth.

The Company will request confirmation of the Subscriber's assertion of accredited investor status through relevant documentation which may include, but not limited to, a copy of the Subscriber's tax returns filed with the Internal Revenue Service, bank statements or brokerage statements, or written confirmation from a licensed attorney, a certified public accountant stating that such person has taken reasonable steps to verify that the Purchase is an accredited investor within the last three months and has determined such person is an accredited investor, or other documentation that the Company considers reasonable to verify Subscriber's accredited investor status. At the Company's discretion, the Subscriber shall a) complete and return to the Company an investor questionnaire provided by the Company or b) submit relevant documentation to the Company and/or a third-party verification service, such as Veri-Tax. The Subscriber agrees to provide any additional documentation the Company may reasonably request, or as may be required by the securities administrators or regulators of any state, to confirm that the Subscriber meets any applicable minimum financial suitability standards and has satisfied any applicable maximum investment limits.

3.3 The Subscriber acknowledges that the Subscriber has reviewed all of the documents furnished or made available by the Company to evaluate the merits and risks of an investment in the Notes, and that the Subscriber recognizes the highly speculative nature of this investment.

3.4 The Subscriber acknowledges and represents that the Subscriber has been furnished or given access by the Company with or to all information regarding the Company and its respective financial condition and results of operations which the Subscriber had requested or desired to know; that all documents which could be reasonably provided have been made available for the Subscriber's inspection and review; that the Subscriber has been afforded the opportunity to ask questions of and receive answers from duly authorized representatives of the Company concerning the terms and conditions of the purchase of the Notes, and any additional information which the Subscriber had requested.

3.5 The Subscriber acknowledges that this Subscription for the Notes may involve tax consequences, and that the contents of this Agreement do not contain tax advice or information. The Subscriber acknowledges that the Subscriber must retain the Subscriber's own professional advisors to evaluate the tax and other consequences of an investment in the Notes.

3.6 The Subscriber acknowledges that this Offering has not been reviewed or approved by the United States Securities and Exchange Commission ("SEC") or any state securities regulators because the Offering is intended to be a nonpublic offering pursuant to Section 3(b) and/or 4(2) of the Act and Regulation D promulgated under the Act. The Subscriber represents that the Notes are being purchased for the Subscriber's own account, for investment and not for distribution or resale to others. The Subscriber acknowledges and understands that the Notes are subject to restrictions upon transferability and resale and may not be transferred or resold except as permitted under this Agreement, the Act and applicable state securities laws pursuant to registration, qualification or exemption therefrom.

3.7 The Subscriber understands that the claimed exemption under the provisions of the Act depends, in part, upon the Subscriber's investment intention. The Subscriber realizes that, in the view of the SEC, a purchase now with the intention to distribute would represent a purchase with an intention inconsistent with the Subscriber's representation to the Company, and the SEC might regard such a distribution as a deferred sale to which such exemption is not available. The Subscriber agrees to hold the Company and its respective directors, officers and controlling persons and their respective heirs, representatives, successors and assigns harmless and to indemnify them against all liabilities, costs and expenses incurred by them as a result of any misrepresentation made by the Subscriber contained herein.

3.8 The Subscriber understands that the Company has not been registered under the Investment Company Act of 1940, as amended. In addition, the Subscriber understands that the Company is not registered as an investment adviser under the Investment Advisers Act of 1940, as amended.

3.9 The Subscriber understands the exemption under Rule 144 promulgated under the Act will not be generally available because of the conditions and limitations of such rule, that the Company has no obligation and does not intend to take any action to make available such exemption or any other exemption under the Act, and that because of the unavailability of such exemption, any disposition by the Subscriber of the Notes may require compliance with some other exemption under the Act. The Subscriber understands that there are substantial restrictions on the transferability of the Notes and that there is no public market for the Notes, and none is expected to develop in the near future. Consequently, the Subscriber understands that it must bear the economic risk of this investment for an indefinite period of time, and that it may not be possible for the Subscriber to liquidate readily any investment in the Notes, if at all.

3.10 The Subscriber is subscribing for and purchasing the Notes without being furnished any offering literature, other than this Agreement, the Series Note Listing, the Note and such other related documents, agreements or instruments as may be attached to the foregoing documents as exhibits or supplements thereto, or as the Subscriber has otherwise requested from the Company in writing, and without receiving any representations or warranties from the Company or its agents and representatives other than the representations and warranties contained in said documents, and is making this investment decision solely in reliance upon the information contained in said documents and upon any investigation made by the Subscriber or Subscriber's advisors.

3.11 The Subscriber understands that the Company will review this Agreement, and the Company reserves the unrestricted right to reject or limit any subscription and to close the offer at any time.

3.12 The Subscriber hereby represents that the address of Subscriber furnished at the end of this Agreement is the undersigned's principal residence if he or she is an individual or its principal business address if it is a corporation or other entity.

3.13 The Subscriber represents and warrants that the execution and delivery of this Agreement, the consummation of the transactions contemplated hereby and the performance of the obligations hereunder will not conflict with or result in any violation of or default under any provision of any other agreement or instrument to which the Subscriber is a party or any license, permit, franchise, judgment, order, writ or decree, or any statute, rule or regulation, applicable to the Subscriber. The Subscriber confirms that the consummation of the transactions envisioned herein, including, but not limited to, the Subscriber's Purchase, will not violate any foreign law and that such transactions are lawful in the Subscriber's country of citizenship and residence.

3.14 The Subscriber acknowledges that if the Subscriber is a Registered Representative of a Financial Industry Regulatory Authority ("FINRA") member firm, he or she must give such firm the notice required by the FINRA Conduct Rules, or any applicable successor rules of FINRA, receipt of which must be acknowledged by such firm on the signature page hereof. The Subscriber shall also notify the Company if the Subscriber or any affiliate of Subscriber is a registered broker-dealer with the SEC, in which case the Subscriber represents that the Subscriber is purchasing the Notes in the ordinary course of business and, at the time of purchase of the Notes, has no agreements or understandings, directly or indirectly, with any person to distribute the Notes.

3.15 The Subscriber hereby represents that no representations or warranties have been made to the Subscriber by the Company or its agents, employees or affiliates and in entering into this transaction, the Subscriber is not relying on any information other than the results of independent investigation by the Subscriber.

3.16 The Subscriber agrees that the Subscriber is purchasing the Notes with the intent to make such purchase for investment purposes and not with a view toward resale provided, however, that by making the representations herein the Subscriber does not agree to hold the Notes for any minimum or other specific term and reserves the right to dispose of the Notes in accordance with federal and state securities laws applicable to such transactions.

3.17 If the undersigned Subscriber is a partnership, corporation, trust or other entity, such partnership, corporation, trust or other entity further represents and warrants that: (i) it was not formed for the purpose of investing in the Company; (ii) it is authorized and otherwise duly qualified to purchase and hold the Notes; and (iii) that this Agreement has been duly and validly authorized, executed and delivered and constitutes the legal, binding and enforceable obligation of the undersigned.

3.18 If the Subscriber is not a United States person, such Subscriber hereby represents that the Subscriber has satisfied itself as to the full observance of the laws of its jurisdiction in connection with any invitation to subscribe for the Notes or any use of this Agreement, including (i) the legal requirements within its jurisdiction for the purchase of the Notes, (ii) any foreign exchange restrictions applicable to such purchase, (iii) any governmental or other consents that may need to be obtained, and (iv) the income tax and other tax consequences, if any, that may be relevant to the purchase, holding, redemption, sale or transfer of the Notes. Such Subscriber's subscription and payment for, and his, her or its continued beneficial ownership of the Notes will not violate any applicable securities or other laws of the Subscriber's jurisdiction.

3.19 The Subscriber understands and acknowledges that the availability of the claimed exemption of the Offering depends in part on, and that the Company will rely upon the accuracy and truthfulness of, the foregoing representations, and such Subscriber hereby consents to such reliance.

3.20 The Subscriber confirms that the Subscriber has been advised to consult with the Subscriber's independent attorney regarding legal matters concerning the Company and to consult with independent tax advisers regarding the tax consequences of investing through the Company. The Subscriber acknowledges that Subscriber understands that any anticipated United States federal or state income tax benefits may not be available and, further, may be adversely affected through adoption of new laws or regulations or amendments to existing laws or regulations. The Subscriber acknowledges and agrees that the Company is providing no warranty or assurance regarding the ultimate availability of any tax benefits to the Subscriber by reason of the Purchase.

3.21 The Company's intent is to comply with all applicable federal, state and local laws designed to combat money laundering and similar illegal activities, including the provisions of the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (the "Patriot Act"). Subscriber hereby represents, covenants, and agrees that, to the best of Subscriber's knowledge based on reasonable investigation:

(a) None of the Subscriber's funds tendered for the Purchase Price (whether payable in cash or otherwise) shall be derived from money laundering or similar activities deemed illegal under federal laws and regulations.

(b) To the extent within the Subscriber's control, none of the Subscriber's funds tendered for the Purchase Price will cause the Company or any of its personnel to be in violation of federal anti-money laundering laws, including (without limitation) the Bank Secrecy Act (31 U.S.C. 5311 et seq.), the United States Money Laundering Control Act of 1986 or the International Money Laundering Abatement and Anti-Terrorist Financing Act of 2001, and/or any regulations promulgated thereunder.

(c) When requested by the Company, the Subscriber will provide any and all additional information, and the Subscriber understands and agrees that the Company may release confidential information about the Subscriber and, if applicable, any underlying beneficial owner or Related Person<sup>1</sup> to U.S. regulators and

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<sup>1</sup> Definitions for purposes of paragraph 3.21: "Close Associate of a Senior Foreign Political Figure" shall mean a person who is widely and publicly known internationally to maintain an unusually close relationship with the Senior Foreign Political Figure, and includes a person who is in a position to conduct substantial domestic and international financial transactions on behalf of the Senior Foreign Political Figure; "Foreign Shell Bank" shall mean a Foreign Bank without a physical presence in any country, but does not include a regulated affiliate; "Foreign Bank" shall mean an organization that (i) is organized under the laws of a foreign country, (ii) engages in the business of banking, (iii) is recognized as a bank by the bank supervisory or monetary authority of the country of its

law enforcement authorities, deemed reasonably necessary to ensure compliance with all applicable laws and regulations concerning money laundering and similar activities. The Company reserves the right to request any information as is necessary to verify the identity of the Subscriber and the source of any payment to the Fund. In the event of delay or failure by the Subscriber to produce any information required for verification purposes, the subscription by the Subscriber may be refused.

(d) Neither the Subscriber, nor any person or entity controlled by, controlling or under common control with the Subscriber, any of the Subscriber's beneficial owners, any person for whom the Subscriber is acting as agent or nominee in connection with this investment nor, in the case of an Subscriber which is an entity, any Related Person is:

- (i) a Prohibited Investor;
- (ii) a Senior Foreign Political Figure, any member of a Senior Foreign Political Figure's "immediate family," which includes the figure's parents, siblings, spouse, children and in-laws, or any Close Associate of a Senior Foreign Political Figure, or a person or entity resident in, or organized or chartered under, the laws of a Non-Cooperative Jurisdiction;
- (iii) a person or entity resident in, or organized or chartered under, the laws of a jurisdiction that has been designated by the U.S. Secretary of the Treasury under Section 311 or 312 of the Patriot Act as warranting special measures due to money laundering concerns; or
- (iv) a person or entity who gives Subscriber reason to believe that its funds originate from, or will be or have been routed through, an account maintained at a Foreign Shell Bank, an "offshore bank," or a bank organized or chartered under the laws of a Non-Cooperative Jurisdiction.

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organization or principal banking operations, (iv) receives deposits to a substantial extent in the regular course of its business, and (v) has the power to accept demand deposits, but does not include the U.S. branches or agencies of a foreign bank; "Non-Cooperative Jurisdiction" shall mean any foreign country that has been designated as non-cooperative with international anti-money laundering principles or procedures by an intergovernmental group or organization, such as the Financial Task Force on Money Laundering, of which the U.S. is a member and with which designation the U.S. representative to the group or organization continues to concur; "Prohibited Investor" shall mean a person or entity whose name appears on (i) the List of Specially Designated Nationals and Blocked Persons maintained by the U.S. Office of Foreign Assets Control; (ii) other lists of prohibited persons and entities as may be mandated by applicable law or regulation; or (iii) such other lists of prohibited persons and entities as may be provided to the Fund in connection therewith; "Related Person" shall mean, with respect to any entity, any interest holder, director, senior officer, trustee, beneficiary or grantor of such entity; provided that in the case of an entity that is a publicly traded company or a tax qualified pension or retirement plan in which at least 100 employees participate that is maintained by an employer that is organized in the U.S. or is a U.S. government entity, the term "Related Person" shall exclude any interest holder holding less than 5% of any class of securities of such publicly traded company and beneficiaries of such plan; "Senior Foreign Political Figure" shall mean a senior official in the executive, legislative, administrative, military or judicial branches of a foreign government (whether elected or not), a senior official of a major foreign political party, or a senior executive of a foreign government-owned corporation. In addition, a Senior Foreign Political Figure includes any corporation, business or other entity that has been formed by, or for the benefit of, a Senior Foreign Political Figure.

(e) The Subscriber hereby agrees to immediately notify the Company if the Subscriber knows, or has reason to suspect, that any of the representations in this Section 3.19 have become incorrect or if there is any change in the information affecting these representations and covenants.

(f) The Subscriber agrees that, if at any time it is discovered that any of the foregoing anti-money laundering representations are incorrect, or if otherwise required by applicable laws or regulations, the Company may undertake appropriate actions, and the Subscriber agrees to cooperate with such actions, to ensure compliance with such laws or regulations, including, but not limited to segregation and/or redemption of the Subscriber's interest in the Notes.

**4. Representations and Warranties of the Company.** The Company hereby represents and warrants to the Subscriber as follows:

4.1 Organization and Authority. The Company is a corporation validly existing and in good standing under the laws of the jurisdiction of its incorporation, (ii) has all requisite corporate power and authority to own, lease and operate its properties and to carry on its business as presently conducted, and (iii) has all requisite corporate power and authority to execute, deliver and perform their obligations under this Agreement and to consummate the transactions contemplated hereby and thereby.

4.2. Corporate Authorization. The Offering has been duly and validly authorized by the Company. This Agreement, assuming due execution and delivery by the Subscriber, when the Agreement is executed and delivered by the Company, will be, valid and binding obligations of the Company, enforceable in accordance with their respective terms, except as the enforceability hereof and thereof may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws now or hereafter in effect relating to or affecting creditors' rights generally and general principles of equity, regardless of whether enforcement is considered in a proceeding in equity or at law.

4.3 Information Provided. The Company hereby represents and warrants to the Subscriber that the information set forth herein and any other document provided by the Company (or the Company's authorized representatives) to the Subscriber in connection with the transactions contemplated by this Agreement, do not contain any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements therein, in the light of the circumstances under which they are made, not misleading.

4.4 Compliance with Law. The Company is not in violation of or does not have any liability under any statute, law, rule, regulation, ordinance, decision or order of any governmental agency or body or any court, domestic or foreign, except where such violation or liability would not individually or in the aggregate have a material adverse effect on the business, properties, operations, condition (financial or other), results of operations or prospects of the Company and its subsidiaries, taken as a whole or has the effect of preventing the Company from performing any of its duties or obligations under this Agreement, and to the knowledge of the Company there is no pending investigation that would reasonably be expected to lead to such a claim.

4.5 Legal Compliance. To the best knowledge of the Company, after due investigation, no claim has been filed against the Company alleging a violation of any applicable laws or regulations of foreign, federal, state and local governments and all agencies thereof. The Company holds all of the material permits, licenses, certificates or other authorizations of foreign, federal, state or local governmental agencies required for its respective business as presently conducted.

## **5. Risk Factors.**

*You should carefully consider the risks and uncertainties described below and the other information provided herein before deciding whether to purchase the Notes offered herein. If any of these risks actually occur, our business and financial condition or results of operation may be materially adversely affected and you may lose all or part of your investment. While the risks described below are the ones we believe are most important for you to consider, these risks are not the only ones that we face. You should purchase the Notes offered herein only if you can bear to lose your entire investment.*

### **Risks Related to the Borrower and the Investment Property**

***The Notes constitute limited obligations of the Company only and are not secured by any collateral or guaranteed or insured by any third party.***

Corresponding borrower loans will be secured by mortgages, deeds of trust, security agreements, or legal title. However, the Notes offered hereunder constitute unsecured limited obligations of the Company and do not constitute an obligation of the borrower or any other party except the Company. The Notes are not secured by any collateral and are not guaranteed or insured by any governmental agency or instrumentality or any third party. Investors in the Notes may look only to the Company for payment of the Notes. Furthermore, if a borrower fails to make any payments on a corresponding borrower loan, Investors in the related Notes will not receive any payments on their respective Notes.

***Returns to Investors on the Notes depend entirely on payments the Company receives on corresponding borrower loans. If a borrower makes a reduced payment or fails to make a payment on the corresponding borrower loan related to your Note, payments on your Note will be reduced or eliminated to the same extent as the deficiency of the payment on the corresponding borrower loan.***

The Company will make payments *pro rata* on Notes only after it receives a borrower's payment on the corresponding borrower loan. The Company also will retain certain fees from the funds it receives from the relevant borrower such as NSF fees, collection fees and attorneys' fees incurred in connection with collection efforts. This will reduce the amount available for payments to Investors on the Notes. If the Company does not receive any or all payments on the corresponding borrower loan, payments on your Note will likewise be reduced or eliminated to the same extent as the deficiency of the payment on the corresponding borrower loan. Accordingly, if a borrower fails to 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.

***If payments on the corresponding borrower loan relating to your Note become past due or otherwise in default, it is unlikely you will receive the full principal and interest payments on your Note, and you may not recover your original purchase price.***

If a corresponding borrower loan becomes past due or is otherwise in default, the Company may foreclose on the property underlying the corresponding borrower loan at a foreclosure sale. The Company or one of its affiliates may manage the foreclosed property, the costs of which will be advanced by Company. The cost of owning, maintaining, and selling the property would reduce any proceeds gained through a sale of the property if the Company cannot quickly sell such property and the property does not produce any significant income. If the foreclosed property cannot be sold for a net amount that can fully return the outstanding amount of the related Notes, Investors will lose some or all of their investment.

The Company may not be able to recover any of the unpaid loan balance on certain non-performing corresponding borrower loans. Investors who have purchased corresponding Notes will likely receive little, if any, of the unpaid principal and interest payable under the Note. You must rely on the collection



efforts on behalf of the Company and are not permitted to attempt to collect payments on the corresponding borrower loans.

***You may 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 corresponding borrower loan after the maturity of the corresponding borrower loan. However, we are entitled to retain all principal or interest payments we receive from a corresponding borrower loan after such extended final maturity date of a Note and are not obligated to distribute those payments to Investors with respect to Notes. Significant delays in receiving borrower funds would result in additional money being received by the Company, and a conflict of interest could, therefore, develop between Investors and the Company.

***The success of each corresponding borrower loan is dependent on the performance of the property, over which we have no control.***

A borrower is responsible for various management functions that are essential to the success of its particular property. A borrower's failure to properly manage the property could adversely affect the financial performance of the corresponding borrower 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 corresponding borrower loan. We have no control over a borrower's performance of its management obligations.

***Prevailing economic conditions may significantly affect corresponding borrower loan loss rates.***

There are many factors that are related to the Company operations that are not within its control. Such factors include changes in economic conditions, including, for example, interest rates, inflation rates, real estate industry conditions, unemployment rates, levels of consumer confidence, value of the U. S. dollar, energy prices, U. S. monetary policies, competition, technological developments, political and diplomatic events and trends, tax laws and innumerable other factors. These factors can substantially and adversely affect the corresponding borrower loan loss rates. None of these conditions are within the control of the management or the Company.

***Information supplied by borrowers may be inaccurate or intentionally false.***

Borrowers supply a variety of information regarding the current rental income, property valuations, market data, and other information, some of which is disclosed in the property information provided to Investors. The Company verifies this information to the extent practical but cannot verify all of the information supplied by borrowers. Some of the information supplied by borrowers may be incomplete, inaccurate or intentionally false. You may lose some or all of your investment in the Note if a borrower supplies false, misleading or inaccurate information.

Borrowers may also improperly divert the proceeds of a financing or become insolvent, in which case the Investors in the Notes related to such corresponding borrower loans could lose all their investment.

***Real property and investments in real estate are subject to decline in value.***

The value of real property is subject to ownership risks including without limitation changes in general or local economic conditions, increases in interest rates for real estate financing, uninsured losses, zoning variations. A decline in property values might result in a loan amount in excess of the property value. If resale proceeds are insufficient to repay loans, the risk of borrower default would increase.

***The real estate market is cyclical and we are negatively impacted by downturns in this market.***

The real estate market tends to be cyclical and typically is affected by changes in general economic conditions which are beyond our control. The U.S. residential real estate market has recently shown some signs of stabilizing from a lengthy and deep downturn that began in the second half of 2005. However, we cannot predict when the market and related economic forces will return the U.S. residential real estate industry to a period of sustained growth.

Recently, banks and other lenders have come under investigations for alleged improper support for foreclosure actions. As a result, the foreclosure process in many areas has slowed and may face ongoing disruption. These foreclosure developments could reduce the level of home sales and could, once these homes reemerge on the market, add additional downward pressure on the price of existing home sales. The residential real estate business is subject to seasonal fluctuations. Historically, operating results and revenues in the real estate industry are strongest in the second and third quarters of the calendar year. Many expenses are fixed and cannot be reduced during a seasonal slowdown. If unfavorable conditions in the real estate market and general macroeconomic conditions deteriorate, we may be required to seek sources of working capital for our future liquidity needs. There can be no assurance that we would be able to defer or reduce expenses or that any such actions would not materially and adversely impact our business and results of operations, or that we could obtain additional financing on acceptable terms or at all.

***A prolonged decline or lack of sustained growth in the number of home sales and/or prices would adversely affect our revenues and profitability.***

In recent years, annual U.S. existing home sales have declined. A further decline or lack of sustained growth in existing home sales or a continued decline in home prices would adversely affect our results of operations.

***Recent U.S. governmental actions to assist in the stabilization and/or recovery of the residential real estate market may not operate to the advantage of the Company.***

The U.S. government implemented certain actions during the past several years to assist in a stabilization and/or a recovery of the residential real estate market. There can be no assurance that these actions or any other governmental action will continue to stabilize the housing market or that any recovery in this market will be sustained as these programs either wind down or expire by their terms. Given the uncertainty of such governmental actions, it is difficult to predict either the long-term or short-term impact of government action that may be taken.

***The Dodd-Frank Act and other financial reform legislation may, among other things, result in new rules and regulations that may adversely affect the housing industry.***

On July 21, 2010, the Dodd-Frank Act was signed into law for the express purpose of regulating the financial services industry and also establishes an independent federal bureau of consumer financial protection to enforce laws involving consumer financial products and services, including mortgage finance. The Dodd-Frank Act also establishes new standards and practices for mortgage originators, including determining a prospective borrower's ability to repay their mortgage, removing incentives for higher cost mortgages, prohibiting prepayment penalties for non-qualified mortgages, prohibiting mandatory arbitration clauses, requiring additional disclosures to potential borrowers and restricting the fees that mortgage originators may collect. These standards and practices include limitations on the amount that a mortgage originator may receive with respect to a "qualified mortgage," including fees

received by affiliates of the mortgage originator. Such legislation and regulations promulgated pursuant to such legislation as well as other legislation that may be enacted to reform the U.S. housing finance market could materially and adversely affect the mortgage and housing industries, result in heightened federal regulation and oversight of the mortgage and housing industries, increase down payment requirements, increase mortgage costs, curtail affiliated business transactions and result in increased costs and potential litigation for housing market participants. This and future legislation could have a material adverse effect on the mortgage industry and the housing industry in general and these provisions may reduce the availability of mortgages to certain individuals.

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

The payment schedules with respect to corresponding borrower loans have been developed by the Company based on projected revenues generated by the property over the term of the corresponding borrower loans. These projections are based on factors considered relevant by the Company including expected vacancy rates, expense rates, and other projected income and expense figures relating to the property. Actual revenues generated by a property may fail to reach projections due to a number of factors such as lower-than-expected rental revenues, or greater-than-expected vacancy rates or property management expenses. In such event, the borrower's cash flow could be inadequate to repay the corresponding borrower loan in full.

***Environmental issues may affect the performance of a borrower property.***

The properties underlying corresponding borrower loans are subject to federal and state environmental laws and regulations. If toxic environmental contamination is discovered to exist on a property underlying a corresponding borrower loan, it might affect the borrower's ability to repay the corresponding borrower 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 a contaminated property, the Company will be subject to 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.

Environmental risks may diminish the value of a property or subject the Company to liability for clean-up costs or other remedial actions. This liability could exceed the value of the property or the principal balance of the related mortgage loan. For this reason, the Company may elect not to foreclose on contaminated property rather than risk incurring liability for remedial actions.

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 cases 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.

A secured lender's responsibility for clean-up costs and/or the obligation to take remedial actions is uncertain. If a lender is held liable for cleanup costs, it may seek contribution from 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 there is no guarantee that judgments, if entered, against these persons or entities could be satisfied.

***Insurance 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 insured against 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 corresponding borrower 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.

***The evaluation methods used by the Company in determining whether to make a corresponding borrower loan may be flawed and may not be an accurate reflection of risk.***

Real estate valuation is an inherently imprecise process dependent upon fluctuating factors. Appraisals may prove to be based on faulty assumptions, and the Company's assessment of the value of property and the value of the underlying security may be based on incorrect information or exceedingly optimistic opinions. The risk of default in such situations and the corresponding risk of loss to Investors is greater than expected.

***Loans with aggressive terms carry particular risks.***

Some corresponding borrower loans may include aggressive terms including provisions for modest interest-only payments with a large "balloon" payment of principal due at the end of the term. If borrowers are unable to repay such balloon payments, they 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 with proceeds to satisfy the corresponding borrower loan.

***A borrower's bankruptcy will delay exercise of the Company's foreclosure remedy.***

If a borrower files a bankruptcy proceeding, an automatic stay of all proceedings against the borrower's property will be entered. This prevents the Company from proceeding with foreclosure on the property until and unless the Company obtains relief from the stay from the bankruptcy court. There is no assurance that any such relief may be obtained, and the Company will incur significant legal fees and costs in this process. 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.

### **Risks Related to Investments in the Company**

***We are an early stage company with a limited operating history and an unproven business strategy and may never be able to implement our business plan or achieve profitability.***

We are at an early stage of development and have a limited operating history. As such, there are a number of inherent risks and uncertainties facing the Company. We have only recently begun operating our investment platform. A commitment of substantial resources will be required to conduct time-consuming research will be required if we are to fulfill our business plan. There can be no assurance that we will be able to implement our business plan at reasonable costs or successfully operate our Company. We do not have the long-term experience with our investment platform to know what our operational results will be.

***We will need to raise additional capital in the future to fund our operations, which financing may not be available to us on favorable terms or at all.***

We will need to raise significant additional capital in the future to fund startup operations and expansion. We may desire to seek additional financing at times when we believe the terms are favorable and advantageous to our growth strategy. We would endeavor to raise funds through various financing sources, including the sale of our equity and/or debt securities, the procurement of commercial debt financing, private loans and/or strategic alliances. However, there can be no guarantees that such funds will be available on commercially reasonable terms, if at all. If such financing is not available on satisfactory terms, we may be unable to expand or continue our business as desired and operating results may be adversely affected. The unavailability of funds may require the Company to curtail or terminate its operations. Any debt financing will increase expenses and must be repaid regardless of operating results and may involve restrictions limiting our operating flexibility. The terms of securities we issue in the future could also impose restrictions on our operations. If adequate funds are not available or are not available on acceptable terms, our ability to fund our operations, take advantage of unanticipated opportunities, develop or enhance our products and services or otherwise respond to competitive pressures would be significantly limited.

***We have incurred losses since our incorporation and may never be profitable.***

Since the Company was incorporated February 4, 2013, we have had limited operations and we have incurred operating losses. As we are still in the process of refining our business plan, we expect to incur additional losses in the foreseeable future, and such losses may be significant. To become profitable, we must be successful in raising capital to continue with our start-up activities and successfully convert the plan to actual operations. It could be years before we receive any revenues from operations, if ever. Thus, we may never be profitable. Even if we do achieve profitability, we may not be able to sustain or increase profitability on a long-term basis.

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

The Company does not intend to expend the funds necessary to secure audited financial statements and provide them to Investors. The Company has no audited financial statements covering the period from inception to the present. No independent certified public accountant has reviewed the Company's finances. Prospective investors have only the Company's business plan upon which to evaluate an investment in the Company and should, therefore, carefully analyze the Company's business plan and seek professional advice as to the material contained herein.

***When you enter into an agreement with us to purchase a Note, you must provide investment funds for your purchase, but the funds may not be utilized until 45 days following full subscription for the investment***

Each investment opportunity presented will remain open during a subscription period. The Company has up to 45 days following the closing of the subscription period in which to invest such subscription amounts. Investors' commitments to purchase Notes are irrevocable. During the period of time between your subscription and the issuance of your Note, you have no access to your funds. Your funds do not earn interest until the Note is issued which will have the effect of reducing your effective rate of return.

***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 corresponding borrower loan earlier than originally scheduled. Most investment opportunities offered by the Company permit the borrower to prepay all or a portion of the remaining principal amount at any time without penalty. Borrowers may choose to prepay loans with lower-cost funds if prevailing interest rates on commercial loans decline in relation to the Note's interest rate. Upon a prepayment of the entire

remaining unpaid principal amount of the corresponding borrower loan, an investor will receive its share of such prepayment, but further interest will not accrue after the date of the pre-payment. If the borrower prepays only a portion of the remaining unpaid principal balance on the corresponding borrower loan, the term for repayment of the corresponding borrower loan will not change, but investors will not earn a return on the prepaid portion, and their anticipated total investment return may thus decrease.

***Failure of third-party systems or third-party service and software providers upon which we rely could adversely affect our business.***

We will rely on certain third-party computer systems and/or third-party service and software providers, including data centers, technology platforms, back-office systems, Internet service providers and communications facilities. Any interruption in these third-party services, or deterioration in their performance or quality, could adversely affect our business. If our arrangement with any third party is terminated, we may not be able to find alternative systems or service providers on a timely basis or on commercially reasonable terms. This could have a material adverse effect on our business, financial condition, results of operations and cash flows.

We host our platform and serve all of our customers from our network servers, which will be located at various data center facilities. Problems faced by our data center locations or with the telecommunications network providers with whom we may contract could adversely affect the experience of our users. If our data centers are unable to keep up with our growing needs for capacity or close without adequate notice, this could have an adverse effect on our business. Any changes in third-party service levels at our data centers or any errors, defects, disruptions, or other performance problems with our services could harm our reputation and adversely affect the performance of our platform. Interruptions in our services might reduce our sales revenues, subject us to potential liability and thereby adversely affect our business, financial condition, results of operations and cash flows.

***Failure to protect the integrity and security of individually identifiable data of our users could expose us to litigation and damage our reputation.***

We will receive and maintain certain personal information about our users. The use of this information by us will be regulated by applicable law, as well as by certain third-party contracts. If our security and information systems are compromised or our business associates fail to comply with these laws and regulations and this information is obtained by unauthorized persons or used inappropriately, it could adversely affect our reputation, as well as our operations and results of operations and financial condition. Additionally, we could be subject to litigation or the imposition of penalties. As privacy and information security laws and regulations change, we may incur additional costs to ensure we remain in compliance.

***There is no public market for our securities, and a public market may never develop.***

There is no public market for our Notes, and the Notes will not be traded on any exchange or over-the-counter bulletin board, or quotation system. Any investment in the Notes is highly illiquid, and investors in the Notes may not be able to sell or otherwise dispose of their Notes. Investors of Notes should be prepared to hold the Notes until maturity.

***The Notes limit the rights of individual investors in some important respects.***

To protect the Company from having to respond to multiple claims by investors in the event of an alleged breach or default with respect to a series of Notes, investors are precluded from pursuing remedies individually in connection with such a breach or default.

***We are not subject to the state or federal regulatory oversight.***

Our financing decisions, decisions establishing loan loss reserves, capital requirements, asset quality, management and legal compliance are not subject to review or oversight by any governmental agency.

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

There are no federal statutory provisions, regulations, published rulings or judicial decisions that specifically address the tax implications of instruments similar to the Notes. Payments on the Notes are dependent on payments on corresponding borrower loans, we will treat the Notes as debt instruments that have original issue discount (“OID”) for U.S. federal income tax purposes. The U.S. Internal Revenue Service (the “IRS”) is not bound by our characterization of the Notes. The IRS or a court may take a different position with respect to the Notes’ proper characterization. A different characterization could significantly affect the amount, timing, and character of income, gain or loss recognized in respect of a Note. Investors are strongly advised to consult their own tax advisor 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 treatment of the Notes).

***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.***

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 borrower 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.

***Securities laws implications of an investment in the Notes are indefinite.***

The Notes are being offered pursuant to an exemption from federal securities registration requirements in reliance upon Rule 506(c) of Regulation D promulgated under the Securities Act. Rule 506(c) is a recent amendment of Rule 506 which provides a revised basis for an exemption claimed thereunder. Since Rule 506(c) is in the early stages of implementation, regulatory guidance in connection with the exemption is limited. Rule 506(c) will likely be subject to significant interpretation and perhaps amendment in the future. The Company will comply with Rule 506(c) regulatory requirements as they evolve and can provide no assurance that such requirements will not negatively impact your investment in the Notes.

***The rights of Note holders are subject to risks and uncertainties in the event that the Company becomes insolvent.***

In the event of the Company’s filing for bankruptcy protection, 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, and investors might be entitled only to payment of principal and interest accrued up to the date of the commencement of the bankruptcy proceeding.
- Payments on the Notes would likely be suspended even if the funds to make such payments were available. Even if the suspended payments are resumed, the suspension might effectively reduce the value of a Note holder’s recovery because such recovery might occur months or years later.
- As holders of unsecured Notes, investors may be treated as general creditors and thus be required to share the proceeds of corresponding borrower loans with other general creditors of the Company.

- Investors might not be entitled to share in the other assets of the Company available for distribution because the terms of the Notes provide that they will be repaid only out of the proceeds of the corresponding borrower loans even though other general creditors might be entitled to a share of the proceeds of such corresponding borrower loans.
- Bankruptcy procedure may preclude the Company from making payments on Notes from funds held in a clearing account for that purpose.
- 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.

If the Company becomes insolvent, ceases operations or files for bankruptcy protection, we would be required to find other ways to meet obligations regarding the corresponding borrower loans and Notes which could result in delays in the payments on your Notes.

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.

### **Risks Related to Compliance and Regulation**

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

The USA Patriot Act of 2001 requires that financial institutions establish and maintain compliance programs to guard against money laundering activities, and requires that regulations be prescribed in connection with anti-money laundering policies of financial institutions. Such regulations will likely subject certain pooled investment vehicles to enact anti-money laundering policies. It is possible that future legislation or regulations would require the Company and/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 is entitled to collect such information as is necessary to verify the identity of prospective investors and the source of the payment of subscription funds, or as is necessary to comply with any required customer identification programs. 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.

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

The SEC regulates the business activities of “investment companies” and “broker-dealers.” The Company does not believe it engages in any of the activities described in Section 3(a)(1) of the Investment Company Act of 1940 or any similar provision under state law. The Company does not believe it is 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 (the “Exchange Act”) or any similar provisions under state law or (ii) buying and selling securities for its 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, the Company is deemed to be an investment company or a broker-dealer, it might be required to



institute burdensome compliance procedures and its activities may be restricted, which would materially affect its business.

***The Company may be liable for payment of tax liabilities of foreign investors and subject to enforcement action with respect to non-U.S. persons.***

The Company may accept Investors who are “Non-U.S. Persons,” in which case interest payments made to such an investor by the Company could be subject to withholding taxes. If the Company fails to properly withhold on such payments, the Company could remain liable for a Non-U.S. Person’s individual tax liabilities. Additionally, if a Non-U.S. Person investor is a “Specially Designated National,” “Blocked Person,” or “Sanctioned Country or Individual,” the Company could be subject to enforcement action by federal agencies. The Company will, therefore, conduct due diligence on each Non-U.S. Person it accepts as an investor in the Notes to attempt to determine whether there are any security restrictions or applicable withholding taxes.

***New and additional regulatory requirements would significantly burden our Company.***

There has been, and may continue to be, a move to increase regulation of the investment activities of alternative investment funds. If such regulations are held to include regulation of the Company, we will be subject to additional expenses and may be subject to fines and penalties if we are deemed to have violated any regulations.

**6. No Right of Action to Enforce Corresponding Borrower Loans.** You acknowledge and agree that you have no right to, and shall not, make any attempt, directly or through any third party, to take collection or any other enforcement action with respect to corresponding borrower loans. Borrowers may default on their corresponding borrower loans, and such defaults will reduce the amounts, if any, you may receive under the terms of the Notes you hold associated with such corresponding borrower loans. You acknowledge that the Company’s enforcement of its rights and remedies with respect to the corresponding borrower loans in default might result in less than full recovery of such corresponding borrower loans.

**7. Taxes.** The Notes are intended to be indebtedness of the Company for U.S. federal income tax purposes. You agree that you will not take any position inconsistent with such treatment of the Notes for tax, accounting, or other purposes, unless required by applicable law. You further acknowledge that the Notes will be subject to the original issue discount rules of the Internal Revenue Code of 1986, as amended. You acknowledge that you are prepared to bear the risk of loss of your entire purchase price for any Notes you purchase. Neither party makes any representation or warranty to the other regarding the effect that this Agreement may have upon the foreign, federal, state or local tax liability of the other.

**8. Enforcement and Collection of Corresponding Borrower Loan Obligations.** You acknowledge and agree that: (a) the Company will collect, as the lender thereon, all corresponding borrower loan obligations, both before and after default, and will service all Notes; (b) in enforcing the corresponding borrower loans, the Company may, in its discretion, utilize affiliated or unaffiliated third party loan servicers, collection agencies or other agents or contractors; and (c) the Company and any third-party servicer enforcing a corresponding borrower loan obligation may, in their sole discretion and subject to the enforcement standards set forth in this Section 8, refer a corresponding borrower loan to a collection agency, elect to initiate legal action to collect on a corresponding borrower loan, or sell a corresponding borrower loan to a third party at any time. Notwithstanding the foregoing, we will not pay to you any non-sufficient funds fees or collection fees we or any third-party collection agency charge, and such fees will be retained by the party receiving them as additional servicing compensation. The Company and its third-party servicers will be entitled to deduct from amounts received with respect to corresponding borrower

loans any legal fees and/or other expenses that they incur in enforcing the corresponding borrower loan obligations.

*Enforcement Standard.* The Company will act in good faith (as defined in Article 1 of the Uniform Commercial Code) in taking action to collect the corresponding borrower loan obligations, including, in its sole discretion, in enforcing its security interest in the assets pledged to secure corresponding borrower loans. The Company and any third-party servicer enforcing corresponding borrower loan obligation shall have the right, without your consent, at any time and from time to time and subject to the foregoing enforcement standard, to change the payment date, reduce the principal amount or the rate of interest or change the place and manner of making payments on corresponding borrower loans, amend or waive any other term of such corresponding borrower loans, or charge-off any corresponding borrower loan that the Company or any third-party servicer enforcing the corresponding borrower loan deems uncollectible.

The Company shall be entitled to retain any applicable collection fees.

**9. Restrictions upon Subsequent Sale or Transfer of Notes.** Subject to the provisions of the Note, the Subscriber acknowledges and agrees that if any Notes become available for resale or transfer, neither the Company nor any other person shall be obligated to offer the same to the Subscriber, and such available Notes may be resold or transferred, subject to compliance with any agreements to which such Notes may be subject and any and all applicable state and federal laws, rules and regulations. In addition, the following provisions shall apply to all sales and transfers of the Notes:

(a) No Investor may resell or otherwise transfer any Notes except to a person or entity that meets the eligibility standards set forth in this Agreement.

(b) Prior to reselling or transferring any Notes in a manner that otherwise complies with the restrictions provided herein, you must first offer the Notes (in writing) to the Company (which may, in turn, offer the Notes to other Investors) for purchase (a "Right of First Refusal"). The written notice shall specify the identity of the proposed transferee, the consideration to be received for the Note, and the terms and conditions upon which you intend to make the transfer. If the Company and the other Investors do not purchase all or a portion of your Note upon substantially the same terms and conditions within thirty (30) days from the date upon which the Company receives written notice of your offer, then you may resell or transfer the Notes to another person or entity, *provided* that the transfer or resale otherwise complies with the other requirements and restrictions on transfer provided herein.

(c) The Notes have not been registered with the Securities and Exchange Commission under the Securities Act of 1933, as amended (the "Securities Act"), in reliance upon the exemptions provided for under Section 4(2) and Rule 506 of Regulation D thereunder. Notes may not be sold or otherwise transferred without registration under the Act or pursuant to an exemption therefrom. In addition, no sales or transfers may be made for at least one (1) year after the last sale by the Company of a particular series of Notes. In the case of construction or rehabilitation loans, that one-year period will not begin to run until the last loan disbursement under the loan disbursement agreement has been funded. Any such sale or transfer shall remain subject to the Company's Right of First Refusal described in the preceding paragraph.

(d) The Company will charge a transfer fee of Five Hundred Dollars (\$500) (the "Transfer Fee") for every transfer request made by Investor to the Company for administrative and legal costs.

(e) 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 for investing in the Notes and the Transfer Fee has been paid to the Company.

(f) A legend will be placed upon all instruments or certificates evidencing ownership of Notes stating that the Notes have not been registered under the Act and setting forth the applicable limitations on resale.

**10. Indemnity.** The Subscriber hereby indemnifies and holds harmless the Company and its officers, directors, managers, stockholders, partners, members, agents, counsel, servants, employees, affiliates, parent companies, subsidiaries, heirs, personal and legal representatives and administrators, successors and assigns from, of and against any and all losses, costs, claims, expenses and damages of every kind, known or unknown, contingent or otherwise (including, but not limited to, reasonable attorneys' fees and court costs incurred), or liability due, which any one of them may incur by reason of (i) failure of the Subscriber to fulfill any of the terms or conditions of this Agreement, (ii) any breach of any representation or warranty of the Subscriber, whether contained in this Agreement or elsewhere, or (iii) Subscriber's wrongful acts, omissions and representations (and those of Subscriber's employees, agents or representatives). Your obligation to indemnify the Company shall survive termination of this Agreement, regardless of the reason for termination.

**11. Confidentiality.** The Subscriber acknowledges that the information contained in this Agreement, including the exhibits, the Series Note Listing and Note, respectively, contain confidential and non-public information, and agrees that all such information shall be kept in confidence by the Subscriber and neither used by the Subscriber for the Subscriber's personal benefit (other than in connection with this Subscription) nor disclosed to any third party for any reason; *provided, however*, that this obligation shall not apply to any such information which (a) is part of the public knowledge or literature readily accessible on the date hereof; (b) becomes part of the public knowledge or literature and readily accessible by publication (except as a result of a breach of this provision); (c) is received from third parties (except third parties who disclose such information in violation of any confidentiality agreements, including, without limitation, any subscription agreement they may have entered into with the Company); or (d) is required to be disclosed by applicable law.

**12. No Advisory Relationship.** You acknowledge and agree that the purchase and sale of the Notes pursuant to this Agreement is an arms-length transaction between you and the Company. In connection with the purchase and sale of the Notes, the Company is not acting as your agent or fiduciary. The Company assumes no advisory or fiduciary responsibility in your favor in connection with the Notes or the corresponding borrower loans. The Company has not provided you with any legal, accounting, regulatory or tax advice with respect to the Notes, and you have consulted your own respective legal, accounting, regulatory and tax advisors to the extent you have deemed appropriate.

**13. Prohibited Activities.** You agree that you will not do any of the following in connection with any Series Note Listing, Notes, corresponding borrower loans or other transactions involving or potentially involving the Company:

(a) take any action on your own including the initiation of any legal proceeding to collect, or attempt to collect from any borrower, directly or through any third party, any amount owing under any of your Notes or on any corresponding borrower loan obligations that correspond to your Notes;

(b) contact the borrower on any corresponding borrower loan relating to your Note; or

(c) contact any collection agency or law firm to which any corresponding borrower loan has been referred for collection.

**14. Modification of Terms.** The Company has the right to modify any term or provision of any Series Note Listing, a form of Note, or the Site. The Company will give you notice of material changes to an applicable Series Note Listing, or the Site in the manner set forth in Section 17. You authorize the

Company to correct obvious clerical errors appearing in information you provide to the Company, without notice to you, although the Company undertakes no obligation to identify or correct such errors.

**15. Termination.** The Company may, in its sole discretion, with or without cause, terminate this Agreement by giving you written notice. In addition, upon our reasonable determination that you committed fraud or made a material misrepresentation in connection with a Series Note Listing or a commitment to purchase a Note, performed any prohibited activity, or otherwise failed to abide by the terms of this Agreement or other applicable terms and conditions, we may, in our sole discretion, immediately and without notice, take one or more of the following actions: (i) terminate or suspend your right to purchase Notes; (ii) terminate this Agreement and your relationship with the Company, and (iii) repurchase your Note if the Note has been issued. Upon termination of this Agreement, any Note purchase commitments you have made shall be terminated.

**16. Bankruptcy.** In the event that you file or enter bankruptcy, insolvency or other similar proceeding, you agree to use the best efforts possible to avoid the Company being named as a party or otherwise involved in the bankruptcy proceeding. Furthermore, this Agreement should be interpreted so as to prevent, to the maximum extent permitted by applicable law, any bankruptcy trustee, receiver or debtor-in-possession from asserting, requiring or seeking that (i) you be allowed by the Company to return the Notes to the Company for a refund or (ii) the Company be mandated or ordered to redeem or withdraw Notes held or owned by you.

#### **17. Miscellaneous Provisions.**

17.1 Notwithstanding the place where this Agreement may be executed by any of the parties hereto, the parties expressly agree that all the terms and provisions hereof shall be construed in accordance with and governed by the laws of the State of California (without regard to the conflicts of laws principles thereof).

17.2 All notices and communications to be given or otherwise made to the Subscriber shall be deemed to be sufficient if sent by electronic mail to such address as set forth for the Subscriber at the records of the Company (or that you submitted to us via the Site). All notices or other communications to be given hereunder to the Company shall be deemed sufficient if sent by electronic mail to support@patchofland.com (with a copy to be sent concurrently via prepaid certified mail to: Patch of Land, Inc., 340 S. Lemon Ave. #5839, Walnut, CA 91789, Attention: Investor Support).

Any such notice or communication shall be deemed to have been delivered and received on the first business day following that on which the electronic mail has been sent (assuming that there is no error in delivery).

17.3 This Agreement, or the rights, obligations or interests of the Subscriber hereunder, may not be assigned, transferred or delegated without the prior written consent of the Company. Any such assignment, transfer or delegation in violation of this section shall be null and void. The Company may assign, transfer or delegate this Agreement and/or its rights, obligations or interests hereunder without restriction and without consent.

17.4 The parties agree to execute and deliver such further documents and information as may be reasonably required in order to effectuate the purposes of this Agreement.

17.5 Any term of this Agreement may be amended and the observance of any term of this Agreement may be waived (either generally or in a particular instance and either retroactively or prospectively), only with the written consent of each of the parties hereto.

17.6 If one or more provisions of this Agreement are held to be unenforceable under applicable law, rule or regulation, such provision shall be excluded from this Agreement and the balance of the Agreement shall be interpreted as if such provision were so excluded and shall be enforceable in accordance with its terms.

17.7 The parties hereto hereby agree and acknowledge that a breach of Section 11 of this Agreement would result in severe and irreparable injury to the other party, which injury could not be adequately compensated by an award of money damages, and the parties therefore agree and acknowledge that they shall be entitled to injunctive relief in the event of any breach of any material term, condition or provision of Section 11 of this Agreement, or to enjoin or prevent such a breach, including without limitation an action for specific performance hereof, and the parties hereby irrevocably consent to the issuance of any such injunction. The parties further agree that no bond or surety shall be required in connection therewith.

17.8 In the event that either party hereto shall commence any suit, action or other proceeding to interpret this Agreement, or determine to enforce any right or obligation created hereby, then such party, if it prevails in such action, shall recover its reasonable costs and expenses incurred in connection therewith, including, but not limited to, reasonable attorney's fees and expenses and costs of appeal, if any.

17.9 This Agreement (including the exhibits and schedules attached hereto) and the documents referred to herein (including without limitation the Note) constitute the entire agreement among the parties and shall constitute the sole documents setting forth terms and conditions of the Subscriber's contractual relationship with the Company with regard to the matters set forth herein. This Agreement supersedes any and all prior or contemporaneous communications, whether oral, written or electronic, between us.

17.10 This Agreement may be executed in counterparts and by facsimile or digital signature, each of which shall be accepted as an original, but all of which taken together shall constitute one single agreement between the parties. It shall not be binding upon the Company unless and until it is accepted by the Company.

17.11 The titles and subtitles used in this Agreement are used for convenience only and are not to be considered in construing or interpreting this Agreement. The singular number or masculine gender, as used herein, shall be deemed to include the plural number and the feminine or neuter genders whenever the context so requires.

17.12 The parties acknowledge that there are no third party beneficiaries of this Agreement, except for any affiliates of the Company that may be involved in the issuance or servicing of Notes on the Company platform, which the parties expressly agree shall be third party beneficiaries hereof.

**18. Consent to Electronic Delivery.** The Subscriber hereby agrees that the Company may deliver all notices, financial statements, tax reports, valuations, reports, reviews, analyses or other materials, and any and all other documents, information and communications concerning the affairs of the Company and its investments, including, without limitation, information about the investment, required or permitted to be provided to the Subscriber under the Note or hereunder by means e-mail or by posting on an electronic message board or by other means of electronic communication. Because the Company operates principally on the Internet, you will need to consent to transact business with us online and electronically. As part of doing business with us, therefore, we also need you to consent to our giving you certain disclosures electronically, either via the Site or to the email address you provide to us. By entering into this Agreement, you consent to receive electronically all documents, communications, notices, contracts,

and agreements arising from or relating in any way to your or our rights, obligations or services under this Agreement (each, a "Disclosure"). The decision to do business with us electronically is yours. This document informs you of your rights concerning Disclosures.

(a) *Scope of Consent.* Your consent to receive Disclosures and transact business electronically, and our agreement to do so, applies to any transactions to which such Disclosures relate.

(b) *Hardware and Software Requirements.* In order to access and retain Disclosures electronically, you must satisfy the following computer hardware and software requirements: access to the Internet; an email account and related software capable of receiving email through the Internet; a web browser which is SSL-compliant and supports secure sessions; and hardware capable of running this software.

(c) *How to Contact Us Regarding Electronic Disclosures.* You can contact us via email at support@patchofland.com or by calling us at 888-959-1465. You may also reach us in writing at the following address: Patch of Land, Inc., 340 S. Lemon Ave. #5839, Walnut, CA 91789, Attention: Investor Support. You agree to keep us informed of any change in your email or home mailing address so that you can continue to receive all Disclosures in a timely fashion. If your registered e-mail address changes, you must notify us of the change by sending an email to support@patchofland.com. You also agree to update your registered residence address and telephone number on the Site if they change. You will print a copy of this Agreement for your records, and you agree and acknowledge that you can access, receive and retain all Disclosures electronically sent via email or posted on the Site.

**19. Limitations on Damages.** IN NO EVENT SHALL COMPANY BE LIABLE TO THE SUBSCRIBER FOR ANY LOST PROFITS OR SPECIAL, CONSEQUENTIAL OR PUNITIVE DAMAGES, EVEN IF INFORMED OF THE POSSIBILITY OF SUCH DAMAGES. THE FOREGOING SHALL BE INTERPRETED AND HAVE EFFECT TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, RULE OR REGULATION.

## **20. Arbitration.**

Either party may, at its sole election, require that the sole and exclusive forum and remedy for resolution of a Claim be final and binding arbitration pursuant to this Section 20 (this "Arbitration Provision"). The arbitration shall be conducted in Los Angeles, California. As used in this Arbitration Provision, "Claim" shall include any past, present, or future claim, dispute, or controversy involving you (or persons claiming through or connected with you), on the one hand, and the Company (or persons claiming through or connected with the Company), on the other hand, relating to or arising out of this Agreement, any Note, the Site, and/or the activities or relationships that involve, lead to, or result from any of the foregoing, including (except to the extent provided otherwise in the last sentence of Section 20(e) below) the validity or enforceability of this Arbitration Provision, any part thereof, or the entire Agreement. Claims are subject to arbitration regardless of whether they arise from contract; tort (intentional or otherwise); a constitution, statute, common law, or principles of equity; or otherwise. Claims include (without limitation) matters arising as initial claims, counter-claims, cross-claims, third-party claims, or otherwise. The scope of this Arbitration Provision is to be given the broadest possible interpretation that is enforceable.

**21. Waiver of Court & Jury Rights.** The parties acknowledge that they have a right to litigate claims through a court but will not have that right if any party elects arbitration pursuant to the Arbitration Provision. The parties hereby knowingly and voluntarily waive their rights to litigate such claims in a court upon election of arbitration by any party. The parties hereto waive a trial by jury in any litigation relating to this Agreement, the Notes or any other agreements related thereto.

**22. Benefit of Counsel.** By executing this Agreement, Subscriber expressly acknowledges that he, she or it has reviewed this Agreement, the Note and the Series Note Listing for this subscription and understands their contents. The Subscriber has relied upon the advice of counsel of Subscriber's choice and such other persons as Subscriber may have deemed appropriate. Subscriber fully understands and voluntarily accepts the terms of this Agreement.

*[Signature page to follow]*

IN WITNESS WHEREOF, the parties have executed this Agreement as of the day and year first written above.

Subscription Price: \$ \_\_\_\_\_

\_\_\_\_\_

Print Full Legal Name of Subscriber

\_\_\_\_\_

Signature of (or on behalf of) Subscriber

Name: \_\_\_\_\_

Title: \_\_\_\_\_

*(if investing on behalf of a business entity)*

Address of Subscriber:

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

Taxpayer ID #: \_\_\_\_\_

TYPE OF OWNERSHIP:

- Individual
- Joint Tenants with Rights of Survivorship
- Corporation       LLC
- Other:

\_\_\_\_\_

Subscription Agreed to and Accepted:

PATCH OF LAND, INC.

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_



EXHIBIT A  
FORM OF NOTE

EXHIBIT B  
BUSINESS DESCRIPTION OF TRANSACTION