

MORTGAGE INVESTMENT DISCLOSURE FORM A

Required to be Provided to Private Investor Before Mortgage Broker Accepts Any Money from a Private Investor to Acquire Ownership of or a Beneficial Interest in a Loan Secured by Real Property

IMPORTANT NOTICE TO INVESTOR

Money invested through a mortgage broker is not guaranteed to earn any interest or return and is not insured.

Nevada law prohibits a mortgage broker or mortgage agent from accepting any money from a private investor to acquire ownership of or a beneficial interest in a loan secured by a lien on real property before the mortgage broker or mortgage agent provides this disclosure form to the private investor and the mortgage broker or mortgage agent and private investor sign and date this form informing the private investor of facts and information concerning:

1. The risks associated with investing through a mortgage broker;
2. The private investor's right to obtain certain records from the Commissioner concerning the mortgage broker's financial statements and compliance history;
3. The proposed loan, including the status and value of the real property that will secure the loan; and
4. The financial responsibility and creditworthiness of the borrower that will be the debtor on the loan.

This disclosure must be separately provided, signed and dated for each loan in which a private investor invests money. A mortgage broker or mortgage agent may not act as a private investor's attorney-in-fact or agent in the signing or dating of any disclosure form.

A private investor and a mortgage broker or mortgage agent may not agree to alter or waive these disclosure requirements by contract or other agreement.

BEFORE YOU INVEST IN A PROMISSORY NOTE SECURED BY AN INTEREST IN REAL PROPERTY, YOU SHOULD KNOW...

RISKS OF INVESTING THROUGH A MORTGAGE BROKER

1. Investment Risks -- Providing money to acquire ownership of or a beneficial interest in a loan secured by real property is an investment that involves risk that the investment will not perform as expected. Before making an investment you should consider consulting with an independent financial advisor and/or attorney to assess the risks involved.

Some of the most significant factors that affect your risk when providing money to acquire ownership of or a beneficial interest in a loan secured by real property include: (1) the knowledge, experience and integrity of the mortgage broker with whom you are dealing; (2) the independently appraised value of, and the existing equity in, the real property that will secure your investment; (3) the borrower's financial standing and credit worthiness; (4) the escrow process involving the funding of the loan or purchase of the note; (5) the documents and instruments describing, evidencing and securing the loan; (6) the provisions regarding the collection and servicing of the loan; (7) the provisions for enforcement of the deed of trust; and (8) whether the loan invested in is subordinate or junior to another loan or other debt. Investments in second or subordinate loans have significantly higher risks than investments in first mortgage loans.

2. Default, Collection and Enforcement of Deed of Trust -- The borrower may default (e.g., fail to make required payments or otherwise breaches the loan terms) on the loan. If the borrower defaults, the actions that an investor can take, or that a servicing agent can take on behalf of an investor, are determined by provisions of Nevada law and the documents and instruments evidencing the mortgage loan. If the borrower defaults, you may incur costs and expenses associated with enforcing the note and protecting your rights, and you may lose all or part of the principal amount that you invested and not realize the interest that you expected to receive from the investment.

If your loan is subordinate to another lien, a borrower who defaults on your loan is frequently also in default on senior liens. Even if the borrower is performing on your loan, the borrower may be in default on senior liens. A borrower's default in connection with a senior lien most likely constitutes a default event under your loan. It is important that you know the priority position of your loan and monitor all liens that may be senior to yours. Prior to investing in a subordinate or junior loan, you should determine the amount of debt service (payments) required to maintain the senior lien(s). To protect your investment during any foreclosure of a senior lien, it may be necessary for you to maintain the payments (with your own money) on all senior liens. You may lose your interest in the property securing the loan if a senior lien forecloses on the property.

In the event of default, you may incur costs associated with enforcing a mortgage loan, such as attorney and processing fees. You will need to consider issues related to whether to commence a judicial or non-judicial foreclosure, pursue a deficiency judgment, rents and profits if the property is income-producing, as well as bankruptcy. If you foreclose on the real property securing the loan, you may incur costs associated with maintenance of the property, including insurance, taxes, and marketing.

3. **Not Guaranteed** – The mortgage broker with whom you are dealing is not a depository institution. Any funds that you invest with the mortgage broker to acquire ownership of or a beneficial interest in a loan secured by real property are not insured by any depository insurance and are not insured or guaranteed by any agency of the State of Nevada or the Federal Government. Nevada law prohibits the mortgage broker or mortgage agent with whom you are dealing from expressly or implicitly making any statement, representation or promise to you that may be construed as a guarantee that you will be repaid the principal amount of your investment or that you will earn a specific rate of return or a specific rate of interest on the principal amount of your investment.

**YOU ARE ENTITLED TO RECEIVE CERTAIN INFORMATION ABOUT
THE MORTGAGE BROKER WITH WHOM YOU ARE DEALING**

Before a mortgage broker or mortgage agent accepts money from a private investor to acquire ownership of or a beneficial interest in a loan secured by a lien on real property the mortgage broker or mortgage agent must:

1. **Mortgage Broker's Financial Statement** -- Provide a written form by which the private investor may request that the mortgage broker authorizes the Commissioner to release to the private investor the mortgage broker's most recent financial statement on file with the Division.
2. **Disclosure of Insider Loans and Mortgage Broker Interest** – Disclose whether the mortgage broker or any general partner, officer, director, or mortgage agent of the mortgage broker has any direct or indirect interest in the debtor. For example, if the mortgage broker owns a 50% interest in the builder applying for a construction loan, the mortgage broker is required to disclose that interest to you. In addition, if a mortgage broker or a relative of the mortgage broker is licensed as, conducts business as or holds a controlling interest or position in (1) a construction control company, (2) an escrow agency or escrow agent or (3) a title agent, a title insurer or an escrow officer of a title agent or title insurer, the mortgage broker must fully disclose that relationship to every investor, and may not require, as a condition to an investor acquiring or purchasing an interest in a mortgage loan, that the investor transact business with or use the services of the other business.
3. **Disciplinary History** -- Disclose whether the mortgage broker or any general partner, officer, or director of the mortgage broker has been subject to any disciplinary action by the Commissioner within the immediately preceding 12 months, and, if so, the nature of any such discipline.
4. **Criminal History** -- Disclose whether the mortgage broker or any general partner, officer, or director of the mortgage broker has been convicted within the immediately preceding 12 months for violating any law, ordinance or regulation that involves fraud, misrepresentation or a deceitful, fraudulent or dishonest business practice.

**YOU ALSO HAVE THE RIGHT TO OBTAIN THE FOLLOWING INFORMATION
FROM THE DIVISION OF MORTGAGE LENDING:**

1. The nature of any disciplinary action taken by the Commissioner against the mortgage broker in the immediately preceding 5 years.
2. The findings and results of any investigation completed during the immediately preceding 5 years against the mortgage broker which resulted in a finding that the mortgage broker committed a violation of law or order of the Commissioner.
3. Any information in possession of the Commissioner concerning the present and past ownership and management structure of the mortgage broker.

4. The findings and results of any examination or investigation of the mortgage broker in the immediately preceding 5 years.

You may contact the Division of Mortgage Lending with questions concerning the mortgage broker at:

Division of Mortgage Lending
3300 West Sahara Avenue, Suite 285
Las Vegas, Nevada 89102
(702) 486-0782

**YOU ARE ENTITLED TO RECEIVE CERTAIN INFORMATION CONCERNING
THE INVESTMENT OPPORTUNITY PRESENTED TO YOU...**

Before a mortgage broker or mortgage agent accepts money from a private investor to acquire ownership of or a beneficial interest in a loan secured by a lien on real property, the mortgage broker is required to:

1. Property Appraisal – Obtain and provide to each private investor a written appraisal of the value of the real property which is to secure the loan, unless each private investor in the loan specifically waives in writing their right to have an appraisal of the property performed.

In the event that the right to have an appraisal of the property performed is waived in writing by each private investor in the loan, before accepting any money from a private investor to acquire ownership of or a beneficial interest in a loan secured by a lien on real property the mortgage broker is required to provide to each private investor a separate written disclosure which contains (1) the information analyzed, (2) the valuation methods and techniques employed and (3) the reasoning for any opinion regarding value provided by or on behalf of the mortgage broker.

2. Lien Priority -- Disclose to the private investor whether the real property that will secure the loan is encumbered by any other liens and, if so, the priority of each such lien, the amount of debt secured by each such lien and the current status of that debt, including, without limitation, whether the debt is being paid or is in default.
3. Information Concerning the Borrower Financial Responsibility and Creditworthiness -- Disclose to the private investor:
 - a. A written application for the loan which is signed by the prospective borrower and which contains the borrower's address, a history of his or her employment and income, details of monthly payments he or she is obliged to pay and any other information requested by the investor.
 - b. Evidence of the history of employment of the prospective borrower and income, such as a tax return or an employer's statement of the borrower's past yearly income.
 - c. A report on the history of credit of the prospective borrower issued by a credit reporting agency, including an explanation by the borrower of any material derogatory item in the report and evidence that the report has been compared for accuracy to the borrower's application for the loan.
 - d. An analysis by the mortgage broker of the ability of the prospective borrower to pay his or her monthly debts.
 - e. A preliminary report on the status of the title of the property which is proposed as security for the loan.
4. Documentation Relating to How the Mortgage Loan is Funded and Serviced -- Nevada law requires that the mortgage broker fund the entire amount of the loan either out of his trust account directly to the borrower or through a third-party escrow agent. In many cases, the loan will be funded through a third-party escrow agent. An escrow is opened when money, documents, instruments and written instructions regarding the transaction (escrow instructions) are conditionally delivered by the principals to a third party (escrow agent). The escrow instructions set forth the conditions that must be satisfied or waived before the escrow agent may disburse your money to the borrower or the note holder. You have the right to review the escrow instructions. The escrow instructions should be consistent with your understanding of the loan transaction and should identify a specific promissory note and deed of trust (or interest therein). Escrow "closes" when all the conditions of the escrow instructions have been waived or satisfied, the instruments have been recorded and the money disbursed. You have the right to review a closing statement relating to the escrow describing to whom and how the money was disbursed.

In many cases, including those cases where the investments consist of "fractionalized" interests (*i.e.*, ownership of less than 100% of the mortgage investment), the loan requires servicing by an authorized agent. Loan servicing includes collecting payments from borrowers, disbursing payments to investors or note holders, mailing of appropriate notices, monitoring the

status of senior liens and encumbrances, maintaining adequate insurance coverage and coordinating foreclosure proceedings. The mortgage broker with whom you are dealing is authorized by Nevada law to act as the servicing agent for the mortgage loan it originates. It is recommended that all persons investing in a mortgage loan which will be serviced by a servicing agent execute a written servicing agreement that clearly specifies the authority granted to the servicing agent. The servicing agreement should address issues such as: (1) the fees for servicing and how they are to be paid; (2) the person who has the authority to instruct the trustee under the deed of trust to commence foreclosure proceedings in the event of a default; (3) how, in the case of a "fractionalized" note and deed of trust with multiple parties owning beneficial interests, the parties are to determine and direct the actions to be taken in the event of default or with respect to other matters that involve the enforcement of terms of the promissory note and/or deed of trust (Nevada law requires that the documentation pertaining to a note and deed of trust owned initially by more than one natural person include a provision that for actions requiring investor approval, unless otherwise agreed in writing, investors holding 51% or more of the outstanding principal balance may decide options on behalf of all investors); (4) the identity of the person responsible for holding the original promissory note and deed of trust; (5) how the loan servicing agreement may be terminated by the investors in the mortgage loan; (6) the right to obtain the names, addresses and phone numbers of other persons with beneficial interests in the loan; and (7) the monitoring of any senior liens.

5. Loan Documents -- If a loan is made, the mortgage broker is required to provide to each private investor a copy of the (1) promissory note, (2) recorded deed of trust securing the loan, and (3) policy of title insurance on the property securing the loan.

The provision of the above information and disclosures is intended to provide each private investor with the necessary information that they will need to make an informed decision concerning making an investment with a mortgage broker and on a particular loan.

A mortgage broker may provide you with the opportunity to waive the above disclosures. The decision as to whether to waive or receive any disclosure or to invest money with a mortgage broker must be made by the private investor. A mortgage broker or mortgage agent is prohibited from acting as the attorney-in-fact for purposes of signing or dating any disclosure or waiver thereof.

Proposed Loan No./Project Name: _____

Mortgage Broker Name: _____

Mortgage Broker License/NMLS No.: _____

Name of Authorized Signatory (printed): _____ MLD Lic./NMLS ID: _____

Authorized Signature (required): _____ Date: _____

Name of Private Investor (printed): _____

Private Investor's Signature (required): _____ Date: _____