

From: Faith Kates <[REDACTED]>

To: jeffrey E. <jeevacation@gmail.com>

Subject: - Loan Investment Docs (CONFIDENTIAL & INTERNAL)

Date: Mon, 06 Jun 2016 15:13:57 +0000

Attachments: CMG_258418,_LLC_OPERATING_AGREEMENT.pdf;
CMG_258418,_LLC_AIRCRAFT_SECURITY_AGREEMENT.pdf;
CMG_258418,_LLC_PROMISSORY_NOTE.pdf; CMG_258418,_LLC_GUARANTY.pdf;
Hawker_800XP_Appraisal[1].pdf

What do you think of deals like this???

xoxo

Jeff – attached are the loan investment docs for a 6-month pre-paid interest transaction that I participated in a few months ago. This is a good example to show Steve the deal docs to understand the paperwork for a typical deal. Attached is the LLC operating agreement that is signed by the investors (i.e. you, me, etc.), the aircraft security agreement signed by the borrower and CMG (run by Shawn Chemtov, the loan Processor), promissory note signed by the borrower, guaranty signed by the borrower, appraisal of the aircraft. Shawn runs a very successful mortgage business in Miami Beach that is on auto pilot and he has built a successful deal flow for premium hard equity lending transactions over the years. He added on aircraft deals a year ago and I have put a few million in to the deals.

We all could probably do these deals on our own BUT we don't have the deal flow like Shawn does and it all centers around Miami Beach for these deals in one way or another. The business just flows to him because he gets deals done and everyone is happy. While he is not a prick, he is shrewd on getting the best terms in the deal for the investors (pre-paid, term, etc). Shawn makes his money on the closing fees for the loan (paid by the borrower) and on servicing the loan with the investors (paid by the borrower) – collecting the interest, paying it out to the investors and processing the accounting and 1099's. The investors make interest on the loan and potential upside in the event that a loan defaults from default interest and upside in the liquidation of the collateral. In many cases, investors either receive their capital before the end of the note (ie the borrower needed money for 3 months but has a 6 month minimum) or on the other end where the investor asks for a 30/60/90 day extension and if they have been paying on time all along, we would be crazy to say no to continue to receive the income stream unless an investor needed their capital back.

Shawn and his family also participate in the loan deals or what typically happens is that he top off the deal at the end to get them closed. I have known Shawn since college and he has done very good for himself building his business on his own. In 2008, he got stuck in the financial crises (his own money) because he just like everyone else lent money with little collateral and over stretched himself with the same borrowers (not diversified) and ended getting stuck with a lot of houses underwater. He rebuilt everything and stuck out strong and didn't lose a dime, in fact he made a killing so he finally got his operation to where he wanted to and shifted to hard equity lending ONLY for premium collateral. Understanding this history is good because he won't do a deal where he doesn't have premium equity on a good asset. This is why an airplane or a piece of land is easier and cleaner for us to work with. We talked about the concept of hitting the bottom and I always like when someone knows how bad it can get in business so they have a sharper eye for the future. There are always deals out there and he doesn't chase them and cherry picks the ones that his investors (i.e. us) would like to participate in. But in the end, it is for the investor to get comfortable for each deal, the terms and the nature of the asset. I am less worried about the actual borrower for these reasons and do every investment thinking

that the loan will go into default (you really only hope) and how it will play out for my risk profile / potential upside. The borrower pays for our insurance policies so if something is misstated on their part or there is an issue on title, we are covered. We are also covered in the event of bankruptcy as I mentioned on the phone. We are the bank and need to think in that mindset that we don't make a loan unless we have full coverage and protection on the asset. There is enough deal flow that it doesn't make any sense to lower any standards with the model that we make investment loans.

Shawn is always open to enhancing the agreements so long that constructive feedback is provided that protect and benefit the investors (us). Aviation attorneys provided the security agreement and our (not the borrower) aviation specialist handle the due diligence and appraisal for each deal. As I mentioned on the phone call with you and Steve, I had my lawyer review the LLC operating agreement and while a lawyer can nitpick every word, I focused on two key concepts to enhance and protect the LLC members no matter if anyone had a majority or minority in the investment since most deals we are all individually a minority member. I focused on voting/decision making and capital calls. I felt that these two concepts needed to be properly flushed out in the operating agreement for protection and clarity. I had a conference call last summer with CMG's attorney, my counsel, Shawn and me to collaborate on the language which everyone agreed would benefit all investors in the LLC operating agreement. I share this background so you understand how I approached the loan investments and what my concerns were and how they benefited all investors. I always look at the downside. These two key issues ONLY come into play in the event that the loan goes into default and how the LLC members handle the liquidation and potential capital call for legal fees.

The loan deal that is attached was a quick deal that we put together. An aviation dealer was selling a new plane to a client and gave a low ball offer to buy the old plane. The client accepted the offer so the dealer needed a bridge loan while he re-sold the plane. Everyone won.

One of my prior loan investments had a scheduled pay down by the borrower and rather than taking the distribution, all of the investors in the specific LLC elected to roll our money into this transaction. The LLC members signed an amendment to the LLC operating agreement to agree to the roll-over. I also added another 100k on top of the roll-over. In the deal that we are currently doing the structure is similar and due diligence and appraisal process is the same. You will see this represented in Exhibit A of the attached operating agreement.

Please forward this on to Steve. Because each transaction has a confidentiality provision protecting the borrower, I request that we keep the distribution on this closely held to Steve and his attorney (if he choose to forward this on).

Let me know if you have any questions. Have a great weekend!

Below is brief summary of the deal for the attached docs:

- Value \$2,500,000
- Purchase Price \$1,900,000
- **Loan** **\$800,000**
- Term 6 months

- 6 months interest (10%) paid upfront at closing to the investors – Maturity 9/25/16

(Phoenix Rising)

Thank you for your recent investment with CMG 258418, LLC. We appreciate the opportunity to serve you and look forward to working with you again in the near future.

Enclosed you will find the following documents for the Subject Borrower:

Operating Agreement (Copy)
Aircraft Security Agreement (Copy)
Promissory Note (Copy)
Guaranty (Copy)

We have kept originals/copies in our files as well. Please make sure your copies are kept in a secure & safe place.

If you have any questions or require assistance, please feel free to contact Ana or myself as we are [REDACTED] in this email.