



Colonial Impact Fund-II, LLC
Fund Description and Term Sheet
January 20, 2015

Company: Colonial Impact Fund-II, LLC, a Delaware limited liability company (the "Fund" or the "Company").

Manager: Colonial Capital Management LLC, a Texas limited liability company (the "Manager" or "CCM"). The principals of CCM are Eddie Speed, Bob Repass, Ryan Parson and Charles Mangan.

Manager Track Record: Eddie Speed has worked in the note acquisition industry since 1980, and is the founder of NoteSchool, which is a highly recognized training company that specializes in educating clients on how to purchase performing and nonperforming notes for less than face value.

Bob Repass is a 25 year veteran in the field of seller financed mortgage and distressed asset acquisition. Over the course of his career, he has purchased over 40,000 notes totaling over \$2 billion.

Ryan Parson has over 20 years of experience in the financial services, insurance, and real estate industries, and has been actively involved in all aspects of real estate, including property rehab, acquisition of notes and distressed properties, and raising private and institutional capital.

Charles Mangan has over 30 years of experience in real estate finance and servicing, and throughout his career has been a key play in several large corporations, including Southwest Savings Association, The Associates Financial Services, and MCS.

Ownership of the Fund: The Fund shall be owned by investors purchasing equity interests or membership shares ("Membership Units" or "Units") in the Fund, and who shall be called "Members." Members shall own 100% of the Fund, each in a percentage equal to their outstanding Units divided by the total Units outstanding (the "Ownership Interest").

Investor Offerings: Investors shall have two investment options:

1. Membership Units of the Fund
2. Secured notes ("Notes") to the Fund

- Target Member Returns:** The targeted return to Members will be between **12% and 16%**. The Preferred Return is 9.5%. Please see section "Target Overall Return" below for more details on returns to Members.
- Note Holder Returns:** Note Holders shall be paid (on a Pari Passu basis) a specific rate of return as detailed on a periodic Note Schedule published by the Fund. The returns will vary based on, among other factors, the size of investment, the duration of the Note term, and market conditions at the time of issuance. As of the launch date of the Fund, **Note Rates are expected to be in the range from 5% to 7%, depending on investment size and Note duration.** See the current Note Schedule.
- Minimum Investment:** \$100,000 per unique Investor, which amount may be adjusted in the sole discretion of the Manager.
- Financial Statements and CPA Audit:** The Fund expects to use the accrual basis of accounting and shall prepare its financial statements in accordance with Generally Accepted Accounting Principles ("GAAP"). The Manager shall cause the Fund to have its financial statements audited on an annual basis by a qualified Certified Public Accountant once the Fund has reached \$5,000,000 in Assets Under Management ("AUM"), or as required by any particular state regulations. These statements and audits shall be made available to Investors.
- Management Fee:** The Manager will charge an annual Management Fee of 2% of the total AUM. The Management Fee shall be calculated, prorated, and paid at the end of each calendar month. There are other fees payable to the Manager and/or its Affiliates, as provided for in the PPM and/or Operating Agreement.
- Fund Strategy:** The strategy of the Fund will be to capitalize on distressed real estate asset based opportunities and produce attractive risk adjusted returns by investing in a variety of real estate based assets ("Assets" or "Fund Assets") nationwide. The Fund will acquire performing, non-performing, and sub-performing real estate loans, originate new real estate loans (collectively, the "Mortgage Loans"), and acquire property directly, including distressed properties and performing rental properties (the "REO Properties"). The Fund intends to focus on single family residential properties, but will also consider manufactured homes, land, multifamily and commercial property types.
- Asset Description:** The Fund, either directly or through special purpose vehicles, which will be subsidiary LLCs owned by the Fund, (each a "SPV") will originate and acquire real estate based Assets that meet the following general criteria:

- Debt Instruments, including performing, non-performing, and sub-performing closed Mortgage Loans secured by either first or second position mortgages or deeds of trusts, both whole and participation interests, encumbering real property types, including, but not limited to:
 - Single family residential properties
 - Manufactured homes
 - 2-4 unit residential properties
 - Townhouse/Condominiums
 - Commercial (small retail/office)
 - Multifamily
 - Land
- The closed Mortgage Loans acquired may either be individual loans, or in pools, and will typically be acquired for less than face value. The Manager may originate new Mortgage Loans on behalf of the Fund, both whole loans and participation interests, which will be secured in first or second lien position by the property types listed above.
- Loan to value ("LTV") for newly originated Mortgage Loans will typically not exceed 70% without significant compensating factors. LTV for closed Mortgage Loans is expected to be significantly less than 70%.
- The Manager will determine property value through broker price opinions, online comparable sales, appraisals, prior experience with similar properties, or other internal means in the sole discretion of the Manager.
- The Fund may acquire REO Property from other lenders who do not have the expertise, experience, time, and/or desire to take the necessary steps to maximize the property value. The Fund may also acquire performing, income producing investment properties.
- The Manager's strategies include, but are not limited to re-structuring a non-performing or sub-performing Mortgage Loan with the borrower, negotiating a full or discounted payoff of the Mortgage Loan with the borrower, negotiating a deed in lieu of foreclosure, or foreclosing on the property. Additionally, the Manager intends to sell assets to a developed and seasoned down-stream investor pool both in one-off and small pool trades.
- The Fund may elect to provide financing to buyers of its REO Properties on a case by case basis. The terms of such financing shall be determined in the sole discretion of the Manager.

Activities of Fund: All identification/sourcing of assets (property and loans), due diligence, and underwriting of Assets for the Fund and SPVs will be done by the Manager for the benefit of the Fund or SPVs. The Manager may subcontract some due diligence functions to third parties (e.g. appraisers, inspectors, subcontractors, real estate brokers, etc.) for the benefit of the Fund which shall be considered Fund Expenses. Additionally, the Manager intends to subcontract loan servicing and workout functions to third parties (e.g. loan servicing companies).

Fund Administration: The Fund intends initially to retain the services of an outside third party Fund Administrator to provide professional Fund administration and investor relations functions, the cost of which shall be a Fund Expense.

Note Holders/Notes: The Fund will borrow money from time to time from Note Holders who will be issued Notes of varying maturities between 1 and 3 years. Note Holders will be lenders to the Fund on a Pari Passu basis with the other Note Holders and have a blanket secured interest in the Fund Assets. This secured interest will be in a senior position except in circumstances where individual Fund Assets have been or are being pledged by the Fund to any senior lender ("Credit Facility or "Facility").

The Fund intends to have multiple tiers of rates based on the amount of money lent from a Note Holder and the duration of the maturity. These tiers may change from time to time. The interest rate for each maturity date and dollar amount combination shall be set by the Manager in a Note Schedule to be published periodically. Notes may be purchased, with the consent of the Manager, at any time at the interest rate and terms defined for that period by the Manager. The Fund may prepay the outstanding principal and interest to any Note Holder at any time without penalty.

Membership Units: The Fund will sell Membership Units at a "Unit Price" that shall fluctuate quarterly based on the total collective "Stated Value" of the Fund Assets. The Stated Value of any individual Fund Asset shall be determined on the last day of each calendar quarter by the Manager in its sole discretion. The Manager shall establish and follow a methodology for determining the Stated Value of the Fund Assets, which it may modify, alter, amend, or improve from time to time in its sole discretion. The initial Unit Price will be \$1,000.

Investors may execute subscription documents at any time, subject to acceptance by the Manager. However, an investment in the Membership Units will become effective as an equity investment ***only*** as of the first day of the quarter (the "Effective Date") following the date of acceptance of the

subscription and associated deposit of an Investor's money into the Fund's subscription account (the "Deposit Date"), **and** upon the Fund's transfer of the money into its operating account. The Fund may use the Investor's money between the Deposit Date and the Effective Date, provided that any amounts drawn by the Fund from the subscription account into the operating account shall be treated as a loan to the Fund for which the Investor shall receive interest at 9.5% (annualized) during the period between the Deposit Date and the Effective Date, and for which the Investor will receive a 1099 Statement for passive interest income. The Investor shall become a Member of the Fund **only** after the Effective Date **and** upon acceptance of the subscription by the Manager, and only upon acceptance of the Investor as a Member will the investment, or portions drawn from the subscription account, be treated as an equity investment in the Fund.

Preferred Return and Target Overall Return:

The Fund's objective is to produce an overall return to Members in the range of 12% and 16% annually. Subject to performance of the Fund and after paying Fund Expenses as well as the Management Fee and any Acquisition Fees and Disposition Fees due to the Manager, Members will receive a Preferred Return of 9.5% (the "Preferred Return") paid quarterly. Members will also divide with the Manager on a quarterly basis any Excess Distributable Cash ("EDC" see below) with 50% of the amount distributed to the Members and 50% distributed to the Manager.

The Preferred Return shall be "Cumulative," meaning that any shortfall in a given quarter shall carry forward (and as further defined in the PPM).

The Manager has done extensive financial modeling based on what it believes are reasonable assumptions and projections. Should the Fund meet its financial models and achieve its objectives, this would equate to an overall return to the Members in an expected range of **12% to 16%** annually. **However, an investment in the Fund is inherently speculative and no specific return on invested capital or even return of invested capital can be promised or guaranteed.**

Excess Distributable Cash (EDC):

This figure shall generally mean an amount that is equal to any remaining cash in the Fund after having paid out interest and principal payments on any Credit Facility, Fund Expenses, the 2% (annualized) Management Fee, any Acquisition and/or Disposition Fees due the Manager, Note Holder interest, repayment of maturing Notes, eligible redemptions in the discretion of the Manager, the Preferred Return, and reserving sufficient capital for future activities

of the Fund, as determined in the sole judgment of the Manager. The Fund typically expects to distribute all available EDC. At each quarter end, payment of any EDC shall either be made or not made depending on Fund results at the discretion of the Manager.

Any EDC actually paid will be divided 50/50 between the Members and the Manager respectively on a quarterly basis. The Member's portion shall be considered a distribution and the Manager's portion shall be considered additional compensation and shall be treated from an accounting perspective as a Fund Expense.

Fund Income Sources:

The Fund shall receive as Fund Income, 50% of any origination fees collected on Mortgage Loans, with the other 50% paid to the Manager, 100% of extension fees collected on Mortgage Loans that have matured and been extended at the discretion of the Manager, 100% of any late fees collected from borrowers, 100% of any other ancillary fees collected from servicing operations (e.g. payoff demand fees, Notice of Default fees, etc.), 100% of any interest collected on Mortgage Loans, 100% of any rent collected on real estate Assets owned by the Fund, 100% of any interest collected on deposited funds or receivables owned by the Fund, 100% of any membership redemption fees collected, and 100% of the net sale proceeds in excess of basis on the disposition of any Fund Asset. See the PPM for further details.

Manager Other Income:

In addition to the 2% Management Fee and the appropriate split of any EDC paid to the Manager, the Manager will receive 50% of any origination fees collected on Mortgage Loans, with the other 50% paid to the Fund, a 1.5% Acquisition Fee, which is based off the acquisition price of any Asset purchased by the Fund, and a 1.5% Disposition Fee, which is based off the net gain on the sales price of any Asset sold by the Fund.

The Fund intends that a third party servicer will be contracted to perform loan servicing duties on the Mortgage Loans the Manager originates and acquires on behalf of the Fund. There may be cases where the Manager is contracted to be the loan servicer rather than a third party, and in such cases, the Servicing Fee will not exceed \$25 per Mortgage Loan monthly and shall at all times, be commercially reasonable.

Fund Expenses:

Fund Expenses (including SPV expenses) shall include, but not necessarily be limited to the following: fund organizational costs, CPA related costs for tax return preparation, financial statement preparation, and/or audits, legal fees and costs, filing, licensing, or other governmental fees, other third party audits, loan servicing fees, fund

administration costs, loan origination and/or other fees associated with any Credit Facilities, costs associated with ownership of real property e.g., property improvement and rehabilitation costs not otherwise capitalized, sales commissions, property taxes, property management, hazard insurance, utilities, interest costs and any other expenses associated with operation of the Fund or management of its Assets.

The Fund may incur fees to eligible third parties for raising capital on its behalf in the discretion of the Manager. Any such fees shall be borne by the Fund as part of the Fund Expenses.

The Manager shall be reimbursed for all reasonable out of pocket expenses incurred on behalf of the Fund which shall be considered Fund Expenses.

Minimum Offering:

The Fund shall begin making its investments as summarized herein immediately upon receipt of investment capital, or as soon thereafter as is practicable in the judgment of the Manager. The relative size of the initial Fund Assets may be smaller than in the future depending on the amount of capital available to the Fund. However, the Fund expects to raise capital on an ongoing basis and thus shall begin making investments immediately.

Maximum Offering:

The Fund shall seek to raise the Maximum Offering of up to \$100,000,000 in capital (Member and Note Holder capital combined), which amount may be increased in the sole discretion of the Manager. The Manager may or may not raise the full amount during the life of the Fund. The Manager shall be entitled to sell additional Membership Units and/or Notes at any time and on an ongoing basis so long as it does not exceed the Maximum Offering, which may be increased as described above. Upon reaching the Maximum Offering, if there are Redemption requests that are granted and/or Note Repayments that bring the Fund's AUM below the Maximum Offering, the Manager may again raise additional equity and/or issue additional Notes and may do so at any time during the life of the Fund up to the Maximum Offering.

Term:

The Fund is an open-ended, "evergreen" fund with no set end date. The Manager expects to originate and acquire Fund Assets on a frequent and ongoing basis and will continue to do so indefinitely until the Maximum Offering has been reached, or until the Manager believes market conditions do not justify doing so. The Manager intends generally to utilize the return of capital from the disposition of Fund Assets to originate and acquire new Fund Assets rather than return the capital to Members (see

“Redemptions and Lockup Period”). However, the Manager expects to manage the Fund’s investments and capital structure in such a manner as to attempt to provide a reasonable level of capability for the Fund to accommodate Redemption requests given the relatively illiquid nature of real estate based investments in general.

If the Manager deems it appropriate based on evolving market conditions and dynamics, the Manager shall cease to originate and acquire new Fund Assets and shall distribute any return of capital from the disposition of Fund Assets back to the Members in accordance with the Liquidation Waterfall (as detailed in the PPM) until all Fund Assets have been liquidated. The Manager may choose to return capital to the Members at any time during the life of the Fund.

Use of Leverage/Credit Facilities:

The Fund and/or any SPV(s) of the Fund may choose to borrow money from time to time from one or more senior lenders (“Credit Facilities” or “Facilities”) and may pledge one or more Fund Assets as collateral for any such borrowing, subject to certain restrictions imposed in the Operating Agreement. The Operating Agreement grants the Manager significant latitude and discretion in its ability to use Credit Facilities in the operation of the Fund. However, the Operating Agreement also places specific limitations on the use of Credit Facilities by the Manager, namely:

- The Fund will not provide any Facility with a first lien position on any than existing Fund Assets already encumbered by Note Holder interests for the specific purpose of acquiring cash to accommodate Member Redemption Requests;
- The Fund will not utilize a Facility in an amount in excess of 50% of the Stated Value of any Fund Asset at the time of procurement of that debt.

Any Facility shall be nonrecourse to the Members. The Manager (and/or its principals) and the Fund may agree to provide its Guaranties for a given Facility but is not required to do so. Any Facility will likely have covenants that affect the Company, any SPVs, and the Manager.

Debt to Equity Ratio:

The Fund expects to attempt to maintain a total debt to Member equity ratio at 1:1 although it may be higher or lower in the judgment of the Manager. This ratio, which shall include both Note Holder debt, and debt associated with any Facility, will undoubtedly fluctuate from time to time, and the actual ratio at any given point in time shall be determined in the sole discretion of the Manager.

Distributions and Reinvestments:

Members shall have the option (prior to any liquidation of the Fund) to receive any Returns actually distributed either 1) paid to them via check or ACH or 2) to use these funds to automatically purchase additional Membership Units at the prevailing Unit Price. Members shall make such an election at the time of subscription and may change this election with 90 days' notice to the Manager and not more frequently than twice per year. The Manager may suspend or terminate the reinvestment option at any time in its sole discretion.

Redemption and Lockup Period:

Members will be required to hold their Units for a minimum of 24 months (the "Lockup Period") before they may request Redemption. Redemption requests for reasons of financial hardship or emergency during the Lockup Period may be considered on a case by case basis subject to a penalty (the "Redemption Fee") equal to 5% of the then current Unit Price. The Manager shall have no obligation to consider any hardship Redemption requests during the Lockup Period and shall be entitled to charge a higher or lower Redemption Fee. All Redemption Fees charged and collected will be considered income to the Fund.

After the Lockup Period, Redemption requests will be considered on a first come, first served basis. A Member shall be required to provide the Manager a 90 day notice for any Redemption request, and any Redemption actually provided shall be done only as of the first day of the calendar quarter immediately following the end of the 90 day notice period at the then current Unit Price as determined by the Manager.

The Manager shall have no obligation to grant any particular Redemption request and shall retain sole discretion as to whether or not to redeem any Units. Any Units purchased by Members via the Reinvestment Option shall be considered, for purposes of any Redemption requests, to "tag-along" with the original date of purchase of the Units for which the Reinvestment Units are associated.

No Member will be given priority for Redemption over any other Member for any reason other than the date upon which the request was made. The Manager may redeem Membership Units Pari Passu at any time at the then current Unit Price in its sole discretion without penalty to the Manager or the Fund.

All of the above parameters notwithstanding, the Manager will endeavor to manage the Fund in such a manner as to be able to accommodate Redemption requests at any time after the Lockup Period as consistently as possible.

Note Holder Early Repayment:

A Note Holder may request an early repayment of the Note (a "Repayment") prior to its maturity date subject to a penalty equal to a downward interest rate adjustment to the appropriate Note term consistent with the Repayment date (if applicable) plus an Early Repayment Fee of 5% of the principal balance of the Note. The granting or not of the early Repayment request shall be subject to the sole discretion of the Manager.

Structure of Fund:

The Fund will be organized as a Delaware limited liability company. The Fund will use a Private Placement Memorandum ("PPM") under Rule 506 (c) of Regulation D, for an exempt offering under federal and state law.

Each SPV will be organized as a Delaware limited liability company. The Fund and SPVs are expected to be treated as disregarded entities for federal income tax purposes. However, the Manager in its sole discretion may cause the Fund to participate in an SPV rather than owning all of the SPV interests.

Eligible Investors:

For US Investors, Membership Units will be offered solely to Accredited Investors, as that term is defined by Rule 501 of the Securities Act of 1933, and who satisfy eligibility requirements set from time to time by the Fund and its Manager. In the sole discretion of the Manager, the Fund may establish a structure to secure investments in the Fund from foreign Investors.

Life Insurance:

The Manager intends to be the beneficiary of life insurance policies on the lives of its principals in the minimum amounts of \$1,000,000 each within 6 months of the Fund's initial investment. The proceeds of such policies are intended to provide the Manager with sufficient liquidity to be able to operate without duress while any necessary replacements are procured.

Waterfall:

The following outlines the priority ("Waterfall") for the distribution of cash from the Fund:

1. Interest and principal payments on any Facility (depending on what collateral is pledged to a particular facility);
2. Fund Expenses;
3. Manager annualized 2% Management Fee (paid monthly) on total AUM as of the last calendar day of each month, and any other fees due the Manager;
4. Manager Acquisition and/or Disposition Fees as earned;
5. Note Holder interest, payable quarterly;
6. Repayment of maturing Notes, if any;
7. Preferred Return to Members, payable quarterly;

8. Any available EDC, as determined by the Manager, to be split 50/50 between the Members and the Manager respectively at the end of each quarter.

Distributions from the Fund upon liquidation will follow the guidelines as detailed in the Liquidation Waterfall as detailed in the PPM.

This term sheet ("Term Sheet") is not intended to be relied upon as the basis for any investment decision, and is not, and should not be assumed to be, complete. The contents herein are not to be construed as legal, business, or tax advice, and each party that receives this Term Sheet should consult its own attorney, business advisor, and tax advisor as to legal, business, and tax advice. Certain information contained in this presentation is still in draft form and the contents of this Term Sheet have not been legally verified. In particular, it should be noted that the financial information (if any) contained herein has not been audited. Any capitalized terms not defined herein have the meaning ascribed to them in the PPM.

In considering any performance information contained herein, parties should bear in mind that past performance is not necessarily indicative of future results. Information contained herein may include information respecting prior investment performance of one or more CCM strategies. Information respecting prior performance, while a useful tool in evaluating an investment, is not necessarily indicative of actual results to be achieved for unrealized investments, the realization of which is dependent upon many factors, many of which are beyond the control of CCM.

No representation or warranty, express or implied, is given by or on behalf of CCM, its affiliates or any of such persons' directors, officers or employees or any other person as to (a) the accuracy or completeness of the information or (b) the opinions contained in this document and no liability is accepted for any such information or opinions. The information and opinions contained in this Summary are provided as at the date of this document and are subject to change without notice.

This Term Sheet does not constitute an offer or solicitation to subscribe for or purchase any security. Recipients of this Term Sheet agree that CCM, its affiliates and their respective partners, members, employees, officers, directors, agents, and representatives shall have no liability for any misstatement or omission of fact or any opinion expressed herein. The Term Sheet is not intended for any general distribution or publication and is strictly confidential. This Term Sheet and the information contained herein consist of confidential proprietary information and is the sole property of CCM. Each recipient further agrees that it will (i) not copy, reproduce, or distribute this Summary, in whole or in part, to any person or party (including any employee of the recipient other than an employee directly involved in evaluating an investment in the Fund) without the prior written consent of CCM; and (ii) keep permanently confidential all information contained herein that is not already public.