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**SUPERIOR COURT OF WASHINGTON FOR CLARK COUNTY**

9 In re:

10 AMERICAN EAGLE MORTGAGE 100,  
11 LLC; AMERICAN EAGLE MORTGAGE  
12 200, LLC; AMERICAN EAGLE  
13 MORTGAGE 300, LLC; AMERICAN  
14 EAGLE MORTGAGE 400, LLC;  
15 AMERICAN EAGLE MORTGAGE 500,  
16 LLC; AMERICAN EAGLE MORTGAGE  
17 600, LLC; AMERICAN EAGLE  
18 MORTGAGE MEXICO 100, LLC;  
19 AMERICAN EAGLE MORTGAGE  
20 MEXICO 200, LLC; AMERICAN EAGLE  
MORTGAGE MEXICO 300, LLC;  
AMERICAN EAGLE MORTGAGE  
MEXICO 400, LLC; AMERICAN EAGLE  
MORTGAGE MEXICO 500, LLC;  
AMERICAN EAGLE MORTGAGE  
MEXICO 600, LLC; AMERICAN EAGLE  
MORTGAGE I, LLC; AMERICAN EAGLE  
MORTGAGE II, LLC; and AMERICAN  
EAGLE MORTGAGE SHORT TERM, LLC.

Case No. 19-2-01458-06

DECLARATION OF MICHAEL G.  
UELTZEN IN SUPPORT OF RECEIVER'S  
MOTION TO CONSOLIDATE  
RECEIVERSHIP ESTATES

DATE: November 22, 2019  
TIME: 9:00 a.m.  
JUDGE: David E. Gregerson  
PLACE: Department No. 2

21

22

I, Michael G. Ueltzen, state and declare as follows:

23

**I. CREDENTIALS AND METHODOLOGY**

24

1. I am a partner at Ueltzen & Company, LLP, a forensic accounting firm

25

retained by Clyde A. Hamstreet & Associates, LLC (the "Receiver"), the duly appointed general

26

receiver in this matter. I submit this declaration in support of the Receiver's motion for an order

1 consolidating the receivership estates of the entities named in the caption above. I make the  
2 statements in this declaration based on my own personal knowledge. I am competent to testify  
3 as to the matters addressed in this declaration.

4           2. I am a Certified Public Accountant, Certified in Financial Forensics, and a  
5 Certified Fraud Examiner. I have been working in the field of Forensic Accounting for over 30  
6 years. During my career, I have participated in more than 100 special investigations that  
7 frequently involve an in-depth analysis of financial transactions of an entity or numerous entities.  
8 I have testified as an expert in federal and state court and in arbitrations in many states  
9 nationwide. I have served in a multitude of capacities in the conduct of forensic accounting  
10 engagements, including work with the U.S. Department of Justice, the Federal Defender's  
11 Office, a United States District Court appointment as a Special Master, and California Superior  
12 Court appointments as a Neutral Expert, Referee, and Arbitrator. My CV is attached as Exhibit  
13 A to this declaration.

14           3. Together with Paul Artley of Specialized Forensic Investigations (SFI), I  
15 have spent a substantial amount of time to become familiar with the business model, personnel,  
16 and books and records of the entities subject to this receivership and known as the "Pools."

17           4. Mr. Artley is a Certified Public Accountant, a Certified Fraud Examiner,  
18 and a Certified Anti-Money Laundering Specialist. Mr. Artley worked for the FBI for 22 years  
19 as a Special Agent conducting and overseeing numerous cases involving complex financial  
20 investigations. Mr. Artley has been the affiant on dozens of search, seizure, and arrest warrants  
21 and has provided sworn testimony in federal and state court at trials, hearings, and grand juries.  
22 Mr. Artley's CV is attached as Exhibit B to this declaration.

23           5. In accordance with generally accepted practices for financial  
24 investigations of this kind, Mr. Artley and I have obtained, reviewed, and analyzed the Petition  
25 to Appoint General Receiver along with the schedules for the Pools attached thereto (the  
26 "Schedules"); accounting records maintained on QuickBooks for each of the Pools; documents

1 and spreadsheets prepared by the Receiver; and documents and spreadsheets prepared by  
2 employees of the Management Company (as defined below) for the Pools.

3           6. We have also interviewed the following individuals in person: Lynn  
4 Barnett, Sharon Barnett, and Barbara Jacobs, employees of the Management Company; Wendi  
5 Hamann, an outside bookkeeper for the Management Company and certain Related Parties (as  
6 defined below); Ross Miles, principal of American Equities, Inc. (“AEI”) and American Eagle  
7 Mortgage Management, LLC (“AEMM”) and involved in certain Related Parties; and Maureen  
8 Wile, principal of AEI and AEMM and involved in certain Related Parties. Lynn Barnett and  
9 Barbara Jacobs have submitted declarations to the Court (respectively, the “Barnett Decl.” and  
10 the “Jacobs Decl.”), which I refer to occasionally in what follows.

## 11 **II. BUSINESS DEFINITION AND MANAGEMENT COMPANY**

12           7. Each of the Pools was intended to be engaged, and did engage in part, in  
13 the business of acquiring, holding, managing, and ultimately disposing of defined pools of  
14 secured real estate paper, primarily promissory notes secured by mortgages or trust deeds, as an  
15 investment vehicle.

16           8. AEI was named as the Manager in the Pools’ organizational documents  
17 and was listed on filings with the Secretary of State. At different times, however, the Pools were  
18 operated by AEI and AEMM. According to receivership records and interviews with AEI  
19 employees, at a certain point in or around 2011, AEMM, whose officers are the same as AEI’s,  
20 began performing many of the management services for which AEI was responsible. The  
21 organizational documents contain no amendment reflecting the substitution of AEMM for AEI as  
22 Manager of any of the Pools, and no formal paperwork showing a change in Manager has been  
23 located.

24           9. When referring to AEI and/or AEMM in their capacity as the manager of  
25 the Pools, I typically refer generically to the “Management Company” or “Manager.” When  
26

1 speaking of AEI or AEMM as party to a specific document, transaction, or event, I may refer to  
2 each entity individually.

3           10. The principals of the Management Company also owned, controlled, or  
4 had financial interests in multiple other entities, including the Management Company, which are  
5 not part of the Receivership and which engaged in numerous financial transactions with the  
6 Pools.

7 **III. SUMMARY OF FINDINGS BASED ON INTERVIEWS AND EXAMINATION OF**  
8 **RECORDS**

9           11. Throughout its operation of the Pools, AEI routinely made unauthorized,  
10 undocumented, undisclosed, and irregular transactions involving the Pools' cash and real estate  
11 assets. These transactions included significant intermingling and commingling of funds among  
12 the Pools, millions of dollars in loans among the Pools, and millions of dollars in loans from the  
13 Pools to more than 16 parties related to AEI's principals as family members, entities in which  
14 AEI's principals were officers and/or had a financial interest, or entities that shared AEI's  
15 business address. Most of the loans to Related Parties have not been repaid, and many were  
16 never set up with interest rates and repayment terms. The commingling and loan transactions  
17 were inconsistent with the offering materials provided to investors and were not disclosed to or  
18 authorized by the owners of the Pools.

19           12. In my opinion, AEI operated the Pools as a unitary enterprise by moving  
20 cash, assets, and investors from one Pool to another and by disregarding the legal separation of  
21 the Pools and corporate formalities required by the organizational documents. AEI did not  
22 maintain thorough and timely records and did not follow Generally Accepted Accounting  
23 Principles ("GAAP") in its recordkeeping. AEI used Pool assets as collateral for loans without  
24 disclosure or authorization, and it used newly invested funds to pay other investors. These  
25 actions also violated the offering materials provided to investors.

26

1           13.     In my opinion, AEI’s operation of the Pools as a unitary enterprise  
2     concealed the insolvency of the Pools from investors and enabled that insolvency to deepen  
3     without investor knowledge. Meanwhile, AEI continued to solicit new investments and  
4     encouraged investors to roll their interest over into principal instead of taking monthly payments  
5     or return of capital. AEI’s high commissions and unauthorized, unpaid loans to Related Parties  
6     also contributed to the insolvency of the Pools.

7           14.     In my opinion, AEI’s management activities were wrongful, and AEI’s  
8     principals knew they were wrongful. Just prior to placing the Pools in receivership, AEI  
9     attempted to “clean house” by zeroing out the loan balances between the Pools – a hopeless task  
10    that was not successful.

11          15.     In my opinion, the Pools should be consolidated so that their assets and  
12    liabilities are equitably pooled. Consolidation is needed to ensure the fair treatment of investors,  
13    to simplify the administration of the receivership estate, and to maximize the recovery for  
14    investors. This opinion is based on the reality that the Pools have for many years operated as a  
15    unitary enterprise, rather than as truly separate entities with distinct groups of investors. Treating  
16    the Pools as separate entities would perpetuate their historical mismanagement, would harm the  
17    majority of investors, and would aid the consummation of a fraud upon the body of investors  
18    viewed as a whole. Moreover, in my opinion, it is neither possible nor financially feasible to  
19    disentangle the affairs of the Pools.

20          16.     These findings are based upon the evidence I have accumulated and  
21    reviewed during this engagement, a summary of which is reflected below in this declaration.

22    **IV.     CURRENT FINANCIAL CONDITION OF THE POOLS**

23          17.     According to the Schedules filed with the Receivership Petition on May  
24    10, 2019, the Pools have approximately 215 real estate contracts receivable, owned real estate in  
25    64 locations, and more than 250 investors. The collective book value of the assets of the Pools is  
26    reported in the Schedules as approximately \$34 million and the collective liabilities are

1 approximately \$77 million, leaving a \$43 million deficiency. In fact, the book value as reported  
 2 in the Schedules is inflated and the deficiency is much greater, although the amount of the  
 3 deficiency is still unknown.

4 18. Each of the 15 receivership Pools shows a deficiency, the amounts of  
 5 which vary widely. Due to several factors, however, the asset-related numbers reported in the  
 6 Schedules are inaccurate. These factors include (i) pervasive commingling and borrowing  
 7 among the Pools; (ii) unauthorized, unapproved, and, in many cases, non-performing loans from  
 8 the Pools to the Related Parties; (iii) failure to follow GAAP in the accounting for investments;  
 9 (iv) movement of investors from Pool to Pool; and (v) the Management Company's last-minute  
 10 effort to reduce inter-Pool indebtedness by redistributing cash and contracts among the Pools just  
 11 prior to placing them in receivership

12 19. Table 1 lists the 15 Pools with assets and liabilities as reported in the  
 13 Schedules. Generally, assets consist of cash, contracts, and loans receivable, while liabilities  
 14 consist of the investor notes and loans payable.

15 **Table 1**  
**Summary of Receivership Schedules**

16 Entity Name	Assets	Liabilities	Difference
17 AEM I LLC	\$ 300,326	\$ 546,202	\$ (245,876)
18 AEM II LLC	\$ 205,777	\$ 350,688	\$ (144,911)
19 AEM 100 LLC	\$ 3,970,325	\$ 14,119,201	\$ (10,148,876)
20 AEM 200 LLC	\$ 1,438,336	\$ 4,031,166	\$ (2,592,830)
21 AEM 300 LLC	\$ 441,450	\$ 611,091	\$ (169,641)
22 AEM 400 LLC	\$ 379,826	\$ 728,814	\$ (348,988)
23 AEM 500 LLC	\$ 401,367	\$ 782,366	\$ (380,999)
24 AEM 600 LLC	\$ 13,613,613	\$ 26,489,382	\$ (12,875,769)
25 AEM Mexico 100 LLC	\$ 2,120,333	\$ 5,367,730	\$ (3,247,397)
26 AEM Mexico 200 LLC	\$ 1,857,097	\$ 3,811,963	\$ (1,954,866)
AEM Mexico 300 LLC	\$ 1,973,080	\$ 4,224,749	\$ (2,251,669)
AEM Mexico 400 LLC	\$ 3,357,801	\$ 9,177,721	\$ (5,819,920)
AEM Mexico 500 LLC	\$ 637,425	\$ 1,756,872	\$ (1,119,447)
AEM Mexico 600 LLC	\$ 3,428,943	\$ 4,881,170	\$ (1,452,227)
AEM Short Term LLC	\$ 224,945	\$ 346,682	\$ (121,737)
<b>TOTALS:</b>	<b>\$ 34,350,644</b>	<b>\$ 77,225,797</b>	<b>\$ (42,875,153)</b>

1 **V. INVESTMENT PROGRAM AND OFFERING MATERIALS**

2 20. AEI solicited investors to invest in each particular Pool for a specified  
3 period of time at a specified rate of return. In exchange for their investment each investor  
4 received (a) a promissory note payable to them by the Pool, evidencing their investment, (b) an  
5 ownership interest in the Pool, and, (c) at their option, either (i) regular monthly payments from  
6 the Pool under the promissory notes or (ii) “reinvestment” of their earnings as additional  
7 principal in the Pool via capitalization of the interest accrued under the promissory notes.

8 Exhibit C consists of sample 5-year, 10-year, and 15-year notes issued by the Pools.

9 21. Offering materials were provided to each investor and consisted of:

- 10 • Confidential Private Placement Disclosure Document (“PPD”) – Exhibit D;  
11 • Minimum Underwriting Criteria for Receivables (“MUC”) – Exhibit E;  
12 • Limited Liability Company Agreement (“LLC Agreement”) – Exhibit F; and  
13 • Management Agreement – Exhibit G.

14 22. The PPD, MUC, LLC Agreement, and Management Agreement,  
15 collectively referred to herein as the Offering Materials, establish that AEI was responsible for  
16 forming each of the Pools and for obtaining the funding for each Pool by offering varying  
17 tranches of investments for sale. With the proceeds from the sale of investments, AEI was to  
18 acquire secured real estate paper for the Pools.

19 23. AEI was responsible for conducting all of the Pools’ business and for  
20 maintaining the books and records of each Pool according to specified rules and principles. Key  
21 provisions of the Offering Materials are summarized below.

22 **A. PROVISIONS OF THE PPD**

23 24. The Offering Materials summarize the offering, the use of proceeds, a  
24 description of the Pool (referred to therein as the “Company”), the nature of the investment  
25 program, risk factors, terms of the offering, and other information.

1           25.     The PPD represents that each Pool was formed as a manager-managed  
2 LLC to “loan funds, acquire, hold, manage, service, collect, replace, and in certain  
3 circumstances, liquidate or dispose of the Receivables, consisting of a specific set of security  
4 documents and any accompanying promissory notes secured by such documents . . . .” (Ex. D, at  
5 3.) Security documents could be land sale contracts, trust deeds, real estate mortgages, and the  
6 like.

7           26.     The PPD discloses that “[w]hile the Company may acquire Receivables  
8 from several sources, the Company will acquire a significant portion of the Receivables from the  
9 Manager,” which is an affiliate of the Company, and that “[f]rom time to time, the Company  
10 may acquire Receivables from affiliates of the Manager . . . .” (*Id.* at 3.) The PPD also discloses  
11 that “[t]he Manager conducts the same type of business separately and independently from the  
12 Company and also acts as managers of other companies with similar businesses to the  
13 Company.” (*Id.* at 22.)

14           27.     In describing the capital structure of the Pools, the PPD represents that the  
15 investor notes “will be the only debt obligations of the Company other than miscellaneous  
16 expenses incurred in the ordinary course of business.” (*Id.* at 5.)

17           28.     The PPD also represents that proceeds of the offering would “be used  
18 exclusively to acquire the Receivables, pay the costs associated with the Offering, and cover  
19 working capital needs of the Company.” (*Id.* at 4.)

20           29.     In describing the Pools, the PPD represents that “[t]he Manager formed  
21 the Company” and that Company revenue was to be primarily generated “from monthly  
22 payments made by the borrowers on the Receivables,” (i.e., the people paying their mortgages).  
23 (*Id.* at 4.)

24           30.     The PPD represents that fees paid to the Manager for services rendered  
25 would be as follows (*see id.* at 10):  
26



- Annual base management fee of one half of one percent (0.5%) of the then-current total outstanding principal balance of the investor notes.
- For reinvestments, a one-time Reinvestment Fee of one and a half percent (1.5%) of the amount of the reinvestment.
- Annual Bonus Compensation equal to net profits if the Pool was profitable.

**B. MINIMUM UNDERWRITING CRITERIA**

31. Each PPD included an exhibit setting forth the minimum underwriting criteria for Receivables. In essence, the MUC defined the due diligence the Management Company would undertake prior to acquiring secured real estate paper. The exhibit specifies criteria for maximum loan to value ratios, which vary depending on the nature of the underlying security; for example, the MUC included a maximum 65% loan to value ratio on a single-family residence. (*See* Ex. E, at 3.)

**C. LLC AGREEMENT**

32. The LLC Agreement between AEI and each of the Pools grants AEI “the sole and exclusive right to manage the business of the Company. . . .” (Ex. F, at 9.) The LLC Agreement states that AEI “shall be under a fiduciary duty to perform the duties of the Manager in good faith, in a manner it reasonably believes to be in the best interests of the Company and the Members, and with such care as an ordinarily prudent person in a like position would use under similar circumstances.” (*Id.* at 11.)

33. The LLC Agreement states that the Manager

shall cause the Company to conduct its business and operations separate and apart from that of the Manager or any Affiliate of the Manager, including, without limitation:

(1) segregating Company Property and not allowing Company Property to be commingled with the funds or other assets of the Manager or any Affiliate of the Manager;

(2) maintaining books and financial records of the Company separate from the books and financial records of the Manager and any Affiliate of the Manager, and observing all Company procedures and formalities, including, without limitation, maintaining minutes of Company meetings and acting on behalf of the Company only pursuant to due authorization of the Members[.]

1 (*Id.* at 11.)

2 34. Beginning in 2007-08, AEI used QuickBooks, a software program, to  
3 record transactions and meet the requirement to “maintain records and accounts of all operations  
4 and expenditures of the Company.” (*Id.* at 23.)

5 35. The LLC Agreements were signed by Ross Miles, President of AEI, acting  
6 on behalf of the Pool as its Manager, and Maureen Wile, Secretary of AEI, on behalf of AEI.

7 **D. MANAGEMENT AGREEMENT**

8 36. The Management Agreement between AEI and the Pools provides for AEI  
9 “to take all actions necessary to manage the Receivables,” (Ex. G § 1.1, at 1), to provide  
10 quarterly and annual reports to the Company, and to “make all necessary disbursements for  
11 Company operating expenses . . . from the bank accounts established by the Company,” (*Id.* §  
12 3.7, at 7).

13 37. The Management Agreement states that the Manager shall provide each  
14 Pool a quarterly report “setting forth (i) the gross revenue collected during such month and for  
15 the year to date, (ii) expenses paid during the month, and (iii) Note payments made during such  
16 month and for the year to date,” and an annual report to each Pool “showing the income and  
17 disbursements for such year.” (*Id.* § 3.6.1-.2, at 7.)

18 38. Regarding potential indebtedness of the Pools, the Management  
19 Agreement provides: “In the event that at any time there shall be insufficient funds of the  
20 Company available to AEI to make any such disbursements, AEI may, at its sole option, advance  
21 any such funds for the account of the Company, and the Company shall promptly reimburse AEI  
22 for any such advances. Notwithstanding the foregoing, AEI shall not create obligations of the  
23 Company other than the obligations under the [investor] Notes and normal operations of the  
24 Company . . . .” (*Id.* § 3.7, at 7.)

1           39.     The Management Agreements were signed by Ross Miles, President of  
2 AEI, acting on behalf of the Pool as its manager, and Maureen Wile, Secretary of AEI, on behalf  
3 of AEI.

4 **VI.   FORMATION AND OPERATION OF THE POOLS**

5           40.     The Management Company formed each Pool at its discretion and defined  
6 the size of its offering. The first Pool, American Eagle Mortgage<sup>1</sup> I, LLC, was formed on  
7 December 18, 2002, and the last Pool, AEM Mexico 600, LLC, was formed on July 15, 2010.  
8 Management Company principals and investor representatives solicited investors for the Pools.  
9 Each of the Pools had its own bank account. In making an investment, investors wrote their  
10 checks to the specific Pool in which they were investing.

11           41.     The Management Company's operation of the Pools routinely violated  
12 many provisions of the Offering Materials by treating the Pools as a large unitary enterprise. For  
13 example, the Management Company:

- 14           a.     Disregarded the legal separateness and corporate formalities of the Pools;
- 15           b.     Funneled Pool funds through a centralized bank account;
- 16           c.     Moved cash and contracts between and among the Pools on a routine  
17               basis;
- 18           d.     Moved investors between Pools;
- 19           e.     Used commingled funds to pay investors;
- 20           f.     Used Pool funds to make unauthorized loans to Related Parties, including  
21               Ross Miles and Maureen Wile and their family members and business  
22               partners;
- 23           g.     Used funds from Pools invested in domestic assets to support unauthorized  
24               lending and investment activity in Mexico;

25  
26 

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<sup>1</sup> "American Eagle Mortgage" in entity names is in Table 1 above and hereinafter abbreviated to "AEM."

- 1           h.       Accounted for Pool transactions in a non-standard manner that obscures  
2                   the value of Pool assets and renders it particularly difficult to unwind Pool  
3                   affairs;  
4           i.       Used real estate contracts owned by the Pools as collateral for loans  
5                   unauthorized by the Pools and without the knowledge of investors; and  
6           j.       Failed to keep complete and timely records of Pool transactions.

7       **VII.   OPERATION OF THE POOLS AS A UNITARY ENTERPRISE**

8           **A.    COMMINGLING OF CASH AND INTER-POOL LOANS**

9           42.     The Management Company did not follow corporate formalities or respect  
10           the legally separate and independent identities of the Pools. For example, there are no minutes or  
11           other records of any meetings of the Pools. There is no documentation related to the  
12           Management Company change from AEI to AEMM. Offering amounts stated in the PPD were  
13           not honored (e.g., AEM 600, LLC announced an offering of \$10 million, but the documents filed  
14           in the Receivership show unsecured claims exceeding \$26 million). The Manager did not  
15           provide quarterly and annual reports to the Pools as required by the Management Agreement.  
16           The financial transactions adduced below provide many further examples of the Manager's  
17           consistent failure to respect the Pools as legally separate entities.

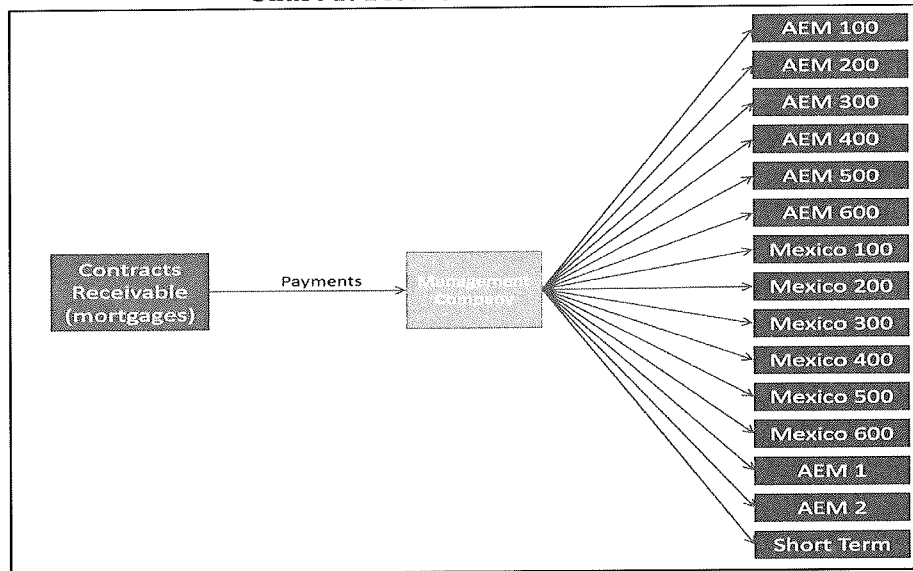
18           43.     Based on responses that have come in from an investor questionnaire, it  
19           appears from the documents attached as Exhibit H hereto that in the early 2000s AEI provided  
20           investors with account information that included contracts receivable owned by the Pool, notes  
21           payable, net equity, portfolio yield rate, and loan to value ratio. (*See* Ex. H, at 1-4.) The only  
22           example we have seen of such a statement dates from 2005. In subsequent years, the  
23           Management Company provided quarterly account statements to investors that included no  
24           financial information about the Pool except total notes payable, and later statement formats did  
25           not even include that much information. (*See id.* at 5-8.) The Management Company sometimes  
26

1 also provided lists of contract receivables to investors upon request, but did not include  
2 information about Pool liabilities.

3 44. Investors also received a 1099 from the Management Company showing  
4 the interest paid or reinvested each year, an example of which is attached hereto as Exhibit I.  
5 (See Ex. I (same as Jacobs Decl. Ex. K).) The 1099 statements were issued by the Management  
6 Company rather than individual Pools, and investors were often not aware which Pool(s) they  
7 were in.

8 45. Beginning in or about 2013, AEMM operated a central or “master”  
9 account in its own name. AEMM used this account to collect payments due under the real estate  
10 contracts owned by the Pools, and to disburse principal and interest payments to the Pools. (See  
11 Barnett Decl. ¶¶ 6-7, at 3-4.) Chart 1 illustrates the flow of payments from the contracts through  
12 the Management Company to the Pools.

13 **Chart 1: Flow of Contract Receivables**



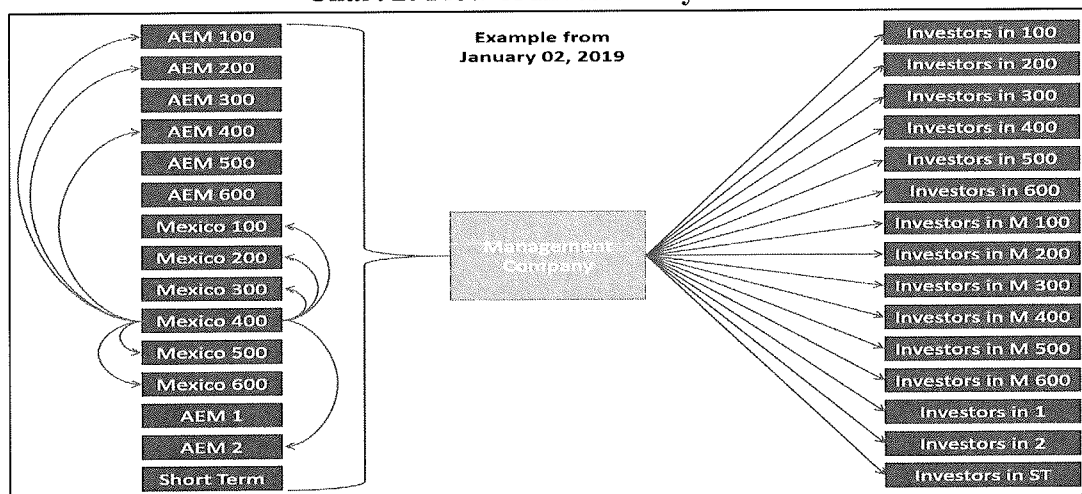
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23 46. AEMM used the same central bank account to make interest payments to  
24 investors on the 5<sup>th</sup> of each month. The Management Company monitored the bank balances in  
25 each of the Pools through frequent circulation of a “Daily Pool Balances” spreadsheet, an  
26 example of which is attached hereto as Exhibit J. (See Ex. J (same as Jacobs Decl. Ex. L); see

Jacobs Decl. ¶¶ 27-31, at 10-11, for a more detailed description of this spreadsheet and investor payment practices.) The Daily Pool Balances spreadsheet lists each Pool’s cash balance on any given day, and the amounts of any anticipated bills relating to that Pool, including upcoming payoffs, interest payments, and required minimum distributions due to investors. One column on the spreadsheet (labeled “payments due” in the exhibit, but also called “loans” in previous iterations of the spreadsheet) shows the money that would need to be moved among the Pools in order for each Pool to have sufficient cash to make the next round of investor payments. In the exhibit, dated January 2, 2019, AEM Mexico 400, LLC is shown lending \$160,200 to nine other Pools to help fund their investor obligations.

47. Around the 3<sup>rd</sup> or 4<sup>th</sup> of the month, the Management Company would carry out the loans shown on the Daily Pool Balances spreadsheet, moving funds among the Pools so that each Pool’s bank account had sufficient cash to make its investor payments.

48. On the 5<sup>th</sup> of the month, cash would be transferred from the Pool accounts to the central Management Company account, which in turn made the investor payments. Chart 2 illustrates the flow of cash from the Pools through the Management Company to the investors. The orange arrows on the left depict the movement of funds among the Pools according to the amounts shown in Exhibit J. This process occurred every month for many years.

**Chart 2: Flow of Investor Payments**



1           49.     Use of the central bank account for receipt of contract payments,  
2     disbursement of principal and interest to the Pools, receipt of Pool funds, and disbursement of  
3     interest payments to investors is one way in which the Management Company commingled the  
4     funds of the various Pools.

5           50.     Hundreds of accounting entries were made to reflect these and other loans  
6     between Pools. Such loans were noted on the books of the Pools but were not formally  
7     authorized or documented and carried no commercially significant terms, such as interest rate,  
8     payment schedule, or maturity date.

9           **B.     RELATED PARTY LOANS**

10          51.     The Management Company caused the Pools to make unauthorized loans  
11     not only to each other but also to Related Parties.

12          52.     An inquiry by Paul Artley found that AEI and all of the Pools are listed at  
13     the same principal office address at 4225 NE St. James Road, Vancouver, WA 98663 on the  
14     Washington Secretary of State (“SOS”) website. The SOS website lists at least twenty-two (22)  
15     entities, including AEI and AEMM, which appear to be related to the Pools (each a “Related  
16     Party” and collectively the “Related Parties”) through common officers and/or sharing the same  
17     address on St. James Road. Most of the Related Parties list the nature of business as “real estate  
18     investment related.” Since this initial research, Mr. Artley and I have become aware of several  
19     additional entities in which Ross Miles and Maureen Wile have an interest. The number of  
20     Related Parties is now at least 38. Mr. Artley and I have not investigated the Related Parties as  
21     they are not part of the Pools’ receivership.

22          53.     The Related Parties conducted business with the Pools and were involved  
23     in multiple, significant, and often undocumented financial transactions with the Pools. Exhibit K  
24     (same as Jacobs Decl. Ex. G) is a QuickBooks report generated by the Management Company as  
25     of May 9, 2019, which shows loans (both documented and undocumented) from the Pools to  
26     Related Parties in a total principal amount of \$10.7 million. Including accrued interest in this

1 amount would increase the balance due by more than 50%. All or substantially all of these loans  
2 are now in default; in some cases, the Related Parties never made a single payment under such  
3 loans. The loans were made at the oral or written (including email) request of Ross Miles and/or  
4 Maureen Wile, who were, at all times, officers of or owners in the Related Parties that received  
5 the loans. As suggested in the Barnett Decl. in paragraphs 18-20, at pages 6-7, the Management  
6 Company did not make a serious effort to collect on Related Party loans.

7           54. In our research Paul Artley and I found that a number of family members  
8 of Ross Miles and Maureen Wile were or are currently involved in their Related Party  
9 businesses. Some family members have been employed by the businesses while others were  
10 investors or involved in transactions relating to them. Related Party individuals not only worked  
11 for and invested in some of the Pools, but also worked for and invested in the Management  
12 Company and Related Party entities. These relationships provide further evidence of the unitary  
13 nature of the Pools' enterprise. Exhibit L (same as Jacobs Decl. Ex. A) contains a chart detailing  
14 family members, their relationship, and their involvement in various Related Party entities.

15           55. The unitary enterprise model enabled the Related Parties to borrow  
16 extensively from the Pools without investors' knowledge, which benefited the Related Parties at  
17 the expense of the Pools. Due to the large number of entities involved within and outside of the  
18 Receivership, it is unknown to what extent the insider individuals and entities interrelate with  
19 one another. The evidence indicates not only that the Pools operated as a unitary enterprise, but  
20 that AEI and AEMM, and, at times, certain Related Parties, were a part of the unitary enterprise.

### 21           C.     MOVEMENT OF CONTRACTS

22           56. Our research has shown that the Management Company, in addition to  
23 moving cash, frequently caused the Pools to sell contracts back and forth. Table 2 shows an  
24 example of one contract that was transferred among AEM entities seven times in seven years  
25 after its initial purchase by AEI in April 2007. (See Jacobs Decl. ¶ 46, at 16 & Ex. W for more  
26 detail.) Transfers of contracts among the Pools and the Management Company were common



1 and were done to accompany the movement of investors or in exchange for cash taken out of the  
2 Pools.

3 **Table 2**

<b>Contract 5119 – Purchase History</b>						
<b>Date</b>	<b>Seller</b>	<b>Buyer</b>	<b>Broker Fees</b>	<b>Price Paid</b>	<b>Note Face Value</b>	<b>Discount (Premium)</b>
03/29/07		Contract Holder			\$ 80,000	
03/29/07	Contract Holder	AEI	\$5,170	\$ 50,541	\$ 77,795	\$ 27,434
08/29/07	AEI	AEM Mex 300		\$ 61,901	\$ 77,711	\$ 15,810
09/10/08	AEM Mex 300	AEI		\$ 62,500	\$ 76,395	\$ 13,895
10/01/08	AEI	AEM Mex 400		\$ 70,839	\$ 76,255	\$ 5,416
04/07/09	AEM Mex 400	AEM Mex 500		\$ 75,538	\$ 75,538	\$ -
04/02/10	AEM Mex 500	AEM 500		\$ 74,350	\$ 73,878	\$ (472)
05/06/11	AEM 500	AEM 600		\$ 73,179	\$ 72,866	\$ (314)
06/24/14	AEM 600	AEM Mex 100		\$ 68,801	\$ 68,340	\$ (461)

14 57. GAAP generally require assets to be recorded at the lower of cost or fair  
15 market value. This rule applies to both real estate contracts and foreclosed real estate (“REO”).  
16 Fair market value (“FMV”) can be defined as the sales price in an arm’s-length transaction.

17 58. Through our research and interviews, Paul Artley and I learned that the  
18 Management Company did not record the value of contracts at FMV, but rather the face value of  
19 the contract, less (if applicable) an “unearned discount” to reach a net book value equal to the  
20 price paid for the contract by the Pool. (See Jacobs Decl. ¶ 15, at 5-6.) In this way the  
21 Management Company misstated and often overstated the contract value. Had the values been  
22 accurately recorded, some Pools may have been technically insolvent from the beginning (from a  
23 balance sheet perspective), since the fair market value of its assets was lower than its liabilities,  
24 i.e., amounts owed to investors.

25 59. The number and extent of overstated contract values has yet to be  
26 determined, but it was a widespread and significant practice. The following transaction

1 illustrates a purchase made by AEMM and subsequently sold to AEM Mexico 300 within a short  
 2 period of time at a substantial markup. AEMM's fee was 40% of the contract's fair market  
 3 value; the \$98,900 purchase price paid by AEM Mexico 300 represented 157% of the FMV.

<b>Contract Description</b>	<b>Ogden Canyon 3</b>
AEMM purchased	05/03/12
AEMM sold to AEM Mexico 300	06/12/12
Face value of the contract	<u>\$ 109,779</u>
Contract purchase price (=FMV)	\$ 63,086
Broker fee paid to 3rd party	<u>\$ 10,276</u>
Total price paid by AEMM	\$ 73,812
Broker fee paid to AEMM	<u>\$ 25,088</u> (40% of FMV)
Selling price to AEM Mexico 300	<u>\$ 98,900</u> (57% above FMV)
Amount paid over Fair Market Value	\$ 35,814

4  
5  
6  
7  
8  
9  
10           60.     The Ogden Canyon contract was recorded in AEM Mexico 300's  
11 accounting records at \$109,779, the face value of the contract (i.e., the total amount of contract  
12 payments due to maturity), with a corresponding discount of \$10,879 for a net purchase price of  
13 \$98,900. The fair market value of the contract, however, was \$63,086. As such, this contract  
14 was overstated in the accounting records by \$35,814 as of June 12, 2012, the date of purchase.

15           61.     The GAAP accounting, illustrating the insolvency of the transaction,  
16 would be as follows:

Fair Market Value	\$ 63,086
Investor Liability (Investor Funds)	<u>98,900</u>
Capital Deficit	\$ <u>(35,814)</u>

17  
18  
19           62.     The initial overstatement of a contract's value, illustrated above, was  
20 compounded if it became a non-performing contract, because the Management Company  
21 continued to increase the asset value on the books by the amount of accrued interest owed on the  
22 contract and by the costs incurred in foreclosing the collateral that secured the contract, making  
23 no recognition for the impairment of assets. (See Jacobs Decl. ¶ 17, at 6.) In essence, the more  
24 problems a contract had, the more valuable it appeared on the books. In the floating home  
25 example described in the Jacobs Declaration, the asset has a book value of \$121,385. (See *id.*)  
26 This property is currently marketed in the AEM auction with a reserve price of \$35,000.

63. Moving the contracts was an especially opaque form of commingling, because, due to the Management Company's bookkeeping practices and other factors such as payment history and property values, the actual fair market value of the contract at the time of transfer rarely matched the face value.

64. The actual values transferred with the contracts are also difficult to track because the contracts were not always owned by the transferor. In the case of Contract 5119, for example, when AEM Mexico 400 made the transfer to AEM Mexico 500 on April 7, 2009 (shown on Table 2 above), the contract was serving as collateral for a loan from Riverview Bank and was not wholly owned by the Pools. In other words, the contract served as collateral to two parties (the investors and the bank) at the same time. (See Barnett Decl. ¶¶ 13-17, at 5-6 & Ex. 9.) Table 3 provides the ownership chain for Contract 5119, showing that the contract was assigned to Riverview during the whole of 2009.

**Table 3**

<b>Contract 5119 Title Endorsement History</b>			
Date	Recorded	From	To
03/29/07	04/11/07	Contract Holder	AEI
03/29/07	04/11/07	AEI	Riverview Bank
10/17/07	11/05/07	Riverview Bank	AEI
10/31/07	11/05/07	AEI	AEM Mex 300
09/07/08	09/10/08	AEM Mex 300	Riverview Bank
09/15/10	10/12/10	Riverview Bank	AEI
10/07/10	10/12/10	AEI	AEM 500
06/23/11	06/29/11	AEM 500	AEM 600
07/23/14	08/08/14	AEM 600	AEM Mex 100

**D. MOVEMENT OF INVESTORS AND UNEQUAL TREATMENT**

65. Mr. Artley and I also found that, on occasion, the Management Company moved investors between Pools without formal documentation and, in at least two instances, without the investor's knowledge. When AEM 100, LLC matured and was due to close in January 2018, 21 investors were moved into AEM 600, LLC instead of having their notes paid off. AEM 600, LLC took on the additional liability of the investor notes but no assets were moved to support the increased debt. (See Jacobs Decl. ¶ 35, at 12-13.)

1 **VIII. INDICATIONS OF WRONGDOING**

2 **A. ATTEMPT TO ZERO OUT INTERPOOL LOAN BALANCES PRIOR TO**  
3 **RECEIVERSHIP**

4 66. In April 2019 Ross Miles directed Barbara Jacobs to transfer contracts and  
5 cash among the Pools in an effort to “zero out” the outstanding inter-pool loan balances. (See  
6 Jacobs Decl. ¶¶ 42-43, at 15.) If successful, this effort would make it appear that the Pools had  
7 not engaged in extensive commingling of funds and inter-pool borrowing.

8 67. In my opinion, the effort to zero out the loan balances implies that Ross  
9 Miles knew the prior commingling was wrongful and in need of remediation. The effect,  
10 however, was only to further intertwine the affairs of the Pools through yet another layer of  
11 questionable transactions. The series of transfers reduced the amount of intercompany  
12 receivables by approximately \$2.3 million, with particular impact on AEM 600, LLC. That  
13 fund, which had provided \$13.1 million in loans over its 10-year life, recaptured \$1.1 million in  
14 loans, reducing its intercompany loan receivable balance from \$9.4 million to \$8.3 million.  
15 Many of the assets transferred as part of the equalization, however, were non-performing  
16 contracts and notes from other Pools and Related Parties, raising doubts about the actual values  
17 transferred. In the case of AEM 600, LLC, approximately \$800,000 of the \$1.1 million in  
18 transferred assets were non-performing notes or contracts. The use of over-valued and/or non-  
19 performing assets to cancel out loans of cash was misguided and did not truly provide a benefit  
20 to any of the Pools.

21 **B. AEM MEXICO 600: MISUSE OF INVESTED FUNDS AND**  
22 **PREFERENTIAL TREATMENT OF INVESTORS**

23 68. AEI used Pool funds for undisclosed and unauthorized purposes, including  
24 investment in a Mexican marina enterprise and payment of interest to an investor who knowingly  
25 invested in the Mexican enterprise. (See Jacobs Decl. ¶¶ 38-41, at 13-15.)

26 69. RMV is believed to be a Mexico-based Related Party in which Ross Miles  
has an economic interest, although no public records pertaining to this company have been

1 found. We believe the “R” in the acronym RMV refers to Ross Miles, the “M” to Maureen Wile,  
2 and the “V” to Valerio Gonzalez Schcolnik, a business partner of Ross Miles in Mexico.

3           70. The Receivership records show that AEM Mexico 600, LLC became  
4 active in 2010 when a single investor (Investor X) moved \$1.9 million from other investments in  
5 AEM Mexico 300, LLC and AEM Mexico 400, LLC to fund the new Pool. Because AEM  
6 Mexico 300, LLC and AEM Mexico 400, LLC were unable to fund the full \$1.9 million,  
7 however, two other Pools (AEM 100, LLC and America Eagle Mortgage Mexico 100, LLC) also  
8 contributed cash to this transfer. As was generally the case for inter-Pool transfers, the  
9 contributions by the two other Pools were not consistent with the Offering Materials for a variety  
10 of reasons, including, in the case of AEM 100, LLC, the fact that these investors had not opted to  
11 invest in Mexican assets.

12           71. Evidence shows that additional funds came into Mexico 600 through  
13 borrowings from ten other Pools, which began in June 2011 and continued through March 2019,  
14 reaching a total of approximately \$2.7 million. The contributions by the other Pools were  
15 similarly inconsistent with their Offering Materials.

16           72. AEM Mexico 600, LLC used a portion of the funds it received from the  
17 other Pools to make a series of loans totaling \$3.3 million to RMV between December 2010 and  
18 June 2012, and received in turn an unsecured promissory note from RMV with a stated interest  
19 rate of 12% (the “\$3.3M Note”). RMV then entered into a contract with a separate Mexican  
20 entity, which provided for 12% interest due to RMV and was reportedly secured by development  
21 property on East Cape in the Baja Peninsula.

22           73. According to its records, AEM Mexico 600, LLC received six payments  
23 from RMV under the \$3.3M Note for a total of approximately \$155,000. The first payment was  
24 not made until September 20, 2016, and the last was on December 31, 2018. Three of the  
25 payments were made in cash by Ross Miles after he returned from a trip to Mexico, where he  
26 reportedly received the cash from Valerio Gonzalez Schcolnik. Ross Miles gave the cash to a

1 Management Company employee and instructed the employee how to deposit the payment. For  
2 example, in connection with one of the payments, Ross Miles instructed the employee to deposit  
3 \$9,500 in cash to AEM 600, LLC (not AEM Mexico 600, LLC), because AEM Mexico 600,  
4 LLC had borrowed a significant amount of money from AEM 600, LLC (more than \$2.3  
5 million).

6 74. Although it received only \$155,000 in interest payments under the \$3.3M  
7 Note, AEM Mexico 600, LLC made a total of 95 payments to Investor X for approximately \$1.4  
8 million (some directly and some through AEMM). It made the first 65 of these payments, for  
9 almost \$1.1 million, before it had received any payment at all from RMV. The current available  
10 evidence reflects that payments to Investor X came from his own investment and from the loans  
11 made to AEM Mexico 600, LLC from the ten other Receivership Entities. Exhibit M (same as  
12 Jacobs Decl. Ex. R) details this series of transactions.

13 75. Exhibit N hereto consists of two charts that summarize this transaction.  
14 The first chart illustrates the way the transactions actually took place; the second illustrates how  
15 the transactions would look if they were done according to the representations contained in the  
16 Offering Materials.

17 76. In my opinion, the history of AEM Mexico 600, LLC exemplifies the  
18 extensive commingling among the Pools and the way that commingling allowed for unauthorized  
19 and arbitrary treatment favoring one individual or group over another. In the case of AEM 600,  
20 LLC, the commingling supported interest payments to one investor in connection with a non-  
21 performing Related Party loan over a long period of time at the expense of other investors in ten  
22 Pools. Given the extent of the borrowings, it is almost certain that some of the lender Pools were  
23 insolvent at the time of the transfers, and that some portion of the borrowed funds came directly  
24 from other investors. At the very least, it is clear that, as to his investment in AEM Mexico 600,  
25 LLC, Investor X benefited from the protective activity of the Management Company at the  
26 expense of other investors.

1                   **C. USE OF NEWLY INVESTED FUNDS TO PAY OTHER INVESTORS**

2                   77.     In at least three cases, interest payments to investors came directly from  
3 new investor funds.

4                   a.     Exhibit O hereto is a check detail from AEM Mexico 400, LLC  
5 showing activity from May 1, 2014 through June 18, 2014. On May 30, 2014, a deposit of  
6 \$50,750 was made by Investor A to AEM Mexico 400, LLC, representing a \$50,000 investment  
7 and \$750 in fees. (*See* Jacobs Decl. ¶ 34, at 12 & Ex. N.) The deposit of this check brought the  
8 balance of AEM Mexico 400, LLC’s account to \$61,824. Two entries over the next few days,  
9 including a \$39,000 loan from another Pool, bring the account balance to \$100,374 on June 4,  
10 2014, the day before investor payments were due. On June 5, \$93,900 was withdrawn from the  
11 account to make interest payments. Without the \$50,000 from Investor A, the account did not  
12 have sufficient funds to make the interest payments.

13                   b.     On September 2, 2016, a new investment of \$26,781 was made  
14 into AEM II, LLC by Investor B. These funds were transferred from Investor B’s IRA account  
15 into AEMM’s central bank account and were never deposited into AEM II, LLC. Instead, on  
16 September 2, 2016, a journal entry attached as Exhibit P hereto indicates that a Notes Payable  
17 entry was created to Investor B with the following memo: “[\*\*]3118 new account cash stayed in  
18 management account and was used by pool 600 to make investor payment on 9/5.” (*See* Ex. P.)  
19 Two further journal entries indicate that \$22,000 of Investor B’s funds was used to “pay back  
20 pool 600,” and \$4,781 was a “loan to pool 600.” But Investor B’s cash was used to make  
21 payments to investors in other Pools.

22                   c.     A third example showing that investor funds were used to pay  
23 other investors occurred in June 2017. Exhibit Q hereto includes a QuickBooks account detail  
24 for AEM 600, LLC showing that a \$30,450 investment (Investor C) was deposited into AEM  
25 600, LLC on May 25, 2017. On June 2, AEM 600, LLC loaned \$60,300 to other Pools,  
26 substantially all of which was used to make investor payments out of those Pools on June 5.

1 Also, on June 2, AEM 600, LLC received \$81,996 in deposits, consisting primarily of a \$50,000  
2 investment (Investor D) and a \$30,000 loan from AEI. By the end of the day on June 2, AEM  
3 600, LLC's account balance was \$163,894. On June 5, 2017, checks for \$160,655 were written  
4 from AEM 600, LLC's account to AEMM for the purpose of funding monthly payments to  
5 investors. The balance in the AEM 600, LLC bank account after the checks were written was  
6 \$3,639, effectively depleting the Pool's account. The new investments from Investors C and D  
7 were not used to purchase real estate contracts, but instead to fund transfers to other Pools and  
8 checks to AEMM for the purpose of making investor interest payments.

9 **D. SELF-DEALING**

10 78. Certain transactions illustrate a pattern of self-dealing on the part of the  
11 Management Company principals.

12 **1. Happy Valley Example**

13 79. AEI purchased contract 5682 on November 10, 2009, for \$100,000, less a  
14 holdback of the first 12 months of payments. (*See also* Barnett Decl. ¶¶ 21-25, at 7-8 & Ex. 11.)  
15 The contract had a 12% interest rate and was secured by a single-family home in Happy Valley,  
16 Oregon. At the expiration of the first year, the borrower made no payments on the contract. In  
17 February 2011 AEI sold the non-performing contract 5682 to AEM 600, LLC. The payoff quote  
18 in the file contains this handwritten note from Maureen Wile: "Please buy for \$110,538.99 in  
19 AEM 600. We will own this property soon & have a potential buyer. Should have a nice profit  
20 which will help with the bottom line." The purchase price included \$4,098 of unpaid interest  
21 accrued since November 10, 2010.

22 80. On September 26, 2011, the property was placed into REO status and,  
23 over time, AEM 600, LLC was charged for approximately \$20,000 in REO-associated costs such  
24 as legal fees, title fees, insurance, and contractor costs. On January 1, 2012, Maureen Wile's son  
25 Brian Wile purchased the REO for \$106,500. AEM 600, LLC paid the closing costs of  
26 approximately \$12,432, consisting primarily of unpaid property taxes, and suffered a loss on the



1 sale of approximately \$36,000. Brian Wile financed the entire purchase amount with a loan from  
 2 AEM 600, LLC at an interest rate of 9% per annum, but never made a single payment on this  
 3 loan.

4 81. Property tax records show that Brian Wile sold the property on March 21,  
 5 2014, for \$196,000, and that he paid \$111,825 to AEM 600, LLC on the same day to settle his  
 6 account. The total payoff amount at that time, however, including accrued interest of \$21,402  
 7 since January 1, 2012, was \$127,902. The discount to Brian Wile resulted in a further loss to  
 8 AEM 600, LLC of \$16,077. It thus appears that Brian Wile netted a profit in excess of \$80,000  
 9 from the transaction. Table 4 summarizes this transaction.

10 **Table 4: Happy Valley Contract 5682**

<b>Date</b>	<b>Description</b>	<b>Amount</b>	<b>Gain/(Loss)</b>
11 11/10/09	Contract purchased by AEI (not including holdback ~\$12,000)	\$88,364	
12 02/28/11	AEI sold non-performing contract to AEM 600	\$110,539	~(\$22,000) Loss to Pool
13 09/26/11	Property placed in REO Status		
14 01/01/12	Property value recorded in AEM 600 (incl. accrued interest)	~\$149,000	
15 01/01/12	Property "purchased" by Brian Wile (funded by AEM 600 @ 9% - no payments for 27 months)	\$106,500	~(\$42,000) Loss to Pool
16 03/25/14	Brian Wile interest due per payoff quote	\$21,402	
17 03/21/14	Brian Wile interest paid	\$5,325	~(\$16,000) Loss to Pool
18 03/21/14	Property sold by Brian Wile	\$196,000	
	<b>Gain by Brian Wile</b>		<b>~\$90,000</b>
	<b>Total Loss to Pool</b>		<b>&gt;(\$80,000)</b>

19 **2. Klamath Falls Example**

20 82. The Barnett Decl. in paragraphs 26-30, at pages 8-9, describes a  
 21 complicated situation dating from March 2007, in which AEM Mexico 300, LLC wrote a check  
 22 for \$82,317 to AEI to purchase a REO property located in Klamath Falls, Oregon, from an  
 23 investor. AEI paid the investor, and the investor quitclaimed the REO to AEI. (See Barnett  
 24 Decl. Ex. 12.) On March 15, 2007, Maureen Wile executed a promissory note and deed of trust  
 25 for the property from AEI to AEM Mexico 300, LLC. This deed was not notarized or recorded.  
 26 Instead, four days later on March 19, 2007, Maureen Wile executed a quitclaim deed from AEI

1 conveying 50% of the Klamath Falls property to herself and her husband, Robert Wile, and 50%  
2 to her son and daughter-in-law, Brian and Jenny Wile. The quitclaim deed was notarized and  
3 recorded.

4 83. Over time, the Wiles' debt to AEM Mexico 300, LLC was transferred to  
5 AEM 200, LLC and accumulated both interest and property expenses paid by the Pools on behalf  
6 of the Wiles, despite the fact that, for at least part of this period, Maureen Wile collected rent on  
7 the property and owned the property herself. By March 2011, the debt to AEM 200, LLC,  
8 including interest, was nearly \$182,000. A file note indicates that this obligation was to be  
9 increased to \$195,000 and split into two notes, one for \$100,000 and one for \$95,000. On this  
10 basis, a check for approximately \$13,000 was written from AEM 200, LLC to Maureen Wile.  
11 The new notes and deeds of trust, however, were not executed, and AEM 200, LLC still carries a  
12 note receivable on its balance sheet of \$152,409, reflecting the accumulated principal balance  
13 due.

14 **IX. INABILITY TO UNWIND UNITARY ENTERPRISE**

15 84. The complexity and extent of the commingling of assets among the Pools  
16 and Related Parties over an extended period of time renders any unwinding of their affairs  
17 extremely impractical, if not impossible.

18 85. Mr. Artley and I have found the Management Company documentation to  
19 be incomplete and unreliable. In many cases no transactional documentation exists. Many  
20 transactions were performed at the oral request of Ross Miles or Maureen Wile and recorded  
21 only as an accounting entry. Many records that did exist have been disposed of as part of the  
22 Management Company's records retention practices. The financial records we do have are not  
23 always accurate, do not comply with GAAP, and cannot always be relied upon. The financial  
24 records were never audited or reviewed by an independent auditing firm. I am also aware of  
25 mistaken entries and accounts that do not balance.  
26

1           86.     The unreliability of Management Company records is increased by  
2 evidence of backdating. Paragraphs 11 and 12, at pages 4-5, of the Barnett Decl. describe  
3 instances of backdating, including the information that Ross Miles and Wendi Hamann asked her  
4 to create promissory notes for previously undocumented loans from the Pools to Related Parties.

5           87.     Contracts tended to be overvalued from the outset and were transferred  
6 among the Pools at arbitrary prices for reasons that seem to reflect the need of cash on the part of  
7 the Management Company rather than any commercial purpose of the Pools. Meanwhile, the  
8 properties underlying transferred contracts were, in some instances, collateral for a bank loan and  
9 did not wholly belong to the AEM entity transferring the contract. Contract 5119, which we  
10 have used in previous examples, illustrates these statements.

11           88.     Table 5 collates the QuickBooks transfers of this contract from Table 2  
12 with the legal assignments from Table 3. Particularly notable is the period from September 7,  
13 2008, to September 15, 2010 (highlighted in the table), during which the contract was collateral  
14 for a loan from Riverview Bank and yet was sold back and forth among AEI and three Pools as if  
15 the contract were wholly owned by those entities. In at least one of these transfers, it appears  
16 that the sole reason for the sale was to enable AEI to take a fee. On September 10, 2008, AEI  
17 purchased the contract from AEM Mexico 300, LLC for \$62,500. Three weeks later, on October  
18 1, 2008, AEI sold the contract to AEM Mexico 400, LLC for \$70,839, pocketing \$8,339 – all  
19 while the contract remained assigned to Riverview Bank.

**Table 5: Summary of Contract 5119**

Assignment		Sale		Recorded	Title End.	Check amt
From	To	From	To			
3/29/2007	Stokes	AEI		4/11/2007		
3/29/2007	AEI	Riverview		4/11/2007		
8/29/2007		AEI	Mx 300			\$ 61,901
8/31/2007	Riverview	AEI				
10/17/2007	Riverview	AEI		11/5/2007		
10/31/2007	AEI	Mx 300		11/5/2007	Yes	
9/7/2008	Mx 300	Riverview		9/10/2008	Yes	
9/10/2008		Mx 300	AEI			\$ 62,500
10/1/2008		AEI	Mx 400			\$ 70,839
4/7/2009		Mx 400	Mx 500			Trf investors
4/2/2010		Mx 500	AEM 500			\$ 74,582
9/15/2010	Riverview	AEI		10/12/2010		
10/7/2010	AEI	AEM 500		10/12/2010	Yes	
5/6/2011		AEM 500	AEM 600			\$ 73,139
6/23/2011	AEM 500	AEM 600		6/29/2011	Yes	
6/24/2014		AEM 600	Mx 100			\$ 68,801
7/23/2014	AEM 600	Mx 100		8/8/2014		

89. In many cases, the Pools owned only a partial interest in the contracts or payment streams, or co-owned contracts with a bank or Related Party. These situations created even more complexity when different parts of a contract were transferred among various parties.

90. The Management Company's QuickBooks records contain numerous entries with no description to identify the source of deposited funds or the recipient and/or purpose of monies taken from the funds. For example, many transactions are labeled only "LOC" or "Transfer from LOC," presumably referring to a line of credit maintained by the Manager but containing no other indication of the source or destination of such funds. Exhibit R hereto contains the transaction record underlying a receivable from AEI to AEM Mexico 300, LLC of \$36,898. The report details the numerous loans and repayments that gave rise to this receivable, many of which involve movements in and out of the "LOC."

91. Other transactions were initiated orally and are not documented in any known records outside of the QuickBooks entry generated when the funds were transferred. For example, Exhibit S hereto, more fully described in paragraph 11, at page 4, of the Barnett Decl.,

1 is a handwritten note listing several loans from AEM 600, LLC to Related Parties that had no  
2 formal terms or documentation.

3 92. The sheer volume of loan transactions and the complexity of contract  
4 movements among the Pools is very significant and virtually impossible to trace. AEM 600,  
5 LLC alone made nearly 900 loans to other Pools. (See Jacobs Decl. ¶ 37, at 13.) Similarly,  
6 contracts and portions of contracts were bought and sold between the Pools multiple times, with  
7 unreliable transfer values, marked up sale prices, and opaque ownership histories. Considering  
8 the Manager’s record retention policy, the lack of contemporaneous documentation, the practice  
9 of creating backdated documents, and the lack of independent financial review, the prospects of  
10 disentangling the accounting become remote, if not impossible.

11 93. Even if disentanglement were possible, the resources, time, and cost to do  
12 so would be prohibitive and would significantly deplete the already compromised assets of the  
13 Pools’ receivership estates, leaving very little if anything for investors.

14 **X. EFFECT OF COMMINGLING AND MISMANAGEMENT ON INSOLVENCY**

15 94. The commingling of funds and contracts, and the making of loans to Pools  
16 and Related Parties, were not permitted under the terms of the Offering Materials, which provide  
17 (among other things) that “AEI shall not create obligations of the Company other than the  
18 obligations under the [investor] Notes and normal operations of the Company,” (Ex. G § 3.7, at  
19 7), and that AEI shall be responsible for “segregating Company Property and not allowing  
20 Company Property to be commingled with the funds or other assets of the Manager or any  
21 affiliate of the Manager, ” (Ex. F § 4.7(1), at 11).

22 95. Based on the testimony of Barbara Jacobs and on the examination by Mr.  
23 Artley and myself of company records, the Management Company has routinely commingled  
24 Pool funds and assets since at least 2006. Over time, the inter-pool borrowing increased as the  
25 financial condition of the Pools deteriorated and they became unable to make payments to  
26

1 investors from their own funds. As the insolvency of the Pools deepened, the loans became more  
2 pervasive.

3           96. Mr. Artley and I consider that several factors led to the Pools not having  
4 adequate capital to meet their obligations to investors. In some cases, especially when real estate  
5 values collapsed during the 2008 recession, assets lost value and contracts ceased to perform.  
6 Foreclosing on property takes time and expense, and funds that result from foreclosure are a  
7 return of capital and not properly available to make interest payments. The Pools did not  
8 maintain adequate reserves to cover for these situations, did not inform investors of any capital  
9 deficiencies, and, instead, misused funds from foreclosures, contract sales, and borrowings from  
10 other Pools to make payments under the investor notes. These practices depleted the asset base  
11 of the Pools without investor knowledge, and lulled investors into believing that the Pools were  
12 performing as expected.

13           97. We also believe that self-dealing on the part of the Management Company  
14 and its officers contributed to the Pools' growing insolvency. Self-dealing took various forms,  
15 typically that of causing the Pools to lend money to Related Parties, including Ross Miles,  
16 Maureen Wile, and their family members, with no provision for repayment and no apparent  
17 intention to repay. It also appears that, in some instances, the Management Company carried out  
18 sales of contracts or portions of contracts in order to collect fees on these transactions.

19           98. The many irregularities in their management, including failure to follow  
20 GAAP, the commingling of investor funds, and the making of loans and other transactions not  
21 authorized under the organizational documents, served to conceal the fact of their insolvency  
22 from the body of investors taken as a whole. As a group, investors were unaware that payments  
23 received by them under their investor notes may not have been from earnings on their  
24 investments, but from funds contributed by other investors.

25           99. Despite the Pools' cash flow issues, AEI continued to solicit new  
26 investors, used proceeds of the new investor notes to pay other, earlier investors, and

1 discouraged investors whose investments were maturing from taking payoffs. These practices  
2 have created significant inequity within the investor body that can only hope to be resolved  
3 through a consolidated enterprise.

4 **XI. CONCLUSION**

5 100. In my opinion, treating the Pools as separate entities would not represent  
6 the way they were actually operated for most, if not all, of their lives, when investor and Pool  
7 funds were routinely used throughout the organization for whatever purpose was necessary at the  
8 moment. Failing to consolidate the Pools now would randomly freeze the assets and liabilities  
9 wherever they happened to land when the Receivership began – like a game of musical chairs –  
10 and would lead to an arbitrary and inequitable treatment of the investor group as a whole.

11 I declare under penalty of perjury under the laws of the State of Washington that  
12 the foregoing is true and correct.

13 EXECUTED this 15<sup>th</sup> day of October, 2019, at Sacramento, California

14  
15   
16 Michael G. Ueltzen

**EXHIBIT A**



# **Michael G. Ueltzen, CPA/CFF, CFE**

[muelzen@uelzenconsulting.com](mailto:muelzen@uelzenconsulting.com)

916-333-2793

## **PROFESSIONAL CREDENTIALS AND CERTIFICATIONS**

- Certified Public Accountant (CPA) - licensed in California, Nevada, and New York with practice privileges in other states
- Certified in Financial Forensics (CFF) - American Institute of Certified Public Accountants
- Certified Fraud Examiner (CFE) - Association of Certified Fraud Examiners

## **EMPLOYMENT HISTORY:**

**Independent Consultant - Forensic Accountant (2018 - Present)**

**University of California at Davis, Graduate School of Management - Adjunct Faculty (2015 - Present)**

**EisnerAmper LLP - Forensic Accounting, Partner (2015 - 2018)**

**Ueltzen & Company, LLP - Forensic Accounting, Partner (1997 - 2015)**

**John Waddell & Co. - Managing Director (1977 - 1997)**

**Peat, Marwick, Mitchell and Company, CPAs - Audit Supervisor (1970 - 1977)**

## **PROFESSIONAL AND BUSINESS AFFILIATIONS:**

American Institute of Certified Public Accountants

AICPA Sustained Contribution Award (2011) and AICPA Forensic and Litigation Services Committee Volunteer of the Year (2003)

Chair and Commissioner - National Accreditation Commission (2011 - 2018)

Chair of the Certified in Financial Forensics Credential Committee (2008 - 2011)

Chair of the Forensic and Valuation Services (FVS) Executive Committee (2004 - 2007)

Member of the AICPA Council (the governing body) (1992 - 1999)

Member on national committees dealing with regulatory affairs and professional standards, including the National Steering Committee on Regulation of the Profession, Special Committee on Interstate Mobility, Committees on Relations with the Judiciary, Forensic and Litigation Services, Relations with the Bar, State Legislation, and two Professional Ethics Committee Task Forces

## Michael G. Ueltzen, CPA/CFF, CFE

### California Society of Certified Public Accountants

Distinguished Service Award (2002)

President (1996 - 1997) and prior service as Vice President and Treasurer

Chair of the Accounting Principles and Auditing Standards, California Bankers Liaison, Forensic and Litigation Services, Government Relations, Professional Conduct, and Finance Committees

Member of the Executive Committee and Board of Directors

National Judicial College (1993 - 2005) and Federal Judicial Center (1993 - 2002)  
Faculty Member

California Board of Accountancy

Ethics Curriculum Committee (Governor's Appointment) (2010-2012)

### CIVIC ACTIVITIES

Broadway Sacramento and the related Foundation - Member of the Board of Directors, Finance Committee, and Audit Committee (2015 - Present)

The California Museum - Member of the Board of Directors, Chair of the Finance and Audit Committee (2015 - Present)

The California State Library Foundation - Treasurer and Member of the Board of Trustees (2019 to Present)

BloodSource Board of Trustees - President (2002 - 2004 and 1990 - 1992), Member of the Executive Committee and other leadership positions (1985 - 1993 and 1999 - 2010)

Accounting Advisory Council, California State University, Sacramento (1992 - 2006)

### EDUCATION

Master of Business Administration, California State University, Sacramento - June 1970

Bachelor of Science Degree with Honors in Accounting, California State University, Sacramento - June 1969; awarded membership in the Honor Fraternities Phi Kappa Phi, Beta Gamma Sigma, and Beta Alpha Psi (President)

**Michael G. Ueltzen**  
**Prior Expert Testimony**

VSP Labs, Inc. v. Pro Fit Optix, Inc., et al. (2018)

Superior Court of California, County of Sacramento  
Damages from Breach of Contract, Fraud Claims, Deposition, Pending  
Retained by Downey Brand

Asbury Heights, LLC v. Bede, LLC et al. (2018)

Superior Court of California, County of San Francisco  
Damages from Breach of Contract. Deposition and Trial  
Retained by BraunHagey & Borden, LLP

Fermin Campos Farms, Inc., et al. v. Antonio Campos, et al. (2009 – 2017)

Arbitration Pursuant to Partnership Agreement  
Special Accounting of Farming Operations, Reports, Mediator, Referee, Recommendations  
Arbitrator Appointed Neutral Accountant – Justice Nicholas Dibiaso (retired)

Adams Financial Concepts, LLC et al. v. Patke & Associates, Ltd. (2017)

United States District Court, Western District of Washington at Seattle  
Analysis of Hedge Fund Transactions and Professional Standard of Care. Report, Settled  
Retained by Preg O'Donnell

Simon Conway et al. as Joint Official Liquidators of the AJW Offshore, LTD v. Marcum & Kliegman (2017)

Supreme Court of the State of New York, County of New York  
Analysis of Hedge Fund Transactions and Professional Standard of Care. Reports, Pending  
Retained by L'Abbate, Balkan, Colavita & Contini, LLP

Peak Completion Technologies, Inc. v. Johnson, Miller & Co. et al. (2017)

American Arbitration Association  
Analysis of claimed shareholder fraudulent transfers and Professional Standards of Care. Reports,  
Settled  
Retained by Thompson, Coe, Cousins, & Irons, LLP

Paul Favero et al. v James Johnson, Gillott Ranches, et al. (2017)

Superior Court of California, County of Colusa  
Analysis of invested funds in a ranching operation, Deposition, Trial  
Retained by Donald Heller

MCA, LLC v. Christine Mendoza (2017)

Superior Court of California, County of Sacramento  
Accounting for the Operations of a Montessori School Partnership, Report to the Court  
Court Appointed Referee

In re Breast Cancer Prevention Fund (2017)

United States Bankruptcy Court, Western District of Washington at Seattle  
Analysis of Bankruptcy Creditor Claims, Expert Declaration, Settled  
Retained by Preg O'Donnell

United States of America v. Andrew Katakis (2016)

United States District Court, Eastern District of California  
Criminal Anti-trust, Bid Rigging, and Mail Fraud. Trial  
Retained by Kecker, Van Nest & Peters

**Michael G. Ueltzen**  
**Prior Expert Testimony**

Page 2

Nancy James, as Trustee for the Breast Cancer Prevention Fund v. James Paton et al. (2016)

United States District Court, Western District Court of Washington  
Analysis of Non-Profit Organization, Professional Standards and, Damage Claims, Reports and  
Declarations, Settled  
Retained by Preg O'Donnell

In Re: The Bennett Family Trust – 1989 (2011 – 2016)

Superior Court of the State of California, County of Tulare  
Special Accounting for Farming Operations. Reports to the Court  
Court Appointed Referee

Dr. Hasso Plattner, et al. v. XS Ranch Fund VI, LP, et al. (2016)

JAMS Arbitration  
Real Estate Partnership Accounting Claims. Report, Deposition, Trial  
Retained by Chiarelli & Mollica LLP

The Morningstar Packing Company, et al. v. SK Foods, L.P. et al. (2015)

United States District Court, Eastern District of California  
Bribery and Anti-Trust Claims. Report, Deposition, Pending  
Retained by Morgan Lewis and Farmer Brownstein Jaeger

Ali Kia Shabahangi, et al. v. Nader Shabahangi, et al. (2015)

Superior Court of the State of California, County of San Francisco  
Partnership and Purchase Agreement Dispute. Deposition, Trial  
Retained by Bartlett, Leader-Picone & Young, LLP

Douglas A. Kelly, as Trustee of Petters Company v. Eide Bailly, LLP (2015)

American Arbitration Association  
Accounting for Ponzi Scheme; Professional Standards. Report, Trial  
Retained by Moss & Barnett, A Professional Association

General Charles E. Yeager (Ret.) v. Wild, Carter & Tipton, et al. (2015)

Superior Court of the State of California, County of San Francisco  
Accounting for Trust Funds and Pension Plan Assets. Trial  
Retained by Nemecek & Cole

The Cuyahoga Heights Location School District v. Rea & Associates, Inc. (2015)

Pleas Court, Cuyahoga County, Ohio  
Embezzlement Claims, Professional Standard of Care, and Damages. Report, Settled  
Retained by Nicola, Gudbranson & Cooper, LLC

James River Holdings Corporation v. Anton & Chia (2015)

JAMS Arbitration  
Professional Standards and Damages. Report, Trial  
Retained by Morris, Polich & Purdy, LLP

**Michael G. Ueltzen**  
**Prior Expert Testimony**

Page 3

Rexford Pico, et al. v. Ocean Park Hotels, et al. (2015)

Superior Court of the State of California, County of Los Angeles  
Accounting for a Real Estate Partnership. Deposition, Trial  
Retained by Van Etten, Suzumoto & Sipprelle, LLP

Tim L. Collins v. Apple Growth Partners, Inc., et al. (2015)

Pleas Court, Cuyahoga County, Ohio  
Analysis of Inventory Accounting Issues and Professional Standard of Care. Report, Settled  
Retained by Nicola, Gudbranson & Cooper, LLC

In Re: James Zazzali v. Eide Bailly, LLP (2014)

United States District Court, District of Idaho  
Analysis Real Estate Transactions and Professional Standard of Care. Report, Deposition, Settled  
Retained by Moss & Barnett, a Professional Association

John DeLollis, et al. v. Margolin, Winer & Evens, LLP (2014)

Supreme Court of the State of New York, County of Nausau  
Analysis of Hedge Fund Transactions and Professional Standard of Care. Report, Settled  
Retained by L'Abbate, Balkan, Colavita & Contini, LLP

P. Kellie Brimberry v. Fiduciary Trust Company International, et al. (2014)

Superior Court of the State of California, County of Los Angeles  
Tracing of Funds. Declaration, Settled  
Retained by Gibson, Dunn & Crutcher, LLP

JoAnn Greenway, et al. v. Thomas G. Donovan (2014)

Superior Court of the State of California, County of Orange  
Analysis of Professional Standards. Deposition, Settled  
Retained by Sedgwick, LLP

P. Kellie Brimberry v. The Northwestern Mutual Life Insurance Company (2014)

United States District Court, Central District of California  
Tracing of Funds. Report, Deposition, Dismissed  
Retained by Gibson, Dunn & Crutcher, LLP

Clare E. Flagg Trust, et al. v. James Flagg, et al. (2014)

Arbitration Reference to JAMS  
Accounting for Trust Funds and Partnership Accounting. Reports, Trial  
Retained by Willoughby, Stuart & Bening

Theodore H. D. Jones, et al. v. Armanino LLP (2014)

Superior Court of the State of California, County of Alameda  
Analysis of Professional Standards. Declaration, Settled  
Retained by Goodman, Neuman, Hamilton, LLP

**Michael G. Ueltzen**  
**Prior Expert Testimony**

Page 4

Jason Campbell, et al. v. PricewaterhouseCoopers, LLP (2014)

United States District Court, Eastern District of California  
Analysis of Professional Standards. Declaration, Depositions, Reports, Settled  
Retained by Kershaw, Cutter & Ratinoff, LLP

George Fiegl and Silicon Valley Technology Group v. Reimer Stuckenbrock, et al. (2013)

Superior Court of the State of California, County of Santa Clara  
Accounting for Fraudulent Transactions. Trial  
Retained by Baker and McKenzie

Ibrim Toma v. Harnam Singh (2013)

Superior Court of the State of California, County of Stanislaus  
Accounting for Claims of Fraud. Deposition, Trial  
Retained by Hansen, Kohls, Sommer & Jacob

City of Dixon v. Janis Card Company, LLC, et al. (2013)

Circuit Court of the 15<sup>th</sup> Judicial District, Lee County, State of Illinois  
Analysis of Professional Standards. Declaration, Settled  
Retained by Moss & Barnett, A Professional Association

Robyn Fenty and Tourihanna, LLC v. Berdon, LLP, et al. (2013)

United States District Court, Southern District of New York  
Accounting for Personal Transactions and Professional Standard of Care. Report, Settled  
Retained by Wilson, Elser, Moskowitz, Edelman & Dicker LLP

Emergency Physicians Insurance Company v. Albright, Persing & Associates, Ltd. (2013)

Second Judicial District Court, State of Nevada, County of Washoe  
Accounting for Insurance Company Transactions, Professional Standard of Care, and Damages for the  
Defendant. Report, Deposition, Trial  
Retained by Wild, Carey & Fife

Thomas G. Atwood, et al. v. Scott G. Bates, et al. (2008-2013)

Superior Court of the State of California, County of Nevada  
Real Estate Partnerships Accountings for the Plaintiff. Deposition, Trial  
Retained by Porter Simon

L.M. Scofield Company v. Windes & McLaughry Accountancy Corporation (2013)

Superior Court of the State of California, County of Los Angeles  
Professional Standards and Damages for the Defendant. Deposition, Settled  
Retained by Chapman Glucksman Dean Roeb & Barger

Southwest Mezzanine Investments II, L.P. v. Weaver and Tidwell, L.L.P. (2013)

67<sup>th</sup> Judicial District of Tarrant County, Texas  
Analysis of Damages for the Defendant. Report, Deposition, Trial  
Retained by Wilson, Elser, Moskowitz, Edelman & Dicker LLP

**EXHIBIT B**

## ***Paul Artley, CPA, CFE, CAMS***

**Professional:** **VAND Group LLC** 2017-present. Founding partner for a Firm that emphasizes computer forensics, eDiscovery and fact-finding in support of complex litigation or referral for prosecution. Representative clients include law firms, state and local government, high-tech firms, aircraft manufacturers, financial institutions and school districts. Cases have included investigation of fraud, theft of intellectual property, computer crimes, employee misconduct, sexual harassment, environmental litigation and defense of complex fraud. Extensive experience in analyzing and reviewing complex financial fraud.

**Federal Bureau of Investigation (FBI)** 1995-2017. Special Agent conducting and overseeing numerous cases involving Complex Financial Crimes, as noted below. Served as affiant in numerous search, seizure, and arrest warrants including Title III Affidavits. Relief Supervisor-15+ years, Employee Assistance Program (EAP) Coordinator, Recruitment/Assessor, Suspicious Activity Report (SAR) Review Team, Crisis Negotiation Team (CNT), Evidence Response Team (ERT), SWAT.

FBI Case Agent in numerous joint agency investigations including IRS-CI, FHFA, OIG, SIGTARP, FDIC and HUD. Some of those investigations included:

*-Business Email Compromise* - Subject(s) compromised legitimate business email accounts through social engineering to conduct unauthorized transfer of funds.

*-Bank Investigation* - Multibillion-dollar civil settlement regarding misrepresentations of Residential Mortgage Backed Securities (RMBS) by a national financial institution.

*-Bank Fraud* - Subject conspired with others to falsify documents provided to banks and launder proceeds through legitimate enterprises resulting in bank losses in millions of dollars.

*-Ponzi Scheme* - Subject operated a Ponzi Scheme for over a decade receiving more than \$250 million. Subject concealed scheme through a legitimate business. Losses exceeded \$100 million. Subject pled guilty and sentenced to 20 years. Successful seizure of millions of dollars.

*-RICO/Bribery/Money Laundering/Anti-Trust* - Subject owned an international food processor which paid bribes to purchasing managers of major food manufacturers and conspired with competitors to fix prices and falsify food labels of its products. Affiant for wiretap affidavits III uncovered methods to conceal crimes from bankers and external auditors. Sentenced 11 individuals with offenses including RICO, money laundering and anti-trust. Millions in assets seized.

*-Loan Fraud* - Subject operated a real estate and mortgage lending business in which he conspired with real estate agents, mortgage lenders, and appraisers to purchase and flip properties using stolen identities. Five subjects sentenced with offenses including money laundering, mail and wire fraud.

*-Money Laundering* - Subject operated an illegal gambling ring in which tens of millions were laundered through a front Money Service Business (MSB) and sent overseas. Forfeitures obtained from correspondent banks.

**Automotive Group** 1994-1995. Controller and Financial Officer of entity which owned auto dealerships and leasing/rental companies. Oversaw and directed all aspects of the financial accounting, review and preparation of financial statements. Instituted policies and procedures for internal controls and required compliance and regulatory requirements. Supervised and directed accounting department staff.



***Paul Artley, CPA, CFE***  
***(continued)***

***Professional  
(continued):***

**Plante Moran** 1990-1994. Certified Public Accountant (CPA) in Detroit area office. Conducted compilations, reviews and audits for numerous private and public entities. Oversaw client engagements and responsibilities for staffing, budgets and coordination of work. Participated in engagements for the Resolution Trust Corporation (RTC), involving the auditing and closure of banks taken over by the RTC. Prepared financial statements and tax returns for individuals and business entities.

***Education:*** Bachelor of Accounting-University of Michigan, 1990

***Affiliations:*** Certified Public Accountant (CPA)-Michigan (Registered status).  
Member of the Association of Certified Fraud Examiners (CFE).  
Member of the Association of Certified Anti-Money Laundering Specialists (ACAMS).

***Testimony:*** Provided sworn testimony on approximately twenty-five (25) occasions in the capacity as a Special Agent of the FBI before Federal Courts and State Courts, involving trials, hearings, and grand juries.

***Specialized  
Training:***

FBI Academy, Quantico, VA, Special Agent training including courses in White-Collar Crime.

Advanced White-Collar Crime courses during tenure with the FBI.

FBI Computer Forensic/Data Extraction class and certification.

FBI Training for CPAs.

FBI Training for Financial Crimes Enforcement Network (FinCEN).

Trainer to law enforcement and private entities on how criminals conceal, disguise and launder criminally derived proceeds through the financial system.

FBI presentations to public and private entities including banking institutions regarding money laundering and methods to detect, prevent and report such activities.

Guest lecturer at numerous colleges and universities including the University of California Davis Master's in Accounting program.

**EXHIBIT C**

**EXHIBIT F**

THIS NOTE HAS BEEN ACQUIRED FOR INVESTMENT AND HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933 OR ANY STATE SECURITIES LAWS. SUCH SECURITIES MAY NOT BE SOLD OR TRANSFERRED IN THE ABSENCE OF SUCH REGISTRATION OR AN EXEMPTION THEREFROM UNDER SAID ACT AND ANY APPLICABLE STATE SECURITIES LAWS.

**NON-NEGOTIABLE  
PROMISSORY NOTE**

\$ \_\_\_\_\_, 2007

This Promissory Note (the "Note") is issued to \_\_\_\_\_ ("Owner") at \_\_\_\_\_ in connection with a Confidential Private Placement Disclosure Document (the "Disclosure Document") dated August 10, 2007, prepared by American Eagle Mortgage Mexico 400, LLC, a Washington limited liability company ("Company"). In the Disclosure Document, the Company offers to borrow money from Owner and in exchange for the loan, issue a Note and also a corresponding Ownership Interest in Company. Capitalized terms in this Note not otherwise defined shall have the meanings given to them in the Disclosure Document.

THEREFORE, FOR VALUE RECEIVED, Company promises to pay to the order of Owner, at the address stated above or such other place as may be designated from time to time in writing by the Owner, the principal sum of \_\_\_\_\_ Dollars (\$ \_\_\_\_\_) as adjusted pursuant to Section 2 below in lawful money of the United States of America, plus interest at the rate of eight percent (8%) per annum (the "Note Rate") until paid in full. Interest shall be calculated on the basis of a 360-day year and the actual number of days elapsed.

**1. Payment Terms.** Principal and interest under this Note shall be due and payable as follows:

(a) Interest shall be paid monthly in arrears, on the first day of each calendar month, commencing on the Note date specified above, and the Company may in its discretion make periodic monthly principal payments.

(b) The entire unpaid principal balance, together with all accrued but unpaid interest on this Note, shall be due and payable \_\_\_\_\_, 2012. Owner understands and agrees that in the event Owner has a negative capital account in the Company on the date the balloon payment is due, the balance in the negative capital account shall be a debt owing by Owner to the Company and shall be offset against the principal balance owing to Owner on this Note, and such offset shall not be a default of this Note.

(c) Owner understands that it will incur an expense for servicing the Receivables and Notes of the Company in the form of a monthly Base Fee payment to the Manager. The Company will debit Owner's proportionate share of the monthly Base Fee to Owner's account prior to paying the monthly payment and the monthly payment shall be reduced by the expense charged to Owner.

2. **Principal Adjustments.** Pursuant to the Disclosure Document, Owner may elect, on a monthly or continuous basis, upon written notice to the Manager, to make a Reinvestment to the Company. Owner shall make such election by delivering to the Manager a written instruction upon execution of the Note, specifying the duration and amount of the Owner's desired Reinvestment. The Owner may on July 1 and December 31 of each year withdraw or change a Reinvestment election by written instruction to the Manager. To be effective, a Reinvestment instruction or change of instruction must be received by the Manager sixty (60) days prior to such date. The principal balance of this Note shall be increased by the Net Reinvestment.

3. **Application of Payments.** All payments on this Note shall be applied first to the payment of interest accruing hereon, and then to principal. The unpaid principal balance of this Note shall continue to bear interest until and including the date of collection.

4. **Prepayment.** This Note may be prepaid in whole or in part at any time without penalty. Any prepayment by the Company following a request for prepayment made by Owner shall be subject to the Prepayment Fee.

5. **Default.** If Company fails to make any payment required hereunder within ten (10) days of written notice of default (the "Grace Period"), such failure shall constitute an event of default (an "Event of Default"). Upon the occurrence of an Event of Default, the entire unpaid principal balance of and all unpaid accrued interest on this Note may become immediately due and payable at Owner's option and without further notice. Owner's failure to exercise such option or any other remedy provided herein, shall not constitute a waiver of the right to do so upon the occurrence of any subsequent Event of Default.

6. **Costs of Enforcement.** If suit or action is instituted to enforce this Note, the prevailing party shall be entitled to recover from the losing party all costs thereof, including reasonable attorneys' fees and costs of litigation. All such costs and attorneys' fees shall include, without limitation, those incurred on any appeal or review and in any proceeding under any present or future bankruptcy or similar act or state receivership.

7. **Interest Limitation.** Interest, fees and charges collected or to be collected in connection with the indebtedness evidenced by this Note shall not exceed the maximum, if any, permitted by applicable law. If any such law is interpreted so that any such interest, fees, or charges would exceed any such maximum and if Company is entitled to the benefit of such law, then (a) such interest, fees, or charges shall be reduced to the permitted maximum and (b) any sums already collected from Company which exceed the permitted maximum shall be refunded. Owner may elect to make any such refund either by treating the payments, to the extent of the excess, as payments of principal (without application of any prepayment fee) or by making a direct payment to Company.

8. **No Assignment.** This Note may not be conveyed, assigned or sold by Owner without the consent of the Company, which may or may not be granted in the Company's sole discretion, as set forth in the Company's Limited Liability Company Agreement.

9. **Waiver.** Company hereby waives presentment, demand for payment, notice of dishonor, protest, and notice of protest.

10. **Notices.** Any notice to Company under this Note shall be in writing and shall be deemed given when delivered by personal service or three business days after placement in the U.S. Mails, certified or registered mail, postage prepaid, addressed to the Company's Manager at American Equities, Inc., 4225 NE St. James Road, Vancouver, WA 98663, or such other address as Company may designate by written notice to Owner. Any notice to Owner under this Note shall be in writing and shall be deemed given three business days after placement in the U.S. Mails, certified or registered mail, postage prepaid, addressed to Owner at the address set forth in the first paragraph of this Note, or such other address as Owner may designate by written notice to Company.

11. **Modifications.** Any modifications to this Note must be set forth in a writing which, to the extent enforcement thereof may be sought against Owner, must be executed by Owner.

12. **Governing Law.** This Note shall be governed by and construed and enforced in accordance with the laws of the State of Washington.

AMERICAN EAGLE MORTGAGE MEXICO 400, LLC

By: American Equities, Inc., Manager

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

## EXHIBIT G

THIS NOTE HAS BEEN ACQUIRED FOR INVESTMENT AND HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933 OR ANY STATE SECURITIES LAWS. SUCH SECURITIES MAY NOT BE SOLD OR TRANSFERRED IN THE ABSENCE OF SUCH REGISTRATION OR AN EXEMPTION THEREFROM UNDER SAID ACT AND ANY APPLICABLE STATE SECURITIES LAWS.

### NON-NEGOTIABLE PROMISSORY NOTE

\$ \_\_\_\_\_, 2007

This Promissory Note (the "Note") is issued to \_\_\_\_\_ ("Owner") at \_\_\_\_\_ in connection with a Confidential Private Placement Disclosure Document (the "Disclosure Document") dated August 10, 2007, prepared by American Eagle Mortgage Mexico 400, LLC, a Washington limited liability company ("Company"). In the Disclosure Document, the Company offers to borrow money from Owner and in exchange for the loan, issue a Note and also a corresponding Ownership Interest in Company. Capitalized terms in this Note not otherwise defined shall have the meanings given to them in the Disclosure Document.

THEREFORE, FOR VALUE RECEIVED, Company promises to pay to the order of Owner, at the address stated above or such other place as may be designated from time to time in writing by the Owner, the principal sum of \_\_\_\_\_ Dollars (\$ \_\_\_\_\_) as adjusted pursuant to Section 2 below in lawful money of the United States of America, plus interest at the rate of nine percent (9%) per annum (the "Note Rate") until paid in full. Interest shall be calculated on the basis of a 360-day year and the actual number of days elapsed.

**1. Payment Terms.** Principal and interest under this Note shall be due and payable as follows:

(a) Interest shall be paid monthly in arrears, on the first day of each calendar month, commencing on the Note date specified above, and the Company may in its discretion make periodic monthly principal payments.

(b) The entire unpaid principal balance, together with all accrued but unpaid interest on this Note, shall be due and payable \_\_\_\_\_, 2017. Owner understands and agrees that in the event Owner has a negative capital account in the Company on the date the balloon payment is due, the balance in the negative capital account shall be a debt owing by Owner to the Company and shall be offset against the principal balance owing to Owner on this Note, and such offset shall not be a default of this Note.

(c) Owner understands that it will incur an expense for servicing the Receivables and Notes of the Company in the form of a monthly Base Fee payment to the Manager. The Company will debit Owner's proportionate share of the monthly Base Fee to Owner's account prior to paying the monthly payment and the monthly payment shall be reduced by the expense charged to Owner.

2. **Principal Adjustments.** Pursuant to the Disclosure Document, Owner may elect, on a monthly or continuous basis, upon written notice to the Manager, to make a Reinvestment to the Company. Owner shall make such election by delivering to the Manager a written instruction upon execution of the Note, specifying the duration and amount of the Owner's desired Reinvestment. The Owner may on July 1 and December 31 of each year withdraw or change a Reinvestment election by written instruction to the Manager. To be effective, a Reinvestment instruction or change of instruction must be received by the Manager sixty (60) days prior to such date. The principal balance of this Note shall be increased by the Net Reinvestment.

3. **Application of Payments.** All payments on this Note shall be applied first to the payment of interest accruing hereon, and then to principal. The unpaid principal balance of this Note shall continue to bear interest until and including the date of collection.

4. **Prepayment.** This Note may be prepaid in whole or in part at any time without penalty. Any prepayment by the Company following a request for prepayment made by Owner shall be subject to the Prepayment Fee.

5. **Default.** If Company fails to make any payment required hereunder within ten (10) days of written notice of default (the "Grace Period"), such failure shall constitute an event of default (an "Event of Default"). Upon the occurrence of an Event of Default, the entire unpaid principal balance of and all unpaid accrued interest on this Note may become immediately due and payable at Owner's option and without further notice. Owner's failure to exercise such option or any other remedy provided herein, shall not constitute a waiver of the right to do so upon the occurrence of any subsequent Event of Default.

6. **Costs of Enforcement.** If suit or action is instituted to enforce this Note, the prevailing party shall be entitled to recover from the losing party all costs thereof, including reasonable attorneys' fees and costs of litigation. All such costs and attorneys' fees shall include, without limitation, those incurred on any appeal or review and in any proceeding under any present or future bankruptcy or similar act or state receivership.

7. **Interest Limitation.** Interest, fees and charges collected or to be collected in connection with the indebtedness evidenced by this Note shall not exceed the maximum, if any, permitted by applicable law. If any such law is interpreted so that any such interest, fees, or charges would exceed any such maximum and if Company is entitled to the benefit of such law, then (a) such interest, fees, or charges shall be reduced to the permitted maximum and (b) any sums already collected from Company which exceed the permitted maximum shall be refunded. Owner may elect to make any such refund either by treating the payments, to the extent of the excess, as payments of principal (without application of any prepayment fee) or by making a direct payment to Company.

8. **No Assignment.** This Note may not be conveyed, assigned or sold by Owner without the consent of the Company, which may or may not be granted in the Company's sole discretion, as set forth in the Company's Limited Liability Company Agreement.

9. **Waiver.** Company hereby waives presentment, demand for payment, notice of dishonor, protest, and notice of protest.

10. **Notices.** Any notice to Company under this Note shall be in writing and shall be deemed given when delivered by personal service or three business days after placement in the U.S. Mails, certified or registered mail, postage prepaid, addressed to the Company Manager at American Equities, Inc., 4225 NE St. James Road, Vancouver, WA 98663, or such other address as Company may designate by written notice to Owner. Any notice to Owner under this Note shall be in writing and shall be deemed given three business days after placement in the U.S. Mails, certified or registered mail, postage prepaid, addressed to Owner at the address set forth in the first paragraph of this Note, or such other address as Owner may designate by written notice to Company.

11. **Modifications.** Any modifications to this Note must be set forth in a writing which, to the extent enforcement thereof may be sought against Owner, must be executed by Owner.

12. **Governing Law.** This Note shall be governed by and construed and enforced in accordance with the laws of the State of Washington.

AMERICAN EAGLE MORTGAGE MEXICO 400, LLC

By: American Equities, Inc., Manager

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



**EXHIBIT H**

THIS NOTE HAS BEEN ACQUIRED FOR INVESTMENT AND HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933 OR ANY STATE SECURITIES LAWS. SUCH SECURITIES MAY NOT BE SOLD OR TRANSFERRED IN THE ABSENCE OF SUCH REGISTRATION OR AN EXEMPTION THEREFROM UNDER SAID ACT AND ANY APPLICABLE STATE SECURITIES LAWS.

**NON-NEGOTIABLE  
PROMISSORY NOTE**

\$ \_\_\_\_\_, 2007

This Promissory Note (the "Note") is issued to \_\_\_\_\_ ("Owner") at \_\_\_\_\_ in connection with a Confidential Private Placement Disclosure Document (the "Disclosure Document") dated August 10, 2007, prepared by American Eagle Mortgage Mexico 400, LLC, a Washington limited liability company ("Company"). In the Disclosure Document, the Company offers to borrow money from Owner and in exchange for the loan, issue a Note and also a corresponding Ownership Interest in Company. Capitalized terms in this Note not otherwise defined shall have the meanings given to them in the Disclosure Document.

THEREFORE, FOR VALUE RECEIVED, Company promises to pay to the order of Owner, at the address stated above or such other place as may be designated from time to time in writing by the Owner, the principal sum of \_\_\_\_\_ Dollars (\$ \_\_\_\_\_) as adjusted pursuant to Section 2 below in lawful money of the United States of America, plus interest at the rate of ten percent (10%) per annum (the "Note Rate") until paid in full. Interest shall be calculated on the basis of a 360-day year and the actual number of days elapsed.

**1. Payment Terms.** Principal and interest under this Note shall be due and payable as follows:

(a) Interest shall be paid monthly in arrears, on the first day of each calendar month, commencing on the Note date specified above, and the Company may in its discretion make periodic monthly principal payments.

(b) The entire unpaid principal balance, together with all accrued but unpaid interest on this Note, shall be due and payable \_\_\_\_\_, 2022. Owner understands and agrees that in the event Owner has a negative capital account in the Company on the date the balloon payment is due, the balance in the negative capital account shall be a debt owing by Owner to the Company and shall be offset against the principal balance owing to Owner on this Note, and such offset shall not be a default of this Note.

(c) Owner understands that it will incur an expense for servicing the Receivables and Notes of the Company in the form of a monthly Base Fee payment to the Manager. The Company will debit Owner's proportionate share of the monthly Base Fee to Owner's account prior to paying the monthly payment and the monthly payment shall be reduced by the expense charged to Owner.

**2. Principal Adjustments.** Pursuant to the Disclosure Document, Owner may elect, on a monthly or continuous basis, upon written notice to the Manager, to make a Reinvestment to the Company. Owner shall make such election by delivering to the Manager a written instruction upon execution of the Note, specifying the duration and amount of the Owner's desired Reinvestment. The Owner may on July 1 and December 31 of each year withdraw or change a Reinvestment election by written instruction to the Manager. To be effective, a Reinvestment instruction or change of instruction must be received by the Manager sixty (60) days prior to such date. The principal balance of this Note shall be increased by the Net Reinvestment.

**3. Application of Payments.** All payments on this Note shall be applied first to the payment of interest accruing hereon, and then to principal. The unpaid principal balance of this Note shall continue to bear interest until and including the date of collection.

**4. Prepayment.** This Note may be prepaid in whole or in part at any time without penalty. Any prepayment by the Company following a request for prepayment made by Owner shall be subject to the Prepayment Fee.

**5. Default.** If Company fails to make any payment required hereunder within ten (10) days of written notice of default (the "Grace Period"), such failure shall constitute an event of default (an "Event of Default"). Upon the occurrence of an Event of Default, the entire unpaid principal balance of and all unpaid accrued interest on this Note may become immediately due and payable at Owner's option and without further notice. Owner's failure to exercise such option or any other remedy provided herein, shall not constitute a waiver of the right to do so upon the occurrence of any subsequent Event of Default.

**6. Costs of Enforcement.** If suit or action is instituted to enforce this Note, the prevailing party shall be entitled to recover from the losing party all costs thereof, including reasonable attorneys' fees and costs of litigation. All such costs and attorneys' fees shall include, without limitation, those incurred on any appeal or review and in any proceeding under any present or future bankruptcy or similar act or state receivership.

**7. Interest Limitation.** Interest, fees and charges collected or to be collected in connection with the indebtedness evidenced by this Note shall not exceed the maximum, if any, permitted by applicable law. If any such law is interpreted so that any such interest, fees, or charges would exceed any such maximum and if Company is entitled to the benefit of such law, then (a) such interest, fees, or charges shall be reduced to the permitted maximum and (b) any sums already collected from Company which exceed the permitted maximum shall be refunded. Owner may elect to make any such refund either by treating the payments, to the extent of the excess, as payments of principal (without application of any prepayment fee) or by making a direct payment to Company.

8. **No Assignment.** This Note may not be conveyed, assigned or sold by Owner without the consent of the Company, which may or may not be granted in the Company's sole discretion, as set forth in the Company's Limited Liability Company Agreement.

9. **Waiver.** Company hereby waives presentment, demand for payment, notice of dishonor, protest, and notice of protest.

10. **Notices.** Any notice to Company under this Note shall be in writing and shall be deemed given when delivered by personal service or three business days after placement in the U.S. Mails, certified or registered mail, postage prepaid, addressed to the Company Manager at American Equities, Inc., 4225 NE St. James Road, Vancouver, WA 98663, or such other address as Company may designate by written notice to Owner. Any notice to Owner under this Note shall be in writing and shall be deemed given three business days after placement in the U.S. Mails, certified or registered mail, postage prepaid, addressed to Owner at the address set forth in the first paragraph of this Note, or such other address as Owner may designate by written notice to Company.

11. **Modifications.** Any modifications to this Note must be set forth in a writing which, to the extent enforcement thereof may be sought against Owner, must be executed by Owner.

12. **Governing Law.** This Note shall be governed by and construed and enforced in accordance with the laws of the State of Washington.

AMERICAN EAGLE MORTGAGE MEXICO 400, LLC

By: American Equities, Inc., Manager

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

**EXHIBIT D**

CONFIDENTIAL PRIVATE  
PLACEMENT DISCLOSURE DOCUMENT  
ORIGINAL OFFERING DATE:  
August 10, 2007

Copy No: \_\_\_\_\_  
Issued to: \_\_\_\_\_  
THIS DOCUMENT MAY NOT BE COPIED  
OR OTHERWISE REPRODUCED

**\$5,000,000 OF PROMISSORY NOTES AND OWNERSHIP INTERESTS  
ISSUED BY AMERICAN EAGLE MORTGAGE MEXICO 400, LLC**

Minimum Purchase -- \$10,000

This Disclosure Document describes the offer (the "Offering") of up to \$5,000,000 face amount promissory notes ("Notes") and accompanying ownership interests (the "Ownership Interests") in American Eagle Mortgage Mexico 400, LLC (the "Company"). The Offering commenced on August 10, 2007 and will expire on the earlier of August 10, 2008, the date on which all available Notes and Ownership Interests (collectively, the "Units") have been issued, or the date that the Manager closes the Offering. The Company is a manager-managed Washington limited liability company organized on April 18, 2006 for the purpose of loaning funds, acquiring, holding, collecting and disposing of a portfolio of real estate receivables secured by real properties located in Mexico, as defined and described more fully elsewhere in this Disclosure Document. The Company will pay the Notes from amounts collected on the Receivables. The Company delegates to American Equities, Inc. (the "Manager") the task of loaning funds, acquiring, servicing, managing, collecting, replacing and as necessary liquidating and disposing of Receivables in the portfolio.

Investment in the Units involves a number of risks, as described more fully in "Risk Factors," below. Among the most significant of these risks are (i) inherent risks associated with investing in real property in an emerging market such as Mexico (ii) the volatile nature of interest rate fluctuations, which may cause the early retirement of some or all of the Company's Receivables, which in turn could temporarily or permanently affect the Company's ability to pay all obligations due under the Notes; (iii) an inability to favorably liquidate certain receivables when necessary to retire balloon obligations on one or more of the Notes; (iv) the restrictions on transferability of the Units; (v) the lack of marketability and liquidity of the Units; and (vi) the absence of control by Owners (as defined in "Summary of the Offering") over the selection of Receivables for the Company's portfolio or the day to day operations of the Company. This Offering is subject to certain escrow of proceeds requirements as set forth in "Subscription Procedures."

	<b>Price to Owners</b>	<b>Offering Costs</b>	<b>Net Proceeds to Company</b>
<b>Per Unit</b>	\$100	\$1.50	\$98.50
<b>Minimum Total</b>	\$100,000	\$1,500	\$98,500
<b>Maximum Total</b>	\$5,000,000	\$75,000	\$4,925,000

This Disclosure Document constitutes an offer to issue Units only to the person identified on the cover page of this Disclosure Document, and does not constitute an offer to sell Units to any other person.

THE UNITS HAVE NOT BEEN APPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR BY THE SECURITIES COMMISSIONER OF ANY STATE, NOR HAVE THE FOREGOING AUTHORITIES EXAMINED THE ADEQUACY OR DETERMINED THE ACCURACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

THE UNITS ARE SUBJECT TO RESTRICTIONS ON TRANSFERABILITY AND RESALE AND MAY NOT BE RESOLD EXCEPT PURSUANT TO THE SECURITIES ACT OF 1933, AS AMENDED, AND APPLICABLE STATE SECURITIES LAWS, PURSUANT TO REGISTRATION OR EXEMPTION THEREFROM, AND THE PROVISIONS OF THE COMPANY'S LIMITED LIABILITY COMPANY AGREEMENT. OWNERS SHOULD BE PREPARED TO BEAR THE RISKS OF THEIR INVESTMENT IN THE UNITS FOR AN INDEFINITE PERIOD OF TIME.

THIS DISCLOSURE DOCUMENT DOES NOT PURPORT TO BE ALL-INCLUSIVE OR CONTAIN ALL THE INFORMATION THAT A PROSPECTIVE INVESTOR MAY DESIRE. IN MAKING AN INVESTMENT DECISION, INVESTORS MUST RELY UPON THEIR OWN EXAMINATION OF THE COMPANY AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. SEE "RISK FACTORS" BELOW FOR A DISCUSSION OF CERTAIN FACTORS THAT SHOULD BE CONSIDERED IN CONNECTION WITH THE PURCHASE OF THE UNITS.

NO PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OTHER THAN THAT CONTAINED IN THIS DISCLOSURE DOCUMENT, OR TO MAKE ANY REPRESENTATIONS IN CONNECTION WITH THE OFFERING OF UNITS, AND, IF GIVEN OR MADE, THE INFORMATION MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY THE COMPANY. EACH OWNER MAY RELY SOLELY ON THOSE REPRESENTATIONS AND WARRANTIES, IF ANY, THAT ARE MADE IN THIS DISCLOSURE DOCUMENT. NEITHER THE DELIVERY OF THIS DISCLOSURE DOCUMENT NOR ANY SALE OF THE UNITS SHALL, UNDER ANY CIRCUMSTANCES, CREATE ANY IMPLICATION THAT INFORMATION IN THIS DISCLOSURE DOCUMENT IS CORRECT AS OF ANY TIME SUBSEQUENT TO THE DATE OF THIS DISCLOSURE DOCUMENT.

PROSPECTIVE OWNERS ARE NOT TO CONSTRUE THE CONTENTS OF THIS DISCLOSURE DOCUMENT OR ANY PRIOR OR SUBSEQUENT COMMUNICATION FROM THE COMPANY OR THE MANAGER AS LEGAL, TAX OR INVESTMENT ADVICE. EACH PROSPECTIVE OWNER SHOULD CONSULT HIS OWN COUNSEL, ACCOUNTANT, PURCHASER REPRESENTATIVE OR BUSINESS ADVISOR AS TO LEGAL, TAX AND RELATED MATTERS CONCERNING AN INVESTMENT IN THE UNITS.

## SUMMARY OF THE OFFERING

The Company was formed in April, 2006 as a manager-managed limited liability company under the Washington Limited Liability Company Act to loan funds, acquire, hold, manage, service, collect, replace, and in certain circumstances, liquidate or dispose of the Receivables, consisting of a specific set of security documents and any accompanying promissory notes secured by such documents (collectively the "Receivables"). The Receivables are more fully described in "Description of the Company - The Receivables" below and the initial Receivables are summarized in the attached Exhibit A. From time to time, the Company may acquire additional Receivables in addition to the Receivables listed in Exhibit A. If the Company acquires additional Receivables, each of the Receivables acquired by the Company will meet the minimum underwriting criteria set forth on Exhibit B attached to this Disclosure Document (the "Minimum Underwriting Criteria") and the Receivables will have a combined average annual yield (the "Average Receivable Yield") of not less than 10%. While the Company may acquire Receivables from several sources, the Company will acquire a significant portion of the Receivables from the Manager and will make loans directly to borrowers secured by Receivables. From time to time, the Company may acquire Receivables from affiliates of the Manager (the "Affiliates"). The amount of Receivables to be acquired by the Company from the Manager and the Affiliates in the future cannot be determined at this time and will depend in part upon what is available from the Manager, the Affiliates and other sources at the time the Company has funds to invest. The Manager and the Affiliates may currently hold some of the Receivables to be acquired by the Company for their own account and for the benefit of certain individuals.

To acquire the Receivables, the Company seeks to raise capital through the issuance of Notes in the minimum face amount of \$100,000 and up to the maximum offering of \$5,000,000. If the Company raises the minimum offering amount of \$100,000 but fails to raise the maximum \$5,000,000, the Company will purchase some, but not all, of the Receivables, as described in "Description of the Company - The Receivables" and Exhibit A.

The Company contracts with the Manager to loan funds, acquire, service, manage, collect, replace and, in certain circumstances, liquidate or dispose of the Receivables for the benefit of the Company. The Company pays fees to the Manager for the Manager's portfolio management services as described in "Description of the Company - Management" below, and as detailed in the management agreement between the Company and the Manager that is attached to this Disclosure Document as Exhibit C (the "Management Agreement").

Revenues from collections on Receivables are available first to pay the Company's expenses and third party expenses incurred by the Manager which are reimbursable under the Management Agreement. The revenues are next used to pay the Base Fee and Reinvestment Fee, which are direct expenses payable by each of the Owners under the Management Agreement, as described in "Description of the Company - Management." After the payment of the expenses, Base Fee, and Reinvestment Fee, revenues will be used to make monthly interest payments to the Owners on the Note obligations. The remaining revenues, if any, will constitute profits and will be paid to the Manager as Bonus Compensation under the Management

Agreement. Repayment on the Notes is thus effectively subordinate to payment to the Manager for fees and expenses under the Management Agreement, other than the Bonus Compensation. Any remaining revenues after paying the Bonus Compensation will constitute a return of the Company's investment in the Receivables and used to acquire new Receivables, if suitable Receivables are available, to prepay the Initial Notes, to make the Minimum Required Distributions as required (defined below: see "Description of the Company – Prepayment of Notes") or otherwise upon the Initial Investors' demand (see a description below under "Description of the Company – Capital Structure"), or used to partially prepay Notes, if deemed appropriate by the Manager. Bonus Compensation payments to the Manager are subordinate to payments due under the Notes, as more thoroughly described in the Management Agreement. See the description of Bonus Compensation in "Description of the Company – Management."

Possession of the Notes render holders of Units (the "Owners") the primary creditors of the Company. Although the Manager is responsible for managing the day to day operations of the Company, the Ownership Interests provide the Owners, collectively, with ultimate control over Company operations by virtue of the ability to replace the Manager (see a description below under "Description of the Company – Capital Structure"). The Ownership Interests are not intended to convey to the Owners additional economic benefit, as evidenced by the Bonus Compensation payable to the Manager. Instead, the Ownership Interests are intended to serve as indirect security for the collection of the Notes.

This Disclosure Document is qualified in its entirety by each of the documents enclosed with this Disclosure Document, each of which are incorporated in this Disclosure Document by this reference. Prospective Owners should read this Disclosure Document and each of the enclosed documents in full prior to making a decision to acquire Units in this Offering.

## **USE OF PROCEEDS**

Proceeds from the sale of the Units will be used exclusively to acquire the Receivables, pay the costs associated with the Offering, and cover working capital needs of the Company. Costs associated with the Offering will include printing, legal fees, accounting fees, and administrative fees in the combined amount of \$1.50 per Unit sold. After paying these costs, the net proceeds to the Company from the sale of each Unit will be \$98.50 ("Net Proceeds").

## **DESCRIPTION OF THE COMPANY**

### **General.**

The Company is a Washington limited liability company organized in April, 2006. The Manager formed the Company to loan funds, acquire, hold, manage, service, collect, replace, and in certain circumstances, liquidate or dispose of the Receivables for the benefit of the Company and the holders of Units.

The Company will primarily generate revenue from monthly payments made by the borrowers on the Receivables. In addition to receipt of monthly payments on the Receivables, the Company will generate revenue from full or partial early payoffs of Receivables by



borrowers and the voluntary sale of Receivables by the Manager. The Company is entitled to receive proceeds resulting from any foreclosure on Receivables which are in default. See "Description of the Company - Company Revenues" and "-Receivable Foreclosures" below.

As revenue or proceeds of any foreclosures are received, the Company will pay its expenses (see "Description of the Company - Company Expenses" below), the Manager's fees under the Management Agreement (see "Description of the Company - Management" below) and, then, the obligations which are then due under the Notes. To the extent that any of the revenue generated constitutes a return of any of the Company's original investment in a Receivable, the Manager will endeavor to use the revenue to acquire new Receivables or to prepay the Initial Notes (see "Description of the Company - Purchase of Receivables and Prepayment of Notes" below).

Subject to the terms of this Offering, after some Owners have been issued their Notes, the Company will continue to receive funds from the admission of additional Owners, up to the maximum amount of this Offering. From time to time, the Company will also be accepting reinvestments from certain Owners of any amounts that are payable by the Company to such Owners under their Notes (see a description of permitted reinvestments below under "Description of the Company - Reinvestments"). As the Company receives funds from the admission of additional Owners in this Offering or from reinvestments by Owners, the Manager will also endeavor to purchase new Receivables (see "Description of the Company - Purchase of Receivables" below).

Any new Receivables to be acquired by the Company will conform to the Minimum Underwriting Criteria. If the Manager is unable to promptly acquire new Receivables meeting the Minimum Underwriting Criteria, the Company will invest its excess proceeds or additional funds in temporary investment vehicles until the Manager locates Receivables meeting the criteria or, if deemed appropriate by the Manager, the Company will prepay the Notes. Except the Initial Investors, who are entitled to demand prepayment of the Initial Notes after one year, and except to the extent the Company is required to make the Minimum Required Distributions, Owners will not be entitled to demand early repayment of the Notes. However, the Company may, under certain limited circumstances described in "Prepayment of Notes" below, elect to prepay an Owner's Note or assist an Owner in locating a purchaser for the Owner's Note. In such circumstances, the Manager will also retain the flexibility to independently purchase the Note for its own account.

### **Capital Structure.**

As a result of the Offering, the Company will issue Notes, which will be the only debt obligations of the Company other than miscellaneous expenses incurred in the ordinary course of business. The initial principal face amount of each Note will be equal to the Net Proceeds to the Company from the Units purchased by the respective Owner. Each Note will have a five, ten, or fifteen year term, which shall be selected by the Owner of the Note at the time of investment. See the description of the Notes in "Terms of the Offering - the Notes" below.

The Company will also issue Ownership Interests to each Owner. An Owner's Ownership Interest in the Company will be equal to the percentage obtained by dividing the principal then outstanding under the Owner's Note, as adjusted by any reinvestment or prepayment (see a description of permitted reinvestments below under "Description of the Company – Reinvestments and Prepayment of Notes"), by the total principal then outstanding under all of the Notes. With respect to the Ownership Interest in the Company, all Owners will possess the same rights, preferences and privileges as all other Owners, including the right to vote on matters reserved for a vote of members of the Company, although the Owners' rights shall be proportionate based on the Owners' respective Ownership Interests in the Company. An Owner's rights, preferences and privileges are described in the Company's Limited Liability Company Agreement that is attached to this Disclosure Document as Exhibit D (the "Limited Liability Company Agreement"). The Owners' collective control of the Company will allow the Owners to monitor the performance of the Manager and, upon the vote of Owners holding two-thirds of the then outstanding Ownership Interests (excluding any Ownership Interests then held by the Manager), replace the Manager.

The Ownership Interests will also provide each Owner with protection against the creation of Company obligations, other than the obligations under the Notes, the Management Agreement, and for expenses incurred by the Company in the ordinary course of business. Notwithstanding this protection, the Manager retains the discretion, without the approval of the Owners, to incur additional debt on behalf of the Company to the extent of the amount of reinvestment elected by Owners.

As a member of the Company, each Owner will receive an annual allocation of the Company's profit and loss in proportion to each Owner's Ownership Interest in the Company, and the Company will maintain a capital account for each Owner. The payment of Bonus Compensation to the Manager, and potential repayment of Bonus Compensation by the Manager, are intended to create the result of no net profit or net loss within the Company in any year, although this result cannot be guaranteed. It is expected that each Owner's capital account will have a zero balance, unless the Company incurs net losses in excess of the total Bonus Compensation paid to the Manager in which case an Owner's capital account could have a negative account balance.

The Company will report for tax purposes on an accrual basis. When the principal and interest of an Owner's Note are paid in full, the Owner's Ownership Interest in the Company will be redeemed by the Company. If an Owner has a negative capital account balance on the date that the final payment on the Owner's Note is to be made by the Company, such negative amount will be a debt owing by the Owner to the Company, and the final payment under that Owner's Note will be offset by the amount of the debt.

#### **Purchase of Receivables.**

Once the Company receives subscriptions for Notes in the face amount of \$100,000, the Company will purchase, or make loans on, the Receivables in the amount of the subscriptions.

The exact amount of Receivables to be acquired or loan to be made by the Company from the Manager and the Affiliates cannot be determined at this time and will depend upon the total amount of subscriptions received by the Company in the Offering, the amount of any reinvestment by Owners and the value of Receivables that are available from the Manager, the Affiliates and other sources at the time the Company has funds to invest. As with any Receivables acquired from parties other than the Manager and the Affiliates, the purchase price for the Receivables to be acquired by the Company from the Manager and the Affiliates will be paid with the Net Proceeds from the Offering, from Net Reinvestment or from a Return of Capital. Although the Manager intends to act in good faith in the Company's purchase of any Receivables from the Manager and the Affiliates, the price actually paid by the Company for any Receivable purchased from the Manager or any Affiliate or the Manager may be more or less than the price that would have been paid if the same Receivables had been purchased in an arm's length transaction with an unrelated third party. There can be no assurances that the price actually paid will equal the fair market value of the Receivable.

The purchase price to be paid for these Receivables or the amount of the loan to be made directly by the Company will be determined by the Manager in its sole discretion. The purchase price or direct loan will be paid with Net Proceeds from the Offering. As additional subscriptions are received, the Company will purchase additional Receivables with the Net Proceeds from additional Note sales (up to the maximum subscription amount). If any Owners elect to make a reinvestment, the Company will also purchase additional Receivables or make loans with the Net Reinvestment (as described under "Description of the Company – Reinvestment" below). Finally, to the extent that any of the Company's revenues constitute a Return of Capital (as described under "Description of the Company – Return of Capital" below), the Manager will use the revenues to purchase or make loans for new Receivables.

### **Characteristics of the Receivables.**

Each Receivable acquired by the Company will embody a principal repayment obligation that is secured by specific real property located in Mexico and evidenced by a loan and security agreement ("Loan and Security Agreement"). Each Receivable will be represented by a set of recorded security documents (collectively, the "Receivable Documents"). The primary document is the Loan and Security Agreement, which includes a recognition of debt and the terms and conditions of the loan, such as (i) loan amount, (ii) ordinary interest and monthly installments, (iii) balloon payments, (iv) other terms of payment, (v) place of payment, (vi) events of defaults, (vii) a guarantee of a first-priority security interest on the Property and (viii) obligations to maintain the value of the Property. The Manager will take steps to ensure that the Receivable Documents contain commercially reasonable terms and conditions.

The Company will acquire the Receivables either from the party that originally loaned the funds that generated the Receivable (the "Original Lender") or from a party that acquired the Receivable directly or indirectly from the Original Lender (a "Broker"), or by lending directly to the borrowers ("Borrower"). For each of the Receivables that may be acquired by the Company from the Manager or the Affiliates, the Manager or Affiliate may have acted as the Original Lender or Broker. The purchase price for each Receivable, or the amount of loan made directly to a Borrower and secured by a Receivable, will be generally based on the anticipated return that

the Receivable will generate for the Company, appropriately discounted to reflect the risks associated with the Receivable. Additionally, the Receivables will generally include late fee interest plus a conventional penalty late fee up to 30% of the outstanding loan. To protect against a significant decrease in value of the secured property, the Receivable Documents will obligate the Borrower to increase the value of the collateral if it falls below the principal amount due. In the event of a default, the Receivable Documents will also allow the Company to collect any unpaid balance of the loan from the proceeds generated by the sale of other unsecured assets of the Borrower.

Prior to acquiring any Receivables, the Manager will attempt to review all of the facts underlying each Receivable to confirm to its satisfaction the value of the real property secured by the Receivable, the creditworthiness of the obligor on the Receivable and the market value of the Receivable (taking into account the applicable interest rate and maturity date). In so doing, the Manager will either perform appraisals, credit checks, financial statement reviews and other standard underwriting activities or will rely on the underwriting activities of the party selling the Receivable to the Company. Such activities may include a legal search at the Public Registry of Mexico to verify the records of the property underlying the Receivable, such as chain of title, any existing liens, limitations, easements or any other notation or conditions on the records of the property. The Company will also obtain a certificate showing that the Borrower is current on all property taxes.

In addition, prior to entering into any Loan and Security Agreement, the Company will require the Borrower to provide an original certification that no liens on the Receivable exist and to cause a Mexican notary public to file a preventive notice with the Public Registry. A preventive notice notifies third parties that the Borrower and the Company are entering into the Loan and Security Agreement and prevents third parties and the Borrower from recording any liens, attachments, limitations, or any other notations or conditions for thirty days. If recorded within the thirty-day period, the Loan and Security Agreement will take priority over any other security interests filed within that thirty-day period. Alternatively, the Company may condition releasing the loans proceeds to the Borrower upon the recording of the Loan and Security Agreement at the Public Registry and confirmation that it has received a first priority lien position. In such instances, it is not necessary to, and the Company will not, file a preventive notice. The Loan and Security Agreement is executed before a Mexican notary public, who is a public official invested with authority by the state government in Mexico. All real estate transactions in Mexico must be witnessed by a notary public. After the Loan and Security Agreement is executed by the Lender and Borrower and any other parties related thereto, the notary public issues one or more public instruments to be recorded at the Public Registry of the Property. The recorded Loan and Security Agreement at the Public Registry of the Property grants the Lender a first-position security interest in the property underlying the Receivables. The public instrument containing the Loan and Security Agreement constitutes conclusive evidence of debt in a Mexican court of law. Finally, the Company will obtain commitment to issue lender's title insurance ("Lender's Title Insurance") from a U.S.-based title insurance company (such as Fidelity National Global Solutions, Stewart Title, First American, and others). Lender's Title Insurance will insure the Receivable and the underlying property given as collateral in the Loan and Security Agreement. The title insurance company may also conduct its own title search of the collateral as a part of issuing the insurance policy.

In some instances, the Company may require the Borrower to enter into a trust agreement in guarantee ("Trust Agreement in Guarantee") to guarantee the payment of a loan. The Trust Agreement in Guarantee requires the Borrower, as Grantor, to form a Trust under a trust agreement which transfers title of the real property securing the loan to a bank acting as trustee ("Trustee"). The Company, as lender, will be named the beneficiary ("Beneficiary") of the trust under the Trust Agreement in Guarantee. The Trust Agreement in Guarantee will provide for foreclosure of the Receivables with reduced intervention of the Mexican courts and allow the Company to attempt to collect any deficiency by foreclosing on the Borrower's other unsecured assets (see "Receivable Foreclosures," below). However, Trust Agreements in Guarantee are expensive and may take up to ninety (90) days to create, discouraging potential borrowers from borrowing from the Company. For those reasons, the Company will not enter into a Trust Agreement in Guarantee with every Borrower.

The payment history of the Receivables acquired by the Company from Original Lenders and Brokers will vary. Some of the Receivables, including some of those sold to the Company by the Manager and the Affiliates, may relate to new loans originated for the purpose of selling the loans to the Company. Other Receivables may have a lengthy payment history. If the Manager determines it is in the best interest of the Company to replace a foreclosed or prepaid Receivable, the Manager may acquire a receivable from an Affiliate or other third party or may make a direct loan by the Company, thus creating a Receivable that is consistent with the Minimum Underwriting Criteria.

Although the Company has not established specific "loan-to-value" guidelines for the pool of Receivables, each Receivable consists of a payment obligation that is no greater than 65% of the estimated value of the real property that secures the payment obligation. The Company anticipates that the aggregate loan-to-value ratio for all Receivables will be approximately 55%. In any event, the Receivables acquired by the Company will meet the Minimum Underwriting Criteria and the Manager will endeavor to cause the Company's portfolio of Receivables to continue to have an Average Receivable Yield of not less than 10%.

The Receivable Documents, and other facts relevant to the Receivables, are summarized in the loan summary information that is described in Exhibit A. The loan summary information includes material information related to the Receivables, but does not describe all provisions of the Receivable Documents. Copies of all Receivable Documents are available from the Manager upon request. The attached Exhibit A also contains summary information about the Receivables, and identifies the purchase price to be paid by the Company for each of the Receivables.

### **Management.**

The Manager not only manages the Company's portfolio of Receivables under the Management Agreement, but also manages the Company. In its role as Company manager, the Manager's activities are strictly and specifically limited, as described in the Limited Liability Company Agreement, such that the Manager's role is effectively limited to its activities under the Management Agreement. The Manager may be replaced, and the Management Agreement may be terminated, by the Company upon the affirmative vote of Owners holding two thirds of the Ownership Interests of the Company then outstanding (excluding any Ownership Interests of

the Manager) upon sixty (60) days' prior written notice. The Management Agreement may be terminated by the Manager upon one hundred eighty (180) days' prior written notice.

The Manager is a Washington corporation that was founded in 1979. The Manager specializes in making loans, purchasing, servicing and selling first position mortgages and trust deeds secured by single and multi-family residences, income-producing property, mobile homes and improved or unimproved land. The Manager is led by its founder and current president, Ross Miles. Mr. Miles has over twenty-five years experience in the purchase of Receivables in the United States and over six years of experience in the purchase of Receivables in Mexico. Additional information about the Manager and Mr. Miles is available from the Manager upon request.

As consideration for the management services described in the Management Agreement, the Manager is entitled to an annual base management fee (the "Base Fee") of one half of one percent (0.5%) of the then current total outstanding principal balance of the Notes, payable monthly. The Base Fee is a direct expense incurred by each of the Owners and the monthly Base Fee payment will be proportionately deducted from each Owner's monthly payments on their Note. As an example, since a fifteen-year Note accrues interest at 10% per annum, the actual interest received by the Owner will be 9.5% per annum after subtraction of the Base Fee.

The Manager is also entitled to reimbursement of all third party expenses from the Company. Accordingly, the Base Fee will be paid, and third party expenses will be reimbursed, prior to the payment of any of the Note obligations to the Owners.

In addition to the Base Fee and expense reimbursement, the Manager is entitled to a one-time fee to be paid to the Manager when an Owner elects to reinvest any payments made on their Note in the Company (see "Description of the Company – Reinvestment"). The fee payable to the Manager is equal to one and a half percent (1.5%) of the amount of the reinvestment (the "Reinvestment Fee"). As an example, if an Owner elects to reinvest \$1,000, the Reinvestment Fee would equal \$15. The Reinvestment Fee is described in greater detail in the Management Agreement. Like the Base Fee, the Reinvestment Fee is a direct expense to the Owner and will reduce the amount by which the Owner's Note will be increased. The Reinvestment Fee, in addition to the Base Fee and third party expenses, will be paid and reimbursed on a priority basis, prior to payment of Note obligations to the Owners.

In addition to all other fees, the Manager is entitled to annual bonus compensation ("Bonus Compensation") in an amount equal to the net profit of the Company for such year. Net profits of the Company will generally equal the excess, if any, of the Company's revenues from whatever source (excluding any revenues representing a Return of Capital) over the expenses paid by the Company (see "Description of the Company - Company Revenues," "- Return of Capital" and "- Company Expenses" below for a description of each). The Bonus Compensation will be due on the last day of the Company's fiscal year and will be payable to the Manager as soon as reasonably determinable after the end of the year. In the event the Company incurs a net loss in any given year, the Manager will repay to the Company the lesser of the amount of the net loss for the year or the total amount of Bonus Compensation that the Manager has received during any previous years. If the net loss for the year is greater than the amount payable by the

Manager, then no Bonus Compensation will be paid in future years to the Manager until the Company has generated net profits equal to the difference. After that time, Bonus Compensation payments will resume. In no event will the Manager be responsible to pay to the Company an amount in excess of the total amount paid to Manager as Bonus Compensation. If the Owners or the Manager terminate the Management Agreement, the Bonus Compensation accrued to date, if any, and the net equity of the Company's assets (the positive difference between the Receivables balance minus the balance payable on all Notes, if any), will be due and payable to the Manager upon the effective date of such termination, and the Manager's obligation to repay Bonus Compensation will also terminate.

### **Company Revenues.**

The Company will derive most of its revenues from monthly payments made by the borrowers on the Receivables. The Manager is responsible for collecting these monthly payments. These payments consist of both accrued interest and a portion of the principal amount of the obligation underlying the Receivable.

In addition to receiving monthly payments on the Receivables, the Company may generate revenue from full or partial early payoffs of the outstanding principal amount of the Receivables. Receivable obligors retain the right to prepay Receivables, which leaves the Company and the Manager with no control over the occurrence or timing of early payoffs.

As described in "Sale of Receivables" below, the Manager has the sole discretion to voluntarily sell Receivables. Any such sale of Receivables by the Manager will also generate revenue for the Company.

Last, certain of the Receivables may go into default as a result of the nonpayment of the underlying obligations by the obligor. In such an event, the Manager will have the right to foreclose on the security securing the Receivable. The proceeds from a foreclosure will represent additional revenue to the Company.

### **Return of Capital.**

A portion of the revenues received by the Company on any Receivable, whether from an early payoff of the Receivable, a sale of the Receivable, a foreclosure or otherwise, may constitute a return to the Company of all or a portion of the amount that the Company paid to acquire the Receivable (a "Return of Capital"). The Manager will endeavor to use any revenue constituting a Return of Capital to acquire replacement Receivables for the Company (see "Description of the Company – Purchase of Receivables" and "Characteristics of Receivables" above). If the Company is unable to promptly acquire suitable replacement Receivables, the Company, in the Manager's discretion, will either invest the revenue constituting a Return of Capital in temporary investment vehicles until the Company locates suitable replacements or partially prepay Notes. See "Prepayment of Notes" below.

## **Expenses and Distributions.**

Upon receipt of any revenue, excluding revenue constituting a Return of Capital, the Company will use the revenue first to pay (i) all costs of generating the revenue, including any documentation fees and sales costs, if applicable, (ii) operating expenses of the Company, and (iii) reimbursable expenses payable to Manager under the Management Agreement. Next, out of the amount available for payment to a particular Owner, the Company will make the monthly payment of the Base Fee and any applicable Reinvestment Fee to the Manager, and then will pay any current Note obligations to the Owner. Finally, any revenues remaining after payment of the current Note obligations to each of the Owners will constitute net profits to the Company, and the Company will pay the amount of the net profits to the Manager as Bonus Compensation (see "Description of the Company - Management" for a description of Bonus Compensation).

## **Prepayment of Notes.**

With the exception of the Initial Notes and certain Minimum Required Distributions (see below), the Company is selling Units under the assumption that Owners will hold the Notes until maturity. Each Owner should purchase Units under this assumption. An Owner will not be entitled to demand prepayment of the Owner's Note. However, under certain circumstances an Owner's Note may be prepaid by the Company, in whole or in part.

*Prepayment of the Initial Notes.* From the Company's inception, certain investors (the "Initial Investors") were anticipated to commit to purchase up to an initial \$2,500,000 face amount of the Notes (the "Initial Notes"). (The term "Notes" as used herein will include the Initial Notes and the term "Units" will include the Units held by the Initial Investors.) The Initial Notes have a term of fifteen years. However, upon the first anniversary of the Notes, the Initial Investors will have the one-time right to demand prepayment of the Initial Notes or to keep the Notes for the remaining term. All other rights and obligations of the Initial Investors are identical to the rights and obligations of the other Owners. The form of the Initial Notes are attached as Exhibit E.

*Request for Minimum Required Distributions by Certain Retirement Plans Owner.* Certain Owners who invest through their individual retirement accounts and who are required to make certain minimum required distributions under Section 401(9)(a) of the Internal Revenue Code may demand prepayment of a pro rata amount of such distributions (the "Minimum Required Distributions"). For example, an Owner who is required under Section 401(9)(a) to take a 10% annual payment out of his or her IRA account may demand prepayment of 10% of the principal amount of his or her Notes. An Owner must notify the Company in writing upon initial subscription that he or she intends to take Minimum Required Distributions prepayment. A Prepayment Fee (see below) will not apply to such prepayment.

*Request for Prepayment by Owner.* If circumstances arise that cause the Owner to desire a prepayment of such Owner's Note by the Company, an Owner may request in writing that the Company agree to voluntarily prepay the Note. Following receipt of a prepayment request, the Manager will use its good faith efforts to approve a prepayment request of an Owner within ninety (90) days following the date of receipt of such request. However, if in the good faith



judgment of the Manager based on the existing facts and circumstances, it would be detrimental to the Company or the Owners for the Note to be prepaid as requested, the Manager may reject the prepayment request. The basis for rejecting a prepayment request may include, among other things, the inability of the Company to make any payments required to be made on the other Notes following prepayment or a drop in the Average Receivable Yield to less than 10% as a result of the need to sell Receivables to make a requested prepayment. If a prepayment request is approved by the Manager, the Manager will be entitled to a processing fee equal to five percent (5%) of the amount to be prepaid (a "Prepayment Fee"). As an alternative to prepaying a Note, the Manager may assist an Owner in locating a purchaser for the Owner's Note. The Manager will also retain the flexibility to independently purchase the Note for its own account, but only if the Company does not have funds to redeem the Note.

*Involuntary Prepayment by the Company.* The Manager reserves the right in its sole discretion, upon the receipt of a Return of Capital by the Company, to elect to prepay any outstanding Notes without the consent of the Owner. The Manager will have the complete discretion to choose which of the Notes to prepay and, accordingly, will not be required to make proportionate prepayments of all of the Notes. If the Manager elects to prepay any outstanding Notes without having received a request for prepayment, the Prepayment Fee will not apply.

#### **Sale of Receivables.**

The Manager retains sole discretion to sell Receivables. The Manager may need to dispose of certain Receivables to make Prepayments if the Initial Investors demand prepayment of the Initial Notes and at or near the five, ten, or fifteen year anniversaries of this Offering in order to pay Notes. It is also likely that the Manager will dispose of Receivables if in the Manager's opinion market conditions or other circumstances warrant such disposition.

#### **Receivable Foreclosures.**

The Manager retains the sole discretion to foreclose on a Receivable. Under Mexican law, a creditor foreclosing real property must do so through the courts. In some instances, however, a creditor may foreclose without court intervention if the parties provide for it in advance in a Trust Agreement in Guarantee. The following is a description of the foreclosure process in Mexico with court intervention and through the Trust Agreement in Guarantee.

*Generally.* For Receivables secured by mortgages the Company will be required to foreclose through the courts. If the Company prevails in a foreclosure suit, the mortgaged real property will be sold in a judicial auction. Judicial foreclosure may take several years to complete. Further, even after completion of the judicial foreclosure proceedings, it may take one or more additional years to evict tenants in possession of the real property through court intervention, since under Mexican law a property owner's right requires a foreclosing creditor to bring a separate action to remove the owner from possession. Instead, the Company may in some instances require the Borrower to enter into a Trust Agreement in Guarantee to guarantee the payment of a loan. The Trust Agreement in Guarantee provides for foreclosure of the Receivables without intervention of the Mexican courts and allows us to attempt to collect any deficiency by foreclosing on the Borrower's other unsecured assets. However, Trust Agreements

in Guarantee are expensive and may take up to ninety (90) days to create, discouraging potential borrowers from borrowing from the Company. For those reasons, the Company will not enter into a Trust Agreement in Guarantee with every borrower. Also, notwithstanding the Company's ability to foreclose on real property, debts owed to the government or due to labor obligations have priority over debts owed to the Company by the real property owners, regardless of whether the mortgage is recorded with the Public Registry.

*Judicial Foreclosure in Mexico.* In order to foreclose a mortgage in a summary procedure in a court of law in the state of Baja California Sur, Mexico, where the majority of real properties securing the Receivables are or will be located, the creditor must file a lawsuit and attach evidence of the debt. Commonly, a debtor will defend on the basis that the loan transaction is null and void. If the creditor prevails in a foreclosure suit, the mortgaged real property will be sold in a judicial auction. To establish the appraised value, each party appoints an expert witness to value the property, and the judge may also appoint a third party expert witness. Upon determination of the appraised value, the court will proceed with the auction.

*Trust Agreement in Guarantee Foreclosure in Mexico.* If a Trust Agreement in Guarantee has been used, a creditor may foreclose on real property without the intervention of Mexican courts. If the Borrower fails to comply with its payment obligations, the Company as the trust Beneficiary notifies the Trustee and requests the sale of the collateral. The Trustee will give the Borrower an opportunity to provide evidence that the Borrower has made payments in a timely manner. If the Borrower does not produce satisfactory evidence, the Trustee may initiate the foreclosure of the collateral. The Beneficiary is obligated to provide the Trustee with the necessary funds to pay the expenses of the sale of the collateral, including the real estate commissions.

To initiate foreclosure, the Trustee requests in writing that the possessor of the collateral deliver possession of such collateral within three days from the date of the notice. If the possessor does not deliver the collateral, the Trustee empowers a person appointed by the Beneficiary to recover the possession on behalf the Trustee in order to foreclose the collateral. In any event, the Trustee may foreclose on the collateral with or without having possession. Next, the Trustee orders an appraisal of the collateral to determine the base value for the auction sale. If the person in possession of the collateral impedes the appraisal, the Borrower authorizes the Trustee to use a base value estimated by the appraiser.

The collateral is sold in a public auction before a Notary Public elected by the trustee. Potential bidders are required to deposit 10% of the base sale price and to consent to the auction rules established by the Trustee. The creditor or the Borrower may present a bid on equal footing with any other bidders. If the collateral is not sold in the first auction, the trustee conducts a second auction at a 10% reduction in price within the following 15 business days. If the collateral has not been sold in the second auction, the trustee then conducts a third, decreasing the price by another 10%. If the collateral is not sold after the third auction, the trustee transfers the collateral to the Beneficiary. If proceeds from the auction or the value of the collateral in the hand of the Beneficiary are insufficient to cover the amount due, including all the expenses, the Beneficiary may file suit to recover amounts due by foreclosing on other unsecured assets of the grantor. The winning bidder must make a lump sum payment for the full

price of the collateral, including taxes, within forty five (45) business days to effect a transfer of the collateral. If the bidder does not pay within such terms, the 10% deposit is forfeited to the Trustee. The second highest bidder may purchase the collateral upon the same terms.

If proceeds from the auction or the value of the collateral in the hand of the Beneficiary are insufficient to cover the amount due, including all the expenses, the Beneficiary may file suit to recover amounts due by foreclosing on other unsecured assets of the Borrower.

*Bids By the Company.* In the event of foreclosure of a Receivable, the Manager will determine whether the Company should bid at the foreclosure sale. The Manager will not cause the Company to bid more than the amount of the remaining Receivable obligation (including any costs of foreclosure). If one or more third parties bid higher amounts for the property, the Manager will not bid on the Company's behalf, but may, in its sole discretion, bid on its own behalf or on behalf of other Affiliates. If the Company acquires a property as a result of a foreclosure, the Manager will have complete discretion to dispose of the property and to prepay Notes or reinvest proceeds in additional Receivables.

### **Reinvestment.**

The terms of the Notes entitle the Owners to monthly payments of interest, to discretionary payments of principal and to balloon payments upon maturity of the Notes. Owners may elect to reinvest all of these payments into the Company (each, a "Reinvestment"), except that any payments due upon the maturity of the fifteen-year Notes may not be reinvested. Each Reinvestment will be subject to the Reinvestment Fee described under "Description of the Company - Management" above. The Manager reserves the right to reject any Reinvestment if the Manager determines that the Company will be unable to acquire new Receivables meeting the Minimum Underwriting Criteria.

An Owner shall make a Reinvestment election initially upon subscription to the Note by signing and returning to the Company the Reinvestment Election in a form substantially similar to that attached hereto at Exhibit I (the "Reinvestment Election"). An Owner will be entitled to change its Reinvestment election with respect to monthly payments of interest or discretionary prepayments of principal on July 1 and December 31 of each year during the term of the Owner's Note by providing at least 60 days' prior written notice of the change to the Manager. Any Reinvestment of monthly payments of interest or discretionary payments of principal will increase the principal balance of the Owner's Note by the net amount of the Reinvestment after subtraction of the Reinvestment Fee ("Net Reinvestment").

### **Financing.**

The Company finances its acquisition of the Receivables with the proceeds of the Offering and Reinvestments and with the short-term promissory notes described in "Description of the Company – The Receivables." The Company believes that ongoing Company operations can be funded from Receivable payments. Therefore, the Company does not intend to seek any form of external financing other than the proceeds of this Offering.

## **Tax Considerations.**

**Original Issue Discount.** The amount paid by an Owner for Notes and accompanying Ownership Interests in the Company pursuant to this Offering must be allocated between the Notes and the Ownership Interests in proportion to the fair market value of each on the date of investment. The Company intends to take the position that the Ownership Interests have little or no value, since the amounts paid to the Manager as Bonus Compensation should, over the term of the Notes, result in no net income on an aggregate basis being allocated to the Owner as a member of the Company. Nonetheless, there can be no assurance that the Internal Revenue Service will not successfully challenge such an allocation, which could result in the Notes having "original issue discount" that must be reported by the Owner as interest income on an annual basis over the term of the Notes, even though no payment on the Notes will be made until their respective maturity dates. Consequently, an Owner could be required to recognize interest income as a result of acquiring Notes and accompanying Ownership Interests in a year in which the Owner receives no corresponding cash payment from the Company.

**Tax Liability May Exceed Cash Payments.** Because the Company is treated as a partnership for U.S. federal tax purposes, it is not subject to federal income tax on its income; rather, each Owner is required to report on the Owner's U.S. federal income tax return its distributive shares of all items of income, gain, loss, deduction and credit of the Company for the Owner's taxable year within which the Company's taxable year ends. Although it is expected that over the term of the Notes the amounts paid to Manager as Bonus Compensation should result in no net income in the aggregate being allocated to an Owner, an allocation of items of income to the Owners could occur in any given year due, among other things, to the requirement that previous losses of the Company be offset against the Manager's Bonus Compensation in any year. Accordingly, in any year an Owner may be required to pay tax liability associated with an allocation of income from the Company without a corresponding cash distribution or other payment, and the Owner must be prepared to use other sources of cash to pay such tax liability.

**Tax Considerations in Mexico.** The double taxation treaty between United States of America and Mexico establishes that a US citizen generating income from loan interest in Mexico is subject to a 15% tax payment to the Mexican Treasury Ministry. The Company will pay this tax. Typically, any tax payment delivered to the Mexican Treasury Ministry may be credited in the United States of America for tax purposes. Income that is exempt from taxation in the United States (e.g., pension funds) may have the same treatment in Mexico if certain requirements are met, including mandatory filings with the Mexican Treasury Ministry.

**Additional Tax Considerations.** The tax considerations for an Owner participating in this offering will vary depending upon the Owner's individual circumstances. Accordingly, each person considering participating in this offering should consult its own tax advisor to understand fully the possible federal income and other tax consequences of such participation. **NO OPINION OR ADVICE WITH RESPECT TO THE TAX CONSIDERATIONS OF SUCH PARTICIPATION IS BEING PROVIDED AND EACH PROSPECTIVE OWNER MUST REVIEW THE TAX CONSIDERATIONS OF PARTICIPATING IN THIS OFFERING INDEPENDENTLY WITH ITS OWN TAX ADVISOR.**

## RISK FACTORS

The purchase of Units involves certain risks. Owners are advised to read this entire Disclosure Document and the exhibits carefully. Real estate loan documents are complicated legal instruments, and Owners should confirm their understanding and the legal effect of the Notes and Ownership Interests prior to acquiring Units. In addition to other information contained in this Disclosure Document, prospective Owners should also carefully consider the following:

### **Risks Generally Associated with Investment in Mortgages Secured by Real Property Located in Mexico.**

*General Risks Associated with International Investment.* The Receivables will consist of mortgages secured by real properties located in Mexico, and may be affected by factors peculiar to the laws and business practices of the jurisdictions in which the properties are located. These laws may expose the Company to risks that are different from and in addition to those commonly found in the United States. In general, the Receivables could be subject to the following risks: changing governmental rules and policies, including changes in land use and zoning laws; enactment of laws relating to mortgages and laws relating to the ability of foreign persons or entities to remove profits earned from activities within Mexico to the person's or entity's country of origin; variations in currency exchange or interest rates; adverse market conditions caused by terrorism, civil unrest, and changes in national or local governmental or economic conditions; the willingness of domestic and foreign lenders to make mortgage loans in certain countries and changes in availability, cost, and terms of mortgage funds resulting from varying national economic policies; the imposition of unique tax structures and changes in mortgage tax rates and other operating expenses; general political and economic instability; and the Manager's limited experience and expertise in Mexico relative to its experience and expertise in the United States. Additionally, a court foreclosure in Mexico may take much more time than a foreclosure in the United States.

*Adverse Effects from Economic and Political Risks.* The acquisition of Receivables originated and secured by real estate located in Mexico involves the inherent risks associated with the higher potential for changing political climates, foreign market instability, and foreign currency and interest rate fluctuations. Additional risks include adverse market conditions caused by terrorism, civil unrest, and changes in national or local governmental or economic conditions, or the imposition of unique tax structures and changes in tax rates. These risks of international investing may be magnified in emerging or developing markets such as Mexico. Additionally, because of the uncertainty, delays, and costs that may be associated with foreclosing on real estate securing any Receivables originating in Mexico, as well as the additional risks of a decline in the value and marketability of the collateral, the risk of loss with respect to these Receivables may be greater than with respect to mortgage loans secured by properties located in the United States.

*Restrictions on Foreign Investment.* The Mexican Constitution establishes a "restricted zone"—100 kilometers (approximately 60 miles) wide from the borders and 50 kilometers (approximately 30 miles) wide from the coastal shores—in which foreign individuals and entities

are prohibited from acquiring fee simple title of real property in Mexico. Foreign individuals or entities, however, may acquire the rights of use and benefit from the real estate by establishing a Mexican trust agreement, called the "fideicomiso," whereby a Mexican bank acts as the trustee for the trust agreement. Furthermore, Mexican companies with 100% foreign capital stock may acquire fee simple title to real property within the restricted zone, provided that such acquisition is intended for non-residential purposes (i.e., business purposes, including developing and commercializing residential real estate). Mexican companies acquiring real property for residential purposes must acquire such property through a "fideicomiso". There are no foreign investment restrictions for the acquisition of fee simple title to real property outside the "restricted zone." All real properties securing the Receivables are located in the restricted zone. The location of the real property in a restricted zone may reduce the value of the Receivable. In addition, there is a risk that the Receivables or the Manager's purchase of the Receivables, or both, fails to comply with Mexico's regulation of foreign investments in real property located in the restricted zone. Such failure may impede or prevent the Company from foreclosing on the Receivables.

#### **Accuracy of Information to be Received from Borrowers.**

When making the decision to acquire the Receivables, the Manager will review and analyze information regarding the Receivables, including but not limited to the information contained in the applicable Receivables Documents. Based on its quarter century of experience in the industry in the United States and six years of experience in Mexico, the Manager is confident that its investigation will be complete and that it will be able to ascertain whether or not the information regarding the Receivables that were provided by Original Lenders will be accurate. However, there exists a risk that certain material information will be inaccurate, such as the value of the secured real property in relation to the amount of the Receivable. In addition, lending practices and criteria in Mexico may be different from those in the United States. For example, because there is no credit reporting in Mexico, credit agency information about a potential Borrower is not as readily available as in the United States. The Manager may rely on public records in the Public Registry of Property, a governmental entity where all property titles, guarantees and other limitations or notations must be recorded to have legal effects against third parties. The Manager may also rely on title reports deriving from the history of a property described in the records of the property public registry where the property is located. Finally, the Manager may rely on licensed attorneys in Mexico to ensure that the requisite title formalities are met and to investigate, through the local courts or otherwise, the credit reputation of a potential Borrower or any potential conflicts regarding the property. The Manager can provide no independent assurance that the information will be accurate or complete. If material information turns out to be inaccurate and an obligor defaults on his or her Receivable obligations, thereby requiring the Company to foreclose on the Receivable, a possibility exists that the Company will not realize full value for the Receivable.

#### **Ability and Willingness of Obligors to Pay Receivable Obligations.**

The Company's revenue stream is conditioned upon the ability and willingness of various obligors to pay their respective Receivable obligations. The Manager intends to select a group of creditworthy obligors. However, various factors outside of the Company's and the Manager's

control may affect an obligor's ability and willingness to pay his or her Receivable obligations. An obligor's failure to pay Receivable obligations when and as due will adversely affect the Company's ability to make regular payments on the Notes.

#### **Limited Remedies Upon Default.**

As a general rule, each Receivable will be secured by a single parcel of real property. The Receivables will not be guaranteed by the Manager, and may not be guaranteed by any other third party. Therefore, if an obligor fails to make Receivable payments when and as due, the Company's sole recourse may be to foreclose on the secured real property. Foreclosure can be a costly and time-consuming endeavor that may, or may not, allow the Company to recover all amounts due under the Receivable. Under Mexican law, foreclosure of real property without the intervention of the Mexican courts is available only if specifically provided for in the Trust Agreement in Guarantee. Foreclosure, whether through court intervention or otherwise, can be a particularly costly and time-consuming endeavor that may, or may not, allow the Company to recover all amounts due under the Receivable. Additionally, after the foreclosure, whether or not a Trust Agreement in Guarantee has been used, court proceedings may be required in order to recover possession of the property. The Company mitigates this risk in part by ensuring it has low loan-to-value ratios in its pool of Receivables.

#### **Higher Than Normal Risk of Borrower Default.**

Borrowers and purchasers who are obligated under the types of Receivables the Company acquires are often persons who do not qualify for conventional bank financing or who would generally be regarded to be higher risk borrowers. Consequently, these borrowers are more likely to default on the repayment of their obligations. The Receivables will generally include higher interest rates for late payments, plus conventional penalty late fees up to 30% of the outstanding loan, which may increase the likelihood of default for a financially distressed Borrower.

#### **Borrower Bankruptcy.**

The rights of the Company after a borrower declares bankruptcy under Mexico's bankruptcy laws will be dependent in part on whether the property is secured by a mortgage or a Trust Agreement in Guarantee. In the case of mortgage, a borrower that declares bankruptcy may submit to the courts a debt payment plan. If the court accepts the debt payment plan, the Company would be unable to take any actions directed toward collecting the debt. Alternatively, creditors may be "classified" in order of preference and paid in order of their preference. While mortgage creditors have a relatively high preference, other creditors (such as creditors owed taxes) will have a higher priority. In the event a Trust Agreement in Guarantee has been used and the borrower declares bankruptcy, the borrower would lose its ownership rights in the property. However, while the borrower would not be entitled to ownership of the property, potentially lengthy and costly judicial procedures may be required to remove the borrower from possession of the property.

#### **Assignment Without Recourse.**

Receivables purchased by the Company are acquired by the Company “without recourse” against the seller. In the event of a default, provided the Company has not been knowingly or intentionally defrauded by the seller, the Company’s remedies will be limited to a foreclosure action against the borrower(s) on the subject Receivable.

### **Risks Associated with Secured Real Property.**

There are a number of general risks associated with an investment in real property. One risk is a general downturn in the real estate market, which could negatively impact the value of the properties that secure the Receivables. Property values could also decrease for other reasons, including changes in zoning and regulations, local/regional/global economic conditions, the supply of and demand for similar or competing properties, environmental contamination, external environmental concerns and other factors. If value decreases significantly, the value could fall below the principal amount due under the corresponding Receivable. In such a case, the obligor may lose incentive to pay his or her Receivable obligations, which could lead to default, foreclosure, and recovery of less than the full value of the Receivable.

### **Property Damage.**

The occurrence of a natural or man-made disaster may substantially reduce, or eliminate, the value of the properties that secure the Receivables. These risks include, without limitation, fire, flood, volcanic eruption, earthquakes, environmental contamination, acts of war and nuclear disaster. While the Manager will attempt to purchase Receivables covered with adequate insurance to cover most hazards, there are certain occurrences for which no insurance is available or for which insurance is too expensive, including without limitation flood and earthquake insurance. In the event of an uninsured disaster, the property securing a Receivable might not be available to serve as security for the Receivable, and the Company could lose its entire investment in the Receivable.

### **Title Insurance.**

Although each Receivable will be accompanied by a standard policy of title insurance issued by a U.S. underwriter covering the underlying property, such policies normally exclude from coverage material title defects that do not appear as a matter of record. Exclusions may include property encumbrances resulting from adverse possession or mistaken boundary lines which, if existing, could materially impact the value of insured property. In addition, U.S.-type title insurance or similar indemnification agreements did not exist in Mexico until recently and they are currently largely untested. They may be inadequate to protect the insured property from protracted title challenges.

### **Superior Encumbrances.**

Each Receivable will be a “first” lien, meaning that no other guarantees or security agreements will take priority over the Receivable. However, the Receivables may be subject and subordinate to liens or other obligations which, by operation of law, are now or may become superior to the Receivables. Such liens include, for example, labor liens and liens deriving from



federal income tax debts which have been determined and notified by the competent tax authority prior to the Company's registration of its first lien. In the event of default on a superior lien, the Company may be forced to participate in a foreclosure proceeding, and the value recovered by the Company may be less than the value of the Receivable.

Some debts owed to governmental authorities have priority over any other debts owed by the property owner, whether arising from mortgage guaranteed loan agreements or not, and regardless of whether recorded with the Public Registry. Moreover, in Mexico any debts generated from labor obligations have priority over any other debts, and as a result, labor authorities can not only seize the real property but also transfer its property to the labor plaintiffs with no encumbrances or credit obligations of any kind. In such case, the Company could lose its entire interest in the subject property.

### **Insurance and Casualty Loss.**

Because materials used in construction in Mexico, such as concrete and stucco, tend to be fire resistant, it is uncommon to insure improved property for fire and casualty. In addition, there are certain disasters for which no insurance is available or for which insurance may be deemed to be too expensive ( such as flood and earthquake insurance). Furthermore, the Company has no control over the Borrower's actions or the state of the property that might reduce available coverage, call for economically prohibitive premiums, or otherwise render the subject real property uninsurable. In addition, should insurance coverage lapse due to premiums not paid by the borrower, or should a policy be cancelled for other reasons, the Company may not be protected unless substitute or new insurance is in force. The lack or inadequacy of insurance poses a risk that the Company may not recover the value of the Receivable for any potential loss.

### **Property Taxes and Other Governmental Assessments.**

Receivables secured by real property are, in some cases, subject to levies from local improvement districts (examples would include assessments for local road improvements or for the construction of local sewer facilities). Consequently, the Company may be liable for unpaid property taxes and governmental assessments in the event of a default. Property taxes in Mexico in certain states of Mexico such as in the state of Baja California Sur are extremely low in comparison with the United States.

### **Reduced Underwriting Standards.**

The Company has less stringent underwriting standards on the Receivables it originates compared to those of the Federal National Mortgage Association ("FNMA") or the Federal Home Loan Mortgage Corporation ("FHLMC") with respect to newly originated single-family loans and those of institutional lenders with respect to newly originated commercial mortgage loans. The Company may frequently be unable to verify income, to verify employment, or to calculate the debt ratios that are typically employed in underwriting a mortgage loan at origination consistent with the guidelines imposed by FNMA, FHLMC, or institutional lenders.

### **No Direct Payment Security.**

The Notes will be unsecured Company obligations. Therefore, even though the Receivables are secured by real property, the Owners do not have direct recourse against the real property. As such, in the event the Company lacks sufficient resources to pay all of its obligations, the Note obligations will be in the same relative position as the Company's other unsecured obligations. However, the Manager does not anticipate that the Company will incur any obligations other than the Notes (as adjusted by Reinvestments) and Company operating expenses.

### **Non-Judicial Foreclosures.**

In the event of a default, the Company will generally file non-judicial foreclosure proceedings against the borrower(s). Non-judicial foreclosure proceedings, which are more expeditious than judicial proceedings, generally prohibit the Company from obtaining a deficiency judgment against the borrower(s), in the event the net proceeds from the sale of the subject real property securing the defaulted Receivable is less than the full amount owed to the Company.

Non-judicial foreclosure proceedings are generally not available in Mexico unless a Trust Agreement in Guarantee has been executed, providing the terms to carry out the foreclosure procedure. However, such trust agreements are expensive and may take up to ninety days to be created. Consequently, certain potential borrowers may not agree to enter into Trust Agreements in Guarantee for their loans. Also, while Trust Agreements in Guarantee permit the creditor to avoid judicial foreclosure, a creditor may be required to bring a court action to remove a debtor from the foreclosed property.

### **Potential Conflicts of Interest.**

*Similar Business Ventures.* The Company is in the business of owning, servicing and collecting Receivables. The Manager conducts the same type of business separately and independently from the Company and also acts as managers of other companies with similar businesses to the Company. The time and attention devoted by the Manager to these other businesses will take away from the time and attention that the Manager will devote to the Company's business. Additionally, external circumstances (such as drastic interest rate fluctuations) may cause the Manager to liquidate its own real estate receivables or receivables held by these other companies, but the Manager may not liquidate Company Receivables because the Company intends to hold the Receivables until fully paid (unless liquidation is necessary to pay Note obligations). Last, the Manager may acquire certain real estate receivables for itself or for these other companies and not for the Company, even though such real estate receivables meet the Minimum Underwriting Criteria.

*Purchase of Receivables from the Manager and the Affiliates.* The Company will be acquiring a significant portion of the Receivables from the Manager and the Affiliates. The price paid for these Receivables by the Company may exceed the price paid for the Receivables by the Manager and the Affiliates. Although the Manager intends to act in good faith in connection

with the Company's purchase of any Receivables from the Manager and the Affiliates, there can be no assurances that the price actually paid by the Company for any Receivable purchased from the Manager or an Affiliate will be equal to the price that would be obtained if the same Receivables had been purchased in an arm's length transaction with an unrelated third party, or that the price actually paid will equal the fair market value of the Receivable.

Additionally, if any new Receivables are to be purchased, the Company may seek replacement Receivables from the Manager and the Affiliates. In order to minimize the conflict of interest inherent in such a replacement, neither the Manager nor any Affiliate will sell a replacement Receivable to the Company if the replacement Receivable would reduce the Average Receivable Yield below 10%.

*Purchase of Notes.* The Manager does not foresee any conflict of interest arising from the Manager's potential purchase of Notes (see "Prepayment of Notes" above). First, the Manager will, in most situations, personally hold a Note for only a short period of time as the Manager attempts to find a suitable replacement purchaser for the Note. Second, as more thoroughly described in the Company's Limited Liability Company Agreement, any action by the Company that requires approval of Owners will require the affirmative vote of Owners holding at least a majority of the Ownership Interests of the Company, exclusive of any Ownership Interests held by the Manager as a result of holding Units. Therefore, the Manager cannot independently control a vote of the Company's Owners, regardless of the face amount of Notes held by the Manager.

*Foreclosure of Receivables.* In the event of foreclosure of a Receivable, the Manager may wish to bid on the property that secures the Receivable. To eliminate the possibility of bidding competition between the Manager and the Company, the Manager will not bid on a property unless the Manager's bid for the property equals or exceeds all amounts due under the Receivable (including all Manager fees and costs of sale).

*Payment of Bonus Compensation.* The Manager will be entitled to the payment of Bonus Compensation under the Management Agreement. The amount of the Bonus Compensation will be equal to the net profits of the Company. Although the Manager intends to act in good faith and to adhere to the Minimum Underwriting Criteria, the Bonus Compensation structure could cause the Manager to favor riskier Receivables to increase net profits of the Company.

*Prepayment of the Notes.* The Manager has discretion in determining whether to prepay the Notes. Prepayment of the Notes could have the effect of reducing the amount of the net profits of the Company and, thereby, decrease the amount of the Bonus Compensation. Although the Manager intends to act in good faith and in the best interests of the Owners, this could cause the Manager to decide against prepayment of the Notes.

*Reassignment of Receivables to the Manager and the Affiliates.* In certain instances, the Manager will have discretion in determining which Receivables to reassign to the Manager and the Affiliates. Such reassignment could have an effect on the total yield to the Company from the portfolio Receivables and the creditworthiness of the Company's Receivables. It may also impact the profits of the Manager and the Affiliates. The Manager intends to act in good faith in

the selection of Receivables to be reassigned to the Manager and the Affiliates to ensure that the portfolio of Receivables remaining following such reassignment with the Company will have a combined yield of not less than 10%.

### **Dependence on the Manager.**

The Company has entered into a Management Agreement with the Manager. Pursuant to the Management Agreement, the Manager will manage the day to day operations of the Company. Consequently, the success of the Company will depend, among other things, upon the Manager's ability to perform the duties and functions outlined in the Management Agreement. Should the Manager default on its obligations, encounter financial problems that prevent it from continuing its operations, or should it otherwise cease doing business, the Company might not be capable of operating profitably. Additionally, in this event, there can be no assurance that the Company would be capable of locating and retaining a suitable replacement for the Manager.

### **Inappropriate Conduct by Manager.**

The Company's Limited Liability Company Agreement will prohibit the Manager from taking any actions on behalf of the Company other than those specifically permitted by the Limited Liability Company Agreement or the Management Agreement. So long as the Manager performs its duties in good faith and in compliance with the Limited Liability Company Agreement and Management Agreement, the Company will not incur any obligations other than those obligations that exist under the Notes (as adjusted by Reinvestments), under the Management Agreement or that arise by operation of law. However, because the Manager will have apparent authority to act on behalf of the Company, third parties can likely rely on the Manager's actions, regardless of whether the Manager is authorized to take such actions. Therefore, if the Manager takes action in violation of the Limited Liability Company Agreement or Management Agreement, the Company may incur obligations in addition to those under the Notes and Management Agreement. In such a case, the Company would be bound by the Manager's actions, but the Owners would have a cause of action against the Manager for any resulting damage.

### **Company Losses in Excess of Profits.**

The Company anticipates having no profits or losses, due to the adjustments related to Bonus Compensation. However, due to the risks inherent in real estate securities described above, there is a possibility that the revenue to the Company from the Receivables will not be sufficient to pay the full balance due to Owners of principal and interest on the Notes. It is also possible that after having received Bonus Compensation from the Company, the Manager will be unable to repay an amount equal to its Bonus Compensation to offset a net loss in the Company. In either of those events, the Company may not have sufficient revenue to pay the Owners the full principal and interest balance of their Notes, which will result in an offset in their Note redemption payment to account for the Owner's proportionate share of the cash shortfall.

**Illiquidity.**

The offer and sale of Units have not been registered under federal or state securities laws, and the Units cannot be resold except in reliance upon one or more exemptions under such laws. Additionally, the Units cannot be sold unless the restrictions on sale in the Limited Liability Company Agreement are satisfied. In addition, there is no market for the Units. As a result, the Units are highly illiquid, meaning that Owners should expect to hold their Units until fully paid in the ordinary course.

**Loss of Limited Liability Shield.**

The Company is a limited liability entity whose capital will be principally be investment in the Notes and whose revenue will be primarily derived from monthly payments made by the Borrowers on the Receivables. The Company may incur other obligations or liabilities to third parties (other than to Owners of the Notes), such as a lender liability claim by a Borrower, or for environmental and other conditions on real estate foreclosed on the Receivables. The Company's capital structure poses a risk that a potential creditor of the Company could assert that the entity be disregarded with respect to such obligations or liabilities because of inadequate capitalization. The likelihood of a loss of limited liability is low because Owners' Notes are in effect subordinate to other obligations of the Company and the Company cannot incur debt other than the Notes to Owners plus any reinvestment. In addition, to the extent that proceeds from the Notes are used to buy Receivables that are either at, or below, fair market value, there may be some equity in the Company. However, in the event that the entity is disregarded, individual Owners could be held liable for third-party liability claims to the extent they exceed the Company's assets available to satisfy such claims.

**Reliability of Payments.**

The Company's obligations under the Notes will be fulfilled if the Receivables are timely paid and not retired early. However, the Company does not control early payoff of Receivables. Because early payoffs are likely, there is some risk that the Company will not be able to promptly replace retired Receivables with similar mortgage obligations or other securities that generate equivalent cash flow. If the Company fails to acquire adequate replacements for the Receivables, it may impact the Company's ability to make timely payments on the Notes and may result in prepayment of the Notes before maturity.

**Decrease in Average Yield.**

It is anticipated that the Receivables to be acquired by the Company will generate varying yields, such that the average yield is sufficient to pay the Notes and the costs and fees under the Management Agreement. If a number of higher yielding Receivables are retired early, the average yield from the Receivables may decrease to a level insufficient to pay all Note obligations. However, the Manager will use its best efforts to replace the retired Receivables in order to avoid this result.

**Governmental Regulation.**

There is currently no regulation of the purchase and sale of seller-financed mortgages. However, in the event federal, state or local governments began regulating said market, the costs, liabilities and time associated with compliance could have a material adverse impact on the Company's ability to operate profitably. In addition, decisions of federal, state and local authorities may affect the value of the real properties serving as security for Receivables acquired (examples of such decisions would include zoning changes, moratoriums, condemnations for public roadways, changes in municipal boundaries, or changes in land use plans).

#### **Lack of Control over Manager's Decisions.**

So long as the Manager does not breach the Management Agreement, and so long as the Owners or Manager do not terminate the Management Agreement, the Owners have no right to control or override the Manager's decisions regarding portfolio management and Receivable collection. The Company will therefore rely on the Manager and its principals to service and collect the Receivables. The loss of the Manager's services could have an adverse impact on the Company.

### **TERMS OF THE OFFERING**

#### **The Notes.**

The Notes will be long-term payment obligations, except in the case of the Initial Notes, whose Owners are entitled to prepayment on demand upon the first anniversary. All of the Notes vary in maturity, with terms of five, ten or fifteen years. The form of each Note is attached hereto as Exhibits E, F, G and H. The five year Notes (i.e., Notes with a term ending in 2012) carry an 8% interest rate, with an effective yield of 7.5% after the Base Fee. The ten year Notes (i.e., Notes with a term ending in 2017) carry a 9% interest rate, with an effective yield of 8.5% after the Base Fee. The fifteen year Notes (i.e., Notes with a term ending in 2022) carry a 10% interest rate, with an effective yield of 9.5% after the Base Fee.

Except for the duration and interest rate on the Notes, and the prepayment option for the Initial Notes, the terms of the Notes are identical. The Initial Investors will have the option to demand prepayment of the Initial Notes after one year. Required payments on the Notes are monthly interest only payments, with the entire principal amounts to be due and payable at the end of the term of the Notes. However, the Manager has discretion to prepay the Notes in full and to make periodic monthly principal payments if deemed appropriate by the Manager. The Owners will pay the Base Fee as a direct expense and a proportionate amount of the total Base Fee will reduce the net interest payment to each Owner each month.

As discussed under "Description of the Company – Reinvestment" above, the Notes also allow Reinvestment of monthly payments, subject to the Reinvestment Fee. Any Reinvestment of monthly payments will result in an increase in the principal balance due under the Note equal to the amount of the Net Reinvestment. Owners of Notes with a five or ten year term may elect to reinvest upon maturity, but Owners of Notes with a fifteen year term will not be able to reinvest any amounts due upon maturity of their Notes.

### **The Ownership Interests.**

The Ownership Interests are the only membership interests to be issued by the Company. They carry no meaningful economic rights, but possess the right, in the aggregate (upon the vote of Owners holding 2/3 of the Ownership Interests then outstanding) to terminate the Management Agreement and to replace the Manager if the Owners are dissatisfied with the Manager's performance. The rights, preferences and privileges of the Ownership Interests are more thoroughly described in the Company's Limited Liability Company Agreement.

### **Offering Period.**

The Offering of the Units commenced on the date of this Disclosure Document and will terminate on the earlier of (i) the sale of \$5,000,000 face amount of Notes, (ii) August 10, 2008, or (iii) the date the Manager deems it is in the best interests of the Company to terminate the Offering and so notifies the Owners and prospective Owners in writing.

### **Escrow of Proceeds.**

Proceeds from the Offering will be released to the Company only after subscriptions for Notes in the face amount of at least \$100,000 are received. Until that time, all subscription funds will be held in a restricted interest-bearing escrow account (the "Escrow Account"). When the Company has received subscriptions for Notes in the face amount of at least \$100,000, the escrowed funds will be released from the Escrow Account to the Company. If the minimum subscriptions are not received by the termination date of the Offering, the escrowed funds will be returned to subscribers, along with their proportionate amount of interest earned.

### **Owner Suitability Standards.**

The Units are being offered only to those Investors who are "accredited investors" as defined in Rule 501 under Regulation D of the Securities Act of 1933, as amended (the "Act").

An accredited investor is generally a prospective Owner that meets one of the following qualifications:

- (1) Any natural person whose individual net worth, or joint net worth with that person's spouse, exceeds \$1,000,000;
- (2) any natural person who had an individual income in excess of \$200,000 in each of the two most recent years or joint income with that person's spouse in excess of \$300,000 in each of those years and who has a reasonable expectation of reaching the same income level in the current year;
- (3) any organization described in Section 501(c)(3) of the Internal Revenue Code, corporation, Massachusetts or similar business trust, or partnership, not formed for the specific purpose of acquiring the securities offered, with total assets in excess of \$5,000,000; or

- (4) any entity in which all of the equity owners are accredited investors.

Representations of each prospective Owner regarding the foregoing suitability standards will be reviewed and relied upon to determine the suitability of such persons as an Owner, and the Company will have the right to refuse a subscription for Units to any person in its sole discretion. The acceptance and approval of a subscription by the Company does not constitute a determination by the Company that the investment is suitable for the prospective Owner.

For purposes of analyzing an investment in the Company, each prospective Owner should consider his exposure with respect to his investment. An prospective Owner should not purchase a Unit if he or she does not have resources sufficient to bear the loss of the entire amount of the Owner's investment. Prospective Owners must also be at least 21 years old and otherwise duly qualified to acquire and hold Units.

Each prospective Owner must make an independent judgment, in consultation with his own counsel, accountant, investment advisor or business advisor, as to whether an investment in the Units is advisable. The fact that a prospective Owner meets the Company's suitability standards should in no way be taken as an indication that an investment in the Units is advisable or suitable for that Investor.

#### **Subscription Procedures.**

Each prospective Owner must meet one or more of the suitability criteria set forth above. To demonstrate suitability, a prospective Owner must complete, execute, acknowledge and deliver to the Company the Subscription Agreement attached to this Disclosure Document as Exhibit I. Each prospective Owner must submit with his or her Subscription Agreement a check in the face amount of the purchased Unit, made payable to "American Eagle Mortgage Mexico 400, LLC" (the subscription price also may be paid by delivery of wired funds to the Escrow Account as directed by the Manager). The minimum purchase commitment is \$10,000, although the Manager may reduce this minimum for prospective Owners who wish to invest through independent retirement accounts or other qualified or nonqualified retirement accounts that have balances less than \$10,000.

The offer and sale of the Units are made in reliance on one or more exemptions from registration under federal and state securities laws. Because the exemptions depend upon the characteristics of Unit purchasers and the accuracy of the representations contained in the Subscription Agreement, subscriptions may be rejected for any reason by the Company in its sole discretion. A subscription may not be revoked, canceled or terminated by the prospective Owner except as provided in the Subscription Agreement.

The maximum placement is \$5,000,000 face amount of Notes. If the Units available for sale are oversubscribed, they will be sold to those prospective Owners subscribing first, provided they satisfy the applicable suitability standards. The purchase price for the Units is payable in full upon subscription. If a prospective Owner's offer to purchase the Units is accepted, all subscription checks and wired funds will be deposited by the Company directly into the Escrow



Account, unless the minimum placement (\$100,000) has been achieved, in which case the funds will be deposited by the Company directly into the Company's account.

If a subscription is rejected, all funds will be returned to the prospective Owner within 10 days of the rejection without deduction or interest. The Company will accept a subscription by sending a written confirmation to the prospective Owner. Once the minimum placement has been achieved, the Company will send each Owner a Note.

### **Representations and Warranties of the Prospective Owner.**

By executing the Subscription Agreement, the prospective Owner will represent, among other things, that he or she:

- (a) is an Accredited Investor;
- (b) is a resident of the state so indicated in the Subscription Agreement;
- (c) is familiar with investments of the nature offered under the terms of this Disclosure Document;
- (d) has reviewed this Disclosure Document in full;
- (e) has been given the opportunity to receive such information as he or she needs in order to make his or her investment decision;
- (f) has been advised to consult with his or her tax or financial consultants prior to purchasing Units;
- (g) is acquiring the Units for his own account as principal for investment and not with a view to resale or distribution; and
- (h) is aware that the sale of the Units is restricted by the Act, applicable state securities laws, the Limited Liability Company Agreement and the absence of a market for the Units, among other things.

### **Plan of Distribution.**

The Units will be sold directly and exclusively by the Manager acting as a Company salesperson or by certain other qualified individuals that the Manager selects. The Manager will not receive commissions or other remuneration for its efforts in selling Units. Certain of the Manager's employees or agents may be compensated for their efforts in selling the Units or in obtaining Receivables for the Company, including those obtained from the Manager and the Affiliates, but all such compensation will be paid by the Manager and the Affiliates from the proceeds of the sale of the Units or Receivables, as applicable. The Manager will also pay the costs incurred in connection with the Offering from the Proceeds of the Offering, which will include legal fees and costs, accountants' fees and costs, printing costs and administrative fees.

The Company will not advertise or make general solicitations to the public. The Manager will contact qualified prospective Owners through existing personal and business contacts. In so

doing, the Manager will comply with the requirements contained in this Disclosure Document and all requirements imposed by applicable law.

### **RECORD KEEPING**

The Company will maintain adequate books, records and accounts, including payment histories on all Receivables. The Owners may review the Company's books, records and accounts at the Company's business office during normal business hours. The Company's financial statements will not be audited by independent accountants.

### **ADDITIONAL INFORMATION**

This Disclosure Document does not include all relevant provisions of the Receivable Documents, all of which should be reviewed for a complete description of the matters relating to a purchase of the Units. All documents related to the Company are available for inspection during regular business hours at the office of the Company. Each prospective Owner is invited to ask questions of and receive answers from the Manager concerning the Units

**EXHIBIT E**

## EXHIBIT B

### MINIMUM UNDERWRITING CRITERIA FOR RECEIVABLES

#### General

The Manager, on behalf of the Company, will acquire the Receivables in accordance with the terms set forth in the Management Agreement. The following is a discussion of the underwriting standards and acquisition criteria that will generally be employed by the Manager in selecting Receivables for acquisition by the Company.

#### Underwriting Files

The Manager will maintain files (the "Underwriting File") for each Receivable purchased by the Company. Each Underwriting File shall contain the following information:

(i). Property Profile. The Underwriting File will contain a property profile supplied by the county in which the real property collateral is situated. Said property profile will typically include a plat map, the legal description, the tax assessor parcel number, the tax assessed value, and the current use and zoning of the subject property. In addition, the property profile should disclose whether there are any delinquent property taxes or other ancillary governmental assessments owing against the subject property.

(ii). Receivable Documents. The Underwriting File will contain true, correct and complete copies of all documents evidencing the subject Receivable, including, but not limited to, a copy of the promissory note and recorded mortgage or a copy of the recorded real estate security documents.

(iii). Appraisal. The Underwriting File will contain a complete, original copy of the appraisal, containing the appraiser's original signature used for the original loan, or a broker's price opinion. The appraisal confirms the market value of the real property collateral securing the subject Receivable.

(iv). Title. The Underwriting File will contain a title insurance policy issued by a US underwriter and assigned and endorsed to the Company. This title information confirms that (a) the subject Receivable is properly recorded into the real property records of the jurisdiction in which the real property collateral is situated, (b) the seller of the subject Receivable is, in fact, the rightful holder in due course of the lender's beneficial interest in the subject Receivable, and that he or she possesses the unencumbered right to sell same, (c) property taxes and other ancillary governmental assessments (such as local improvement district assessments) are paid current, (d) there are no monetary encumbrances superior to the subject Receivable (first position liens only), and (e) the borrower has no liens or judgments that have priority over the subject Receivable (first position liens only).

(v). Borrower's Credit Report(s). For individual borrowers, the Underwriting File will contain a complete copy of a financial statement. Credit reports give the underwriter valuable insight when forecasting the likelihood for timely repayment of the debt evidenced by the subject Receivable. All such credit reports shall be as of the date of the original loan. In certain circumstances, a credit report may not be obtained. In those cases, the Manager will review the ability of the borrower to make the loan payments in order to evaluate creditworthiness.

(vi). Payment History. The Underwriting File will contain a true, correct and complete copy of the payment history attributable to the subject Receivable, if any. For loans with histories in excess of 3 (three) years, the Manager will, barring a significant balance discrepancy, limit its review of the prior year payment histories to the current year together with the trailing 2 (two) years. The payment history gives the underwriter valuable insight into the borrowers payment habits as they relate to the subject Receivable.

(vii). Certificate of Hazard Insurance. Whenever possible, the Underwriting File will contain a copy of a current certificate of hazard insurance. However, given the borrower is not party to the purchase and sale of existing mortgage debt, the Manager is not always able to procure an insurance certificate prior to the closing. In this event, the Manager will procure a certificate of hazard insurance immediately following the closing, except in the case of Receivables secured only by vacant land.

## **Funding Package**

Once the Manager has acquired a Receivable on behalf of the Company, and has perfected and recorded an assignment of the beneficial ownership interest of same, the Manager shall keep a complete copy of the following documents (collectively the "Funding Package"):

(i). Executive Summary. The Funding Package shall include an executive summary, which shall summarize the financial and underwriting aspects of the transaction, including the various appropriate ratios attributable to the subject Receivable (such as the loan-to-value ratio).

(ii). Original Receivable Documents. The Funding Package shall include copies of the appropriate original mortgage documents. In the event the Receivable being acquired is being acquired "servicing retained" (i.e. subject to an existing third party servicing agreement whereby an independent servicer holds the original mortgage documents), the Third Party Servicer shall retain the original documents and the Funding Package shall include photocopies of these documents. In the event the Receivable being acquired is being acquired "servicing released" (i.e., the Manager will service), the Funding Package shall include the original copies of the appropriate mortgage documents, which shall be held by the Manager.

(iii). Assignment Documents. The Funding Package shall include copies of the appropriate original assignment documents. In the event the Receivable being acquired is being acquired "servicing retained," the Third Party Servicer shall receive the original copies of the assignment documents and the Funding Package shall include photocopies of these documents, together with the signed Bailee Letter referenced above. In the event the Receivable being acquired is being acquired "servicing released," the Funding Package shall include the original copies of the assignment documents, which shall be held by the Manager.

(iv). Title Insurance. The Funding Package shall include copies of the title insurance policy issued by a US underwriter and assigned and endorsed to the Company. Said title insurance policy shall evidence the subject Receivable being acquired and confirm that said Receivable (a) is properly recorded into the real property records of the county in which the real property collateral is situated, and (b) is rightfully owned by the seller, and (c) is free and clear of delinquent property taxes and other ancillary governmental assessments that may be delinquent (such as local improvement district assessments), and (d) is free and clear of monetary encumbrances (first position liens only), and (e) is free and clear of other liens or judgments having priority over the subject Receivable.

#### **Maximum Loan to Value Ratio**

Any Receivable acquired by the company will have a maximum loan to value ratio as follows:

- (i). 65% on a single family residence or condominium unit.
- (ii). 60% on buildable small acreage parcel for single family residence if utilities and road are to the property
- (iii). 50% on vacant land.
- (iv). 60% on non-owner occupied multi dwelling units
- (v). 60% on commercial income producing property

In computing the loan to value ratio for a Receivable, the purchase price for the Receivable will be divided by the fair market value of the property securing the Receivable.

**EXHIBIT F**

**LIMITED LIABILITY COMPANY AGREEMENT  
OF  
AMERICAN EAGLE MORTGAGE MEXICO 400, LLC**

This Limited Liability Company Agreement is entered into and shall be effective as of August 10, 2007, by and between American Eagle Mortgage Mexico 400, LLC, a Washington limited liability company (the "Company") and American Equities, Inc., a Washington corporation (the "Manager").

**ARTICLE 1.**

**DEFINITIONS**

Capitalized terms not otherwise defined in this Agreement shall have the meanings given them in the Disclosure Document.

1.1 "Act" shall mean the Washington Limited Liability Company Act.

1.2 "Additional Member" shall mean a Member, other than a Substitute Member, who has acquired a Membership Interest from the Company.

1.3 "Affiliate" shall mean, with respect to any Person,

(a) any Person directly or indirectly controlling, controlled by, or under common control with such Person;

(b) any Person owning or controlling ten percent or more of the outstanding voting interests of such Person;

(c) any officer, director, or manager of such Person; or

(d) any Person who is an officer, director, manager, trustee, or holder of ten percent or more of the voting interests of any Person described in clauses (a) through (c) of this Section.

For purposes of this definition, the term "controls," "controlling," "controlled by," or "under common control with" shall mean the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract or otherwise.

1.4 "Agreement" shall mean this Limited Liability Company Agreement as originally executed and as amended or restated from time to time.

1.5 "Assignee" shall mean a transferee of any Membership Interest who has not been admitted as a Substitute Member.



1.6 “**Capital Account**” shall mean the capital account of each Member established pursuant to Section 6.2, as adjusted from time to time pursuant to this Agreement and the Code.

1.7 “**Certificate**” shall mean the Certificate of Formation of the Company as filed with the Secretary of State of Washington as the same may be amended or restated from time to time.

1.8 “**Code**” shall mean the Internal Revenue Code of 1986 or corresponding provisions of subsequent superseding federal revenue laws.

1.9 “**Company**” shall mean American Eagle Mortgage Mexico 400, LLC, a Washington limited liability company.

1.10 “**Company Property**” shall mean any Property owned by the Company.

1.11 “**Disassociation Event**” shall mean an event described as such in Section 11.1.

1.12 “**Disclosure Document**” shall mean the confidential private placement disclosure document dated August 10, 2007, of the Company in which the Company offers to sell Membership Interests and promissory notes (“**Note**” or “**Notes**”) as a package constituting a Unit.

1.13 “**Dissolution Event**” shall mean an event described as such in Section 12.2.

1.14 “**Economic Rights**” shall mean a Member’s share of the Profits, Losses and distributions of Company Property pursuant to the Act, the Certificate and this Agreement, but shall not include any Management Rights.

1.15 “**Entity**” shall mean any general partnership, limited partnership, limited liability company, corporation, joint venture, trust, business trust, cooperative or association or any foreign trust or foreign business organization.

1.16 “**Family**” shall mean a Member’s spouse, natural or adoptive lineal ancestors or descendants, and trusts for which any of them are more than insignificant beneficiaries.

1.17 “**Fiscal Year**” shall mean the Company’s fiscal year, which shall be determined pursuant to Section 706 of the Code. Unless otherwise established by the Manager, the Company’s fiscal year shall be the calendar year.

1.18 “**Management Agreement**” shall mean that certain agreement by and between the Manager and the Company, by which the Manager has agreed to acquire, administer and dispose of the Company’s mortgage portfolio.

1.19 “**Management Right**” shall mean the right of a Member to participate in the management of the Company, including the rights to information and to approve actions of the Company.

1.20 “**Manager**” shall mean the Manager, as defined in the preamble, or the Person designated or selected to manage the affairs of the Company under Article 4 of this Agreement.

1.21 “**Member**” shall mean any party who is a party to this Agreement as Additional Member or a Substitute Member.

1.22 “**Membership Interest**” shall mean a Member’s entire interest in the Company, including such Member’s Economic Rights and Management Rights.

1.23 “**Ownership Interest**” shall mean each Member’s percentage interest in the Company as determined in accordance with Section 6.1 of this Agreement.

1.24 “**Person**” shall mean any individual or Entity, and the heirs, executors, administrators, legal representatives, successors, and assigns of such “Person” where the context so permits.

1.25 “**Profits**” and “**Losses**” shall mean, for each Fiscal Year, an amount equal to the Company’s taxable income or loss for such Fiscal Year, determined in accordance with Code Section 703(a) (for this purpose, all items of income, gain, loss, or deduction required to be stated separately pursuant to Code Section 703(a)(1) shall be included in taxable income or loss), with the following adjustments:

(a) Any income of the Company that is exempt from federal income tax and not otherwise taken into account in computing Profits or Losses pursuant to this Section shall be added to such taxable income or loss; and

(b) Any expenditures of the Company described in Code Section 705(a)(2)(B) or treated as Code Section 705(a)(2)(B) expenditures pursuant to Regulations Section 1.704-1(b)(2)(iv)(i), and not otherwise taken into account in computing Profits or Losses pursuant to this Section shall be subtracted from such taxable income or loss.

1.26 “**Property**” shall mean any property of the company, real or personal, vested or contingent, tangible or intangible, including money and any legal or equitable interest in such property, but excluding services and promises to perform services in the future.

1.27 “**Regulations**” shall mean proposed, temporary and final regulations promulgated under the Code in effect as of the date of filing the Certificate and the corresponding sections of any regulations subsequently issued that amend or supersede such regulations.

1.28 “**Subscription Agreement**” shall mean the agreement between a Member and the Company under which the Member subscribes for its Membership Interest in the Company.

1.29 “**Substitute Member**” shall mean a Person who has been admitted to the Company pursuant to Section 10.5 of this Agreement and has thereby acquired the entire Membership Interest of the assigning Member.

1.30 **“Transfer”** shall mean, as a noun, any voluntary or involuntary transfer, sale, or other disposition and, as a verb, voluntarily or involuntarily to transfer, sell, or otherwise dispose of.

## ARTICLE 2.

### ORGANIZATION OF COMPANY

2.1 **Organization/Term.** By executing and filing the Certificate, the Manager has created the Company in accordance with and pursuant to the Act. Consistent with the Act and the Certificate, the Manager hereby organizes the Company. The Company shall exist perpetually unless dissolved as provided in this Agreement or the Act.

2.2 **Nature of Business.** The Company may engage in any lawful business permitted by the Act or the laws of any jurisdiction in which the Company may do business. The Company shall have the authority to do all things necessary or convenient to accomplish its purpose and operate its business. Without limiting the generality of the foregoing, the Company is established and organized for the purpose of loaning funds, acquiring, holding, managing and, ultimately, disposing of a portfolio of real estate mortgages as an investment vehicle.

2.3 **Defects as to Formalities.** A failure to observe any formalities or requirements of this Agreement, the Certificate or the Act shall not be grounds for imposing personal liability on the Members or Manager for liabilities of the Company.

2.4 **No Partnership Intended for Non-tax Purposes.** The Members have formed the Company under the Act, and expressly do not intend to form a partnership under either the Washington Partnership Act or the Washington Limited Partnership Act or a corporation under the Washington Business Corporation Act. The Manager and the Members do not intend to be partners one to another, or partners as to any third party, nor do the Members intend to be partners among themselves. To the extent any Member, by word or action, represents to another Person that such Member, the Manager or any other Member is a partner, or that the Company is a partnership, the Member making such wrongful representation shall be liable to the Manager and to any Member who incurs personal liability by reason of such wrongful representation. Notwithstanding the foregoing, it is the intention of the Company that the Company be taxed as a partnership pursuant to Subchapter K of the Code.

2.5 **Rights of Creditors and Third Parties.** This Agreement is entered into between the Company and the Manager for the exclusive benefit of the Company, its Manager and Members, and their respective successors and assigns. The Agreement is expressly not intended for the benefit of any creditor of the Company or any other Person. Other than as required by applicable law, no creditor of the Company, the Manager or any Member or third party, shall have any rights under this Agreement or any agreement between the Company and the Manager or any Member with respect to any Contribution or otherwise.

2.6 **Title to Property.** All Company Property shall be owned by the Company as an entity and no Member shall have any ownership interest in such Property in the Member's individual name or right, and each Member's interest in the Company shall be the personal

property of such Member for all purposes. Except as otherwise provided in this Agreement, the Company shall hold all Company Property in the name of the Company and not in the name or names of any Member or Members.

**2.7 Payments of Individual Obligations.** The Company's credit and assets shall be used solely for the benefit of the Company, and no asset of the Company shall be transferred or encumbered for or in payment of any individual obligation of any Member unless otherwise expressly provided for in this Agreement.

### **ARTICLE 3.**

#### **MEMBERS**

**3.1 Membership Interests.** Upon completing a Subscription Agreement and upon acceptance by the Company of the same, each Member shall receive Membership Interests and shall thereby become a Member. The Members understand that Membership Interests are only issued in connection with issuance of a Note of the Company to such Member and that once the Company pays the full balance due to the Member under the Note, the Member's Membership Interests will terminate. Members shall have the Management Rights and Economic Rights set forth in this Agreement. The Management Rights of the Members are set forth in Section 3.5. Articles 7 and 8 set forth the Economic Rights of the Members.

**3.2 Authority to Act/Cooperation.** No Member shall have any power or authority to bind the Company unless the Member is the Manager or the Member has been authorized by the Manager to act as an agent of the Company in accordance with this Agreement. The Members understand and agree that the Company may obtain loans for business purposes. The Members agree that they will cooperate by executing documentation required by the Company's lenders, including but not limited to subordination agreements required by such lenders.

**3.3 Limitation of Liability.** Each Member's liability shall be limited as set forth in this Agreement, the Act and other applicable law. A Member will not be personally liable, merely as a Member, for any debts or losses of the Company beyond the Member's contribution, except as otherwise provided by law.

**3.4 Indemnification.** The Company shall indemnify the Members for all costs, losses, liabilities, and damages paid or accrued by such Member, and advance expenses incurred by the Member, in connection with the Member's good faith participation in the business of the Company, to the fullest extent provided or allowed by the laws of Washington.

**3.5 Management Rights.** All Members shall be entitled to vote on or consent to any matter submitted to a vote or consent of the Members as provided below.

(a) In addition to any other actions which, by virtue of the Act, the Certificate or this Agreement require a certain consent of the Members, the following actions require the consent of Members holding two-thirds (2/3) of all Ownership Interests exclusive of Ownership Interests held by the Manager:

- (1) Filling any vacancy created by the resignation, removal or dissolution of the Manager;
- (2) Taking or approving any action or transaction which is reserved to the Members by the Act, the Certificate or this Agreement without any express statement of the extent of Member action required;
- (3) Compromising any Note obligation;
- (4) Taking the actions described in Section 4.4;
- (5) Increasing the compensation or benefits of the Manager;
- (6) Amending or restating this Agreement or the Certificate;
- (7) Making a material modification to or terminating the Management Agreement;
- (8) Removing the Manager; or
- (9) Terminating the Management Agreement.

(b) In addition to the foregoing, the following actions require the unanimous consent of Members:

- (1) borrowing money or incurring debt on behalf of the Company in excess of the amount contemplated in the Disclosure Document other than for normal operating expenses;
- (2) merging the Company with another entity; or
- (3) dissolving the Company.

### 3.6 Actions of Members.

(a) **Annual Meeting.** An annual meeting of the Members may be held on the first Tuesday in April or at such other time as shall be determined by the Manager, for the purpose of the transaction of such business as may come before the meeting.

(b) **Special Meetings.** Special meetings of the Members, for any purpose or purposes, unless otherwise prescribed by statute, may be called by the Manager or by any Members holding at least 20% of the Ownership Interests.

(c) **Place of Meetings.** The Manager may designate any place, either within or outside of Washington, as the location for any meeting of the Members. If no designation is made, the place of meeting shall be the principal office of the Company.

(d) **Notice of Meetings.** Except as provided in Section 3.6(e) below, written notice stating the place, day and hour of any meeting and the purposes for which the meeting is

called (except that purpose need not be stated in the notice of an annual meeting) shall be delivered not less than 10 nor more than 50 days before the date of any meeting, either personally or by mail, by or at the direction of the Person or Persons calling the meeting, to each Member. If mailed, the notice shall be deemed delivered two calendar days after being deposited in the United States mail, addressed to the Member at the Member's address as it appears on the books of the Company, with postage prepaid.

(e) **Meeting of all Members.** If all of the Members meet and consent to the holding of the meeting, the meeting shall be valid without call or notice.

(f) **Record Date.** The date on which any required notice is mailed shall be the record date for the determination of the Members.

(g) **Quorum.** Members holding in excess of fifty percent (50%) of the Ownership Interests shall constitute a quorum at any meeting of the Members. In the absence of a quorum, the Members represented may adjourn the meeting from time to time for a period not to exceed 60 days without further notice. If the adjournment is for more than 60 days, or if after the adjournment a new record date is fixed for the adjourned meeting, a notice of the adjourned meeting shall be given to each Member. At any adjourned meeting at which a quorum is present or represented by proxy, any business may be transacted that could have been transacted at the meeting as originally noticed. The Members present at a duly organized meeting may continue to transact business until adjournment, notwithstanding the departure during the meeting of Members whose absence would cause less than a quorum to remain.

(h) **Manner of Acting.** If a quorum is present, Members holding a majority of Ownership Interests shall act for the Members, unless the vote of a greater or lesser proportion or number is otherwise required by the Act, the Certificate, or this Agreement. Unless otherwise required by applicable law, Members who have an interest in the outcome of any particular matter may vote or consent upon the matter and their votes shall count in determining the outcome, and each Member shall have votes equal to the Member's Ownership Interest.

(i) **Proxies.** At all meetings of the Members a Member may vote in person or by a proxy executed in writing by the Member or by a duly authorized attorney-in-fact. The proxy shall be filed with the Manager before or at the time of the meeting and may be of any duration except that a Member who shall appear in person at a meeting shall void any outstanding proxy for so long as the Member is in attendance.

(j) **Action by Members Without a Meeting.** Action required or permitted to be taken at a meeting of Members may be taken without a meeting if the action is evidenced by one or more written consents describing the action taken, signed by Members sufficient to have approved the actions or resolutions at issue had a duly called meeting been held at which all Members were in attendance and delivered to the Manager for inclusion in the minutes or for filing with the Company records. Action taken under this Section is effective when the necessary Members have signed the consent, unless the consent specifies a different effective date. The record date for determining Members entitled to take action without a meeting shall be the date the first Member signs a written consent.

(k) **Waiver of Notice.** When any notice is required to be given to any Member, a waiver in writing signed by the Member entitled to the notice shall be equivalent to the giving of such notice.

(l) **Telephonic Meetings.** The Manager may permit any or all Members to participate in a meeting by use of any means of communication by which all Members participating may hear each other simultaneously. However, the notice of such a meeting shall state that the Members may participate by communication device and describe how any Member may notify the Company of the Member's desire to participate electronically in the meeting. A Member thus participating in such a meeting is deemed to be present in person at such meeting.

3.7 **Books, Records, Reports and Information.** Each Member shall have the right to receive the reports and information required to be provided to Members by the Act and by this Agreement. Upon reasonable request, each Member, and the Member's agent and attorney shall have the right, during ordinary business hours, to inspect and copy, at the requesting Member's expense, the books and records which the Manager is required, by the Act and this Agreement, to keep.

## ARTICLE 4.

### MANAGERS

#### 4.1 General.

(a) **Initial Manager.** The Company shall have one Manager, American Equities, Inc., a Washington corporation.

(b) **Qualifications.** The Manager need not be a resident of Washington or a Member.

(c) **Term.** The Manager shall hold office until the Manager resigns, is removed, or the Company is dissolved.

(d) **Election.** In the event of the resignation, removal or dissolution of the Manager, a new Manager shall be elected by the Members.

(e) **Resignation.** The Manager may resign at any time by giving at least 180 days prior written notice to the Members. The resignation of the Manager shall take effect at the time specified in the notice. The resignation of the Manager shall not affect the Manager's rights as a Member, if any, and shall not constitute a withdrawal as a Member.

(f) **Dissolution.** The voluntary dissolution of the Manager shall be deemed a resignation effective on the date of voluntarily entering into an agreement or plan of dissolution.

(g) **Removal.** The Manager may be removed, at a meeting called expressly for that purpose, by an affirmative vote of Members holding two-thirds (2/3) of all Ownership Interests, exclusive of Ownership Interests held by the Manager. The removal of the Manager

shall not affect the Manager's rights as a Member, if any, and shall not constitute a withdrawal as a Member. If the Manager is removed, the Company must take such steps as are necessary to release the Manager or its principals from any personal guaranty for debts of the Company.

(h) **Vacancies.** Any vacancy occurring for any reason in the Manager position may be filled by a vote of Members holding two-thirds (2/3) of all Ownership Interests at a meeting of the Members called for that purpose.

4.2 **Action by the Manager.** The rights and powers of the Manager shall be exercised by the Manager in such manner as it sees fit. The Manager shall report significant actions to the Members annually by written memorandum.

4.3 **Authority of the Manager.** Subject to the limitations and restrictions set forth in the Act, the Certificate and this Agreement, the Manager shall have the sole and exclusive right to manage the business of the Company and shall have all of the rights and powers which may be possessed by a Manager under the Act and the Certificate including, without limitation, the right and power, on behalf and in the name of the Company, to:

(a) institute, prosecute, complain and defend legal actions in all courts in the Company's name;

(b) purchase, sell, take, receive, lease, rent or otherwise acquire, own, hold, improve, use and otherwise deal in or with any or all of the Property or any interest in Property within the ordinary course of Company business;

(c) except as limited by Sections 3.5(a) and 4.4 of this Agreement and the Disclosure Document, acquire, sell, convey, mortgage, pledge, create a security interest in, lease, exchange, transfer and otherwise dispose of all or any part of the Company Property;

(d) purchase, take, receive, subscribe for or otherwise acquire, own, hold, vote, use, employ, sell, mortgage, lend, pledge, and otherwise use or dispose of other interests in or obligations of any other Entity;

(e) make payments on the Notes, including making early payments or payoffs if deemed warranted by the Manager;

(f) except as limited by Sections 3.5(a) and 4.4 of this Agreement, invest or reinvest funds received from the sale, transfer or liquidation of any Receivable held by the Company that is paid off prior to maturity;

(g) be a promoter, incorporator, general partner, limited partner, member, associate or manager of any partnership, joint venture, trust or other Entity, including without limitation an Affiliate of the Company or of the Manager;

(h) conduct the Company's business, locate its offices and exercise the powers granted by the Act and the Certificate within or without Washington;



(i) close the Offering prior to the termination date and prior to the Offering being fully subscribed;

(j) indemnify a Member or Manager in a manner not inconsistent with the provisions of the Act, the Certificate or this Agreement;

(k) upon the occurrence of the events or actions set forth in Section 12.2, cease the Company's activities and dissolve;

(l) approve or disapprove the Transfer of a Membership Interest; and

(m) take all actions on behalf of the Company described in the Management Agreement.

**4.4 Restrictions on Authority of the Manager.** No Manager shall have the authority to do any of the following acts without the consent of Members holding two-thirds in interest of all Ownership Interests:

(a) knowingly do any act in contravention of this Agreement or without the consent of Members as required by this Agreement;

(b) knowingly do any act which would make it impossible to carry on the ordinary business of the Company, except as otherwise provided in this Agreement;

(c) possess Company Property, or assign rights in specific Company Property, for other than a Company purpose;

(d) knowingly perform any act that would subject any Member to personal liability in any jurisdiction;

(e) cause the Company to enter into a material modification to the Management Agreement; or

(f) cause the Company to take any voluntary action that would cause a bankruptcy of the Company.

**4.5 Actions by the Manager and the Members.** In addition to any other actions which, by virtue of the Act, the Certificate or this Agreement require action by the Manager and the Members, the actions stated in Sections 3.5(a) and (b) shall require the consent or recommendation of the Manager, in addition to requiring the approval of the Members, other than the removal of the Manager pursuant to Sections 3.5(a)(8) and 4.1(g).

**4.6 Actions by Manager requiring Unanimous Consent.** Without the unanimous consent of the Members, the Manager shall not take any actions described in Section 3.5(b).

**4.7 Duties and Obligations of the Manager.** In addition to any other duties and obligations the Manager may have, the Manager shall be responsible for the following:

(a) The Manager shall cause the Company to conduct its business and operations separate and apart from that of the Manager or any Affiliate of the Manager, including, without limitation:

(1) segregating Company Property and not allowing Company Property to be commingled with the funds or other assets of the Manager or any Affiliate of the Manager;

(2) maintaining books and financial records of the Company separate from the books and financial records of the Manager and any Affiliate of the Manager, and observing all Company procedures and formalities, including, without limitation, maintaining minutes of Company meetings and acting on behalf of the Company only pursuant to due authorization of the Members;

(3) causing the Company to pay its liabilities from Company Property;

and

(4) causing the Company to conduct its dealings with third parties in its own name and as a separate and independent entity.

(b) The Manager shall take all actions which may be necessary or appropriate:

(1) for the continuation of the Company's valid existence as a limited liability company under the laws of Washington and of each other jurisdiction in which its existence is necessary to protect the limited liability of the Members or to enable the Company to conduct the business in which it is engaged; and

(2) for the accomplishment of the Company's purposes, including the acquisition, development, maintenance, preservation, and operation of Company Property in accordance with the provisions of this Agreement and applicable laws and regulations.

(c) The Manager shall be under a fiduciary duty to perform the duties of the Manager in good faith, in a manner it reasonably believes to be in the best interests of the Company and the Members, and with such care as an ordinarily prudent person in a like position would use under similar circumstances. In discharging these duties, the Manager shall be fully protected in relying in good faith upon the records required to be maintained under this Agreement and upon the information, opinions, reports or statements by any Member or agent, or by any other Person, as to matters the Manager reasonably believes are within such Person's actual or inquiry notice, and in the case of attorneys, accountants or other professionals selected with reasonable care by or on behalf of the Company, within such Person's professional or expert competence, including information, opinions, reports or any other facts pertinent to the existence and amount of assets from which distributions to the Members might properly be paid.

#### 4.8 **Right to Rely on the Manager.**

(a) Any Person dealing with the Company may rely (without duty of further inquiry) upon a certificate signed by the Manager as to:

- (1) the identity of the Manager or any Member;
- (2) the existence or nonexistence of any fact or facts which constitute a condition precedent to acts by the Manager or which are in any other manner germane to the affairs of the Company;
- (3) the Persons who are authorized to execute and deliver any instrument or document of the Company; or
- (4) any act or failure to act by the Company or any other matter involving the Company, the Manager or any Member.

(b) The signature of the Manager shall be necessary and sufficient to convey title to any Company Property or to execute any promissory notes, trust deeds, mortgages, or other instruments of hypothecation, and all of the Members agree that a copy of this Agreement may be shown to the appropriate parties in order to confirm the same, and further agree that the signature of the Manager shall be sufficient to execute any "statement of Company" or other documents necessary to effectuate this or any other provision of this Agreement. All of the Members hereby appoint the Manager as their attorney-in-fact for the execution of any or all of the documents described in this Section.

4.9 **Indemnity of the Manager.** The Manager is not personally liable for any debt, obligation or liability of the Company merely by reason of being the Manager. The Manager who performs the duties as Manager in accordance with this Agreement shall not have any liability by reason of having been the Manager. The Company shall indemnify the Manager and make advances for expenses to the maximum extent permitted under the Act. However, this provision shall not eliminate or limit the Manager's liability for:

- (a) any breach of the Manager's duty of loyalty to the Company or its Members as described in this Agreement;
- (b) acts or omissions not in good faith which involve intentional misconduct or a knowing violation of law;
- (c) any unlawful distribution under the Act; or
- (d) any transaction from which the Manager derives an improper personal benefit.

4.10 **Management Agreement.** In addition to the Manager's obligations arising under this Agreement, the Manager shall have the rights and obligations arising under the Management Agreement. Transactions conducted by the Manager pursuant to the Management Agreement shall not represent conflicts of interest on the part of the Manager, and the Members expressly

acknowledge that the compensation to be paid to the Manager pursuant to the Management Agreement shall be paid prior to distributions to the Members.

## ARTICLE 5.

### CONFLICTS OF INTEREST

5.1 **Duty of Loyalty.** All Members acknowledge that some of the Members and the Manager may enter into transactions that are similar to the transactions into which the Company may enter and the Company, and each Member waives the right or claim to participate in such transactions.

5.2 **Other Self Interest.** A Member or the Manager does not violate a duty or obligation to the Company merely because of conduct that furthers the interest of the Member or Manager. A Member or the Manager may lend money to and transact other business with the Company. The rights and obligations of a Member or the Manager who lends money to or transacts business with the Company are the same as those of a Person who is not a Member or the Manager, subject to other applicable law. No transaction with the Company shall be voidable solely because a Member or the Manager has a direct or indirect interest in the transaction if the transaction is approved or ratified as provided for in this Agreement. In addition, the Members or the Manager may pursue any business opportunity that is considered and passed on by the Company.

## ARTICLE 6.

### CAPITAL CONTRIBUTIONS/CAPITAL ACCOUNTS

6.1 **Member Contributions.** Subject to the offset rights described in Section 11.3 below, no Member shall be required to make any capital contributions to the Company. Upon execution of a Subscription Agreement, a Person will automatically become a Member in the Company. A Member's Ownership Interest shall be determined by dividing the then current principal balance Member's Note by the total outstanding principal balance of all Notes issued by the Company.

6.2 **Capital Accounts.** A capital account ("Capital Account") shall be determined and maintained for each Member in accordance with the principles of Treasury Regulation Section 1.704-1(b) at all times throughout the full term of the Company. In the event of a permitted sale or assignment of all or any part of a Member's Membership Interest in the Company, the Capital Account of the transferor shall become the Capital Account of the transferee to the extent it relates to the transferee's Membership Interest.

### 6.3 Deficit Restoration Obligation.

(a) If a Member has a deficit Capital Account balance upon liquidation of such Member's interest in the Company as defined in Treasury Regulation Section 1.704-1(b)(2)(ii)(g), the Member shall be obligated to restore the amount of the deficit balance only to the extent of the maximum amount owed by the Company to the Member under the Member's

Note. Any such restoration under this Section 6.3 shall be through an offset of the amount of the deficit against the Company's obligations then outstanding under the Note.

(b) In the event that liquidation of the Member's interest follows transfer of such interest to current or newly admitted Members, such current or newly admitted Members shall assume any deficit restoration obligation of the Member whose interest is being liquidated.

## ARTICLE 7.

### ALLOCATIONS

7.1 **Profits.** After giving effect to the special allocations set forth in Section 7.3 and 7.4 of this Agreement, Profits for any Fiscal Year shall be allocated to the Members in proportion to their respective Ownership Interests.

7.2 **Losses.** After giving effect to the special allocations set forth in Sections 7.3 and 7.4 of this Agreement, Losses for any Fiscal Year shall be allocated in the same manner as Profits.

#### 7.3 **Other Allocation Rules.**

(a) The net Losses allocated to each Member for any Fiscal Year pursuant to Section 7.2 shall not exceed the maximum amount of net loss that can be so allocated without causing such Member to have a deficit Capital Account, as defined by § 704 of the Code and the Regulations promulgated thereunder, at the end of the Fiscal Year. All net Losses in excess of the limitation set forth in this Section 7.3(a) shall be allocated to the other Members who do not have deficit Capital Accounts in proportion to their respective Ownership Interests.

(b) The following special allocations shall be made for any fiscal year of the Company in the following order:

(1) If there is a decrease in the Company's "partnership minimum gain," as defined in Treas. Reg. §§ 1.704-2(b)(2) and 1.704-2(d), the minimum gain chargeback provisions of Treas. Reg. § 1.704-2(f), which are hereby incorporated into this Agreement by this reference, shall be applied.

(2) If there is a decrease in any Member's share of "partner nonrecourse debt minimum gain," as defined by and determined under Treas. Reg. § 1.704-2(i), the partner nonrecourse debt minimum gain chargeback provisions of Treas. Reg. § 1.704-2(i)(4), which are hereby incorporated into this Agreement by this reference, shall be applied.

(3) In the event that any Member unexpectedly receives any adjustments, allocations, or distributions described in Treas. Reg. §§ 1.704-1(b)(2)(ii)(d)(4), (5) or (6), items of Company income and gain shall be specially allocated to such Member in accordance with Treas. Reg. § 1.704-1(b)(2)(ii)(d).

(4) "Nonrecourse deductions," as defined and determined in Treas. Reg. §§ 1.704-2(b)(1) and (c), shall be allocated among the Members in accordance with their respective Ownership Interests.

(5) "Partner nonrecourse deductions," as defined and determined in Treas. Reg. §§ 1.704-2(i)(1) and (2), shall be specially allocated among the Members in accordance with Treas. Reg. § 1.704-2(i).

**7.4 Corrective Allocations.** The allocations set forth in Section 7.3 are intended to comply with certain regulatory requirements under Code Section 704(b). The Members intend that, to the extent possible, all allocations made pursuant to such Sections will, over the term of the Company, be offset either with other allocations pursuant to Section 7.3 or with special allocations of other items of Company income, gain, loss, or deduction pursuant to this Section 7.4. Accordingly, the Manager is hereby authorized and directed to make offsetting allocations of Company income, gain, loss or deduction under this Section in whatever manner the Manager determines appropriate so that, after such offsetting special allocations are made, the Capital Accounts of the Members are, to the extent possible, equal to the Capital Accounts each would have if the provisions of Section 7.3 were not contained in this Agreement and all income, gain, loss and deduction of the Company were instead allocated pursuant to Sections 7.1, 7.2 and 7.3.

**7.5 Allocations in Connection with Varying Interests.** If, during a Fiscal Year, there is (i) a permitted Transfer of a Membership Interest or Economic Interest under this Agreement or (ii) the admission of an Additional Member, Profits, Losses, and all other tax items of the Company for such period shall be divided and allocated among the Members by taking into account their varying interests during such Fiscal Year in accordance with Code Section 706(d) and using any conventions permitted by law and selected by the Manager.

**7.6 Acknowledgement of Tax Consequences.** The Members are aware of the income tax consequences of the allocations made by this Article 7 and hereby agree to be bound by the provisions of this Article 7 in reporting their shares of Company income and loss for income tax purposes. A Member breaching its obligations under this Section 7.6 shall be liable to the Company, the Members and the Manager for expenses incurred by them as a result of such Member's breach, including without limitation any attorneys' and accountants' fees incurred by reason of such breach.

## ARTICLE 8.

### DISTRIBUTIONS

**8.1 General.** Except as otherwise provided in the Act, the Certificate and this Agreement, no Member shall have the right or power to demand or receive a distribution. Notwithstanding anything contained in this Agreement or the Certificate to the contrary, no distribution shall be made to a Member in violation of the Act.

**8.2 Priorities.** The Company may make distributions to the Members from time to time of any monies or property in excess of that needed to carry on properly the business of the

Company as determined by the Manager. When any distributions are made by the Company, they shall be made to the Members in proportion to their respective Ownership Interests.

**8.3 Liquidating Distributions.** In the event the Company is dissolved and the business and affairs are wound up, final liquidating distributions shall be made pursuant to and in the order of priority stated in Section 8.2.

**8.4 Amounts Withheld.** The Manager is authorized to withhold from distributions, or with respect to allocations, and to pay over to any federal, state or local government any amounts required to be so withheld pursuant to the Code or any provisions of any other federal, state or local law and shall allocate any such amounts to the Members from whom such amounts are withheld.

## ARTICLE 9.

### ADDITIONAL MEMBERS

**9.1 Admission.** Persons may be added as Additional Members upon the terms and conditions approved by the Manager. Notwithstanding the foregoing, a Person shall not become an Additional Member unless and until such Person:

(a) becomes a party to this Agreement as a Member by signing a Subscription Agreement and executes such documents and instruments that the Manager deems necessary or appropriate to confirm such Person as a Member in the Company and such Person's agreement to be bound by the terms and conditions of this Agreement;

(b) provides the Company with evidence satisfactory to counsel for the Company that such Person has made each of the representations and undertaken each of the warranties contained in the Subscription Agreement; and

(c) if the Person is not an individual of legal majority, the Person provides the Company with evidence satisfactory to counsel for the Company of the authority of the Person to become a Member and to be bound by the terms and conditions of this Agreement.

**9.2 Accounting.** No Additional Member shall be entitled to any retroactive allocation of Profits, Losses, income or expense deductions incurred by the Company. The Manager may at the time an Additional Member is admitted, close the Company books (as though the Company's tax year had ended) or make pro rata allocations of loss, income and expense deductions to an Additional Member for that portion of the Company's Fiscal Year in which such Member was admitted in accordance with the provisions of Section 706(d) of the Code and the Regulations promulgated thereunder.

## ARTICLE 10.

### TRANSFERS OF INTERESTS

**10.1 Restriction on Transfers.** Except as otherwise permitted by this Agreement, no Member shall Transfer all or any portion of its Membership Interest in the Company. A Membership Interest may only be transferred in connection with the sale or transfer of the Member's Note, which sale or transfer must be approved by the Manager, in its sole discretion. A Member shall not pledge or otherwise encumber any of such Person's Note or Membership Interest in the Company as security for the payment of a debt, any such pledge or hypothecation shall not constitute a Transfer but shall be recognized by the Company only if made pursuant to a pledge or hypothecation agreement that requires the pledgee or secured party to be bound by all of the terms and conditions of this Article 10.

**10.2 Permitted Transfers.** Subject to the conditions and restrictions set forth in this Article 10, a Member may at any time Transfer all, but not less than all of such Membership Interest to:

- (a) the transferor's executor, administrator, trustee, or personal representative to whom such Membership Interest and Note are transferred at death or involuntarily by operation of law; or
- (b) any purchaser in accordance with Section 10.4 of this Agreement.

**10.3 Conditions to Permitted Transfers.** A Transfer shall not be permitted under Section 10.2 unless and until the following conditions are satisfied:

(a) Except in the case of a Transfer of Membership Interest in the Company at death or involuntarily by operation of law, the transferor of the Membership Interests and Assignee shall execute and deliver to the Company all documents and instruments of conveyance necessary or appropriate in the opinion of counsel to the Company to effect the Transfer and to confirm the agreement of the Assignee to be bound by the provisions of this Agreement. In the case of a Transfer of Membership Interest at death or involuntarily by operation of law, the Transfer shall be confirmed by presentation to the Company of legal evidence of the Transfer, in form and substance satisfactory to counsel to the Company. In all cases, the Company shall be reimbursed by the transferor and/or Assignee for all costs and expenses that it reasonably incurs in connection with the Transfer.

(b) Except in the case of a Transfer at death or involuntarily by operation of law, a transferor of Membership Interest shall furnish to the Company an opinion of counsel, in form and substance satisfactory to the Company, that the Transfer will not cause the Company to terminate for federal income tax purposes.

(c) The transferor of Membership Interest and Assignee shall furnish the Company with the Assignee's taxpayer identification number, sufficient information to determine the Assignee's initial tax basis in the Membership Interest, and any other information reasonably necessary to permit the Company to file all required federal and state tax returns and other legally required information statements or returns. Without limiting the generality of the



foregoing, the Company shall not be required to make any distribution otherwise provided for in this Agreement with respect to any Transfer until it has received such information.

(d) The Assignee becomes a party to this Agreement as a Member by signing a Subscription Agreement and execute such documents and instruments as the Manager deems necessary or appropriate to confirm such Person as a Member in the Company and such Person's agreement to be bound by the terms and conditions of this Agreement, including the deficit restoration obligation under Section 6.3 above.

(e) Except in the case of a Transfer of a Membership Interest at death or involuntarily by operation of law, either

(1) the Membership Interest shall be registered under the Securities Act of 1933, as amended, and any applicable state securities laws, or

(2) the transferor of the Membership Interest shall provide an opinion of counsel, satisfactory in form and substance to the Company, to the effect that such Transfer is exempt from all applicable registration requirements and that such Transfer will not violate any applicable laws regulating the Transfer of securities.

(f) Except in the case of a Transfer of Membership Interest at death or involuntarily by operation of law, the transferor of the Membership Interest shall provide an opinion of counsel, satisfactory to the Company, to the effect that the Transfer will not cause the Company to be deemed to be an "investment company" under the Investment Company Act of 1940.

**10.4 Manager Approval.** In addition to the other limitations and restrictions set forth in this Article 10, and except as permitted by Section 10.2, no Member shall assign or Transfer any portion of such Member's Membership Interest or its Note without the consent of the Manager, which may be withheld or granted in the Manager's sole discretion. The sale or transfer price for the Unit shall be the unpaid balance of principal and interest owing to the Member by the Company under the Member's Note. Additionally, the Manager may determine that it is in the best interest of the Company to prepay the Note or for the Manager to acquire the Unit itself rather than approving a transfer.

#### **10.5 Acceptance of Assignee as Substitute Member.**

(a) Subject to the other provisions of this Article 10, an Assignee may be admitted to the Company as a Substitute Member, with all of the rights of a Member, only upon satisfaction of all of the conditions set forth below in this Section.

(1) The admission of any Member shall be conditioned upon the approval of the Manager, which may be granted or withheld in the Manager's absolute discretion. However, no consent is required if the Transfer of Membership Interests is a permitted Transfer under Section 10.2(a) or 10.2(b) of this Agreement.

(2) The Assignee must become a party to this Agreement as a Member by signing a Subscription Agreement and executing any documents and instruments that the Manager deems necessary or appropriate to confirm the Assignee as a Member.

(3) The Assignee shall pay or reimburse the Company for all reasonable legal, filing, and publication costs that the Company incurs in connection with the admission of the Assignee as a Member.

(4) The Assignee shall provide the Company with evidence satisfactory to counsel for the Company that the Assignee has made each of the representations and undertaken each of the warranties contained in the Assignee's Subscription Agreement.

(5) If the Assignee is not an individual of legal majority, the Assignee shall provide the Company with evidence satisfactory to counsel for the Company of the authority of the Assignee to become a Member and to be bound by the terms and conditions of this Agreement.

(b) An Assignee who becomes a Substitute Member has, to the extent assigned, the rights and powers and is subject to the restrictions and liabilities of a Member under the Act.

(c) Even if an Assignee becomes a Substitute Member, the assignor is not released from the assignor's obligations and liability to the Company, but ceases to be a Member when the Assignee becomes a Substitute Member.

**10.6 Prohibited Transfers.** Any purported Transfer of Membership Interests in the Company that does not comply with this Article 10 shall be null and void and shall not be recognized by the Company. If, despite this provision, the Company is required to recognize a Transfer that is not permitted under this Article 10, the Transfer shall be strictly limited to a Transfer of the transferor's Economic Rights.

**10.7 Distributions and Allocations Regarding Transferred Interests.** If any Membership Interest is Transferred during any Fiscal Year in compliance with the provisions of this Article 10, Profits, Losses, and all other items attributable to such Membership Interest for such Fiscal Year shall be divided and allocated between the transferor and the Assignee by taking into account their varying interests during such Fiscal Year in accordance with Code Section 706(d), using any conventions permitted by law and selected by the Manager.

## ARTICLE 11.

### DISASSOCIATION OF A MEMBER; REDEMPTION

**11.1 Disassociation.** A Person shall cease to be a Member upon the happening of any of the following disassociation events ("Disassociation Event"):

(a) the withdrawal of the Member pursuant to Section 11.2;

(b) in the case of a Member who is a natural Person, the death of the Member or the entry of an order by a court of competent jurisdiction adjudicating the Member incompetent to manage the Member's personal estate;

(c) the case of a Member who is acting as a Member by virtue of being trustee of a trust, the termination of the trust (but not merely the substitution of a new trustee);

(d) in the case of a Member that is a separate Entity other than a corporation, the dissolution and commencement of winding up of the separate Entity;

(e) in the case of a Member that is a corporation, the filing of articles of dissolution or its equivalent, for the corporation or the revocation of its charter;

(f) in the case of an estate, the distribution by the fiduciary of the estate's entire interest in the Company; or

(g) Transfer of a Member's Membership Interest together with an acceptance of the Assignee as a Substitute Member.

**11.2 Withdrawal.** A Member has no power to withdraw voluntarily from the Company, except with the written consent of the Manager. Such withdrawal shall be effective on the date specified in the Manager's written consent.

**11.3 Redemption of Membership Interest.** Upon repayment in full of the Note issued by the Company to a Member, whether at maturity or prior thereto, the Company shall redeem the Membership Interest of such Member by payment to such Member of any positive balance in its Capital Account. Such payment, when made by the Company in cash, shall terminate the Membership Interest of such Member and shall terminate such Member's Economic Rights and Management Rights as a Member. In the event there is a deficit in the Member's Capital Account, the deficit restoration obligation under Section 6.3 above shall be considered a debt of the Member to the Company and such debt shall be offset against any amounts remaining payable to the Member pursuant to the Note.

**11.4 Rights Upon Disassociation.** In the event any Person ceases to be a Member prior to the expiration of this Agreement, the following shall apply:

(a) the Person shall be treated as a mere creditor of the Company from the date of disassociation until such time as the Person has received all distributions to which the Person is or may be due under this Agreement.

(b) the Person shall be entitled to an amount equal to the value of the Person's Economic Rights, reduced by the amount of damages, fees and expenses (including without limitation legal and accounting fees) accruing to the Company and the Manager by reason of the Member's disassociation, to be paid within six months of the date of disassociation. Notwithstanding the foregoing, if the disassociation is other than as a result of the death or incompetence of the Person, the Manager may pay the value of the Person's Economic Rights over a period not to exceed five years, plus interest at a floating rate equal to the prime rate announced from time to time by Bank of America. The value of the Person's Economic Rights

shall include the Capital Account and any accrued but unpaid distributions to which the Person is entitled under the Agreement, based upon the Person's right to share in distributions from the Company, reduced by any damages sustained by the Company as a result of the disassociation.

## ARTICLE 12.

### DISSOLUTION AND WINDING UP

**12.1 Covenant Not to Cause Dissolution.** Except as otherwise permitted by this Agreement, each Member hereby covenants and agrees not to take any voluntary action that would cause the Company to dissolve and notwithstanding any provision of the Act, the Company shall not dissolve prior to the occurrence of a Dissolution Event. The disassociation of any Member shall not cause the dissolution of the Company.

**12.2 Dissolution Events.** The Company shall dissolve and commence winding up and liquidating upon the first to occur of any of the following Dissolution Events:

(a) payment in full of all Notes owing to Members by the Company or sale of substantially of all Property of the Company;

(b) unanimous vote of the Members pursuant to Section 3.5(b)(4) and consent of the Manager pursuant to Section 4.5 to dissolve, wind up, and liquidate the Company; or

(c) the happening of any other event that makes it unlawful, impossible, or impractical to carry on the business of the Company.

**12.3 Winding Up.** Upon the occurrence of a Dissolution Event, as described in Section 12.2, the Company shall continue solely for the purposes of winding up its affairs in an orderly manner, liquidating its assets, and satisfying the claims of its creditors and Members. In such a case, no Member shall take any action that is inconsistent with, or not necessary to or appropriate for, the winding up of the Company's business and affairs. To the extent not inconsistent with the foregoing, all obligations in this Agreement shall continue in full force and effect until such time as the Company Property has been distributed pursuant to this Section. The Manager shall be responsible for overseeing the winding up and dissolution of the Company, shall take full account of the Company's liabilities and Property, shall cause the Company Property to be liquidated as promptly as is consistent with obtaining fair value, and shall cause the proceeds of liquidation to be applied and distributed in the following order:

(a) first, to the payment and discharge of all of the Company's debts and liabilities to creditors other than Members;

(b) second, to the payment and discharge of all of the Company's debts and liabilities to Members;

(c) third, to the Manager as Bonus Compensation;

(d) fourth, to the Members in proportion to their respective Ownership Interests.

The Manager shall not receive additional compensation for any services performed pursuant to this Article 12.

**12.4 Rights of Members.** Except as otherwise provided in this Agreement:

(a) no Member shall have the right or power to demand or receive Property other than cash from the Company; and

(b) no Member shall have priority over any other Member as to distributions or allocations.

**12.5 Notice of Dissolution.** Upon the occurrence of an event that would result in a dissolution of the Company, the Manager shall, within 30 days thereafter, provide written notice of such event to each of the Members and to all other parties with whom the Company regularly conducts business (as determined in the discretion of the Manager) and shall publish notice thereof in a newspaper of general circulation in each place in which the Company regularly conducts business (as determined in the discretion of the Manager).

## ARTICLE 13.

### TAXES

**13.1 Elections.** The Manager may make any tax elections for the Company allowed under the Code or the tax laws of any state or other jurisdiction having taxing jurisdiction over the Company.

**13.2 Taxes of Taxing Authorities.** To the extent that the laws of any taxing authority requires, each Member requested to do so by the Manager will submit an agreement indicating that the Member will make timely income tax payments to the taxing authority and that the Member accepts personal jurisdiction of the taxing authority with regard to the collection of income taxes attributable to the Member's income, and interest and penalties assessed on such income. If the Member fails to provide such agreement, the Company may withhold and pay over to such taxing authority the amount of tax, penalty and interest determined under the laws of the taxing authority with respect to such income. Any such payments with respect to the income of a Member shall be treated as a distribution for purposes of Article 8. The Manager may, where permitted by the rules of any taxing authority, file a composite, combined or aggregate tax return reflecting the income of the Company and pay the tax, interest and penalties of some or all of the Members on such income to the taxing authority, in which case the Company shall inform the Members of the amount of such tax interest and penalties so paid.

**13.3 Tax Matters Partner.** The Manager shall be the tax matters partner of the Company pursuant to §6231(a)(7) of the Code.

## ARTICLE 14.

### BOOKS, RECORDS AND ACCOUNTINGS

14.1 **Books and Records.** At the expense of the Company, the Manager shall maintain records and accounts of all operations and expenditures of the Company. At a minimum the Company shall keep at its principal place of business the following records:

- (a) current list of the full name and last known business, residence, or mailing address of each Member and Manager, both past and present;
- (b) a copy of the Certificate and all amendments thereto, together with executed copies of any powers of attorney pursuant to which any amendment has been executed;
- (c) copies of the Company's federal, state, and local income tax returns and reports, if any, for the three most recent years;
- (d) copies of the Company's currently effective and past written Operating Agreements and all amendments thereto, copies of any writings permitted or required under the Act and copies of any financial statements and tax returns of the Company for the three most recent years;
- (e) minutes of every meeting of the Members or the Manager and any written consents obtained from Members or the Manager for actions taken without a meeting; and
- (f) a statement prepared and certified as accurate by the Manager which describes the amount of cash and a description and statement of the agreed value of other Property or consideration contributed by each Member and which each Member has agreed to contribute in the future, the times at which or events on the occurrence of which any additional Contributions agreed to be made by each Member are to be made, any right of a Member to receive distributions which include a return of all or any part of the Member's Contributions, and if agreed upon, the time at which or the events on the occurrence of which the Company is dissolved and its affairs wound up.

14.2 **Reports.** The Manager shall provide reports at least annually to the Members at such time and in such manner as the Manager may determine reasonable. In addition, if the Company indemnifies or advances expenses to the Manager in connection with a proceeding by or in the right of the Company, the Company shall report the indemnification or advance in writing to the Members.

## ARTICLE 15.

### AMENDMENT

This Agreement may be amended, restated or modified from time to time only by a written instrument adopted by the Members. Neither any Member nor Manager shall have any vested rights in this Agreement that may not be modified through an amendment to this Agreement.

## ARTICLE 16.

### MISCELLANEOUS

16.1 **Application of Washington Law.** This Agreement shall be governed exclusively by its terms and by the laws of Washington, and specifically by the Act.

16.2 **Construction.** Whenever the singular number is used in this Agreement and when required by the context, the same shall include the plural and vice versa, and the masculine gender shall include the feminine and neuter genders and vice versa.

16.3 **Counterparts.** This Agreement may be executed in counterparts, each of which shall be deemed an original but all of which shall constitute one and the same instrument.

16.4 **Execution of Additional Instruments.** Each Member hereby agrees to execute such other and further statements of interest and holdings, designations, powers of attorney and other instruments necessary to comply with any laws, rules or regulations.

16.5 **Headings.** The headings in this Agreement are inserted for convenience only and are in no way intended to describe, interpret, define, or limit the scope, extent or intent of this Agreement or any provision hereof.

16.6 **Heirs, Successors and Assigns.** Each and all of the covenants, terms, provisions and agreements herein contained shall be binding upon and inure to the benefit of the parties hereto and, to the extent permitted by this Agreement, their respective heirs, legal representatives, successors and assigns.

16.7 **Notices.** Any notice, demand, or communication required or permitted to be given by any provision of this Agreement shall be deemed to have been sufficiently given or served for all purposes if delivered personally to the party or to an executive officer of the party to whom the same is directed or, if sent by registered or certified mail, postage and charges prepaid, addressed to the Member's and/or Company's address, as appropriate, which is set forth on the signature page of this Agreement. Except as otherwise provided herein, any such notice shall be deemed to be given three business days after the date on which the same was deposited in a regularly maintained receptacle for the deposit of United States mail, addressed and sent as aforesaid.

16.8 **Rights and Remedies Cumulative.** The rights and remedies provided by this Agreement are cumulative and the use of any one right or remedy by any party shall not preclude or waive the right to use any or all other remedies. Said rights and remedies are given in addition to any other rights the parties may have by law, statute, ordinance or otherwise.

16.9 **Severability.** If any provision of this Agreement or the application thereof to any Person or circumstance shall be invalid, illegal or unenforceable to any extent, the remainder of this Agreement and the application thereof shall not be affected and shall be enforceable to the fullest extent permitted by law.

16.10 **Waivers.** The failure of any party to seek redress for violation of or to insist upon the strict performance of any covenant or condition of this Agreement shall not prevent a subsequent act, which would have originally constituted a violation, from having the effect of an original violation.

16.11 **Arbitration.** If any controversy or claim arising out of this Agreement or the partnership relationship cannot be settled, the controversy or claim shall be settled by arbitration in accordance with the rules of the Arbitration Service of Portland, Inc. then in effect and judgment on the award may be entered in any court having jurisdiction. Nothing herein, however, shall prevent a Member from resort to a court of competent jurisdiction in those instances where injunctive relief may be appropriate.

16.12 **Attorney Fees.** In the event arbitration is instituted to enforce or determine the parties' rights or duties arising out of the terms of this Agreement, the prevailing party shall recover from the losing party reasonable attorney fees incurred in such proceeding to the extent permitted by the arbitrator.

This Agreement has been executed to be effective as of the date set forth in the opening paragraph of this Agreement.

THE COMPANY: AMERICAN EAGLE MORTGAGE MEXICO 400, LLC,  
a Washington limited liability company  
4225 NE St. James Road, Vancouver, WA 98663

By Its Manager: American Equities, Inc, a Washington corporation

By: \_\_\_\_\_  
Ross C. Miles, President

THE MANAGER: AMERICAN EQUITIES, INC., a Washington corporation  
4225 NE St. James Road, Vancouver, WA 98663

By: \_\_\_\_\_  
Maureen T. Wile, Secretary



**EXHIBIT G**

## EXHIBIT C

### MANAGEMENT AGREEMENT

DATED: \_\_\_\_\_, 2007

PARTIES: American Eagle Mortgage Mexico 400, LLC, (the "Company")  
a Washington limited liability company;

AND: American Equities, Inc., a Washington corporation, ("AEI")  
having its principal place of business at  
4225 NE St. James Road, Vancouver, WA 98663

### RECITALS

A. The Company was formed in April, 2006, as a manager-managed limited liability company under the Washington Limited Liability Company Act to acquire, hold, collect and replace, and in some cases loan funds secured by, land sale contracts, trust deeds and real estate mortgages and the accompanying promissory notes secured by such documents (collectively the "Receivables"). The Company will raise capital to purchase the Receivables through the issuance of Notes and Ownership Interests in the Company pursuant to a confidential private placement disclosure document (the "Disclosure Document") dated August 10, 2007. Capitalized terms not otherwise defined in this Management Agreement ("Agreement") shall have the meanings given them in the Disclosure Document.

B. In connection with the Company's acquisition of the Receivables, the Company has agreed to engage AEI to be the Manager of the Company and to manage the Receivables. AEI will acquire, manage, service, collect, replace and, under certain limited circumstances, liquidate or dispose of the Receivables for the benefit of the Company.

### SECTION 1. ENGAGEMENT; TERM; CANCELLATION

#### 1.1 Engagement

The Company hereby engages AEI to be the Manager of the Company and to take all actions necessary to manage the Receivables. The Company authorizes AEI to exercise, subject to the rights of members of the Company to vote upon certain matters, such powers as may be necessary and appropriate for the management of the Company and Receivables. AEI hereby accepts this engagement and agrees to perform all acquisition, management, servicing, collection, replacement and under certain limited circumstances, liquidation or disposal activities that are necessary related to the Receivables for the benefit of the Company. AEI's activities shall include, but shall not be limited to those specifically set forth herein, and those which are reasonably necessary or incidental to the management of the Company and the Receivables. AEI shall use its best efforts and devote such time as is necessary to perform properly the duties of AEI described in this Agreement. AEI is acting hereunder as an independent contractor, and this

Agreement shall not be deemed to create any employer-employee relationship, either express or implied, between AEI and the Company.

## **1.2 Term**

This Agreement shall be effective as of the date hereof, and shall continue in effect until the last Note is paid in full, or until otherwise terminated as provided herein.

## **1.3 Termination**

1.3.1 The Company may, upon the affirmative vote of two-thirds of the Ownership Interests of the Company then outstanding (excluding any Ownership Interests held by AEI) and by sixty (60) days advance written notice to AEI, terminate this Agreement. AEI may, by one hundred eighty (180) days advance written notice to the Owners of the Company, terminate this Agreement.

1.3.2 Upon any cancellation or termination of this Agreement, the respective obligations of the Company and AEI shall be as set forth in Section 1.3.3.

1.3.3 The Agreement shall be deemed terminated on the last day of the notice period. AEI shall render to the Company a final accounting within thirty (30) days following the termination date, which shall cover the period from the date of the last statement rendered to the Company to the termination date; provided, however, that, if such termination date shall be a date other than the last day of a calendar month, the final accounting shall be prepared as of the last day of the month in which termination occurs. Additionally, if this Agreement is terminated prior to the end of the term specified in Section 1.2, AEI shall remain entitled to the Bonus Compensation described in Section 2.2 at the time of termination, plus an amount equal to the amount of any unrecognized gains on the Receivables then held by the Company. Such amounts shall be paid within thirty (30) days following the termination date. Except as otherwise provided in this Section 1.3.3, effective on the date of termination, AEI shall be relieved from any further obligation for management of the Company or the Receivables.

## **SECTION 2. COMPENSATION**

### **2.1 Base Management Fee/Reinvestment Fee**

For its services in managing and administering the Company and the Receivables, AEI will be paid by the Company a base management fee equal to one-half of one percent (0.5%) of the outstanding principal balance of Note obligations of the Company on an annualized basis ("Base Fee"). The Base Fee will be paid 0.04166% per month in advance on the first day of each month. The Base Fee will be a direct expense to the Owners and AEI will deduct a proportionate amount of the monthly Base Fee payment from each Owner's monthly interest only Note payment. AEI will also be paid by the Company a one time Reinvestment Fee in the amount of one and one-half percent (1.5%) of the amount of any Reinvestment. The Reinvestment Fee will be a direct expense to the Owner making the Reinvestment, and will be deducted from the Reinvestment prior to increasing the principal balance of the Owner's Note.

## **2.2 Bonus Compensation**

AEI shall be entitled to receive Bonus Compensation in an amount equal to the annual net profit of the Company, including any gain recognized by the Company upon the sale of Receivables. The Bonus Compensation will be due on the last day of the Company's fiscal year, and payable to AEI as soon as reasonably determinable after the end of the year. In the event the Company incurs a net loss in any given year, AEI shall repay to the Company the lesser of the amount of the net loss or the total amount of Bonus Compensation that AEI has received hereunder during any previous years. If the loss in any year or years is greater than the amount payable by AEI, then the difference shall be debited against net profits in future years for purposes of calculating Bonus Compensation due to AEI, it being the intent of the parties that all profits, net of losses, for the entire term of the Company ultimately be the amount of Bonus Compensation that AEI receives. In no event will AEI be required to pay to the Company any amount in excess of the total Bonus Compensation previously received by AEI.

## **SECTION 3. MANAGEMENT**

### **3.1 Management of the Company**

AEI shall be responsible for managing the Company as provided in the Company's Limited Liability Company Agreement, including recalculation of Ownership Interests based on an Owner's Reinvestment or other relevant events in the Company.

### **3.2 Assimilation of Receivables**

AEI shall be responsible under this Agreement for compiling and acquiring a portfolio of Receivables which conform to the Minimum Underwriting Criteria from the Affiliates once the minimum offering amount specified in the Disclosure Document is received, and for replacing and liquidating those Receivables when necessary. AEI shall also be responsible for acquiring Receivables with Net Reinvestments from the Owners.

### **3.3 Assimilation of Owners**

AEI shall be responsible for locating Owners to acquire the Notes and Ownership Interests. AEI shall make all sales in compliance with the Disclosure Document and shall be responsible for evaluating purchasers' suitability standards. AEI shall obtain all required documentation from Owners it deems suitable and shall place prospective Owner's funds in escrow until the Company receives the minimum offering amount of \$100,000. Once the minimum offering amount is obtained, AEI shall issue a Company Note to each Owner and shall document on the Company's records the percentage ownership held by that Owner at the time the Note is issued. Once the total Offering is subscribed, or when the Offering expires, AEI shall recalculate the final percentage Ownership Interest held by each Owner and deliver to all Owners notice thereof. The Offering shall expire on the earlier of August 10, 2008, the date on which all available Units have been issued, or the date that the Manager closes the Offering, in which event AEI shall send written notice to the Owners that the Offering is closed.

### **3.4 Management of Receivables and Notes**

**3.4.1 Managing and Servicing Receivables.** AEI shall be responsible for servicing the Receivables on behalf of the Company. In connection with such servicing, AEI's duties shall include, but shall not be limited to:

- (a) Reporting to Owners any important developments relative to the Receivables;**
- (b) Noticing Receivables obligors of late payments and delinquencies;**
- (c) Taking such actions as are necessary to collect a defaulted Receivable including, but not limited to enforcing default procedures in the Receivables Documents, implementing foreclosure proceedings, and participating in bankruptcy negotiations; AEI shall obtain the assistance of an attorney or other consultants as necessary to enforce the Receivables obligations;**
- (d) Contracting to repair and maintain foreclosed properties to allow marketing of such properties, and reinvesting proceeds from the sale of Receivables into the acquisition of new Receivables;**
- (e) Preparing documents for reconveyance and fulfillment deeds on payoffs;**
- (f) Purchasing new Receivables to replace prepaid Receivables and to utilize Net Reinvestments;**
- (g) Assisting Owners with estate settlements and re-titling needs;**
- (h) Negotiating balloon payments and revising terms as necessary for existing performing loans;**
- (i) Evaluating Receivable obligors assumption requests;**
- (j) Analyzing deed release requests;**
- (k) Annually assuring compliance by Receivables obligors with property tax and insurance requirements;**
- (l) Paying Company monthly expenses;**
- (m) Upon the death of an Owner, AEI shall continue to collect all monies from the Receivables obligor for the benefit of the decedent's estate. If the estate is not timely opened, or if there is doubt as to the correct recipient of said monies, then AEI shall deposit said monies in a separate interest-bearing account at a bank, pending the opening of the estate or the correct identification of the recipient; and**

- (n) Determining, in its discretion, whether to accept a Reinvestment.

**3.4.2 Managing and Servicing Notes.** AEI shall be responsible for servicing the Notes on behalf of the Company. In connection with servicing the Notes, AEI's duties shall include, but shall not be limited to:

- (a) Calculating monthly Base Fee payable by each Owner;
- (b) Calculating Reinvestment Fee payable by each Owner;
- (c) Calculating monthly payments to each Owner;
- (d) Charging to each Owner its monthly Base Fee and either distributing balance of interest only Note payment to each Owner or reinvesting payments and increasing the principal balance of the Note held by the Owner by the Net Reinvestment;
- (e) Calculating balloon payments due to each Owner at the end of the Note term and distributing such payments net of any amounts owing by such Owner to the Company; and
- (f) Filing appropriate IRS reports on interest income to Owners.

**3.4.3 Prepayment of Receivables.** If any Receivable is prepaid, AEI shall endeavor to replace the Receivable with a new obligation that conforms to the Company's Minimum Underwriting Criteria. If AEI is unable to promptly acquire a suitable replacement obligation, AEI shall, on behalf of the Company, invest the excess proceeds in a temporary investment vehicle until AEI locates a suitable replacement obligation or, if AEI deems appropriate, AEI may cause the Company to prepay Note obligations in whatever manner it deems appropriate.

**3.4.4 Prepayment/Purchase of Notes.** AEI shall be responsible for causing the Company to satisfy its obligations described under the Disclosure Document if the Company receives any prepayment request from any Owner, including prepayment of the Initial Notes upon demand by the Initial Investors. With the exception of the Initial Notes and any request for Minimum Required Distributions by certain retirement plans owners, AEI may, in its discretion, determine whether it is appropriate to prepay, or to permit the transfer of, a Note in whole or in part in particular circumstances. Such circumstances include but shall not be limited to an Owner's financial difficulty or cash flow needs. AEI may, in its discretion, assist an Owner in locating a replacement Owner to purchase a Note or to independently purchase a Note for its own account, or AEI may cause the Company to prepay a Note. When evaluating an Owner's request of prepayment other than on an Initial Note, AEI will consider the needs and desires of the remaining Owners, including the need to make regular periodic payments on the other Notes. In such cases, AEI will review a request for prepayment of a Note based on its then-existing facts and circumstances and will retain sole discretion to approve or disapprove the early retirement request. If AEI approves a prepayment request, AEI will be entitled to the Prepayment Fee. AEI

shall also be permitted to prepay any of the Notes if AEI deems such prepayment to be beneficial to the Company and the other Owners.

**3.4.5 Sale of Receivables.** AEI shall have the right to sell Receivables when, in AEI's discretion, it is advisable for purposes of maximizing the Average Receivables Yield, reacting to market conditions, and paying or prepaying Notes.

**3.4.6 Receivable Foreclosures.** In the event of a default on the payment of a Receivable, AEI will have discretion to determine when it is appropriate to foreclose on the Receivable and also to determine whether the value of the property securing the Receivable exceeds the remaining obligations under the Receivable. If AEI believes it is in the best interest of the Company, AEI will bid for the property on behalf of the Company at the foreclosure sale. AEI will not cause the Company to bid more than the amount of the remaining Receivable obligation (including any costs of foreclosure). If one or more third parties bid higher amounts for the property than the amount of the remaining Receivable, AEI will not bid on behalf of the Company but may, in its sole discretion, bid on its own behalf or on behalf of other Affiliates. Following foreclosure, AEI may dispose of the property as it deems appropriate for the benefit of the Company. AEI will utilize any sale proceeds to acquire new Receivables or pay or prepay Notes.

**3.4.7 Minimum Underwriting Criteria.** AEI shall only acquire a Receivable that is within the Minimum Underwriting Criteria set forth in Exhibit A to the Disclosure Document.

**3.4.8 Court Orders.** In the event an Owner incurs a judgment from a court of competent jurisdiction, which judgment constitutes a lien on the Owner's interest in the Note, then the Company may have certain legal rights. In this instance, the Company will seek legal advice as should the Owner. In no event will the Company be obligated to divert any payments to a judgment creditor without order of court. Actual knowledge by the Company shall not constitute actual notice to the Company. The Company shall not be obligated to convey any such knowledge.

### **3.5 Public Reports**

AEI shall prepare and file, or cause to be prepared and filed, when due, all reports relating to the Company or the Receivables, or any portion thereof, required by laws, including federal, state and local tax returns required to be filed by or on behalf of the Company. AEI may make use of the services of the Company's accountants and legal counsel in the preparation and filing of any such reports. All fees and charges required to be paid in connection with any such report, including the fees and disbursements of professional advisers related thereto, shall be an operating expense of the Company, chargeable to the Company.

### **3.6 Reports to Company**

AEI shall render to the Company the following reports with respect to the Company:

3.6.1 Quarterly Reports. Quarterly reports within thirty (30) days after the end of each calendar quarter, setting forth (i) the gross revenue collected during such month and for the year to date, (ii) expenses paid during the month, and (iii) Note payments made during such month and for the year to date.

3.6.2 Annual Reports. An annual report within sixty (60) days after the end of each fiscal year of the Company, showing the income and disbursements for such year.

### **3.7 Expenses/Disbursements**

AEI shall make all necessary disbursements for Company operating expenses and for reimbursable expenses incurred by AEI pursuant to this Agreement from the bank accounts established by the Company. In the event that at any time there shall be insufficient funds of the Company available to AEI to make any such disbursements, AEI may, at its sole option, advance any such funds for the account of the Company, and the Company shall promptly reimburse AEI for any such advances. Notwithstanding the foregoing, AEI shall not create obligations of the Company other than the obligations under the Notes and normal operations of the Company as allowed by this Agreement. AEI shall pay Company expenses out of the Company's revenue or shall directly pay Company expenses and receive a reimbursement for the payment of such expenses. The payment of all Company expenses, including reimbursement to AEI of all third party expenses paid directly by AEI shall be paid prior to paying the Company's monthly Note obligations. Expenses shall include, but shall not be limited to, all costs and expenses associated with servicing the Notes and Receivables, documentation fees, sales costs, and any other costs of generating the revenue, entering in to contracts and arrangements in the ordinary course of the Company's business, all legal, accounting, and other professional, expert and consulting fees and expenses arising in connection with the Company's business, and the monthly Base Fee. AEI will provide vouchers or other evidence of the payment of Company expenses prior to reimbursement.

## **SECTION 4. ACCESS TO BOOKS AND RECORDS**

AEI shall maintain at its office in Vancouver, Washington, in accordance with such reasonable accounting systems and procedures as may be requested by the Company's accountant, accurate and complete books and records in respect of the Company, including general ledgers and journals reflecting all revenue received and paid and any and all other disbursements made with respect to the Company.

## **SECTION 5. INDEMNITY**

### **5.1 Standard of Care and Indemnification.**

5.1.1 AEI will use its best judgment and its good faith efforts in rendering services to the Company. AEI does not warrant or guaranty any particular level of performance of the Receivables or that the Receivables will be profitable over time. The Company acknowledges that Owners are assuming the risk associated with the Receivables.



5.1.2 The Company shall indemnify AEI, and hold AEI harmless from and against any losses, damages, claims or liabilities (including attorney's fees) that AEI may suffer as a result of AEI's good faith management of the Company or performance of this Management Agreement.

## **SECTION 6. ASSIGNMENT**

This Agreement may not be assigned by either party without the prior written consent of the other party to such assignment.

## **SECTION 7. MISCELLANEOUS**

### **7.1 Notices**

Any notice, demand, consent, approval, request or other communication, required or permitted to be given hereunder shall be in writing and shall be deemed to have been delivered when personally delivered or on the second business day following its mailing by registered or certified mail (return receipt requested), postage prepaid, by deposit at an installation regularly maintained by the United States Postal Service, to the parties at the addresses set forth below:

If to the Company:                    American Eagle Mortgage Mexico 400, LLC  
4225 NE St. James Road  
Vancouver, WA 98663

With a copy to:                    Coni S. Rathbone, Esq.  
Davis Wright Tremaine LLP  
1300 S.W. Fifth Avenue, Suite 2300  
Portland, Oregon 97201

If to AEI:                                American Equities, Inc.  
4225 NE St. James Road  
Vancouver, WA 98663

Either party may, by notice given as above described, designate a different address or addresses for notices to be given to it.

### **7.2 Entire Agreement**

This Agreement contains the entire understanding of the parties and upon execution and delivery by both parties shall supersede any previous agreement between AEI and the Company. This Agreement shall be binding upon the parties hereto, their personal representatives, heirs, successors and assigns, and may not be changed orally but only by written instrument signed by duly authorized representatives or officers of the parties hereto.

**7.3 Applicable Law**

This Agreement and the rights and obligations of the parties hereunder shall be governed by, and construed in accordance with, the laws of the State of Washington.

**7.4 Arbitration**

AEI and the Company agree that all disputes arising under this Agreement shall be submitted to arbitration, pursuant to the rules of the American Arbitration Association. AEI and the Company shall each select a qualified arbitrator and the two shall jointly select a third to form a board of three. The decision of a majority of the members of the board shall be final and binding on the parties.

**7.5 Attorneys' Fees**

In the event this Agreement is placed in the hands of an attorney for enforcement, for arbitration, or for the settlement of any dispute arising directly or indirectly out of this Agreement, or if any suit or action is instituted to enforce any term of this Agreement, the losing party agrees to pay to the prevailing party its costs and reasonable attorneys' fees as fixed by the court, including any appeal therefrom.

The parties have caused this Agreement to be executed as of the day and year first above written.

THE COMPANY: AMERICAN EAGLE MORTGAGE MEXICO 400, LLC  
a Washington limited liability company

By: AMERICAN EQUITIES, INC., MANAGER

By: \_\_\_\_\_  
Ross Miles, President

MANAGER: AMERICAN EQUITIES, INC.  
a Washington corporation

By: \_\_\_\_\_  
Maureen T. Wile, Secretary

**EXHIBIT H**



POOL 200 MARCH 2005  
CONTRACTS RECEIVABLE

DEAL #	PAYOR	ACCRUED INTEREST	PURCHASE BALANCE	CURRENT BALANCE	INTEREST RATE	MONTHLY PAYMENT	INTEREST PAID TO DATE	ANNUAL INTEREST RECEIVABLE	ACCRUED INTEREST RECEIVABLE	MARKET VALUE
Redacted										
	ANDRADE	\$418.84	\$37,888.30	\$30,924.50	8.50%	\$373.04	3/9/2005	\$2,628.58	\$165.64	\$52,500.00
	CAMERON	\$206.67	\$52,008.46	\$49,778.38	8.00%	\$812.31	3/3/2005	\$3,982.27	\$318.70	
	HOANG	\$1,006.03	\$81,532.38	\$78,392.05	8.00%	\$1,099.00	3/3/2005	\$6,271.36	\$498.27	
	YUNKER			\$36,364.24	8.00%	\$384.00	3/15/2005	\$2,909.14	\$132.76	\$50,000.00
	HESS			\$61,807.63	8.00%	\$435.00	3/11/2005	\$4,944.61	\$284.48	\$72,000.00
	DOMINGUE	\$476.82	\$78,173.22	\$76,612.69	8.00%	\$630.00	3/1/2005	\$6,129.02	\$520.55	\$97,500.00
	POMPA	\$1,714.09	\$71,654.14	\$68,626.61	8.00%	\$708.96	3/10/2005	\$5,490.13	\$330.91	\$115,000.00
	JOHNSON	\$140.98	\$36,896.92	\$36,596.88	10.00%	\$332.26	3/14/2005	\$3,659.69	\$182.27	\$42,500.00
	HALEY	\$307.96	\$23,922.54	\$21,830.13	8.50%	\$297.57	3/10/2005	\$1,855.56	\$111.84	\$50,000.00
	HALEY	\$279.22	\$21,689.75	\$19,792.57	8.50%	\$269.80	3/10/2005	\$1,682.37	\$101.04	\$40,000.00
	SHEETS	\$65.54	\$159,540.35	\$158,327.71	7.50%	\$1,182.39	3/4/2005	\$11,874.58	\$909.86	\$240,000.00
	GOMEZ	\$120.46	\$52,226.29	\$51,241.24	10.50%	\$561.58	3/7/2005	\$5,380.33	\$368.52	\$71,000.00
	KUPPER	\$137.84	\$56,041.27	\$52,795.90	9.00%	\$792.55	3/14/2005	\$4,751.63	\$234.33	\$126,035.00
	MAZZATELLI	\$269.36	\$55,349.18	\$54,032.35	8.50%	\$539.50	3/10/2005	\$4,592.75	\$276.82	\$99,000.00
	MORRIS	\$1,357.29	\$50,795.29	\$50,346.73	8.00%	\$516.05	12/7/2004	\$4,027.74	\$1,274.19	\$60,000.00
	JONES	\$752.40	\$45,625.89	\$43,170.09	9.00%	\$502.06	3/8/2005	\$3,885.31	\$255.47	\$57,000.00
	PATEL	\$2,713.17	\$229,328.31	\$218,891.97	9.50%	\$2,733.00	3/12/2005	\$20,794.74	\$1,139.44	\$550,000.00
	RUSSELL	\$261.71	\$53,330.50	\$52,459.76	10.00%	\$530.77	3/16/2005	\$5,245.98	\$229.96	\$72,500.00
	CHACON	\$81.53	\$62,081.53	\$62,000.00	12.00%	\$637.74	1/16/2005	\$7,440.00	\$1,519.90	\$90,000.00
	FELLER	\$1,199.62	\$140,203.49	\$137,877.40	9.00%	\$1,126.47	2/5/2005	\$12,408.97	\$1,860.72	\$230,000.00
	KIESELBURG	\$0.00	\$149,800.00	\$149,800.00	11.50%	\$1,483.45	1/5/2005	\$17,227.00	\$4,053.09	\$220,000.00
	ROSALES	\$0.00	\$18,563.89	\$17,069.11	7.50%	\$400.00	3/11/2005	\$1,280.18	\$73.65	\$36,250.00
	RIGAUD	\$274.08	\$24,789.54	\$24,000.40	8.00%	\$1,000.00	2/6/2005	\$1,920.03	\$284.86	\$60,000.00
	DUPOUX	\$433.05	\$24,948.51	\$24,000.40	8.00%	\$1,000.00	2/6/2005	\$1,920.03	\$284.86	\$60,000.00
	HAWN	\$630.40	\$129,792.40	\$129,129.74	8.00%	\$691.35	3/21/2005	\$10,330.38	\$311.33	\$220,000.00
	SAVAGE	\$344.77	\$118,499.77	\$119,866.13	8.00%	\$1,012.92	3/22/2005	\$9,589.29	\$262.72	\$286,333.00
	JONES	\$1,078.71	\$145,560.71	\$146,522.58	8.00%	\$1,338.30	3/24/2005	\$11,721.81	\$256.92	\$340,000.00
	STEVE	\$1,823.71	\$127,182.59	\$125,358.88	9.00%	\$950.00	2/9/2005	\$11,282.30	\$1,587.00	\$169,000.00
	MUSSER	\$14,347.00	\$56,411.67	\$56,612.41	8.00%	\$220.13	3/20/2005	\$4,528.99	\$148.90	\$75,000.00
	LYNCH	\$193.89	\$56,359.83	\$54,978.81	9.00%	\$674.80	3/10/2005	\$4,948.09	\$298.24	\$70,556.00
	KEENON	\$195.83	\$31,341.00	\$31,019.10	8.50%	\$347.13	11/9/2004	\$2,636.62	\$1,032.98	\$75,000.00
	GOODWIN	\$244.91	\$33,353.72	\$32,324.88	10.00%	\$400.00	3/21/2005	\$3,232.49	\$97.42	\$45,000.00
	SCOLLICK	\$109.22	\$27,383.22	\$27,685.37	8.00%	\$206.00	2/14/2005	\$2,214.83	\$279.75	\$29,000.00
	HOUSTON INTL	\$369.92	\$132,744.40	\$128,608.92	8.50%	\$2,215.66	3/31/2005	\$10,931.76	\$29.95	\$242,500.00
	MANGALI	\$54.74	\$55,554.74	\$55,500.00	9.00%	\$446.57	1/26/2005	\$4,995.00	\$889.69	\$85,000.00
	FINNEY	\$134.98	\$78,334.98	\$77,575.38	9.00%	\$703.58	3/18/2005	\$6,981.78	\$267.79	\$115,000.00
	DESMARIS	\$1,021.20	\$47,041.85	\$48,037.12	8.00%	\$655.17	10/27/2004	\$3,842.97	\$1,642.47	\$80,000.00
	MARTINEZ	\$119.90	\$18,508.34	\$17,999.54	8.50%	\$260.35	3/3/2005	\$1,529.96	\$121.56	\$20,000.00





# American Eagle Mortgage 1 LLC

AEMILLC

4225 NE St James Rd  
Vancouver, WA 98663  
1-800-889-6786

ACCOUNT NUMBER

Redacted

STATEMENT PERIOD 7/1/2004  
THROUGH Third Quarter

American Eagle 1 LLC  
Telephone (360) 695-6786

Account Type AMERICAN EAGLE 100LLC

Redacted

Year to Date :

PERCENTAGE OF OWNERSHIP	5.55%
CURRENT ACCOUNT TOTAL	\$55,194.72
TOTAL LLC	\$994,539.28



# American Eagle Mortgage 1 LLC

AEMILLC

4225 NE St James Rd  
Vancouver, WA 98663  
1-800-889-6786

Account Number: [Redacted] Investor: [Redacted] Third Quarter

Account Number: [Redacted]

July August September

NOTE AMOUNT	\$55,194.72	\$55,194.72	\$55,194.72
INTEREST RATE	8.00%	8.00%	8.00%
MONTHLY INTEREST PAYABLE	\$367.96	\$367.96	\$367.96
MANAGEMENT FEE	-\$23.00	-\$23.00	-\$23.00
NET MONTHLY PAYMENT	\$344.96	\$344.96	\$344.96
NEW NOTE BALANCE	\$55,194.72	\$55,194.72	\$55,194.72
ANNUAL INTEREST PAYABLE	\$4,415.58	\$4,415.58	\$4,415.58
PERCENT OF OWNERSHIP	5.54%	5.55%	5.55%
NUMBER OF UNITS	551.95	551.95	551.95
TOTAL FEES	\$23.00	\$23.00	\$23.00
GROSS INTEREST INCOME	\$367.96	\$367.96	\$367.96

American Eagle 1 LLC Telephone (360) 695-6786

**American Eagle Mortgage Management, LLC  
Periodic Transaction Journal**

From 10/1/2018 To 12/31/2018

Accounts From [Redacted] To [Redacted]

Account No	Payor	Sys. Date	Amount	Paid To	Interest	Principal	Fees	Late Amt.	Res.	Other	Emt. Type	Debit Amount	Balance
[Redacted]	AMERICAN EAGLE MORTGAGE [Redacted] WA	10/5/2018	\$31.94	10/5/2018	\$510.66	(\$478.72)	\$0.00	\$0.00	\$0.00	\$0.00	Check-Cmpnd Int	\$31.94	\$61,758.22
	AMERICAN EAGLE MORTGAGE [Redacted] WA	11/5/2018	\$31.94	11/5/2018	\$514.65	(\$482.71)	\$0.00	\$0.00	\$0.00	\$0.00	Check-Cmpnd Int	\$31.94	\$62,240.93
	AMERICAN EAGLE MORTGAGE [Redacted] WA	12/5/2018	\$31.94	12/5/2018	\$518.67	(\$486.73)	\$0.00	\$0.00	\$0.00	\$0.00	Check-Cmpnd Int	\$31.94	\$62,727.66

\* Denotes voided checks

**American Eagle Mortgage Management, LLC**  
**Periodic Transaction Journal**

From 10/1/2018 To 12/31/2018

Accounts From [Redacted] To [Redacted]

Summary

Disbursement Summary

Check Total: \$0.00  
 EDI Total: \$0.00  
 Transfer Total: \$0.00  
 Reserve Total: \$0.00  
 Buyer Fees Collected: \$0.00  
 Non Cash Total: \$0.00  
 Undisbursed Amount: \$0.00  
 Held Amount: \$0.00  
 Seller Fees Deducted: \$95.82

Principal Activity

Prior Balance: \$61,279.50  
 Principal: (\$1,448.16)  
 Interest: \$1,543.98  
 Ending Balance: \$62,727.66  
 Reserves Paid: \$0.00  
 Other Paid: \$0.00  
 Lates Paid: \$0.00

**EXHIBIT I**

American Eagle Mortgage  
 PO Box 61427  
 Vancouver, WA 98666

# 2018 Annual Statement

## 2018 Payment / Interest Statement

FORM 1099 OMB No. 1545-0112 (Interest Income)

### IMPORTANT TAX INFORMATION

Federal Tax ID: **Redacted** 5153

**Redacted**

Payor's Name:	AMERICAN EAGLE MORTGAGE
Account No:	<b>Redacted</b>
Recipient's Federal ID No.	XXXXXX2896
Box 1. RECIPIENT'S Interest Income*	\$22,500.00
Box 4. Federal Income Tax Withheld	0.00

Seller's interest income is calculated based on an ownership interest of 100%.

\* This is important tax information and is being furnished to the Internal Revenue Service. If you are required to file a return, a negligence penalty or other sanction may be imposed on you if this income is taxable and the IRS determines that it has not been reported.

Date	Amount	Principal	Interest	Late Fee Assessed	Late Fee Paid	Buyer Fees	Reserve Amount	Accrued Interest	Other	Balance
1/5/2018	\$1,875.00	\$0.00	\$1,875.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$250,000.00
2/5/2018	\$1,875.00	\$0.00	\$1,875.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$250,000.00
3/5/2018	\$1,875.00	\$0.00	\$1,875.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$250,000.00
4/5/2018	\$1,875.00	\$0.00	\$1,875.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$250,000.00
5/5/2018	\$1,875.00	\$0.00	\$1,875.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$250,000.00
6/5/2018	\$1,875.00	\$0.00	\$1,875.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$250,000.00
7/5/2018	\$1,875.00	\$0.00	\$1,875.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$250,000.00
8/5/2018	\$1,875.00	\$0.00	\$1,875.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$250,000.00
9/5/2018	\$1,875.00	\$0.00	\$1,875.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$250,000.00
10/5/2018	\$1,875.00	\$0.00	\$1,875.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$250,000.00
11/5/2018	\$1,875.00	\$0.00	\$1,875.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$250,000.00
12/5/2018	\$1,875.00	\$0.00	\$1,875.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$250,000.00
<b>Totals:</b>	<b>\$22,500.00</b>	<b>\$0.00</b>	<b>\$22,500.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$250,000.00</b>

\*Seller Fees Deducted: \$1,250.04 Next Pmt Due: 1/5/2019

Print Date: 1/18/2019

\*Denotes total seller fees on the account. Not a percentage of fees based on ownership.

The interest and tax figures on this statement include only payments and disbursements made or reported to this company. Please review carefully and notify us of any irregularities by Feb. 20th, 2019 in order to report correct information to the IRS. We will NOT be responsible for any changes beyond that date.

American Eagle Mortgage  
 PO Box 61427  
 Vancouver, WA 98666

# 2018 Annual Statement

## 2018 Payment / Interest Statement

FORM 1099 OMB No. 1545-0112 (Interest Income)

### IMPORTANT TAX INFORMATION

Federal Tax ID: Redacted 153

Redacted

Payor's Name:	AMERICAN EAGLE MORTGAGE
Account No:	Redacted
Recipient's Federal ID No.	XXXXXX6251
Box 1. RECIPIENT'S Interest Income*	\$9,604.48
Box 4, Federal Income Tax Withheld	0.00

Seller's interest income is calculated based on an ownership interest of 100%.

\* This is important tax information and is being furnished to the Internal Revenue Service. If you are required to file a return, a negligence penalty or other sanction may be imposed on you if this income is taxable and the IRS determines that it has not been reported.

Date	Amount	Principal	Interest	Late Fee Assessed	Late Fee Paid	Buyer Fees	Reserve Amount	Accrued Interest	Other	Balance
1/5/2018	\$61.28	(\$712.38)	\$773.66	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$116,762.01
2/5/2018	\$61.28	(\$717.13)	\$778.41	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$117,479.14
3/5/2018	\$61.28	(\$721.91)	\$783.19	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$118,201.05
4/5/2018	\$61.28	(\$726.73)	\$788.01	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$118,927.78
5/5/2018	\$61.28	(\$731.57)	\$792.85	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$119,659.35
6/5/2018	\$61.28	(\$736.45)	\$797.73	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$120,395.80
7/5/2018	\$61.28	(\$741.36)	\$802.64	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$121,137.16
8/5/2018	\$61.28	(\$746.30)	\$807.58	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$121,883.46
9/5/2018	\$61.28	(\$751.28)	\$812.56	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$122,634.74
10/5/2018	\$61.28	(\$756.28)	\$817.56	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$123,391.02
11/5/2018	\$61.28	(\$761.33)	\$822.61	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$124,152.35
12/5/2018	\$61.28	(\$766.40)	\$827.68	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$124,918.75
<b>Totals:</b>	<b>\$736.36</b>	<b>(\$8,869.12)</b>	<b>\$9,604.48</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$124,918.75</b>

\*Seller Fees Deducted: \$736.36

Next Pmt Due: 1/5/2019

Print Date: 1/18/2019

\*Denotes total seller fees on the account. Not a percentage of fees based on ownership.

The interest and tax figures on this statement include only payments and disbursements made or reported to this company. Please review carefully and notify us of any irregularities by Feb. 20th, 2019 in order to report correct information to the IRS. We will NOT be responsible for any changes beyond that date.

**EXHIBIT J**

**Barbara Jacobs**

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**From:** Barbara Jacobs  
**Sent:** Wednesday, January 02, 2019 10:14 AM  
**To:** maureen wile  
**Subject:** daily pool balances.xls  
**Attachments:** daily pool balances.xls





**EXHIBIT K**

## From QuickBooks Balance Sheets

As of May 9, 2019

	Total	Notes/Contracts	Other Loans
<b>AEM Pool 1</b>			
<b>Redacted</b> - ASI	39,618.82	39,618.82	
American Equities/ <b>Redacted</b> - Harrell	18,581.58		18,581.58
<b>AEM Pool 2</b>			
<b>AEM Short Term Pool</b>			
Advance on Commission	8,506.15		8,506.15
American Equities	10,000.00		10,000.00
<b>AEM Pool 100</b>			
<b>Redacted</b> - ASI	45,000.00	45,000.00	
1005087 - American Equities Inc	76,477.81	76,477.81	
<b>Redacted</b> - Hanes - Zoller	83,191.10	83,191.10	
Advance on Commissions	1,429.90		1,429.90
<b>Redacted</b> Ridgecrest III	50,000.00		50,000.00
4796 - American Eagle Mtg Magmt	53,412.12		53,412.12
Note Recievable - AEI (4464)	40,000.00		40,000.00
1004715 - American Equities	13,231.26		13,231.26
<b>AEM Pool 200</b>			
<b>Redacted</b> Ridgecrest III	73,592.33	73,592.33	
<b>Redacted</b> - M Wile	152,409.17	152,409.17	
<b>Redacted</b> Wile	6,675.61		6,675.61
<b>Redacted</b> Durose	56,735.60	56,735.60	
20043801 - AEI - old jones REO	52,782.23		52,782.23
<b>AEM Pool 300</b>			
<b>AEM Pool 400</b>			
Receivable - American Equities,	1,796.18		1,796.18
AEM Mgmt - 6463	988.93		988.93

## AEM Pool 500

Redacted R Miles	187,500.00	187,500.00	
American Equities, Inc.	1,344.81		1,344.81

## AEM Pool 600

1000001 - AEI	192,749.21	192,749.21	
Redacted Ridgecrest III	49,543.49	49,543.49	
Redacted Ridgecrest III	328,661.37	328,661.37	
Redacted Ridgecrest III	13,764.43	13,764.43	
6006293 - AEI Inc.	231,842.67	231,842.67	
Redacted Rid III	25,000.00	25,000.00	
Redacted Rid III	23,050.37	23,050.37	
Redacted Ridgecrest III	50,000.00		50,000.00
Redacted Rid III	40,000.00		40,000.00
Redacted Ridgecrest III	75,000.00		75,000.00
Redacted Ridgecrest III	74,000.00		74,000.00
Redacted Valerio Comm. Loan	120,575.00		120,575.00
Redacted Valerio	186,000.00		186,000.00
Cabo Colorado	26,000.00		26,000.00
New Loan Valerio G	76,103.50		76,103.50
Valerio - Wiley payments \$1,700	112,200.00		112,200.00
Valerio - Wiley payments \$625	41,875.00		41,875.00
Advance on Commission	133,207.00		133,207.00
AEI Commission Over/under paid	9,377.08		9,377.08
American Eagle Mtg Mgmt, LLC	20,500.00		20,500.00
Construction Loan	7,358.25		7,358.25
4460 - AEM Mgmt	17,501.26		17,501.26
Redacted Raffin/Rid III	30,000.00		30,000.00
6116 - AEMM/Some Day	146,220.67		146,220.67
6141 - AEM Mgmt	68,175.86		68,175.86
6206 - AEM Mgmt	5,086.85		5,086.85
6283 - AEM Mgmt / Mendez	31,500.00		31,500.00
6365 - AEMM - KGB Prop	33,550.00		33,550.00
AEM - Mgmt	4,990.00		4,990.00
American Equities Inc	400,101.00		400,101.00
Days - Redacted	79,769.99		79,769.99
6005980 - Strunk now AEI	255,414.80		255,414.80

## AEM Mexico 100

Redacted Valerio - Tamar # 2	170,000.00	170,000.00	
Redacted Ridgecrest III	79,511.08	79,511.08	
Redacted Ridgecrest II	115,397.26	115,397.26	
Redacted Ridgecrest III	180,000.00	180,000.00	
Redacted Ridgecrest II	107,123.29	107,123.29	

636216 - AEI	164,900.00	164,900.00	
Redacted idgecrest III	131.21		131.21
Javier legal fees	13,600.00		13,600.00

### AEM Mexico 200

651762 - American Equities Inc.	18,753.09	18,753.09	
653963 - AEI	4,411.03	4,411.03	
Redacted Ridgecrest II	89,513.66	89,513.66	
Redacted Ridgecrest II	98,006.85	98,006.85	
Redacted Ridgecrest III	17,064.55	17,064.55	
Redacted Ridgecrest II	101,074.63	101,074.63	
656492 - AEM Mgmt	193,508.25	193,508.25	
#tba valerio loan	90,000.00		90,000.00
3963 - AEI	1,382.92		1,382.92
Prepaid Commission	51,300.82		51,300.82

### AEM Mexico 300

Redacted Willow Farms	32,000.00	32,000.00	
Redacted Ridgecrest III	71,893.84	71,893.84	
665168 - American Equities Inc	42,750.00	42,750.00	
Redacted Ridgecrest II	6,848.63	6,848.63	
Redacted Mulrow	45,000.00	45,000.00	
Redacted R. C. Hanes	110,000.00	110,000.00	
Redacted LOC 3	8,286.98	8,286.98	
New Loan - Valerio	15,000.00		15,000.00
Redacted Ridgecrest	3,170.50		3,170.50
AEI LOC	36,897.68		36,897.68
Ridgecrest III	6,100.00		6,100.00

### AEM Mexico 400

Redacted 46 Oaks/AEI	32,000.00	32,000.00	
Redacted Valerio Gonzales	379,529.80	379,529.80	
Redacted Todos Santos	152,940.00	152,940.00	
Redacted - Valerio Tamar #3	170,000.00	170,000.00	
675168 - American Equities	42,750.00	42,750.00	
Redacted Ridge II	26,291.78	26,291.78	
675417 - AEI LOC - #3	10,217.23		10,217.23
675426 - AEI LOC - #4	1,162.36		1,162.36
AEI Baja Eagle Mortgage	7,367.79		7,367.79
AEI LOC - # 1 per t-value	26,244.90		26,244.90
AEI temp loan	25,000.00		25,000.00
AEI/Rid III	20,000.00		20,000.00
Overpaid Commissions	175.00		175.00
Prepaid Commissions	83,548.10		83,548.10

Ridgecrest III	21,471.61	21,471.61
Ridgecrest loan on 4 lots	45,000.00	45,000.00
Tomorro	6,000.00	6,000.00

### AEM Mexico 500

Redacted Miles/Wile	250,000.00	250,000.00
685396 - AEI line of credit	177,613.18	177,613.18

### AEM Mexico 600

Redacted Marina	3,428,942.78	3,428,942.78
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	<b>10,662,272.20</b>	<b>7,895,247.05</b>	<b>2,767,025.15</b>
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**EXHIBIT L**

**Ross Charles Hanes Miles**

Name	Relationship	Activity
Bev Miles	Wife	Employee: Multiple roles
Jason Miles	Son	Purchased contracts from the funds
Kari & Randy Goode	Daughter and SIL	Purchased contracts from the funds
Frida Goode	Randy's Mother	Employee: Secretary
Mary Carol Feldman	Ross Miles' Sister	Employee: Investor Sales
Maureen Minsker	Ross Miles' Sister	Employee: Investor Sales
Miles Minsker	Maureen Minsker's Son	

**AEM B (Jackpine property)**  
 Ross Miles  
 Miles Minsker  
 Romelle Wampler

**Investors Related to Miles Family**

Doreen McGunigal*	Bev Miles' mother	Investor in AEM 4
Romelle Wampler	Maureen Minsker Daughter	Investor
Larry Wampler	Romelle Wampler's Ex Husband	Investor
Mary Carol Feldman	Sister	Employee & Investor

**Ross Miles Entities with known activity with the funds**

American Equities Inc	Management Company	Bought/sold contracts to the funds
American Eagle Mortgage Management	Management Company	Bought/sold contracts to the funds
American Securities Inc		Borrowed from funds
Hanes Zoller LLC		Borrowed from funds
RC Hanes LP		Borrowed from funds
Ridgecrest II LLC		Borrowed from funds
Ridgecrest III LLC		Borrowed from funds
RMV LLC		Borrowed from funds

**Mark Zoller Entities**  
 Sandy Creekside Village LLC  
 Estates at Parkland LLC  
 Capital Preservation LLC  
 American Development 100 LLC

**Danielson Contractors**  
 \$200K loan from funds  
 Does work for Ridgecrest

**Other known entities, have not linked to funds**

Tradewinds LLC	Mobile Home Park in Boardman OR
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**Other Parties**

Dee Dietrich	Mexico property Manager
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\* Deceased



Maureen Wile		
Name	Relationship	Activity
Bob Wile	Husband	Bought/Sold Contracts
Jenny & Brian Flory	Daughter and SIL	
Brian & Jenny Wile	Son & DIL	Bought/Sold Contracts & REO, Borrower
John Mulrow	Brother	Borrower
Tom Mulrow*	Brother	
Bridget Bosch	Sister	Employee: contract broker
Pam Griffin	Rodrick Bosch's Sister	Bought/Sold Contracts

**Brian Wile Entities**  
 Wilson Durose LLC Borrower  
 Northwest Property Network LLC Property Mgmt  
 EMLIN LLC Property Mgmt

**Sundown BPO**  
 Gave opinions of value re underlying real estate on contract purchases and foreclosures

Investors Related to Wile Family	
Rodrick Bosch	Bridget's Husband Investor
Pam Griffin	Rodrick's Sister Investor
Hope Griffin	Pam's Daughter Investor
Dries Bosch	Rodrick's Father Investor
Floyd Dewitt	Rodrick's Uncle Investor
Norman Bolkema	Rodrick's Uncle Investor
Christine Conway	Jenny Wile's Mother Investor

Other Parties

**EXHIBIT M**







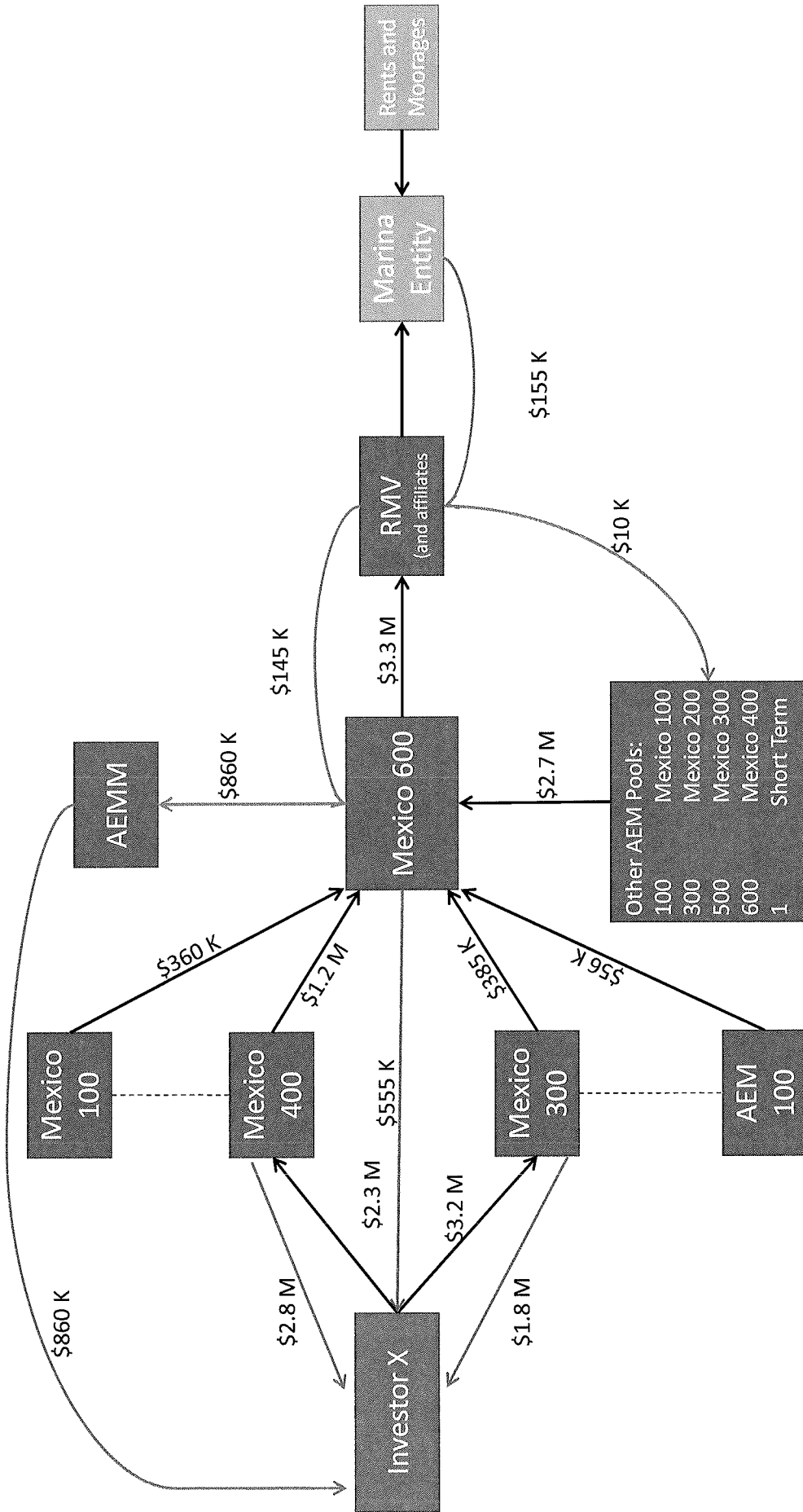


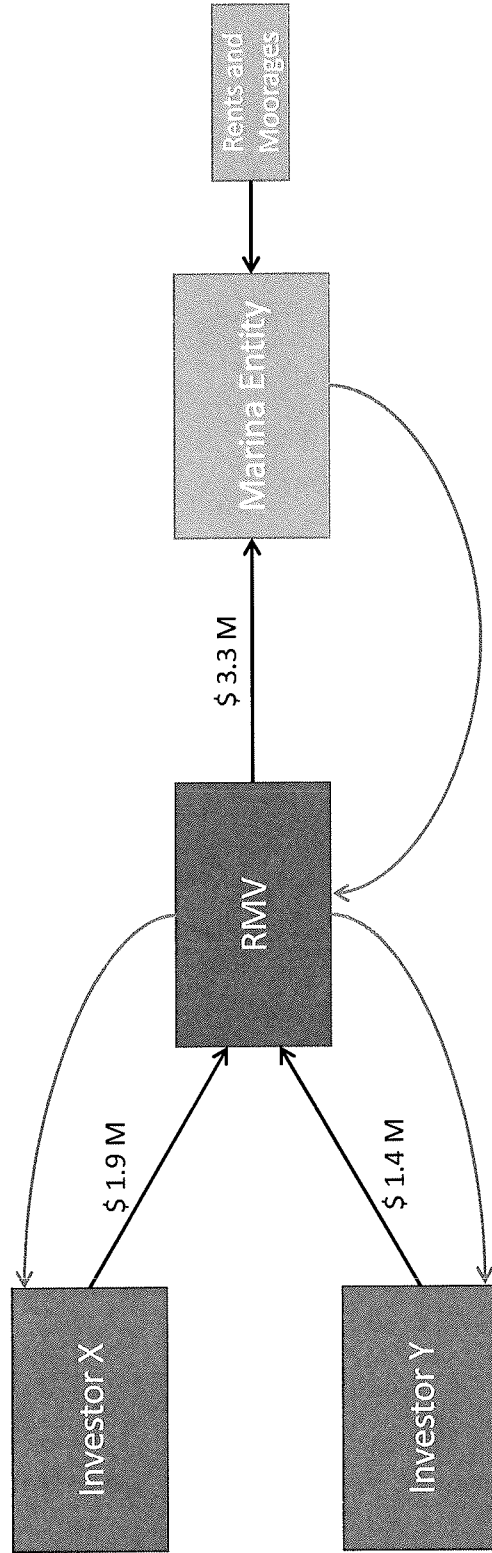






**EXHIBIT N**





**EXHIBIT O**

American Eagle Mortgage Mexico 400, LLC

8/29/2019 3:44 PM

Register: Checking - Columbia

From 05/01/2014 through 06/18/2014

Sorted by: Date and Order Entered

Date	Number	Payee	Account	Memo	Payment	C	Deposit	Balance
05/01/2014			Notes Payable - Invest...	Deposit		X	202,737.94	204,497.91
05/02/2014	2738	American Eagle Mort...	Loans Payable - Pools:...		100,000.00	X		104,497.91
05/05/2014	edi	AEM Management	-split-		96,180.52	X		8,317.39
05/07/2014			-split-	Deposit		X	474.67	8,792.06
05/16/2014			-split-	Deposit		X	559.26	9,351.32
05/28/2014			-split-	Deposit		X	1,911.23	11,262.55
05/30/2014	2739	Ridgecrest III LLC	-split-		165.19	X		11,097.36
05/30/2014	2740	Clark Public Utilities	Real Estate Owned:675...	Redacted	23.81	X		11,073.55
05/30/2014			-split-	Deposit		X	50,750.00	61,823.55
05/30/2014	2741	AEM Management	Startup Fec	330163 - orcutt...	750.00	X		61,073.55
06/03/2014			Interest Income	Deposit		X	300.00	61,373.55
06/04/2014			Loans Payable - Pools:...	Deposit		X	39,000.00	100,373.55
06/05/2014	Trsf	AEM Mgmt investors	-split-		93,899.57	X		6,473.98
06/11/2014			-split-	Deposit		X	1,033.93	7,507.91
06/18/2014			-split-	Deposit		X	1,071.36	8,579.27

Deposit Summary

8/29/2019 4:02 PM

Summary of Deposits to Checking - Columbia on 05/30/2014

<b>Chk No.</b>	<b>PmtMethod</b>	<b>Red From</b>	<b>Memo</b>	<b>Amount</b>
		Redacted		50,000.00
				750.00
<b>Less Cash Back:</b>				
<b>Deposit Total:</b>				<b>50,750.00</b>

**American Eagle Mortgage Mexico 400, LLC**  
**Check Detail**  
June 5, 2014

Type	Num	Date	Name	Item	Account	Paid Amount	Original Amount
Check	Trsf	06/05/2014	AEM Mgmt investors		Checking - Columbia		-93,899.57
					Redacted	-50,000.00	50,000.00
					Interest Expense	-2,916.67	2,916.67
					Interest Expense	-2,500.00	2,500.00
					Interest Expense	-5,734.21	5,734.21
					Interest Expense	-3,166.67	3,166.67
					Interest Expense	-197.22	197.22
					Interest Expense	-875.07	875.07
					Interest Expense	-591.75	591.75
					Interest Expense	-554.17	554.17
					Interest Expense	-672.92	672.92
					Interest Expense	-257.98	257.98
					Interest Expense	-791.67	791.67
					Interest Expense	-791.67	791.67
					Interest Expense	-881.16	881.16
					Interest Expense	-2,030.95	2,030.95
					Interest Expense	-2,224.37	2,224.37
					Interest Expense	-5,494.68	5,494.68
					Interest Expense	-114.63	114.63
					Interest Expense	-791.67	791.67
					Interest Expense	-577.82	577.82
					Interest Expense	-345.27	345.27
					Interest Expense	-593.75	593.75
					Interest Expense	-708.33	708.33
					Interest Expense	-791.66	791.66
					Interest Expense	-200.00	200.00
					Interest Expense	-554.17	554.17
					Interest Expense	-223.10	223.10
					Interest Expense	-682.82	682.82
					Interest Expense	-4,255.17	4,255.17
					Interest Expense	-465.37	465.37
					Interest Expense	-665.16	665.16
					Interest Expense	-739.30	739.30
					Interest Expense	-160.70	160.70
					Redacted	-1,266.81	1,266.81
					M & M Fees	-1,082.68	1,082.68
					M & M Fees		
						-93,899.57	93,899.57
					TOTAL		

**EXHIBIT P**



## AEM Pool 2

Notes Payable - Investors:303118 - Redacted IRA Ending Balance: \$26,781.00

Date	Ref No.	Payee	Memo	Increase	Decrease	Stat	Balance
		Type	Account			Auto	
09/02/2016	JE-67		303118 new account cash stayed in management account and was used by pool \$26,781.00 to make investor payment on 9/5				\$26,781.00
		Journal -Split-					

# Journal Entry #JE-67

AEM 2



Journal date

09/02/2016

Journal no.

JE-67

#	ACCOUNT	DEBITS	CREDITS	DESCRIPTION	NAME
1	Notes Payable - Investors:3031		26,781.00	303118 new account cash stayed in management account and was used by pool 600 to make investor payment on 9/5	
2	Loans Payable - Pools:Pool 600	22,000.00		pay back pool 600 cash stayed in management account and was used to make investor payment on 9/5	
3	Loans Receivable - Pools:Pool -	4,781.00		loan to 000 600 cash stayed in management account and was used to make investor payment on 9/5	
4					
5					
6					
7					
8					

## American Eagle Mortgage Pool #2

10/3/2019 9:58 AM

Register: Checking - Columbia

From 08/01/2016 through 09/30/2016

Sorted by: Date, Type, Number/Ref

Date	Number	Payee	Account	Memo	Payment	C	Deposit	Balance
08/02/2016			-split-	Deposit		X	1,452.54	10,009.48
08/04/2016			-split-	Deposit		X	469.35	10,478.83
08/05/2016	2016-8	AEM Mgmt. investor...	-split-		2,092.71	X		8,386.12
08/09/2016			-split-	Deposit		X	480.18	8,866.30
08/16/2016			-split-	Deposit		X	1,448.79	10,315.09
08/19/2016			Notes Payable - Invest...	Deposit		X	10,000.00	20,315.09
08/19/2016			-split-	Deposit		X	198.70	20,513.79
08/26/2016			-split-	Deposit		X	730.45	21,244.24
08/26/2016	8342	Ridgecrest III LLC	Real Estate Owned:205...		55.42	X		21,188.82
08/29/2016			-split-	Deposit		X	322.09	21,510.91
09/01/2016	8343	American Eagle Mort...	-split-		19,300.00	X		2,210.91
09/06/2016	2016-9	AEM Mgmt. investor...	-split-		2,092.71	X		118.20
09/09/2016			-split-	Deposit		X	12,857.27	12,975.47
09/12/2016	8344	Ridgecrest III LLC	Real Estate Owned:205...		55.42	X		12,920.05
09/13/2016			Start up fee	Deposit		X	407.84	13,327.89
09/13/2016	8345	AEM Management	Start up fee	303118 <b>Redacted</b>	407.84	X		12,920.05
09/14/2016			-split-	Deposit		X	644.35	13,564.40
09/20/2016			-split-	Deposit		X	198.70	13,763.10

**EXHIBIT Q**

American Eagle Mortgage Pool # 600

8/29/2019 4:52 PM

Register: Checking - Regents

From 05/22/2017 through 06/10/2017

Sorted by: Date and Order Entered

Date	Number	Payee	Account	Memo	Payment	C	Deposit	Balance
05/22/2017			-split-	Deposit		X	84.00	108,389.32
05/23/2017			-split-	Deposit		X	6,921.27	115,310.59
05/23/2017	5431	Quality Cutting Inc	Pass Through/Foreclos...		460.00	X		114,850.59
05/23/2017	5432	Ridgecrest III LLC	-split-	insurance	639.56	X		114,211.03
05/24/2017	5433	Redacted	Real Estate Owned:600...	Redacted	4,112.50	X		110,098.53
05/25/2017	5434	Redacted	Redacted		625.00	X		109,473.53
05/25/2017	5435	American Equities Inc.	Redacted	Redacted	1,700.00	X		107,773.53
05/25/2017	wire	Redacted	-split-		3,769.00	X		104,004.53
05/25/2017			-split-	Deposit		X	30,450.00	134,454.53
05/25/2017	5436	AEM Management	Startup fee	308353 startup ...	450.00	X		134,004.53
05/26/2017			-split-	Deposit		X	1,092.02	135,096.55
05/30/2017			-split-	Deposit		X	4,450.41	139,546.96
06/01/2017			-split-	Deposit		X	2,651.13	142,198.09
06/02/2017	5437	american Eagle Mort...	Loans Receivable - Po...		800.00	X		141,398.09
06/02/2017	5438	American Eagle Mort...	Loans Receivable - Po...		42,700.00	X		98,698.09
06/02/2017	5439	American Eagle Mort...	Loans Receivable - Po...		4,600.00	X		94,098.09
06/02/2017	5440	American Eagle Mort...	Loans Receivable - Po...		12,200.00	X		81,898.09
06/02/2017			Notes Payable - Invest...	Deposit		X	50,000.00	131,898.09
06/02/2017			-split-	Deposit		X	1,995.96	133,894.05
06/02/2017			Loans Payable - Pools:...	Deposit		X	30,000.00	163,894.05
06/05/2017	2017-11	AEM Mgmt reinvestor	-split-		30,173.71	X		133,720.34
06/05/2017			-split-	Deposit		X	400.00	134,120.34
06/05/2017	2017-12	AEM Mgmt investors	-split-		130,481.08	X		3,639.26
06/06/2017			-split-	Deposit		X	10,968.46	14,607.72
06/07/2017			-split-	Deposit		X	3,637.00	18,244.72
06/08/2017			-split-	Deposit		X	6,342.97	24,587.69
06/09/2017	5441	Grays Harbor Treasu...	Pass Through/Foreclos...	Redacted	3,011.29	X		21,576.40
06/09/2017	5442	Municipality of Anch...	Real Estate Owned:600...	Redacted	1,609.84	X		19,966.56
06/09/2017			-split-	Deposit		X	3,806.71	23,773.27

# Deposit Summary

8/29/2019 4:53 PM

Summary of Deposits to Checking - Regents on 05/25/2017

<b>Chk No.</b>	<b>PmtMethod</b>	<b>Red From</b>	<b>Memo</b>	<b>Amount</b>
		Redacted	opening balance	30,000.00
			Redacted	450.00
<b>Less Cash Back:</b>				
<b>Deposit Total:</b>				<b>30,450.00</b>

# Deposit Summary

8/29/2019 4:56 PM

Summary of Deposits to Checking - Regents on 06/02/2017

<b>Chk No.</b>	<b>PmtMethod</b>	<b>Red From</b>	<b>Memo</b>	<b>Amount</b>
		Redacted	add to balance	50,000.00
<b>Less Cash Back:</b>				
<b>Deposit Total:</b>				<b>50,000.00</b>

Deposit Summary

8/29/2019 4:54 PM

Summary of Deposits to Checking - Regents on 06/02/2017

<b>Chk No.</b>	<b>PmtMethod</b>	<b>Red From</b>	<b>Memo</b>	<b>Amount</b>
		American Equities Inc.	ck 48501 loan from AEI	30,000.00
<b>Less Cash Back:</b>				
<b>Deposit Total:</b>				<b>30,000.00</b>



**EXHIBIT R**

# AEM Mexico 300 Transaction Report

January 1, 2008 - August 30, 2014

Date	Transaction Type	Num Name	Memo/Description	Account	Split	Amount	Balance
<b>Contracts Receivable</b>							
		American Equities, Inc - LOC (deleted)					
12/31/2009	Journal Entry		to redistribute monies used for AEI LOC	Contracts Receivable:American Equities, Inc - LOC (deleted)	-Split-	36,897.68	36,897.68
							<b>\$ 36,897.68</b>
<b>Total for American Equities, Inc - LOC (deleted)</b>							
<b>Loan Receivable - Intercompany</b>							
		AEI LOC					
09/01/2014	Journal Entry	JE-36	move from contracts receivable to inter pool loans	Loan Receivable - Intercompany:AEI LOC	-Split-	36,897.68	36,897.68
							<b>\$ 36,897.68</b>
							<b>\$ 36,897.68</b>
							<b>\$ 36,897.68</b>
<b>Total for AEI LOC</b>							
<b>Total for Loan Receivable - Intercompany</b>							
<b>TOTAL</b>							

Wednesday, Jul 17, 2019 05:08:40 PM GMT-7

**AEM Mexico 300**  
**Transaction Report**  
 December 30, 2006 - December 30, 2009

Date	Transaction Type	Num Name	Memo/Description	Account	Split	Amount	Balance
07/12/2007	Deposit		Loan From Mex 400	InterCompany Receivables (deleted)	Checking - Riverview Closed	-25,000.00	-25,000.00
08/03/2007	Check		Loan to Mexico 100	InterCompany Receivables (deleted)	Checking - Riverview Closed	40,000.00	15,000.00
08/08/2007	Deposit		Dep SB Mx 200	InterCompany Receivables (deleted)	Checking - Riverview Closed	-1,780.00	13,220.00
08/16/2007	Deposit		Payback from Mx 400	InterCompany Receivables (deleted)	Checking - Riverview Closed		13,220.00
08/17/2007	Check	3803	LOC	InterCompany Receivables (deleted)	Checking - Riverview Closed	1,800,000.00	1,813,220.00
08/17/2007	Check	3805	Payback Mx 400	InterCompany Receivables (deleted)	Checking - Riverview Closed	25,000.00	1,838,220.00
08/17/2007	Journal Entry	30	Trans ro Chk	InterCompany Receivables (deleted)	-Split-	-900,000.00	938,220.00
08/20/2007	Deposit		Fr Mx 100 Payback	InterCompany Receivables (deleted)	Checking - Riverview Closed	-40,000.00	898,220.00
09/17/2007	Check	3856	Trsf to Mx 200	InterCompany Receivables (deleted)	Checking - Riverview Closed	1,780.00	900,000.00
09/30/2007	Check		LOC Savings	InterCompany Receivables (deleted)	Checking - Riverview Closed	715,000.00	1,615,000.00
10/02/2007	Deposit		Trsf from LOC	InterCompany Receivables (deleted)	Checking - Riverview Closed	-102,000.00	1,513,000.00
10/04/2007	Deposit		Trsf fro, LOC	InterCompany Receivables (deleted)	Checking - Riverview Closed	-200,000.00	1,313,000.00
10/19/2007	Deposit		Trsf from LOC	InterCompany Receivables (deleted)	Checking - Riverview Closed	-102,000.00	1,211,000.00
11/06/2007	Deposit		Trsf from LOC	InterCompany Receivables (deleted)	Checking - Riverview Closed	-25,000.00	1,186,000.00
11/28/2007	Deposit		Trsfxf from LOC	InterCompany Receivables (deleted)	Checking - Riverview Closed	-40,000.00	1,146,000.00
11/28/2007	Deposit		Trsf from LOC	InterCompany Receivables (deleted)	Checking - Riverview Closed	-274,000.00	872,000.00
12/03/2007	Deposit		Trsf from LOC	InterCompany Receivables (deleted)	Checking - Riverview Closed	-185,000.00	687,000.00
12/05/2007	Deposit		Trsf from LOC	InterCompany Receivables (deleted)	Checking - Riverview Closed	-250,000.00	437,000.00
12/31/2007	Journal Entry	52		InterCompany Receivables (deleted)	-Split-	32,206.24	469,206.24
01/03/2008	Deposit		LOC \$250,000.00 AND \$40,000.00 TRANSFERS	InterCompany Receivables (deleted)	Checking - Riverview Closed	-290,000.00	179,206.24

01/04/2008	Deposit		LOC		InterCompany Receivables (deleted)	Checking - Riverview Closed	-56,000.00	123,206.24
02/05/2008	Deposit		LOC		InterCompany Receivables (deleted)	Checking - Riverview Closed	-91,000.00	32,206.24
03/31/2008	Journal Entry	72	To adj for paid interest Jan - March		InterCompany Receivables (deleted)	-Split-	4,691.44	36,897.68
05/08/2008	Deposit		loan from mex 200		InterCompany Receivables (deleted)	Checking - Riverview Closed	-5,000.00	31,897.68
05/14/2008	Check	3921	pay back mex 200		InterCompany Receivables (deleted)	Checking - Riverview Closed	5,000.00	36,897.68
<b>Total for InterCompany Receivables (deleted)</b>							<b>\$</b>	<b>36,897.68</b>

**EXHIBIT S**

4574 paguris

Pool 600

5974 RID III Current parts being made

6504 RID III \$25,000 (paying) 145.83 @ 7%

Sec inventory acct's 308324, 308335

Kelly Reidman Notes

RID III owed Kelly then borrowed from Pool 600 25000 to pay her

6505 RID III pays 23,050.37 @ 172.88 9%

6512\* RID III 59,000 (2-9-16) \* No note - no file

\*6597

33742

36820

Having Barton? note...

need notes AEM 25,000.00

need notes 74,000.00

7/24/14 25,000.00

10/24/14 40,000.00

7/24/14 23,800.00

7/24/14 6120.00

10/24/14 40,000.00

Handwritten notes with arrows pointing to the 'need notes' entries.

6116

AEM Mgmt to AEM Mgmt for Blake more payoff.

**PROMISSORY NOTE**

**\$147,064.76**

FOR VALUE RECEIVED, **AMERICAN EAGLE MORTGAGE MANAGEMENT, LLC**, promises to pay in lawful Money of the United States to **AMERICAN EAGLE MORTGAGE 600, LLC**, a **Washington Limited Liability Company**, or order, at such place as the holder hereof from time to time may designate in writing the principal sum of **ONE HUNDRED FORTY-SEVEN THOUSAND, SIXTY-FOUR AND 76/100 DOLLARS (\$147,064.76)** with interest from the **7<sup>TH</sup> day of DECEMBER 2018** on the unpaid principal balance at the rate of **FIVE PERCENT (5.000)%** per annum interest; with **payments in the amount of ONE THOUSAND FIFTY-EIGHT AND 33/100 DOLLARS (\$1058.33) OR MORE, BEGINNING JANUARY 1, 2019 AND CONTINUING UNTIL DECEMBER 1, 2023, at which time, if not sooner paid, all unpaid fees, interest and principal will be due and payable.**

Each payment shall be credited first to fees, interest then due and the remainder on principal; and interest shall thereupon cease upon the principal so credited.

If the maker of this note, sells, conveys, transfers or disposes of the property described in the Deed of Trust securing the debt evidenced by this note, or any part of such property, or any interest therein, or agree to do so without the written consent of the holder first being obtained, the holder shall have the right at his option, to declare the entire balance of principal with unpaid interest due thereon forthwith due payable. Said consent cannot be unreasonably withheld. Failure to exercise such option shall not constitute a waiver of the right to exercise such option in the event of any subsequent default.

Should default be made in payment of any installment when due or terms contained herein, the entire indebtedness hereby represented, at the option of the holder of this note, without prior notice, shall become immediately due and payable.

If suit is brought on this note, or if it is placed in the hands of an attorney for collection, after any default in any payment or terms, the undersigned promises and agrees to pay all costs of collection, including attorney's fees, incurred thereby.

Presentment, notice of dishonor, and protest are hereby waived by all makers, sureties, guarantors and endorsers hereof. This note shall be the joint and several obligation of all makers, sureties, guarantors and endorsers, and shall be binding upon them and their successors and assigns.

**This Promissory Note secured by signature of even date.**

**Date DECEMBER 7, 2018**

**AMERICAN EAGLE MORTGAGE MANAGEMENT, LLC**

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**MAUREEN T. WILE, MANAGING MEMBER**

**#6116/Someday LLC was secured by a loan from Blakemore Holdings and AEM 600. Blakemore Holdings was paid in full from the payoff proceeds when #6116/Someday LLC paid in full. This note is the balance still owed to AEM600.**

PROMISSORY NOTE

\$147,064.76

FOR VALUE RECEIVED, **AMERICAN EAGLE MORTGAGE MANAGEMENT, LLC**, promises to pay in lawful Money of the United States to **AMERICAN EAGLE MORTGAGE 600, LLC, a Washington Limited Liability Company**, or order, at such place as the holder hereof from time to time may designate in writing the principal sum of **ONE HUNDRED FORTY-SEVEN THOUSAND, SIXTY-FOUR AND 76/100 DOLLARS (\$147,064.76)** with interest from the 7<sup>TH</sup> day of **DECEMBER 2018** on the unpaid principal balance at the rate of **FIVE PERCENT (5.000)%** per annum interest; with payments in the amount of **ONE THOUSAND FIFTY-EIGHT AND 33/100 DOLLARS (\$1058.33) OR MORE, BEGINNING JANUARY 1, 2019 AND CONTINUING UNTIL DECEMBER 1, 2023**, at which time, if not sooner paid, all unpaid fees, interest and principal will be due and payable.

Each payment shall be credited first to fees, interest then due and the remainder on principal; and interest shall thereupon cease upon the principal so credited.

If the maker of this note, sells, conveys, transfers or disposes of the property described in the Deed of Trust securing the debt evidenced by this note, or any part of such property, or any interest therein, or agree to do so without the written consent of the holder first being obtained, the holder shall have the right at his option, to declare the entire balance of principal with unpaid interest due thereon forthwith due payable. Said consent cannot be unreasonably withheld. Failure to exercise such option shall not constitute a waiver of the right to exercise such option in the event of any subsequent default.

Should default be made in payment of any installment when due or terms contained herein, the entire indebtedness hereby represented, at the option of the holder of this note, without prior notice, shall become immediately due and payable.

If suit is brought on this note, or if it is placed in the hands of an attorney for collection, after any default in any payment or terms, the undersigned promises and agrees to pay all costs of collection, including attorney's fees, incurred thereby.

Presentment, notice of dishonor, and protest are hereby waived by all makers, sureties, guarantors and endorsers hereof. This note shall be the joint and several obligation of all makers, sureties, guarantors and endorsers, and shall be binding upon them and their successors and assigns.

**This Promissory Note secured by signature of even date.**

Date **DECEMBER 7, 2018**

**AMERICAN EAGLE MORTGAGE MANAGEMENT, LLC**

  
\_\_\_\_\_  
**MAUREEN T. WILE, MANAGING MEMBER**

**#6116/Someday LLC was secured by a loan from Blakemore Holdings and AEM 600. Blakemore Holdings was paid in full from the payoff proceeds when #6116/Someday LLC paid in full. This note is the balance still owed to AEM600.**



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SUPERIOR COURT OF WASHINGTON FOR CLARK COUNTY

In re:

AMERICAN EAGLE MORTGAGE 100, LLC; AMERICAN EAGLE MORTGAGE 200, LLC; AMERICAN EAGLE MORTGAGE 300, LLC; AMERICAN EAGLE MORTGAGE 400, LLC; AMERICAN EAGLE MORTGAGE 500, LLC; AMERICAN EAGLE MORTGAGE 600, LLC; AMERICAN EAGLE MORTGAGE MEXICO 100, LLC; AMERICAN EAGLE MORTGAGE MEXICO 200, LLC; AMERICAN EAGLE MORTGAGE MEXICO 300, LLC; AMERICAN EAGLE MORTGAGE MEXICO 400, LLC; AMERICAN EAGLE MORTGAGE MEXICO 500, LLC; AMERICAN EAGLE MORTGAGE MEXICO 600, LLC; AMERICAN EAGLE MORTGAGE I, LLC; AMERICAN EAGLE MORTGAGE II, LLC; and AMERICAN EAGLE MORTGAGE SHORT TERM, LLC.

Case No. 19-2-01458-06

DECLARATION OF JOHN R. KNAPP, JR.  
PURSUANT TO GENERAL RULE 17

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I, John R. Knapp, Jr., declare as follows:

1. I am a partner with Miller Nash Graham & Dunn LLP, attorneys for Receiver Clyde A. Hamstreet & Associates, LLC in this matter. I am over the age of 18, and competent to testify to the matters set forth below and I have personal knowledge of those matters.

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2. I have examined the attached Declaration of Michael G. Ueltzen in Support of Receiver's Motion to Consolidate Receivership Estates bearing the electronically scanned signature of Michael G. Ueltzen, determined that it consists of one hundred seventy-eight (178) pages including this declaration, and that it is complete and legible.

I declare under penalty of perjury under the laws of the state of Washington that the foregoing is true and correct.

DATED this 15<sup>th</sup> day of October, 2019, at Seattle, Washington.

MILLER NASH GRAHAM & DUNN LLP

/s/ John R. Knapp, Jr.  
John R. Knapp, Jr., P.C.  
WSB No. 29343  
john.knapp@millernash.com