

SPECIAL CORONAVIRUS CRISIS INTEREST RATE BONUS DISCLOSURE

It's scary to invest when blood is running in the streets; but that is often the best time to invest. During this Coronavirus Crisis, in order to encourage our investors to participate in our loans, we are offering our investors a 4% increase in the interest rate during the first year. We call this incentive our **Coronavirus Risk Premium**. Therefore your net yield, assuming the borrower makes his payments of course, will be 12% in year one and 8% in years two through five.

This is still a brutally competitive market for good commercial loans, so in order to convince our borrowers to accept a 4% higher interest rate during the first year, we are offering them the following incentive: As long as the loan stays on the books for at least three years, and they make every monthly payment as agreed (no late charges) for the entire term of the loan, we will forgive this 4% Coronavirus Risk Premium.

Our founder, George III, always used to say that he would personally never invest in any first mortgage with a net yield higher than 9%. Loans with higher interest rates have higher monthly payments, and these higher monthly payments will slowly grind the borrower into the dust. We want our borrowers to succeed.

Therefore, rather than breaking the backs of our borrowers with a 4% higher interest rate, the extra 4% in interest rate will accrue, defer, and compound. The borrower will make his loan payments based on the interest rate in years two through five. Remember, if we tried to have the borrower make payments at the higher interest rate, there is a material chance that he would default, and you would likely suffer a loss. The good news is that you will earn interest on the unpaid 4% in bonus interest; i.e., you will be earning interest-on-interest.

Accounting Housekeeping Matter:

Loans with different interest rates amortize at different rates. A loan with an 8% interest rate will pay down differently than a loan with a 12% interest. During the early years of the loan, the loan with the 8% interest rate will pay down ever-so-slightly faster, while later in the loan, a loan with a 12% interest rate will pay down faster. (If you are handy with math, play with an amortization calculator someday to verify this for yourself.)

Therefore, if the borrower does make his payments as agreed, and if we are forced to forgive the 4% Coronavirus Risk Premium, the amount of your principal, compared to that showing on your monthly statement, will be slightly smaller.

Adult Conversation:

Wouldn't it be *absolutely fabulous* if you invested a small amount in six different loans - our recommended way of investing - and you were forced to forgive the 4% Coronavirus Risk

Premium on every single deal? That would mean that you had just earned 7% to 9% in a market where bank C.D.'s are only paying 1% or less.

Example #1:

The borrower pays as agreed for two years, but then he pay us off in full. You would get to keep the 4% interest rate bonus, plus the interest you earned on your unpaid interest.

Example #2:

The borrower pays as agreed for four years and eleven months, but then he is two weeks late on his second-to-the-last-monthly payment. You would get to keep the 4% interest rate bonus, plus the interest you earned on your unpaid interest.

Example #3:

The borrower makes every payment as agreed, but he pays off after 36 months. You will smile from ear-to-ear, as you forgive the 4% risk premium. (Remember, your principal balance will be slightly lower.) It means that you had successfully concluded one of the better trust deed investments of your life. Hooray! What else do you have for me, Blackburne & Sons? :-)

Understood and Accepted:

Investor: _____ Date: _____