

**CONFIDENTIAL PRIVATE PLACEMENT MEMORANDUM**

**CONNECT INVEST CORPORATION**

**Real Estate Secured Loan Payment Dependent Notes**

Connect Invest Corporation, or Connect Invest, is offering, this Offering, its Real Estate Secured Loan Payment Dependent Notes, or Notes, in a private placement solely to accredited investors. The principal office of Connect Invest Corporation is 2140 E. Pebble Road, Suite 150, Las Vegas, Nevada 89123; telephone: (866) 795-7558.

Connect Invest will issue the Notes in series. Each series will correspond to individual real estate secured loans initially originated by its affiliate, Ignite Funding, LLC (“Ignite”). In this Confidential Private Placement Memorandum (the “Offering Memorandum”), we refer to these real estate secured loans generally as “real estate loans.” The Notes are being offered until the earliest of (1) the date on which \$100,000,000 in aggregate principal amount of the Notes, the Maximum Offering Amount, has been purchased, (2) December 31, 2021, which date may be extended in the sole discretion of Connect Invest, or (3) the date on which Connect Invest terminates this Offering, in its sole discretion.

Important terms of the Notes include the following, each of which is described in detail in this Offering Memorandum:

- Connect Invest’s obligation to make payments on a Note will be limited to an amount equal to the investor’s pro rata share of principal and interest it receives with respect to the real estate loan corresponding to that Note, along with any amounts Connect Invest receives from the collection process relating to a defaulted real estate loan, including proceeds from the liquidation of the collateral securing the corresponding real estate loan, net of fees and expenses relating to the collection process. Connect Invest does not guarantee payment of the Notes or the corresponding real estate loans. The Notes are special, limited obligations of Connect Invest and are not obligations of Ignite or the borrowers under the corresponding real estate loans.
- The Notes will have a stated, fixed interest rate, which will be the rate for real estate loan corresponding to such Notes, less Ignite’s servicing fee (which will initially be 0.50%, but may be adjusted from time to time to reflect market conditions) and Connect Invest’s platform servicing fee (not to exceed 2.50%, with the exact amount being periodically adjusted to reflect market conditions). Interest rates on the real estate loans funded by Connect Invest are expected to initially range between 6.0% and 16.0%, which rates are set based on a formula described in this Offering Memorandum.
- The Notes will bear interest from the date of issuance, payable monthly, with all principal and any accrued but unpaid interest due at maturity.
- Each Note will have a maturity date of fifteen (15) business days following the maturity date of the corresponding real estate loan, which is generally six months to three years from issuance as described in this Offering Memorandum.
- Connect Invest will offer Notes to its investors at 100% of their principal amount.
- The Notes will be issued in electronic form only and will not be listed on any securities exchange. The Notes are being issued in a private placement and will generally not be transferable. Therefore, investors must be prepared to hold their Notes to the maturity date of the corresponding real estate loan.

We will issue series of Notes on an ongoing basis. Each Note will correspond to one or more specific underlying real estate loans funded, in whole or in part, by Connect Invest and secured by real property. The borrower for each real estate loan will generally be a business entity.

Each time we offer a series of Notes we will also prepare a disclosure supplement (which will be posted on our website) with information about the applicable series of Notes, and the corresponding real estate loan for that series, which we refer to as a “Note Listing.” Each Note Listing will provide information about the series of Notes offered for sale and the real estate loan corresponding to such series of Notes, as well as other applicable or relevant information relating to the series of Notes then being offered for sale on our website.

**The date of this Offering Memorandum is February 1, 2020.**

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NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THESE NOTES OR PASSED UPON THE ADEQUACY OR ACCURACY OF THIS MEMORANDUM. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE. THIS OFFERING IS MADE IN RELIANCE ON AN EXEMPTION FROM REGISTRATION WITH THE SECURITIES AND EXCHANGE COMMISSION PROVIDED BY SECTION 4(a)(2) OF THE SECURITIES ACT OF 1933, AS AMENDED, AND RULE 506 OF REGULATION D PROMULGATED THEREUNDER, AND ANY OTHER APPLICABLE EXEMPTION FROM THE ACT AS APPLICABLE.

## NOTICES TO INVESTORS

**THIS OFFERING IS HIGHLY SPECULATIVE AND THE NOTES INVOLVE A HIGH DEGREE OF RISK. THE NOTES HAVE NOT BEEN APPROVED OR DISAPPROVED BY, AND THEY WILL NOT BE INSURED BY, ANY GOVERNMENTAL AGENCY. INVESTING IN THE NOTES SHOULD BE CONSIDERED ONLY BY PERSONS WHO CAN AFFORD THE LOSS OF THEIR ENTIRE INVESTMENT.**

**THIS OFFERING IS OPEN TO U.S. INVESTORS WHO SATISFY THE DEFINITION OF AN “ACCREDITED INVESTOR” UNDER RULE 501 OF THE SECURITIES ACT OF 1933, AS AMENDED (THE “ACT”).**

THESE SECURITIES HAVE NOT BEEN QUALIFIED OR REGISTERED IN ANY STATE, IN RELIANCE UPON THE EXEMPTIONS FROM SUCH QUALIFICATION OR REGISTRATION UNDER STATE LAW. THESE SECURITIES ARE “RESTRICTED SECURITIES” AND MAY NOT BE RESOLD OR OTHERWISE DISPOSED OF UNLESS A REGISTRATION STATEMENT COVERING DISPOSITION OF SUCH SECURITIES IS THEN IN EFFECT, OR AN EXEMPTION FROM SUCH REGISTRATION IS AVAILABLE.

THERE IS NO PUBLIC MARKET FOR THE NOTES AND NONE IS EXPECTED TO DEVELOP IN THE FUTURE. SUMS INVESTED IN THE NOTES ARE ALSO SUBJECT TO SUBSTANTIAL RESTRICTIONS UPON WITHDRAWAL AND TRANSFER. THE NOTES OFFERED HEREBY SHOULD BE PURCHASED ONLY BY INVESTORS WHO HAVE NO NEED FOR LIQUIDITY IN THEIR INVESTMENT.

THIS INVESTMENT INVOLVES A DEGREE OF RISK THAT MAY NOT BE SUITABLE FOR ALL PERSONS. ONLY THOSE INVESTORS WHO CAN BEAR THE LOSS OF THEIR ENTIRE INVESTMENT SHOULD PARTICIPATE IN THE INVESTMENT. (SEE THE SECTION ENTITLED “*RISK FACTORS*”).

THIS MEMORANDUM HAS BEEN PREPARED SOLELY FOR THE BENEFIT OF AUTHORIZED PERSONS INTERESTED IN THE OFFERING. IT CONTAINS CONFIDENTIAL INFORMATION AND MAY NOT BE DISCLOSED TO ANYONE OTHER THAN AUTHORIZED PERSONS SUCH AS ACCOUNTANTS, FINANCIAL PLANNERS OR ATTORNEYS RETAINED FOR THE PURPOSE OF RENDERING PROFESSIONAL ADVICE RELATED TO THE PURCHASE OF THE NOTES OFFERED HEREIN. IT MAY NOT BE REPRODUCED, DIVULGED OR USED FOR ANY OTHER PURPOSE UNLESS WRITTEN PERMISSION IS OBTAINED FROM THE COMPANY.

PROSPECTIVE PURCHASERS SHOULD NOT REGARD THE CONTENTS OF THIS MEMORANDUM OR ANY OTHER COMMUNICATION FROM THE COMPANY AS A SUBSTITUTE FOR CAREFUL AND INDEPENDENT TAX AND FINANCIAL PLANNING. EACH POTENTIAL INVESTOR IS ENCOURAGED TO CONSULT WITH HIS, HER OR ITS OWN INDEPENDENT LEGAL COUNSEL, ACCOUNTANT AND OTHER PROFESSIONALS WITH RESPECT TO THE LEGAL AND TAX ASPECTS OF THIS INVESTMENT AND WITH SPECIFIC REFERENCE TO HIS, HER, OR ITS OWN TAX SITUATION, PRIOR TO SUBSCRIBING FOR THE NOTES.

NO PERSON HAS BEEN AUTHORIZED IN CONNECTION WITH THIS OFFERING TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS OTHER THAN THOSE CONTAINED IN THIS MEMORANDUM; ANY SUCH INFORMATION OR REPRESENTATIONS SHOULD NOT BE RELIED UPON. ANY PROSPECTIVE PURCHASER OF THE NOTES WHO RECEIVES ANY SUCH INFORMATION OR REPRESENTATIONS SHOULD CONTACT THE COMPANY IMMEDIATELY TO DETERMINE THE ACCURACY OF SUCH INFORMATION. NEITHER THE DELIVERY OF THIS MEMORANDUM NOR ANY SALES HEREUNDER SHALL, UNDER ANY CIRCUMSTANCES, CREATE AN IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE COMPANY OR IN THE INFORMATION SET FORTH HEREIN SINCE THE DATE OF THIS MEMORANDUM SET FORTH ABOVE.

IN MAKING AN INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE COMPANY AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS

INVOLVED. THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

THESE SECURITIES ARE SUBJECT TO RESTRICTIONS ON TRANSFERABILITY AND RESALE AND MAY NOT BE TRANSFERRED OR RESOLD EXCEPT AS PERMITTED UNDER THE ACT, AND THE APPLICABLE STATE SECURITIES LAWS, PURSUANT TO REGISTRATION OR EXEMPTION THEREFROM. INVESTORS SHOULD BE MADE AWARE THAT THEY WILL BE REQUIRED TO BEAR THE FINANCIAL RISKS OF THIS INVESTMENT FOR AN INDEFINITE PERIOD OF TIME.

## SUMMARY OF IMPORTANT TERMS

Important terms of the Notes include the following, each of which is described in detail in this Offering Memorandum:

- Our obligation to make payments on a Note will be limited to an amount equal to the investor's *pro rata* share of amounts we receive with respect to the real estate loan corresponding to that Note, net of any applicable fees. We do not guarantee payment of the Notes or the corresponding real estate loan, and each Note is non-recourse to the assets, funds and accounts of Connect Invest, except to the extent of value of the net payments actually received in respect to the corresponding real estate loan.
- The Notes will be special, limited obligations of Connect Invest only and are not obligations of either Ignite or the borrowers under the corresponding real estate loans. You will not have any security interest in any of our other assets or any real estate loan.
- Each real estate loan will be secured by a first lien security interest, such as a mortgage, deed of trust or security deed, on the underlying real estate. In the event of a default on the corresponding real estate loan, any recovery of principal, interest, and proceeds from the liquidation of the collateral securing the applicable real estate loan (net of fees and expenses relating to the collection process) will be shared with investors *pro rata*, net of any applicable fees, charges and costs associated with such recovery.
- Each series of Notes will have its own set of terms. Generally, each Note will bear interest on and after the date that the corresponding real estate loan is funded, subject to the availability of funds used to purchase the Note and confirmation of an investor's accredited investor status. Different series of Notes will have different interest rates and different terms to maturity, depending on the corresponding real estate loan. Investors must consult the applicable Note Listing in respect of each Note, a copy of which will be posted online, to review and evaluate the specific terms and conditions associated with any particular Note.
- All Notes will be issued in electronic form only, and are restricted securities; thus, they are generally not transferable and are subject to the legal restrictions governing private offerings generally. Investors must be prepared, therefore, to hold their Notes to the maturity date of the corresponding real estate loan. Further information regarding restrictions on transfers is provided herein. See "Restrictions on Transfers."
- To the extent Ignite is unable to collect payments (or portions thereof) under the corresponding real estate loan, we will not be obligated to make any corresponding payment (or portion thereof) under the Notes.
- An investment will not be deemed as complete, and Notes will not be issued, until such time as an investor completes the registration process consisting of a number of conditions, including, without limitation, (i) completion of all forms related to the registration on and use of the Connect Invest website, (ii) completion and verification of the amount and source of the investor's funds, (iii) verification of the "accredited investor" status of the investor, (iv) identification by the investor of the investment to be funded, (v) completion and execution of the investment documents, including the Investor Agreement and the Note Agreement, and (vi) transfer of the funds from the investor's originating bank account to the Connect Invest account, all as more fully described herein under "Description of Our Business—How the Connect Invest Platform Operates." **YOU WILL NOT BE PERMITTED TO ACQUIRE ANY NOTES UNTIL, AMONG OTHER THINGS, YOUR STATUS AS AN ACCREDITED INVESTOR, AS DEFINED BY UNDER THE FEDERAL SECURITIES LAWS, IS VERIFIED BY CONNECT INVEST. VERIFICATION OF YOUR STATUS REQUIRES DOCUMENTATION BE PROVIDED TO CONNECT INVEST BY YOU.** All costs associated with verifying an investor's accredited investor status will be paid for by the Company. The date your investment is completed will be listed under your "My Accounts" tab. From the time you make your purchase commitment to the time that your investment is completed, the funds you have committed toward the purchase of your Notes will not be available for investment in other Notes or for withdrawal from your account. The registration process will only need to be conducted at the time of an investor's initial purchase of Notes. Thereafter, the investment will be completed at such time as the investor has identified the

particular investment and the requisite funds have been transferred from the investor's account to the Connect Invest account.

- We have no operating history and, as a result, we face increased risks, uncertainties, expenses and difficulties.
- The Notes are structured as borrower payment dependent Notes, which are not secured by any assets of Connect Invest (including any other real estate loans). Investors should evaluate any investment in this context. There is no financial information provided herein with respect to us, and you are subject to the risk of our overall business and financial condition, which is uncertain.
- If we were to become subject to a bankruptcy or similar proceeding, your rights could be uncertain, your recovery of funds due on the Notes may be substantially delayed, and any funds you do recover may be substantially less than the amounts due or to become due on the Notes.

## Table of Contents

	<u>Page</u>
SUMMARY OF IMPORTANT TERMS .....	iii
INVESTMENT CRITERIA .....	1
OFFERING MEMORANDUM SUMMARY .....	3
THE OFFERING.....	5
RISK FACTORS.....	8
FORWARD-LOOKING STATEMENTS .....	22
PLAN OF DISTRIBUTION .....	23
DESCRIPTION OF OUR BUSINESS .....	24
DESCRIPTION OF THE NOTES .....	38
MANAGEMENT .....	42
MATERIAL U.S. FEDERAL INCOME TAX CONSIDERATIONS .....	45
ERISA CONSIDERATIONS.....	49
RESTRICTIONS ON TRANSFERS .....	50
ADDITIONAL INFORMATION AND UNDERTAKINGS .....	50

## INVESTMENT CRITERIA

The Notes are being offered and sold only to “accredited investors” (as defined in Regulation D under the Securities Act of 1933, as amended (the “Securities Act”)). As an offering pursuant to Rule 506 under Regulation D, this Offering will be exempt from state law “Blue Sky” review, subject to meeting certain state filing requirements and complying with certain anti-fraud provisions, to the extent that the Notes offered hereby are offered and sold only to “accredited investors.”

### Investor Suitability Requirements

Investment in the Notes involves a high degree of risk and is suitable only for persons of substantial financial means who have no need for liquidity in this investment. Investors should be able to afford the loss of their entire investment. As a prospective investor in Notes, you must represent in writing that you meet, among other things, all of the following requirements (the “Investor Suitability Requirements”):

1. You have received, read and fully understand this Offering Memorandum and all exhibits, attachments and supplements hereto, including the applicable Note Listings, and you are basing your decision to invest on such information. You have relied only on the information contained in said materials and have not relied upon any representations made by any other person.

2. You understand that an investment in the Notes is speculative and involves substantial risks, and you are fully cognizant of and understand all of the risk factors relating to a purchase of the Notes, including, without limitation, those risks set forth under “Risk Factors” in this Offering Memorandum.

3. Your overall commitment to investments that are not readily marketable is not disproportionate to your individual net worth, and your investment in the Notes will not cause such overall commitment to become excessive.

4. You have adequate means of providing for your financial requirements, both current and anticipated, and have no need for liquidity in this investment.

5. You can bear and are willing to accept the economic risk of losing your entire investment in the Notes.

6. You are acquiring the Notes for your own account and for investment purposes only and have no present intention, agreement or arrangement for the distribution, transfer, assignment, resale or subdivision of the Notes.

7. You have such knowledge and experience in financial and business matters that you are capable of evaluating the merits and risks of investing in the Notes and have the ability to protect your own interests in connection with such investment.

8. You are an Accredited Investor (as defined in Rule 501(a) of Regulation D under the Securities Act).

An “Accredited Investor” is:

(a) if a natural person, a person that has (i) an individual net worth, or joint net worth with his or her spouse, of more than \$1,000,000, excluding the value of such person’s primary residence (such person need not deduct from his or her net worth the amount of mortgage debt secured by an excluded primary residence, except to the extent that the amount of the mortgage liability exceeds the fair value of the residence); or (ii) individual income in excess of \$200,000, or joint income with his or her spouse in excess of \$300,000, in each of the two most recent years and has a reasonable expectation of reaching the same income level in the current year; and

(b) if not a natural person, one of the following: (i) a corporation, an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the “Internal Revenue Code”), a Massachusetts or similar business trust, or a partnership, not formed for the specific purpose of acquiring the Notes, with total assets in excess of \$5,000,000; (ii) a trust, with total assets in excess of \$5,000,000, not formed for the specific purpose of acquiring Notes and whose purchase is directed by a person who has such knowledge and experience in financial and business matters that he or she is capable of evaluating the merits and risks of an investment in the Notes; (iii) a broker-



dealer registered pursuant to Section 15 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”); (iv) an investment company registered under the Investment Company Act of 1940, as amended; (v) a business development company (as defined in Section 2(a)(48) of the Investment Company Act); (vi) a Small Business Investment Company licensed by the U.S. Small Business Administration under Section 301(c) or (d) of the Small Business Investment Act of 1958; (vii) any plan established and maintained by a state, its political subdivisions, or any agency or instrumentality of a state or its political subdivisions, for the benefit of its employees, if such plan has total assets in excess of \$5,000,000; (viii) an employee benefit plan within the meaning of ERISA, if the investment decision is made by a plan fiduciary (as defined in Section 3(21) of ERISA), which is either a bank, savings and loan association, insurance company, or registered investment adviser, or if the employee benefit plan has total assets in excess of \$5,000,000 or, if a self-directed plan, with investment decisions made solely by persons who are Accredited Investors; (ix) a private business development company (as defined in Section 202(a)(22) of the Investment Advisers Act of 1940, as amended); (x) a bank as defined in Section 3(a)(2) of the Securities Act, or any savings and loan association or other institution as defined in Section 3(a)(5)(A) of the Securities Act whether acting in its individual or fiduciary capacity; or (xi) an entity in which all of the equity owners are Accredited Investors. In addition, the Securities and Exchange Commission (the “SEC”) has issued certain no-action letters and interpretations in which it deemed certain trusts to be Accredited Investors, such as trusts where the trustee is a bank as defined in Section 3(a)(2) of the Securities Act and revocable grantor trusts established by individuals who meet the requirements of clause (i) or (ii) of paragraph (a) above. However, these no-action letters and interpretations are very fact specific and should not be relied upon without close consideration of your unique facts.

We reserve the right to reject any investor’s subscription in whole or in part for any reason, including if we determine in our sole and absolute discretion that such investor is not an “accredited investor.”

## OFFERING MEMORANDUM SUMMARY

*This summary highlights selected information relating to this Offering. It is not complete and is qualified in its entirety by the more detailed information appearing elsewhere in this Offering Memorandum. To understand this Offering fully, you should read the entire Offering Memorandum carefully, including the “Risk Factors” section, before deciding to invest in the Real Estate Secured Loan Payment Dependent Notes, or the Notes. References to “we,” “us,” “our” or “the Company” refer to Connect Invest Corporation.*

### Overview

Connect Invest is an Internet-based lending platform that enables its investors to purchase the Notes, the proceeds of which will be used to fund all or a portion of specific real estate loans to third party borrowers.

### Our Business

**General.** Connect Invest will fund all or a portion of real estate loans initially originated by Ignite Funding, LLC, an affiliate of Connect Invest (“Ignite”). The financing needs of the borrowers under these real estate loans are not typically met by traditional mortgage lenders. Connect Invest will provide its investors with the opportunity to indirectly fund specific real estate loans with credit characteristics, interest rates and other terms the investors find attractive by purchasing Notes that in turn are dependent for payment on the payments Connect Invest receives from those real estate loans. As a part of its origination process, Ignite will (i) verify and value the real estate collateral that will secure the proposed real estate loan and (ii) obtain borrowers’ credit profiles to determine if the real estate and the prospective borrower meet its funding criteria. Ignite will also service the real estate loans funded by Connect Invest on an ongoing basis pursuant to the terms the Servicing Agreement between Ignite and Connect Invest. See “Description of Our Business—Ignite Real Estate Loan Administration—Servicing Agreement.”

**The Notes.** The investors will have the opportunity to buy Notes in multiple series issued by Connect Invest. The proceeds of the Notes will be used by Connect Invest to fund all or a portion of real estate loans to third party borrowers initially identified and a loan originated by Ignite. Each series of Notes will correspond to the real estate loan designated by the investors in the related series of Notes. The Notes will be special, limited obligations of Connect Invest only and not obligations of Ignite or the borrower under the corresponding real estate loan. So long as no default exists under the real estate loan corresponding to a series of Notes, the right of each holder of a Note to receive principal and interest payments and other amounts in respect of that Note is limited in all cases to the holder’s pro rata portion of the amounts, if any, received by Connect Invest in connection with the corresponding real estate loan, including, without limitation, all payments or prepayments of principal and interest.

Connect Invest will pay principal and interest on each Note in a series in an amount equal to each such Note’s pro rata portion of the principal and interest payments, if any, Connect Invest receives on the corresponding real estate loan. Connect Invest will pay interest only on the Notes through monthly payments, with all principal payable at the maturity of the Note. Connect Invest will also pay to holders of the Notes any other amounts it receives on the corresponding real estate loan, including prepayments and Collection Proceeds (as defined below), if any, up to the original principal amount of the Note, plus any accrued and unpaid interest. Connect Invest will not pay to investors any collection fees Ignite or any third-party collection agency retained by Ignite charges or any payments due to Connect Invest on account of the portion of the corresponding real estate loan, if any, that has not been funded through the issuance of Notes. If Connect Invest were to become subject to a bankruptcy or similar proceeding, the holder of a Note will have a general unsecured claim against Connect Invest that may or may not be limited in recovery to borrower payments under the real estate loan. See “Risk Factors — Risks Related to the Company and our Platform — If Connect Invest were to become subject to a bankruptcy or similar proceeding, the rights of the holders of the Notes could be uncertain and payments on the Notes may be limited, suspended or stopped.”

**Real Estate Loan Administration.** Connect Invest will enter into a Servicing Agreement with Ignite, under which Ignite will service the real estate loan funded in whole or in part by Connect Invest, including collecting payments due on the applicable real estate loan and remitting those payments to Connect Invest. Under the terms of the Servicing Agreement, Ignite is responsible for overseeing all collection procedures in the event of a borrower default under the real estate loan. The Servicing Agreement also permits Ignite to retain third parties to assist it in the performance of

its obligations; however, Ignite is solely responsible and liable for all its obligations under the Services Agreement. See “Description of Our Business—Ignite Real Estate Loan Administration—Servicing Agreement.”

Following the occurrence of an event of default under the corresponding real estate loan that has not been timely cured (the “Defaulted Loan”), Ignite will commence a collection process relating to the Defaulted Loan and will transfer to Connect Invest all, or its pro rata portion, of the amounts realized from the collection process, including any proceeds from the liquidation of the collateral securing the real estate loan and any personal guarantees, net of all fees and expenses relating to the collection process (collectively, the “Collection Proceeds”). Connect Invest will use the Collection Proceeds to pay the outstanding principal amount of and the accrued and unpaid interest on the series of Notes relating to the Defaulted Loan. Pursuant to the terms of the Servicing Agreement, Ignite, or a third party selected by Ignite, will exercise all remedies available to collect the Defaulted Loan, including foreclosing on and selling the real estate collateral securing the Defaulted Loan, provided that Connect Invest’s approval is required for all waivers or modifications to the terms of the real estate loans for which Connect Invest has provided at least 51% of the funding. See “Description of the Notes—Servicing Covenant” and “Description of Our Business--Ignite Real Estate Loan Administration--Collection Process.”

***The Real Estate Loans.*** All real estate loans will be secured by real property owned by the borrowers and will have fixed interest rates and maturities ranging from six months to three years. Connect Invest does not have a minimum net worth requirement for a prospective borrower; instead, it relies heavily on the value of the real estate collateral securing the loan and the strength of the borrower based on its experience, track record and reputation as a borrower in the subject community. Each real estate loan will be made to third party borrowers initially identified and loans originated by Ignite and funded in whole or in part by Connect Invest with the proceeds Connect Invest has received from investors who have committed to purchase Notes dependent on payments to be received on such real estate loan, plus any amounts of the real estate loan that Connect Invest has determined to fund itself. Neither Ignite or the third-party borrower under the corresponding real estate loan has any obligation to the purchasers of the Notes. See “Description of Our Business — How the Connect Invest Platform Operates — Purchasers of Notes and Loan Closings.”

#### **About Connect Invest**

Connect Invest was incorporated in Nevada in December 2015. The principal executive office of Connect Invest is located at 2140 E. Pebble Road, Suite 150, Las Vegas, Nevada 89123, and its telephone number is (866) 795-7558. The Company’s website address is [www.connectinvest.com](http://www.connectinvest.com). Information contained on our website is not incorporated by reference into this Offering Memorandum. Connect Invest is a newly formed entity with no operating history.

## THE OFFERING

Issuer	Connect Invest Corporation.
Notes Offered	Real Estate Secured Loan Payment Dependent Notes, issued in series, with each series of Notes related to one corresponding real estate loan.
Offering Price	100% of principal amount of each Note.
Offering Period	The offering of each series of Notes pursuant to a Note Listing will remain open until the earlier of (a) 30 days, which can be extended to 45 days in our sole discretion, or (b) the date the offering of a particular series of Notes is fully funded.
Maturity Date	Fifteen (15) business days following the maturity date of the corresponding real estate loan, including all optional extensions, which is generally between six months and three years after the real estate loan is funded.
Collection Period	If, at any time on or prior to the Maturity Date, the borrower under the corresponding real estate loan defaults on a scheduled payment of principal and/or interest, and Ignite, pursuant to the terms of the Servicing Agreement, commences the collection process with respect to that real estate loan, the Company's obligations to make any further payments on the applicable series of Notes will be limited to the payment, within 15 days of receipt, of any Collection Proceeds received by the Company during the 24-month period following the initiation of the collection process (the "Collection Period").
Interest Rate	Each series of Notes will have a stated, fixed interest rate, which will be the interest rate for the corresponding real estate loan less Ignite's servicing fee (which will initially be 0.50%, but may be adjusted from time to time to reflect market conditions) and Connect Invest's platform servicing fee (not to exceed 2.50%, with the exact amount being periodically adjusted to reflect market conditions).
Payments on the Notes	Connect Invest will pay principal and interest on any Note you purchase in an amount equal to your pro rata portion of the principal and interest payments, if any, Connect Invest receives on the corresponding real estate loan. During the term of the Note, Connect Invest will make monthly interest only payments, with all principal payable at the maturity of the Note. Connect Invest will also pay you any other amounts it receives on the corresponding real estate loans, including prepayments and Collection Proceeds, if any, up to the original principal amount of the Notes, plus any accrued and unpaid interest. Connect Invest will not pay to investors any collection fees Ignite or any collection agency charges or any payments due to Connect Invest on account the portion, if any, of the corresponding real estate loan that has not been funded through the issuance of Notes. The Company's obligation to make any payments under a Note will automatically terminate on the earlier of (1) the date on which all principal and interest payable on the Note has been paid in full and (2) fifteen (15) business days following the expiration of any applicable Collection Period. See "Description of the Notes" for more information.
Corresponding Real Estate Loans to Borrowers	Investors who purchase Notes of a particular series will request that Connect Invest apply the proceeds from the sale of such series of Notes to

fund the corresponding real estate loan. The real estate loans will be secured by real property owned by the borrowers and will have fixed interest rates that are expected to initially range between 6.0% and 16.0%. The real estate loans will provide for monthly interest payments, with all principal due at maturity, and are secured by designated real estate assets held by the borrowers and, in some cases, by personal guarantees. The real estate loans may be repaid at any time by the borrowers without prepayment penalty. In the case of a partial prepayment of a real estate loan, Connect Invest will automatically recalculate the monthly interest payments due on the remaining principal of the real estate loan, and the borrower's monthly interest payment on the real estate loan is correspondingly reduced. See "Description of Our Business" for more information.

#### Ranking

The Notes will not be contractually senior or contractually subordinated to any other indebtedness of Connect Invest. The Notes will be unsecured special, limited obligations of Connect Invest. So long as no default exists under the corresponding real estate loan, holders of Notes do not have an interest in the corresponding real estate loan or the proceeds of that loan. See "—Protection for the Notes" below.

In the event of a bankruptcy or similar proceeding of Connect Invest, the relative rights of the holder of a Note as compared to the holders of other unsecured indebtedness of Connect Invest are uncertain. If Connect Invest were to become subject to a bankruptcy or similar proceeding, the holder of a Note will have an unsecured claim against Connect Invest that may or may not be limited in recovery to the corresponding real estate loan payments and the real estate collateral securing the corresponding real estate loan. For a more detailed description of the possible implications if we were subject to a bankruptcy or similar proceeding, see "Risk Factors — Risks related to the Company and our Platform — If Connect Invest were to become subject to a bankruptcy or similar proceeding, the rights of the holders of the Notes could become uncertain and payments on the Notes may be limited, suspended or stopped."

The Notes do not restrict Connect Invest's ability to incur other indebtedness or the grant or imposition of liens or security interests on its assets, including on the real estate loans corresponding to the Notes.

#### Protection for the Notes

Following the occurrence of an event of default under the corresponding real estate loan that has not been timely cured, Ignite will, pursuant to the terms of the Servicing Agreement, commence a collection process relating to the Defaulted Loan and will transfer to Connect Invest all, or its pro rata portion, of the Collection Proceeds related to such Defaulted Loan. Connect Invest will use the Collection Proceeds to pay the outstanding principal amount of and the accrued and unpaid interest on the series of Notes relating to the Defaulted Loan. Pursuant to the terms of the Servicing Agreement, Ignite will exercise all remedies available to collect the Defaulted Loan, including foreclosing on and selling the real estate collateral securing the Defaulted Loan, provided that Connect Invest's approval is required for all waivers and modifications to the terms of any Defaulted Loan for which Connect Invest provided at least 51% of the required funds. See "Description of the Notes--Servicing Covenant" and "Description of Our Business--How the Connect Invest Platform Operates--Post-Closing Loan Servicing" and " — Collection Process."

Use of Proceeds	Connect Invest will use the proceeds of each series of Notes to fund the corresponding real estate loan. See “Description of Our Business” for more information.
Electronic Form and Transferability	The Notes will be issued in electronic form only and will not be listed on any securities exchange. The Notes will generally not be transferable; therefore, investors must be prepared to hold the Notes to the maturity date of the corresponding real estate loan. See “Restrictions on Transfers.”
U.S. Federal Income Tax Consequences	Although the matter is not free from doubt, we intend to treat the Notes as indebtedness of our company for U.S. federal income tax purposes. As a result of such treatment, the Notes will have original issue discount, or OID, for U.S. federal income tax purposes because payments on the Notes are dependent on payments on the corresponding real estate loan. Further, a holder of a Note will be required to include the OID in income as ordinary interest income for U.S. federal income tax purposes as it accrues (which may be in advance of interest being paid on the Note), regardless of such holder’s regular method of accounting. Prospective purchasers of the Notes should consult their own tax advisors regarding the U.S. federal, state, local and non-U.S. tax consequences of the purchase and ownership of the Notes, including any possible differing treatments of the Notes. See “Material U.S. Federal Income Tax Considerations” for more information.
Risk Factors	This Offering involves various risks. See “Risk Factors.”
Investor Suitability	This Offering is strictly limited to investors who meet the investor suitability requirements set forth in this Offering Memorandum. See “Investment Criteria.”

## RISK FACTORS

*The Notes involve a high degree of risk. In deciding whether to invest in the Notes, you should carefully consider the following risk factors. Any of the following risks could have a material adverse effect on the value of the Notes you purchase and could cause you to lose all or part of your initial purchase price or future principal and interest payments you expect to receive. While we believe the risks described below include all material risks currently known by us, it is possible that these may not be the only risks we face. If any of the risks occur, our business, financial condition, operating results and prospects could be materially and adversely affected.*

### **Risks Relating to the Notes and the Corresponding Real Estate Loans on which the Notes are Dependent**

*You may lose some or all of your initial purchase price for the Notes because the Notes are highly risky and speculative. Only investors who can bear the loss of their entire purchase price should purchase our Notes.*

The Notes are highly risky and speculative because payments on the Notes depend entirely on payments to Connect Invest of real estate loan obligations of the borrowers and contemporaneous payments on the Notes. The Notes are special, limited obligations of Connect Invest and are not obligations of Ignite or the borrowers under the corresponding real estate loans. The Notes are suitable purchases only for investors of adequate financial means. If you cannot afford to lose all of the money you plan to invest in Notes, you should not purchase Notes. You should not assume that a Note is appropriate for you just because it corresponds to a loan listed on our platform.

*Payments on the Notes depend entirely on payments Connect Invest receives from Ignite on corresponding real estate loans. If a borrower fails to make any payments on the corresponding real estate loan related to your Note, you will not receive any payments on your Note.*

Connect Invest will only make payments pro rata on the Notes after it receive borrowers' payments on corresponding real estate loans. Connect Invest will not pay to investors any fees and expenses relating to the collection process. If Connect Invest does not receive payments on the corresponding real estate loan related to your Note, you will not be entitled to any payments under the terms of the Notes, and you will not receive any payments. The failure of a borrower to repay a real estate loan is not an event of default under the terms of the Notes.

*The Notes are special, limited obligations of Connect Invest only and are not the obligations of Ignite or the borrowers under the real estate loans and are not secured by any collateral or guaranteed or insured by any third party.*

The Notes will not represent an obligation of Ignite or the borrowers under the real estate loans or any other party except Connect Invest, and are special, limited obligations of Connect Invest. Connect Invest's obligation to make payments on a Note will be limited solely to the principal and interest and any Collateral Proceeds it receives with respect to the corresponding real estate loan. The Notes are not secured by any collateral and are not guaranteed or insured by any governmental agency or instrumentality or any third party.

*While the real estate loans are secured by designated real property assets and are occasionally guaranteed, you must rely on Connect Invest and Ignite to pursue collection against any borrower.*

While the real estate loans that Connect Invest funds are secured by designated real property assets, they are obligations of the borrowers to Connect Invest, not obligations to holders of Notes. Holders of Notes will have no recourse to the borrowers and no ability to pursue the borrowers to collect payments under the real estate loans. Holders of Notes may look only to Connect Invest for payment of the Notes, and its obligation to pay the Notes is limited as described in this Offering Memorandum. Furthermore, if a borrower fails to make any payments on the real estate loan corresponding to a Note, the holder of that Note will not receive any payments on that Note. The holder of that Note will not be able to pursue collection efforts against any borrower or the real estate assets securing the real estate loans and will have no right to contact the borrower about the defaulted real estate loan. See "Description of the Notes."

*Decreases in the value of the property underlying the real estate loans might decrease the borrowers' ability to make payments on their loans.*

The real estate loans that Connect Invest funds will be secured by underlying real property interests. To the extent that the value of the property underlying the real estate loans decreases, the borrowers may have greater difficulty making payments on the real estate loans. As a result, Connect Invest may not be able to make payments to its investors on the Notes corresponding to the applicable real estate loans.

***The property valuation models used by Ignite in determining whether to make a real estate loan may be deficient and may increase the risk of default.***

Real estate valuation is an inherently inexact process and depends on numerous factors, all of which are subject to change. Appraisals or opinions of value may prove to be insufficiently supported, and Ignite's review of the value of the underlying property in determining whether to make a real estate loan and the value of the underlying security may be based on information that is incorrect or opinions that are overly optimistic. The risk of default in such situations is increased, and the risk of loss to Investors will be commensurately greater.

***You will not receive any payments after the full payment of the Notes.***

The Company will retain 100% of any payments made on a real estate loan after the payment in full of all interest and principal due on the corresponding series of Notes and is not obligated to distribute those payments to investors with respect to such Notes. A conflict of interest could thus exist, as significant delays in collecting borrower funds would result in additional money coming to us.

***Insurance against risks faced by a property could become costlier or could become unavailable altogether.***

Real estate properties are typically insured against risk of fire damage and other typically insured property casualties but are sometimes not covered by severe weather or natural disaster events such as landslides, earthquakes, or floods. Changes in the conditions affecting the economic environment in which insurance companies do business could affect the borrower's ability to continue insuring the property at a reasonable cost or could result in insurance being unavailable altogether. Moreover, any hazard losses not then covered by the borrower's insurance policy would result in the real estate loan becoming significantly under-secured, and an investor in a Note could sustain a significant reduction, or complete elimination of, the return and repayment of principal from that Note.

***Environmental issues may affect the operation of a borrower property.***

If toxic environmental contamination is discovered to exist on a property underlying a corresponding borrower loan, it might affect the borrower's ability to repay the corresponding borrower loan we could suffer from a devaluation of the loan security. To the extent that the we are forced to foreclose and/or operate such a property, potential additional liabilities include reporting requirements, remediation costs, fines, penalties and damages, all of which would adversely affect the likelihood that Investors would be repaid on the Notes.

Of concern may be those properties that are, or have been, the site of manufacturing, industrial or disposal activity. These environmental risks may give rise to a diminution in value of the security property or liability for clean-up costs or other remedial actions. This liability could exceed the value of the real property or the principal balance of the related mortgage loan. For this reason, we may choose not to foreclose on contaminated property rather than risk incurring liability for remedial actions, in which event you would lose your entire investment other than payments received prior to the event giving rise to a foreclosure right.

Under the laws of certain states, an owner's failure to perform remedial actions required under environmental laws may give rise to a lien on mortgaged property to ensure the reimbursement of remedial costs. In some states this lien has priority over the lien of an existing mortgage against the real property. Because the costs of remedial action could be substantial, the value of a mortgaged property as collateral for a mortgage loan could be adversely affected by the existence of an environmental condition giving rise to a lien.

The state of law is currently unclear as to whether and under what circumstances clean-up costs, or the obligation to take remedial actions, can be imposed on a secured lender. If a lender does become liable for cleanup costs, it may



bring an action for contribution against the current owners or operators, the owners or operators at the time of on-site disposal activity or any other party who contributed to the environmental hazard, but these persons or entities may be bankrupt or otherwise judgment-proof. Furthermore, an action against the borrower may be adversely affected by the limitations on recourse in the loan documents.

***Loss rates on the real estate loans may increase as a result of economic conditions, natural disasters, war, terrorist attacks, or Acts of God beyond the Company's control and beyond our control of the borrower.***

Borrower loan loss rates may be significantly affected by economic downturns or general economic conditions, natural disasters, war, terrorist attacks, or Acts of God beyond our control and beyond the control of individual borrowers. In particular, loss rates on corresponding borrower loans may increase due to factors such as (among other things) local real estate market conditions, prevailing interest rates, the rate of unemployment, the level of consumer confidence, the value of the U.S. dollar, energy prices, changes in consumer spending, the number of personal bankruptcies, disruptions in the credit markets and other factors. Loss rates may also increase due to certain natural disasters, such as fires, floods, hurricanes, tornados, tsunamis, or earthquakes, war, terrorist attacks, or other Acts of God.

***Security of the real estate loans does not remove the risks associated with foreclosure.***

Different property types involve different types of risk in terms of realizing on the collateral in the event that the borrower defaults. These risks include completion costs in the case of an incomplete project (including potential payments to third parties involved in the project), partial resale for condominiums and tracts and lease-up (finding tenants) for multi-family residential, small commercial and industrial properties. We may not be able to sell a foreclosed commercial property, for example, before expending efforts to find tenants to make the property more fully leased and more attractive to potential buyers.

Moreover, foreclosure statutes or other recovery methods vary widely from state to state. Properties underlying defaulted loans will need to be foreclosed upon in compliance with the laws of the state where such property is located. Many states require lengthy processing periods or the obtaining of a court decree before a mortgaged property may be sold or otherwise foreclosed upon. Further, statutory rights to redemption and the effects of anti-deficiency and other laws may limit the ability for the Company to timely recover the value of its loan in the event that a borrower defaults on a loan.

***Commercial loans generally involve a greater risk of loss than any other types of loans***

Commercial loans are considered to involve a higher degree of risk than other loans, such as residential or consumer loans, because of a variety of factors, including generally larger loan balances, dependency for repayment on successful operation of the mortgaged property and tenant businesses operating on the property, and loan terms that include amortization schedules longer than the stated maturity which provide for balloon payments at stated maturity rather than periodic principal payments.

***A portion of the real estate loans Connect Invest funds will be either acquisition or development mortgage loans, which are highly speculative.***

Connect Invest expects that a portion of the real estate loans it funds will be loans for the acquisition or development of real estate, which will initially be secured by unimproved land. These types of loans are highly speculative, because:

- until disposition, the property does not generate separate income for the borrower to make loan payments;
- the completion of planned development may require additional development financing by the borrower, which may not be available;
- depending on the velocity or amount of lot sales to homebuilders, demand for lots may decrease causing the price of the lots to decrease;

- depending on the velocity or amount of lot sales to developers or homebuilders, demand for land may decrease causing the price of the land to decrease;
- there is no assurance that we will be able to sell unimproved land promptly if we are forced to foreclose upon it; and
- lot sale contracts are generally not “specific performance” contracts, and the borrower may have no recourse if a homebuilder elects not to purchase lots.

If in fact the land is not developed, the borrower may not be able to refinance the loan and, therefore, may not be able to make the balloon payment when due. If a borrower defaults and Ignite forecloses on the collateral, Ignite may not be able to sell the collateral for the amount owed to us by the borrower. In calculating our loan-to-value ratios for the purpose of determining maximum borrowing capacity, Ignite uses the estimated value of the property at the time of completion of the project, which increases the risk that, if Ignite forecloses on the collateral before it is fully developed, it may not be able to sell the collateral for the amount owed to us by the borrower.

***Connect Invest expects a portion of the real estate loans it funds will be construction loans, which are subject to the risk of failure of completion or failure of the subsequent sale of the completed project.***

Construction loans are subject to the risk that the home or building is not completed, or that the completed home or building is not sold or leased, prior to the maturity of the real estate loan. In either case, if the borrower ultimately defaults on the loan, Ignite may be required to find another contractor to complete the project and/or sell the finished project. If Ignite is unable to complete the project or sell the completed project, we could lose a substantial portion of the principal of the applicable loan and Connect Invest’s ability to make payments to its investors on the Notes corresponding to the applicable real estate loan will be harmed.

***We may be subject to losses due to fraudulent and negligent acts on the part of real estate loan applicants, mortgage brokers, other vendors and our employees.***

When Ignite originates a prospective real estate loan, it relies on information supplied by third parties, including the information contained in the loan application made by the applicant, property appraisal, title information and revenue documentation. If a third party misrepresents any of this information and Ignite does not discover the misrepresentation prior to funding the real estate loan, the value of the real estate loan may be significantly lower than anticipated. As a practical matter, we generally bear the risk of loss associated with the misrepresentation whether it is made by the loan applicant, another third party or one of our employees. A real estate loan that is subject to a material misrepresentation is typically unsaleable or subject to repurchase if it is sold prior to detection of the misrepresentation. Although we may have rights against the person, or entities that made, or knew about, the misrepresentation, those persons and entities may be difficult to locate, and it is often difficult to collect from them any monetary losses that we have suffered.

***Ignite relies on information provided to it by third parties which it cannot always verify in conducting its evaluation process. If any of these third parties makes an error or misrepresents information to Ignite, we may fund real estate loans that do not meet our standard criteria.***

Ignite’s evaluation of real estate loans to be funded depends on several factors, such as the third-party property valuations and Ignite’s analysis of the financial position of the borrower. If there is an error in the property valuation, or the borrower or its accountant makes an error or a misrepresentation in the information provided to Ignite, it will provide Connect Invest with an evaluation based on faulty information, which may lead us to fund a loan that is not within our standard criteria. If such a mistake or misrepresentation leads Connect Invest to fund a loan to a higher-risk borrower than its loan fundings, we may suffer an increased risk of default on the loan, and if in fact the loan is not repaid, Connect Invest’s ability to make payments on the Notes corresponding to the applicable real estate loan will be adversely affected.

If you rely on false, misleading or unverified information supplied by borrowers in deciding to purchase Notes, you may lose part or all of the purchase price you pay for a Note. Loan posting and borrower information available on Connect Invest’s website will be statements made in connection with the purchase and sale of securities and,

therefore, subject to Rule 10b-5 of the Exchange Act. In this Offering Memorandum, we advise potential investors as to the limitations on the reliability of this information, and an investor's recourse in the event this information is false will be extremely limited.

***Default rates on the real estate loans may increase as a result of economic conditions beyond our control and beyond the control of borrowers.***

The default rates on the real estate loans may be significantly affected by economic downturns or general economic conditions beyond our control and beyond the control of the borrowers. In particular, default rates on real estate loans on which the Notes are dependent may increase due to factors such as prevailing interest rates, the rate of unemployment, the level of consumer confidence, real estate values, the value of the U.S. dollar, energy prices, changes in consumer spending, the number of personal bankruptcies, disruptions in the credit markets and other factors.

***If payments on the corresponding real estate loans relating to your Notes become more than 90 days overdue, it is likely you will not receive the full principal and interest payments that you expect to receive on your Notes due to collection fees, and you may recover substantially less than all of your original purchase price.***

If a borrower fails to make a required payment on a real estate loan within 90 days of the due date, Ignite will pursue reasonable collection efforts in respect of the real estate loan. If Ignite refers a loan to a collection agency, we will have no other obligation to attempt to collect on delinquent loans. Ignite may also handle collection efforts in respect of a delinquent real estate loan directly. If payment amounts on a delinquent real estate loan are received from a borrower more than 90 days after their due date, then we, or, if we have referred the delinquent loan to an outside collection agency, that collection agency, will retain a percentage of any funds recovered from such borrower as a service fee before any principal or interest becomes payable to you from recovered amounts in respect of Notes related to the corresponding real estate loan. Collection fees range from 1% to 6% of recovered amounts. See "Description of Our Business — Ignite Real Estate Loan Administration — Post-Closing Loan Servicing" and "— Collection Process."

Ignite or the collection agency may not be able to recover some or most of the unpaid balance of a non-performing real estate loan, and an investor who has purchased a Note dependent on the non-performing real estate loan would then receive a small fraction of the unpaid principal and interest of the Note. You must rely on the collection efforts of Ignite and any designated collection agency, and you are not permitted to attempt to collect payments on the real estate loans in any manner.

***If you decide to concentrate your investment in a single Note, your entire return will depend on the performance of a single real estate loan.***

Real estate loans that Connect Invest funds will have a wide range of credit grades, and it expects that some borrowers will default on their real estate loans. If you decide to concentrate your investment in a single Note, your entire return will depend on the performance of a single real estate loan. For example, if you plan to purchase \$5,000 of Notes, and choose to invest the entire \$5,000 in a single Note instead of in four \$1,250 Notes corresponding to the real estate loans of four different borrowers, your entire \$5,000 investment will depend on the performance of a single real estate loan. Failing to diversify your investment increases the risk of losing your entire investment due to a single borrower's default, or a small number of borrower defaults. Diversification, however, will not eliminate the risk that you may lose some, or most, of the expected principal and interest payments on your Notes.

***The real estate loans on which the Notes are dependent do not restrict borrowers from incurring additional unsecured or secured debt, nor do they impose any financial restrictions on borrowers during the term of the real estate loan, which may impair your ability to receive the full principal and interest payments that you expect to receive on a Note.***

If a borrower incurs additional debt after obtaining a real estate loan from us, the additional debt may impair the ability of that borrower to make payments on the borrower's real estate loan and your ability to receive the principal and interest payments that you expect to receive on Notes dependent on those loans. In addition, the additional debt may adversely affect the borrower's creditworthiness generally, and could result in the financial distress, insolvency,

or bankruptcy of the borrower. To the extent that the borrower has or incurs other indebtedness and cannot pay all of its indebtedness, the borrower may choose to make payments to creditors other than us.

To the extent borrowers incur other secured indebtedness, the ability of the secured creditors to exercise remedies against the assets of the borrower may impair the borrower's ability to repay the real estate loan on which your Note is dependent. An investor will not be made aware of any additional debt incurred by a borrower, or whether such debt is secured.

***Some of the real estate loans that Connect Invest funds will not contain any cross-default or similar provisions. If borrowers default on their debt obligations other than on the real estate loans, the ability to collect on real estate loans on which your Notes are dependent may be substantially impaired.***

Some of the real estate loans that Connect Invest funds will not contain cross-default provisions. A cross-default provision makes a default under certain debt of a borrower an automatic default on other debt of that borrower. Under a real estate loans that does not contain cross-default provisions, a borrower's loan will not be placed automatically in default upon that borrower's default on any of the borrower's other debt obligations, unless there are independent grounds for a default on the real estate loan. A real estate loan will not be referred to a third-party collection agency for collection because of a borrower's default on debt obligations other than the real estate loan. If a borrower defaults on debt obligations owed to a third party and continues to satisfy payment obligations under the real estate loan, the third party may seize the borrower's assets or pursue other legal action against the borrower before the borrower defaults on the real estate loan. Payments on Notes may be substantially reduced if the borrower subsequently defaults on the real estate loan, and you may be unable to recoup any or most of your expected principal and interest payments on those Notes.

***Borrowers may seek the protection of debtor relief under federal bankruptcy or state insolvency laws, which may result in the nonpayment of your Notes.***

Borrowers may seek protection under federal bankruptcy law or similar laws. If a borrower files for bankruptcy (or becomes the subject of an involuntary petition), a stay will go into effect that will automatically put any pending collection actions on hold and prevent further collection action absent bankruptcy court approval. If we receive notice that a borrower has filed for protection under the federal bankruptcy laws or has become the subject of an involuntary bankruptcy petition, we will put the borrower's loan account into "bankruptcy status." When we put a real estate loan into bankruptcy status, we will not undertake collection activity without bankruptcy court approval. When payments will ultimately be made or received on a real estate loan after a bankruptcy status is declared depends on the borrower's financial situation. It is possible that the borrower's liability on the real estate loan will be discharged in bankruptcy and we will only be able to collect the value of the underlying real estate collateral. Frequently, the bankruptcy of a borrower, even secured creditors, including our company as holder of the real estate loans, will receive only a fraction of any amount outstanding on their secured loans. See "Description of Our Business — Ignite Real Estate Loan Administration — Collection Process."

***Borrowers are permitted to prepay a real estate loan at any time without penalty. Real estate loan prepayments will extinguish or limit your ability to receive additional interest payments on a Note.***

Real estate loan prepayments occur when a borrower decides to pay some or all of the principal amount on a real estate loan earlier than originally scheduled. A borrower may decide to prepay all or a portion of the remaining principal amount at any time without penalty. In the event of a prepayment of the entire remaining unpaid principal amount of a real estate loan on which your Notes are dependent, you will receive your share of such prepayment but further interest will not accrue after the date on which the payment is made. If a borrower prepays a portion of the remaining unpaid principal balance on a real estate loan on which your Notes are dependent, the term of the real estate loan will not change, but interest will cease to accrue on the prepaid portion and future payment amounts, including interest amounts, will be reduced. If a borrower prepays a real estate loan in full or in part, you will not receive all of the interest payments that you originally expected to receive on Notes that are dependent on that real estate loan, and you may not be able to find a similar rate of return on another investment at the time at which the real estate loan is prepaid. See "Description of the Notes — Note Prepayments."

***Prevailing interest rates may change during the term of the real estate loan on which your Note is dependent. If this occurs, you may receive a lower total return from your purchase of the Note in comparison to other ways you may invest your money. Additionally, borrowers may prepay their real estate loans due to changes in interest rates, and you may not be able to redeploy the amounts you receive from prepayments in a way that offers you the return you expected to receive from the Notes.***

The real estate loans on which the Notes are dependent have a term of between six months and three years and bear fixed, not floating, rates of interest. If prevailing interest rates increase, the interest rates on Notes you purchase might be less than the rate of return you could earn if you invested your purchase price in a different investment.

While you may still receive a return on your purchase price for the Notes through the receipt of amounts equal to the interest portion of a borrower's payments on the real estate loan, if prevailing interest rates exceed the rate of interest payable on the real estate loan, the payments you receive during the term of the Note may not reflect the full opportunity cost to you when you take into account factors such as the time value of money.

There is no prepayment penalty for borrowers who prepay their real estate loans. If prevailing interest rates on real estate-related loans decrease, borrowers may choose to prepay their real estate loans with money they borrow from other sources or other resources, and you may not receive the interest payments on Notes dependent on those real estate loans that you expect to receive or be able to find an alternative use of your money to realize a similar rate of return at the time at which the Note is prepaid.

***Investor funds in our investor account do not earn interest.***

Your investor account represents an interest in an aggregated bank account that does not earn interest. For a description of the investor account, see "Description of Our Business — How the Connect Invest Platform Operates — Treatment of Investor Balances."

***The Notes are restricted securities and are, therefore, generally not transferable, and must be held only by our investors. You should be prepared to hold the Notes you purchase until they mature.***

The Notes are being issued in a private offering and are, therefore, "restricted securities" subject to the legal restrictions on transfer governing private offerings generally. Therefore, the Notes are generally not transferrable, and investors must be prepared to hold their Notes to the maturity date of the corresponding real estate loan.

***The U.S. federal income tax consequences of an investment in the Notes are uncertain.***

No authority directly addresses the treatment of the Notes or instruments similar to the Notes for U.S. federal income tax purposes. Although the matter is not free from doubt, we intend to treat the Notes as indebtedness of our company for U.S. federal income tax purposes. As a result of such treatment, the Notes will have original issue discount, or OID, for U.S. federal income tax purposes because payments on the Notes are dependent on payments on the corresponding real estate loan. Further, a holder of a Note will be required to include the OID in income as ordinary interest income for U.S. federal income tax purposes as it accrues (which may be in advance of interest being paid on the Note), regardless of such holder's regular method of accounting. This characterization is not binding on the Internal Revenue Service, or IRS, and the IRS may take contrary positions. Any differing treatment of the Notes could significantly affect the amount, timing and character of income, gain or loss in respect of an investment in the Notes. Accordingly, all prospective purchasers of the Notes are advised to consult their own tax advisors regarding the U.S. federal, state, local and non-U.S. tax consequences of the purchase and ownership of the Notes (including any possible differing treatments of the Notes). For a discussion of the U.S. federal income tax consequences of an investment in the Notes, see "Material U.S. Federal Income Tax Considerations."

## **Risks Related to the Company and our Platform**

***Connect Invest has no operating history. As an online company in the beginning stages of development, Connect Invest faces increased risks, uncertainties, expenses and difficulties.***

If Connect Invest is successful, the number of investors and the volume of real estate loans that it funds will increase, which will require Connect Invest to increase its facilities, personnel and infrastructure in order to accommodate the greater servicing obligations and demands on its platform. Connect Invest's platform is dependent upon its website in order to maintain current listings and transactions in the real estate loans and Notes. Connect Invest must constantly add new hardware and update its software and website, expand its customer support services and add new employees to maintain the operations of its platform, as well as to satisfy its servicing obligations on and make payments on the Notes.

If Connect Invest is unable to increase the capacity of its platform and maintain the necessary infrastructure, you may experience delays in receipt of payments on your Notes and periodic downtime of its systems.

***The market in which we participate is competitive and, if we do not compete effectively, our operating results could be adversely affected.***

The real estate lending market is competitive and rapidly changing. With the introduction of new technologies and the influx of new entrants, we expect competition to persist and intensify in the future, which could harm our ability to increase volume on our platform.

Our principal competitors include major banking institutions, credit unions and other real estate lending companies. Competition could result in reduced volumes, reduced fees or the failure of our lending platform to achieve or maintain more widespread market acceptance, any of which could harm our business. If any of these companies or any major financial institution decided to enter the social lending business, acquire one of our existing competitors or form a strategic alliance with one of our competitors, our ability to compete effectively could be significantly compromised and our operating results could be adversely affected.

Most of our current or potential competitors have significantly more financial, technical, marketing and other resources than we do and may be able to devote greater resources to the development, promotion, sale and support of their platforms and distribution channels. Our potential competitors may also have longer operating histories, more extensive customer bases, greater brand recognition and broader customer relationships than we have. These competitors may be better able to develop new products, to respond quickly to new technologies and to undertake more extensive marketing campaigns. Our industry is driven by constant innovation. If we are unable to compete with such companies and meet the need for innovation, the demand for our platform could stagnate or substantially decline.

***If we fail to promote and maintain the Connect Invest brand in a cost-effective manner, we may lose market share and our revenue may decrease.***

We believe that developing and maintaining awareness of the Connect Invest brand in a cost-effective manner is critical to achieving widespread acceptance of social lending and attracting new investors. Furthermore, we believe that the importance of brand recognition will increase as competition in the social lending industry increases. Successful promotion of the Connect Invest brand will depend largely on the effectiveness of our marketing efforts and the investor experience on the Connect Invest platform. Connect Invest's efforts to build its brand are expected to involve significant expense, and it is likely that Connect Invest's future marketing efforts will require it to incur significant additional expenses. These brand promotion activities may not yield increased revenues and, even if they do, any revenue increases may not offset the expenses Connect Invest incurs to promote its brand. If Connect Invest fails to successfully promote and maintain its brand, or if Connect Invest incurs substantial expenses in an unsuccessful attempt to promote and maintain its brand, it may lose its existing investors to its competitors or be unable to attract new investors, which would cause its revenue to decrease and may impair its ability to maintain its platform.

***Arrangements for back-up servicing are limited. If Ignite fails to maintain operations or the Servicing Agreement is rejected or terminated (in bankruptcy or otherwise), investors may experience a delay and increased cost in***

***respect of their expected principal and interest payments on Notes, and Connect Invest may be unable to collect and process repayments from borrowers.***

If Ignite were to become subject to a bankruptcy proceeding, Ignite may have the right to assume or reject the Servicing Agreement between Ignite and Connect Invest because a bankruptcy court may disallow termination of the Servicing Agreement. If Ignite elected to continue to perform under the Servicing Agreement without expressly assuming it or elected to assume the Servicing Agreement, Ignite would continue to perform its servicing obligations with respect to the real estate loans. If Ignite were to continue as servicer during the pendency of its bankruptcy proceeding, depending on the facts and circumstances at the time, Connect Invest would determine whether the acquisition of new real estate loans would continue to be facilitated and new Notes issued. If Ignite elected to reject the Servicing Agreement, or if Ignite were in default in performing its obligations thereunder, and Ignite was unable to cure such default, the Servicing Agreement would be terminated. If the Servicing Agreement is terminated for any reason, Connect Invest would attempt to transfer the loan servicing obligations on the loans to a third party pursuant to its contractual agreements with investors.

Connect Invest has made arrangements for only limited backup servicing. There can be no assurance, however, that this back-up servicer will be able to adequately perform the servicing of the outstanding real estate loans. If this back-up servicer assumes the servicing of the real estate loans, the back-up servicer may impose additional servicing fees, reducing the amounts available for payments on the Notes. Additionally, transferring these servicing obligations to the back-up servicer, particularly if such transfer is made when Ignite is in bankruptcy and already defaulting in performance of its obligations under the Servicing Agreement, may result in delays in the processing of collections on real estate loans and information with respect to amounts owed on real estate loans or, if our marketplace becomes inoperable, may prevent the back-up servicer from servicing the real estate loans and making principal and interest payments on the Notes. If the back-up servicer is not able to service the real estate loans effectively, investors' ability to receive principal and interest payments on your Notes may be substantially impaired, even if their portfolio of Notes is well diversified and the corresponding real estate loans are paying on schedule.

In addition, it is unlikely that the back-up servicer would be able to perform functions other than servicing the outstanding real estate loans. For instance, the back-up servicer likely would not be able to originate new real estate loans. Connect Invest believes that it could find one or more other parties who could perform these and any other functions necessary to fully operate its business in the absence of Ignite. However, it could take some time to find another such party or parties who could perform the necessary functions and it could take such party or parties additional time to become comfortable with the operation of our marketplace.

***If Connect Invest were to become subject to a bankruptcy or similar proceeding, the rights of the holders of the Notes could be uncertain, and payments on the Notes may be limited, suspended or stopped.***

The Notes are unsecured, and holders of the Notes do not have a security interest in the corresponding real estate loans or the proceeds of those corresponding real estate loans. The recovery, if any, of a holder on a Note may be substantially delayed and substantially less than the principal and interest due and to become due on the Note. Even funds held in trust for the holders of Notes may potentially be at risk. If Connect Invest were to become subject to a bankruptcy or similar proceeding, the recovery, if any, of a holder of a Note may be substantially delayed in time and may be substantially less in amount than the principal and interest due and to become due on the Note. Specifically, the following consequences may occur:

*A bankruptcy or similar proceeding of Connect Invest may cause delays in borrower payments.* Borrowers may delay payments to Connect Invest on account of the real estate loans because of the uncertainties occasioned by a bankruptcy or similar proceeding of Connect Invest, even if the borrowers have no legal right to do so, and such delay would reduce, at least for a time, the funds that might otherwise be available to pay the Notes corresponding to those real estate loans.

*A bankruptcy or similar proceeding of Connect Invest may cause delays in payments on Notes.* The commencement of the bankruptcy or similar proceeding may, as a matter of law, prevent Connect Invest from making regular payments on the Notes, even if the funds to make such payments are available. Because a bankruptcy or similar proceeding may take months or years to complete, the suspension of payment may effectively reduce the value of any

recovery that a holder of a Note may receive (and no such recovery can be assured) by the time any recovery is available.

*Interest accruing upon and following a bankruptcy or similar proceeding of Connect Invest may not be paid.* In bankruptcy or similar proceeding of Connect Invest, interest accruing on the Notes during the proceeding may not be part of the allowed claim of a holder of a Note. If the holder of a Note receives a recovery on the Note (and no such recovery can be assured), any such recovery may be based on, and limited to, the claim of the holder of the Note for principal and for interest accrued up to the date of the bankruptcy or similar proceeding, but not thereafter. Because a bankruptcy or similar proceeding may take months or years to complete, a claim based on principal and on interest only up to the start of the bankruptcy or similar proceeding may be substantially less than a claim based on principal and on interest through the end of the bankruptcy or similar proceeding.

*In a bankruptcy or similar proceeding of Connect Invest, there may be uncertainty regarding whether a holder of a Note has any priority right to payment from the corresponding real estate loan.* The Notes are unsecured, and holders of the Notes do not have a security interest in the corresponding real estate loans, the collateral securing those real estate loans or the proceeds of those corresponding real estate loans. Accordingly, the holder of a Note may be required to share the proceeds of the corresponding real estate loan with Connect Invest's other creditors. If such sharing of proceeds is deemed appropriate, those proceeds that are either held by Connect Invest in the clearing account at the time of the bankruptcy or similar proceeding of Connect Invest, or not yet received by Connect Invest from borrowers at the time of the commencement of the bankruptcy or similar proceeding, may be at greater risk than those proceeds that are already held by Connect Invest in the investor accounts at the time of the bankruptcy or similar proceeding. To the extent that proceeds of the corresponding real estate loan would be shared with other creditors of Connect Invest, any secured or priority rights of such other creditors may cause the proceeds to be distributed to such other creditors before any distribution is made to you on your Note. For a more detailed description of the clearing account and the investor accounts, see "Description of Our Business — How the Connect Invest Platform Operates — Treatment of Investor Balances."

In a bankruptcy or similar proceeding of Connect Invest, there may be uncertainty regarding whether a holder of a Note has any right of payment from Connect Invest's assets other than the corresponding real estate loan. In a bankruptcy or similar proceeding of Connect Invest, it is possible that a Note could be deemed to have a right of payment only from proceeds of the corresponding real estate loan and not from any other assets of Connect Invest, in which case the holder of the Note may not be entitled to share the proceeds of such other assets of ours with other creditors of Connect Invest, whether or not, as described above, such other creditors would be entitled to share in the proceeds of the real estate loan corresponding to the Note. Alternatively, it is possible that a Note could be deemed to have a right of payment from both the real estate loan corresponding to the Note and from some or all other assets of Connect Invest, for example, based upon the automatic acceleration of the principal obligations on the Note upon the commencement of a bankruptcy or similar proceeding, in which case the holder of the Note may be entitled to share the proceeds of such other assets of Connect Invest with other creditors of Connect Invest, whether or not, as described above, such other creditors would be entitled to share in the proceeds of the real estate loan corresponding to the Note. See "Description of the Notes—Events of Default on the Notes." To the extent that proceeds of such other assets would be shared with other creditors of Connect Invest, any secured or priority rights of such other creditors may cause the proceeds to be distributed to such other creditors before any distribution is made to you on your Note.

In a bankruptcy or similar proceeding of Connect Invest, there may be uncertainty regarding the rights of a holder of a Note, if any, to payment from funds in the clearing account. If a borrower has paid Connect Invest on a real estate loan corresponding to a Note before a bankruptcy or similar proceeding of Connect Invest is commenced, and those funds are held in the clearing account and have not been used by Connect Invest to make payments on the Note as of the date the bankruptcy or similar proceeding is commenced, there can be no assurance that Connect Invest will or will be able to use such funds to make payments on the Note. Other creditors of Connect Invest may be deemed to have rights to such funds that are equal to or greater than the rights of the holder of the Note. For a more detailed description of the clearing account, see "Description of Our Business — How the Connect Invest Platform Operates — Treatment of Investor Balances."

In a bankruptcy or similar proceeding of Connect Invest, there may be uncertainty regarding the rights of a holder of a Note, if any, to access funds in the investor accounts. If a borrower has paid Connect Invest on a real estate loan corresponding to a Note before a bankruptcy or similar proceeding of Connect Invest is commenced, and those funds



have been used by Connect Invest to make payments on the Note prior to the date the bankruptcy or similar proceeding is commenced, but the payments on the Note continue to be held by Connect Invest in the applicable investor account, there can be no assurance that the holder of the Note will have immediate access to the funds constituting the payment or that the funds constituting the payment will ultimately be released to the holder of the Note. While the funds in the investor accounts are trust property and are not intended to be property of Connect Invest or subject to claims of its creditors generally, there can be no assurance that, if the matter were to be litigated, such litigation would not delay or prevent the holder of a Note from accessing the portion of those funds in which the holder has an interest. For a more detailed description of the investor accounts, see “Description of Our Business — How the Connect Invest Platform Operates — Treatment of Investor Balances.”

In a bankruptcy or similar proceeding of Connect Invest, the implementation of back-up servicing arrangements may be delayed or prevented. In a bankruptcy or similar proceeding of Connect Invest, its ability to transfer servicing obligations to its back-up servicer may be limited and subject to the approval of the bankruptcy court or other presiding authority. The bankruptcy process may delay or prevent the implementation of back-up servicing, which may impair the collection of real estate loans to the detriment of the Notes.

***Connect Invest relies on Ignite to disburse real estate loan proceeds and process real estate loan payments and Connect Invest relies on third-party computer hardware and software. If it is unable to continue utilizing these services, its business may be adversely affected.***

Connect Invest relies on Ignite to disburse real estate loan amounts. Additionally, because Connect Invest is not a bank, it cannot belong to and directly access the Automated Clearing House (“ACH”) payment network, and it must rely on an FDIC-insured depository institution to process its transactions, including remittances to its Noteholders. Connect Invest also relies on computer hardware purchased and software licensed from third parties to operate its platform. This hardware and software may not continue to be available on commercially reasonable terms, or at all. If Connect Invest cannot continue to obtain these services, or if it cannot transition to another service provider quickly, its ability to process payments and operate its platform could suffer, and your receipt of payments on the Notes could be delayed or impaired.

***Although Connect Invest has been organized in a manner that is intended to prevent it from being substantively consolidated with Ignite in the event of Ignite’s bankruptcy, if Connect Invest were substantively consolidated in this manner, the rights of the holders of the Notes could be uncertain, and payments on the Notes may be limited, suspended or stopped. The recovery, if any, of a holder on a Note may, therefore, be substantially delayed and substantially less than the principal and interest due and to become due on the Note.***

Although Connect Invest has been organized and is operated in a manner that is intended to prevent it from being substantively consolidated with Ignite in the event of Ignite’s bankruptcy, if Ignite became subject to a bankruptcy or similar proceeding and Connect Invest were substantively consolidated with Ignite, the risks described in the immediately preceding risk factors regarding (1) payment delays, (2) uncollectability of interest accrued during the bankruptcy proceeding, and (3) being subordinated to the interests of Connect Invest’s other creditors would all be present and, in addition, the same considerations would apply in relation to the claims of creditors of Ignite, including that such creditors of Ignite may be determined to have perfected security interests or unsecured claims that take precedence over or are at least equal in priority to those of creditors of Connect Invest (including holders of Notes).

In addition, in a bankruptcy or similar proceeding of Ignite, (1) the implementation of back-up servicing arrangements may be delayed or prevented and (2) Ignite’s ability to transfer its servicing obligations to a back-up servicer or its other administration services and marketing services to third parties may be limited and subject to the approval of the bankruptcy court or other presiding authority. The bankruptcy process may delay or prevent the implementation of back-up servicing, which may impair the collection of real estate loans to the detriment of holders of the Notes.

***So long as Connect Invest funds at least 51% of a real estate loans, has the authority to waive or modify the terms of that real estate loan without the consent of the Note holders.***

Pursuant to the Servicing Agreement, Ignite is obligated to use commercially reasonable efforts to service and collect the real estate loans in accordance with industry standards. Subject to that obligation, the Servicing Agreement requires Connect Invest, so long as it has funded at least 51% of the applicable real estate loan, to approve any waiver or modification of any term of that real estate loan or consent to the postponement of strict compliance with any such term or in any manner grant a non-material indulgence to any borrower, which approval does not require the consent of the applicable Note holders. In addition, if a real estate loan is in default, or Ignite determines default is reasonably foreseeable, or Ignite determines such action is consistent with its servicing obligation, the Servicing Agreement grants Connect Invest, so long as it has funded at least 51% of that real estate loan, the authority to waive or modify a material term of the real estate loan, to accept payment of an amount less than the principal balance in final satisfaction of a real estate loan and to grant any indulgence to a borrower, which approval does not require the consent of the applicable Note holders. If Connect Invest approves a modification to the terms of any real estate loan it will promptly notify the corresponding Note holders in the Note holder's account. There can be no assurance that Ignite, in its capacity as servicer, will be able to collect the principal amount or interest rate agreed to and/or sell charged off real estate loans in the future as a result of business, regulatory or other considerations.

***If the security of Connect Invest's investors' confidential information stored in its systems is breached or otherwise subjected to unauthorized access, your secure information may be stolen, Connect Invest's reputation may be harmed, and it may be exposed to liability.***

The Connect Invest platform stores its investors' bank information and other personally identifiable sensitive data. Any accidental or willful security breaches or other unauthorized access could cause your secure information to be stolen and used for criminal purposes. Security breaches or unauthorized access to secure information could also expose Connect Invest to liability related to the loss of the information, time-consuming and expensive litigation and negative publicity. If security measures are breached because of third-party action, employee error, malfeasance or otherwise, or if design flaws in Connect Invest's software are exposed and exploited, and, as a result, a third party or disaffected employee obtains unauthorized access to any of Connect Invest's investors' data, its relationships with its investors will be severely damaged, and it could incur significant liability. Because techniques used to obtain unauthorized access or to sabotage systems change frequently and generally are not recognized until they are launched against a target, Connect Invest and its third-party hosting facilities may be unable to anticipate these techniques or to implement adequate preventative measures. In addition, many states have enacted laws requiring companies to notify individuals of data security breaches involving their personal data. These mandatory disclosures regarding a security breach are costly to implement and often lead to widespread negative publicity, which may cause Connect Invest's investors to lose confidence in the effectiveness of its data security measures. Any security breach, whether actual or perceived, would harm Connect Invest's reputation, and it could lose investors.

***Connect Invest's ability to maintain accurate accounts may be adversely affected by computer viruses, physical or electronic break-ins and similar disruptions.***

The highly automated nature of Connect Invest's platform may make it an attractive target and potentially vulnerable to computer viruses, physical or electronic break-ins and similar disruptions. If a computer hacker were able to infiltrate Connect Invest's platform, you would be subject to an increased risk of fraud or identity theft, and you may not receive the principal or interest payments that you expect to receive on any Notes you were fraudulently induced to purchase. Hackers might also disrupt the accurate processing and posting of payments to accounts such as yours on the platform or cause the destruction of data and thereby undermine your rights to repayment of the Notes you have purchased. While Connect Invest has taken steps to prevent hackers from accessing its platform, if it is unable to prevent hacker access, your ability to receive the principal and interest payments that you expect to receive on Notes you purchase and its ability to fulfill its servicing obligations and to maintain its platform would be adversely affected.

***Any significant disruption in service on Connect Invest's website or in its computer systems could reduce the attractiveness of its platform and result in a loss of investors.***

If a catastrophic event resulted in a platform outage and physical data loss, Connect Invest's ability to operate its platform would be materially and adversely affected. The satisfactory performance, reliability and availability of Connect Invest's technology and its underlying network infrastructure are critical to its operations, level of customer service, reputation and ability to attract new investors and retain existing investors. Connect Invest's operations depend

on the ability of the host of its systems hardware to protect their and its systems in their facilities against damage or interruption from natural disasters, power or telecommunications failures, air quality, temperature, humidity and other environmental concerns, computer viruses or other attempts to harm Connect Invest's systems, criminal acts and similar events. If Connect Invest's arrangement with its host is terminated, or there is a lapse of service or damage to its facilities, Connect Invest could experience interruptions in its service as well as delays and additional expense in arranging new facilities. Any interruptions or delays in Connect Invest's service, whether as a result of an error by its host or other third-party, its own error, natural disasters or security breaches, whether accidental or willful, could harm our relationships with its investors and its reputation. Additionally, in the event of damage or interruption, Connect Invest's insurance policies may not adequately compensate it for any losses that it may incur. Connect Invest's disaster recovery plan has not been tested under actual disaster conditions, and it may not have sufficient capacity to recover all data and services in the event of an outage at its host facility. These factors could prevent Connect Invest from processing or posting payments on the Notes, damage its brand and reputation, divert its employees' attention, reduce its revenue, subject it to liability and cause investors to abandon its platform.

***Competition for employees is intense, and we may not be able to attract and retain the highly skilled employees whom we need to support our business.***

Competition for highly skilled technical and financial personnel is extremely intense. We may not be able to hire and retain these personnel at compensation levels consistent with our existing compensation and salary structure. Many of the companies with which we compete for experienced employees have greater resources than we have and may be able to offer more attractive terms of employment.

In addition, we may need to invest significant time and expense in training our employees, which increases their value to competitors who may seek to recruit them. If we fail to retain our employees, we could incur significant expenses in hiring and training their replacements and the quality of our services and our ability to serve our investors could diminish.

***Our growth could strain our personnel resources and infrastructure, and if we are unable to implement appropriate controls and procedures to manage our growth, we may not be able to successfully implement our business plan.***

Our success will depend in part on the ability of our senior management to manage the growth we achieve effectively. To do so, we may need to hire, train and manage new employees. If our new hires perform poorly, or if we are unsuccessful in hiring, training, managing and integrating these new employees, or if we are not successful in retaining our existing employees, our business may be harmed. The addition of new employees and the system development that we anticipate will be necessary to manage our growth will increase our cost base, which will make it more difficult for us to offset any future revenue shortfalls by reducing expenses in the short term. If we fail to successfully manage our growth, we will be unable to execute our business plan.

***Purchasers of Notes will have no control over our company and will not be able to influence our corporate matters.***

We are not offering any equity in this Offering. Purchasers of Notes will have no equity interest in the Company and no ability to vote on or influence our corporate decisions. As a result, our stockholders will continue to exercise 100% voting control over all our corporate matters, including the election of directors and approval of significant corporate transactions, such as a merger or other sale of our company or its assets.

**Risks Relating to Compliance and Regulation**

***Connect Invest's platform is a relatively new approach to borrowing that may fail to comply with borrower protection laws such as state usury laws, other interest rate limitations, all mortgage lending, banking, and brokering laws, or federal and state laws such as the Equal Credit Opportunity Act and the Fair Debt Collection Practices Act and their state counterparts. Borrowers may make counterclaims regarding the enforceability of their obligations after collection actions have commenced, or otherwise seek damages under these laws. Compliance with such regimes is also costly and burdensome.***

Connect Invest's platform operates a relatively new program that must comply with regulatory regimes applicable to all commercial mortgage transactions. The novelty of Connect Invest's platform means compliance with various aspect of such laws is untested. Certain state laws generally regulate interest rates and other charges and require certain disclosures. In addition, other state laws, public policy and general principles of equity relating to the protection of borrowers, unfair and deceptive practices and debt collection practices may apply to the funding, servicing and collection of the real estate loans. Connect Invest's platform is also subject to other federal and state laws, such as:

- the federal Equal Credit Opportunity Act and Regulation B promulgated thereunder, which prohibit discrimination on the basis of age, race, color, sex, religion, marital status, national origin, receipt of public assistance or the exercise of any right under the Consumer Credit Protection Act, in the extension of credit; and
- the federal Fair Debt Collection Practices Act and similar state debt collection laws, which regulate debt collection practices by "debt collectors" and prohibit debt collectors from engaging in certain practices in collecting, and attempting to collect, outstanding consumer loans.

We may not always have been, and may not always be, in compliance with these laws. Compliance with these requirements is also costly, time-consuming and limits our operational flexibility. See "Government Regulation" for more information regarding governmental regulation of our platform.

***Noncompliance with laws and regulations may impair Ignite's ability to arrange or service real estate loans.***

Generally, failure to comply with the laws and regulatory requirements applicable to our business may, among other things, limit Ignite's, or a collection agency's, ability to collect all or part of the principal amount of or interest on the real estate loans on which the Notes are dependent and, in addition, could subject Ignite to damages, revocation of required licenses or other authorities, class action lawsuits, administrative enforcement actions, and civil and criminal liability, which may harm our business and may result in borrowers rescinding their real estate loans.

In all U.S. jurisdictions with licensing or other requirements which Ignite believes may be applicable to making real estate loans, it has obtained any necessary licenses or comply with the relevant requirements. Nevertheless, if Ignite is found to have not complied with applicable laws, it could lose one or more of its licenses or authorizations or face other sanctions, which may have an adverse effect on its ability to continue to originate real estate loans or perform its servicing obligations, which may impair your ability to receive the payments of principal and interest on your Notes that you expect to receive. See "Government Regulation" for more information regarding governmental regulation of our platform.

***As Internet commerce develops, federal and state governments may draft and propose new laws to regulate Internet commerce, which may negatively affect our business.***

As Internet commerce continues to evolve, increasing regulation by federal and state governments becomes more likely. Our business could be negatively affected by the application of existing laws and regulations or the enactment of new laws applicable to social lending. The cost to comply with such laws or regulations could be significant and would increase our operating expenses. In addition, federal and state governmental or regulatory agencies may decide to impose taxes on services provided over the Internet. These taxes could discourage the use of the Internet as a means of funding loans, which would adversely affect the viability the Connect Invest platform.

***If we are required to register under the Investment Company Act, our ability to conduct our business could be materially adversely affected.***

The Investment Company Act of 1940, or the "Investment Company Act," contains substantive legal requirements that regulate the manner in which "investment companies" are permitted to conduct their business activities. We believe we have conducted, and we intend to continue to conduct, our business in a manner that does not result in our company being characterized as an investment company. If, however, we are deemed to be an investment company under the Investment Company Act, we may be required to institute burdensome compliance requirements and our activities may be restricted, which would materially adversely affect our business, financial condition and results of

operations. If we were deemed to be an investment company, we may also attempt to seek exemptive relief from the SEC, which could impose significant costs and delays on our business.

## **FORWARD-LOOKING STATEMENTS**

This Offering Memorandum contains forward-looking statements that involve substantial risks and uncertainties. All statements, other than statements of historical facts, included in this Offering Memorandum regarding the borrowers, credit scoring, our strategy, future operations, future financial position, future revenue, projected costs, prospects, plans, objectives of management and expected market growth are forward-looking statements. The words “anticipate,” “believe,” “estimate,” “expect,” “intend,” “may,” “plan,” “predict,” “project,” “will,” “would” and similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain these identifying words. These forward-looking statements include, among other things, statements about:

- the status of borrowers, the ability of borrowers to repay real estate loans and the plans of borrowers;
- expected rates of return and interest rates;
- the attractiveness of our lending platform;
- our financial performance;
- the impact of our new structure on our financial condition and results of operations;
- our ability to retain and hire necessary employees and appropriately staff our operations;
- regulatory developments;
- our intellectual property; and
- our estimates regarding expenses, future revenue, capital requirements and needs for additional financing.

We may not actually achieve the plans, intentions or expectations disclosed in forward-looking statements, and you should not place undue reliance on forward-looking statements. Actual results or events could differ materially from the plans, intentions and expectations disclosed in forward-looking statements. We have included important factors in the cautionary statements included in this Offering Memorandum, particularly in the “Risk Factors” section, that could cause actual results or events to differ materially from forward-looking statements contained in this Offering Memorandum. Forward-looking statements do not reflect the potential impact of any future acquisitions, mergers, dispositions, joint ventures or investments we may make.

You should read this Offering Memorandum and the documents that we have filed as exhibits to the offering statement, of which this Offering Memorandum is a part, completely and with the understanding that actual future results may be materially different from what we expect. We do not assume any obligation to update any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

## **PLAN OF DISTRIBUTION**

### **The Offering**

Connect Invest is offering its Notes pursuant to this Offering Memorandum. The Notes will be offered only by Connect Invest through its online website platform at [www.connectinvest.com](http://www.connectinvest.com). This Offering Memorandum will be furnished to prospective investors upon their request via electronic PDF format and will be available for viewing and download 24 hours per day, 7 days per week on our website.

### **Marketing of the Notes**

This Offering will continue through the earliest of (1) December 31, 2021, which date may be extended in the sole discretion of Connect Invest, (2) the date upon which \$100,000,000 in Notes have been sold or (3) the date on which Connect Invest terminates this Offering, in its sole discretion.

We are permitted to generally solicit investors nationwide by use of various advertising mediums, such as print, radio, TV, and the Internet. We plan to primarily use the Internet through a variety of existing Internet advertising mechanisms, such as ad words and search engine optimization (*e.g.*, placement on Yahoo and Google). As a result, it is anticipated that Internet traffic will arrive at a section of our website where prospective investors, who must register on our website, can find additional information regarding this Offering and may initiate a purchase of the Notes in compliance with the Subscription Agreement (as defined above).

### **Who May Invest**

The Notes will only be offered to investors who meet the Investor Suitability Requirements distributed under “Investment Criteria,” including, without limitation, verification of the investor’s “accredited investor” status. All costs associated with verifying an investor’s accredited investor status will be paid for by the Company. We reserve the right to reject any investor for any reason, including if we determine in our sole and absolute discretion that such investor is not an “accredited investor.” See “Investment Criteria.” If this Offering terminates or if any prospective investor’s subscription is rejected, all funds received from such investors will be returned without interest or deduction.

## DESCRIPTION OF OUR BUSINESS

### Overview

Connect Invest is an Internet-based social lending platform that enables its investors to purchase Real Estate Secured Loan Payment Dependent Notes, the proceeds of which will be used to fund real estate-related loans. We operate in the space known as “social lending.” We were incorporated in Nevada in December 2015 and have no operating history. We will fund real estate loans made to third party borrowers originated by Ignite Funding, LLC, an affiliate of Connect Invest (“Ignite”). Ignite, which commenced operations in 1995, is a licensed mortgage broker. Since commencing operations, Ignite has initiated the funding of over 1,000 real estate-related loans with an aggregate principal amount of approximately \$700 million.

Our business objective is to operate the Connect Invest platform to fund real estate loans made to commercial home builders and other commercial real estate developers whose financing needs are typically not met by traditional mortgage lenders. The Connect Invest platform operates online only. Connect Invest’s registration, processing and payment systems are automated and electronic. Connect Invest requires the use of electronic payments as the means to remit cash payments on outstanding Notes. Connect Invest has no physical branches and no deposit-taking and interest payment activities. Connect Invest expects to fund commercial real estate loans made to borrowers initially identified by Ignite in the western United States.

Connect Invest generates revenue through a platform servicing fee of not greater than 2.50% (with the exact amount being periodically adjusted to reflect market conditions) of the principal amount of the corresponding real estate loans, which fee is payable by the borrowers under such loans. Connect Invest will also earn interest on the portion funded by the company, if any, of a real estate loan that is not funded through the issuance of Notes.

After Ignite receives a loan request from a borrower, it will initially verify and value the real estate collateral that will secure the proposed loan and then obtain the borrower’s credit profile to determine if the prospective borrower qualifies for our platform. Connect Invest does not have a minimum net worth requirement for a prospective borrower; instead, it relies heavily on the quality of the collateral and the strength of the borrower based on its experience, track record and reputation as a borrower in the subject community. As part of its evaluations process, Ignite reviews the following characteristics of each loan (the “Origination Criteria”):

- The loan-to-value or loan-to-cost ratio;
- The term of the loan;
- The length of time the borrower has been in business;
- The existence of any prior borrowing relationship with Ignite;
- The purpose of the loan;
- The existence of any guarantee;
- The existence of any extension option; and
- The ratio of the borrower’s outstanding debt to total indebtedness owed to Ignite.

Borrowers must identify their intended use of real estate loan proceeds in their initial loan request.

Connect Invest expect to attract investors to its website, [www.connectinvest.com](http://www.connectinvest.com), through a variety of sources. Connect Invest will drive traffic through referrals from other parties (which include online communities, social networks and marketers), through search engine results and through online and offline advertising.

## **The Online Social Lending Industry**

Online social lending is a new approach to commercial finance. Social lending uses an Internet-based network to connect borrower and investors. The provider of the lending platform generally provides transactional services for the online network, including screening borrowers for borrowing eligibility and facilitating payments. A social lending platform allows borrowers and investors to connect with each other using a combination of financial and social criteria. Online social lending also entails significantly lower operating costs compared to traditional banking and commercial finance institutions because there are no physical branches and related infrastructure, no deposit-taking and interest payment activities and extremely limited loan underwriting activities.

We view real estate lending delivered through an online social platform as an important new market opportunity. Key drivers of social lending include the following:

- the possibility of attractive interest rates for investors;
- the possibility for all investors to help each other by participating in the platform to their mutual benefit; and
- growing acceptance of the Internet as an efficient and convenient forum for commercial transactions.

## **Market Opportunity**

We believe there is a significant market opportunity to fund mortgage loans for commercial home builders and other commercial real estate developers whose financing needs are typically not met by traditional mortgage lenders. Due to restrictive underwriting standards and substantial lead time required by traditional mortgage lenders, such as commercial banks, many potential borrowers have been unable to obtain such financing or unwilling to complete the lengthy process often required by traditional lenders. As a funding source for non-conventional loans, we are more willing to fund projects that conventional lenders may not deem creditworthy, including acquisition of raw and unimproved land and infrastructure development. Because of the increased risks associated with these types of loans, we expect that borrowers will be willing to pay interest rates that are generally 500 to 1,000 basis points above the rates charged by conventional lenders such as banks and insurance companies. For example, if conventional lenders are charging an interest rate of 5%, a borrower whose needs cannot be met by a conventional lender may be willing to pay an interest of 10% to 15%.

## **Marketing**

Connect Invest's marketing efforts are designed to attract investors to its website, to enroll them as investors and to close transactions with them. Connect Invest believes there are significant opportunities to increase the number of investors who use its platform through additional marketing initiatives. Connect Invest employs a combination of paid and unpaid sources to market its platform. Connect Invest also invests in public relations to build its brand and visibility. Connect Invest is constantly seeking new methods to reach more potential investors.

Connect Invest expects to continuously measure website visitor-to-investor conversion. Connect Invest tests graphics and layout alternatives in order to improve website conversion. Connect Invest will also seek to customize the website to its investors' needs whenever possible. Connect Invest carefully analyzes visitor website usage to understand and overcome barriers to conversion.

## **How the Connect Invest Platform Operates**

### ***New Investor Registration***

The first step in using Connect Invest's platform is new investor registration. During registration, investors establish online screen names. New investors must agree to the terms and conditions of Connect Invest's website, including agreeing to conduct transactions and receive disclosures and other communications electronically. All investors, in addition to meeting Connect Invest's financial suitability requirements:



- must be U.S. citizens or permanent residents;
- must be at least 18 years old;
- must have valid email accounts;
- must have U.S. social security numbers; and
- must have an account at a financial institution with a routing transit number.

During investor registration, Connect Invest verifies the identity of investors by comparing supplied names, social security numbers, addresses and telephone numbers against the names, social security numbers, addresses and telephone numbers in the records of a consumer reporting agency, as well as other anti-fraud and identity verification databases. Each investor is also required to provide Connect Invest with such information as Connect Invest reasonably requires so that it can verify the “accredited investor” status of each investor. Connect Invest also requires each new investor to supply information about the investor’s bank account including routing numbers. Potential investors must also enter into an investor agreement (the “Investor Agreement”) with us, which will govern all purchases of Notes the investor makes through Connect Invest’s platform. See “Description of the Notes—Investor Agreement” for a detailed description of the Investor Agreement. Investors must also meet minimum financial suitability requirements. See “Investment Criteria.”

#### ***Real Estate Loan Postings and Borrower Information Available on Connect Invest’s Website***

Once a real estate loan has been funded by Connect Invest, the real estate loan is posted on Connect Invest’s website pursuant to a Note Listing and then becomes available for viewing by investors. Investors are also then able to commit to buy Notes that will be dependent for their payments on that real estate loan. Investors can view:

- the real estate loan amount;
- interest rate and annual percentage rate for the real estate loan;
- data from the borrower’s loan application, including the address and description of the real estate that will secure the loan, the loan-to-value or loan-to-cost ratio, borrower history, exit strategy and any guaranty; and
- the total funding that has been committed to date to Notes that will be dependent on the real estate loan.

Borrowers will also identify their intended use of proceeds from the real estate loans.

Investors will be able to ask questions with respect to a real estate loan through various means identified in the “Contact Us” section of Connect Invest’s website. The questions and answers will not generally be made public, unless Connect Invest determines they would be valuable additions to the “FAQ” section of the website.

Real estate loan and borrower information available on Connect Invest’s website will be statements made in connection with the purchase and sale of securities and, therefore, subject to Rule 10b-5 of the Exchange Act. Real estate loan and borrower information filed in supplements to this Offering Memorandum will be subject to the liability provisions of the Securities Act. In this Offering Memorandum, we advise potential investors in the Notes as to the limitations on the reliability of borrower-supplied information. An investor’s recourse in the event this information is false will be extremely limited.

Real estate loan requests remain open for between 30 to 60 days, during which time funding commitments to purchase Notes that will be dependent on the real estate loans may be made by investors unless funding commitments for Notes aggregating the real estate loan request amount are received earlier, in which case the real estate loan is funded as soon as practicable.

## ***How to Purchase Notes***

After a Note Listing, containing information about the applicable series of Notes and a summary of the terms of the corresponding real estate loan, has been posted on Connect Invest's website, individual investors, who have completed the Connect Invest registration process, including the verification of the investor's accredited investor status, may commit to purchase Notes dependent on the particular real estate loan. Investors navigate Connect Invest's website as follows. Investors may browse all active Note Listings. They may also use search criteria to narrow the list of Note Listings they are viewing. The available search criteria include type of real estate loan, property location, property type, LTC or LTV ratio, use of proceeds, existence of a guaranty and exit strategy, as well as a free-search field. The free-search field returns results based on the word entered as the search. As investors browse the Note Listings, they can click on any of the listings to view additional detail. The real estate loan detail page includes general information about the borrower and the real estate loan that is viewable by non-investors, and more detail (including credit data) contained in the Note Listing is viewable only by signed-in investors who have previously executed Investor Agreements. Once signed-in, investors may select any of the displayed Note Listings, provided that only one series of Notes can be selected at a time. Once an investor has identified the real estate loan it wants to fund, the investor may click the "check out" button, review the "order" one more time and then click the confirmation button to commit funds to the order. Concurrently with the commitment of funds, each investor must enter into a Note Agreement which sets forth, among other things, the maturity date of the Notes and the interest rate payable on the Notes. See "Description of Notes" for additional information regarding the Notes. Following the expiration of a two-business day withdrawal period (as described in the Investor Agreement), funds committed represent binding commitments to purchase Notes issued by Connect Invest that are dependent on the chosen real estate loans for payment. From that point on, the funds committed by the investor are no longer available in the investor's account and may no longer be withdrawn or committed to other loans (unless and until the designated real estate loan is repaid or the offering of that particular series of Notes is abandoned or withdrawn by Connect Invest, in which case the corresponding funds become available to the investor again).

## ***Treatment of Investor Balances***

An investor's commitment to purchase a Note is a binding commitment. In order to make Note purchase commitments, investors must have sufficient funds in their sub-accounts. This is accomplished by having each investor authorize an electronic transfer using the Automated Clearing House, or ACH, network from the investor's designated and verified bank account to the account maintained by Connect Invest at BBVA Compass for maintaining the investor funds. This holding account is an aggregated account titled in Connect Invest's name for its investors. This aggregated account is a non-interest-bearing demand deposit account.

Funds in the aggregated account will always be maintained at an FDIC member financial institution. Individual investors have no direct relationship with BBVA Compass. Connect Invest disclaims any economic interest in the assets in the aggregated account, and each investor will disclaim any right, title or interest in the assets of any other investor in the aggregated account. None of Connect Invest's funds are ever commingled with the assets of investors in the aggregated account.

Under the aggregated account, Connect Invest maintains sub-accounts for each of its investors on its platform to track and report funds committed by investors to purchase Notes, as well as payments received from borrowers. These record-keeping sub-accounts are purely administrative and reflect balances and transactions concerning the funds in the aggregated account.

The aggregated account is FDIC-insured on a "pass through" basis to the individual investors, subject to applicable limits. Other funds the investor has on deposit with BBVA Compass will count against the FDIC insurance limits.

Funds of an investor may stay in the aggregated account indefinitely. Such funds may include funds in the investor's sub-account never committed to purchase Notes and payments received from Connect Invest related to Notes previously purchased. Upon request by the investor, Connect Invest will transfer investor funds in the aggregated account to the investor's designated and verified bank account by ACH transfer, provided such funds are not already committed to the future purchase of Notes.

### ***Purchases of Notes and Real Estate Loan Closings***

Once an investor has decided to purchase one or more Notes and prefunded the investor's sub-account with sufficient cash, Connect Invest will proceed with the sale of the Notes to the investor by transferring the principal amount of such Note from such investor's sub-account under the aggregated account to a funding account maintained by Connect Invest and issue the Notes to the investor. This transfer represents the payment by the investor of the purchase price for the Note. These proceeds are designated for the funding of the particular real estate loan selected by the investor.

At the closing of the real estate loan, the borrower executes a loan agreement and note for the final loan amount. Borrowers also agree to have Ignite service their real estate loan. The note and the loan agreement contain customary agreements and covenants requiring the borrowers to repay their real estate loans and acknowledging Ignite's role as servicer for all the real estate loans.

### ***Participation in the Funding of Loans by Connect Invest and Its Affiliates***

Connect Invest and its affiliates, including its executive officers, directors and stockholders, may fund portions of our real estate loans from time to time in the future.

### **Ignite Real Estate Loan Administration**

#### ***General***

Initially, Connect Invest will only fund loans originated by Ignite. Connect Invest may in the future, however, enter into loan funding agreements with other loan originators or loan aggregators. In that event, the loans Connect Invest funds may have different characteristics than the loans identified by Ignite. Prospective borrowers submit to Ignite loan requests through the completion of a loan request summary that contains, among other things, the amount of the real estate loan, including prepaid finance charges, a calculation of the loan payment, including the amount of the monthly interest payment and the maturity date, and a general description of the type of collateral for the loan. Loan requests may range from \$100,000 to \$10 million. Connect Invest may fund multiple real estate loans to a single borrower, but each real estate loan will be secured by a separate real estate project.

Borrowers will enter into a loan agreement with Ignite. In the loan agreement, the borrower authorizes Ignite to obtain and use credit information about the borrower and to share certain information about the borrower with prospective funding sources including Connect Invest. The loan agreement explains that Ignite may, but is not obligated to, identify a source of funding for all or a portion of a real estate loan to the borrower. If a real estate loan is extended to the borrower, the borrower agrees to be bound by the terms of loan documents, the forms of which are attached as exhibits to the loan agreement. The loan agreement also addresses fees and terms related to the loan and default.

Borrowers supply a variety of information to Ignite as part of its loan evaluation process. This information will include data from the loan application, including the address and location of the collateral, the loan-to-cost or loan-to-value ratio, borrower history, exit strategy and any guaranty. Investors will not have the ability to independently verify this information; however, investors will be able to ask questions with respect to a particular real estate loan through various means identified in the "Contact Us" section of Connect Invest's website. Once Connect Invest has funded all or a portion of a real estate loan, it will provide investors with this information on its website in the applicable Note Listing.

#### ***Origination Criteria***

Ignite will continuously seek to identify prospective third-party borrowers and originate real estate loans to be funded. Connect Invest's investors will not be entitled to act on any proposed real estate loan. In evaluating funding opportunities, Ignite places more emphasis on the underlying collateral value rather than the general credit worthiness of the borrower. Ignite will also obtain title reports and title policies on the property, as well as proof of general liability, hazard and builder's risk insurance, as applicable. As part of the evaluation process, Ignite also requires all

prospective borrowers to provide financial statements and tax returns. In addition, Ignite will obtain a credit report on the borrower from a national credit reporting agency.

In evaluating prospective real estate loans, Ignite will also conduct substantial due diligence and consider several investment guidelines, including, without limitation, the following:

- Funding the entire principal amount of the real estate loans.
- Generally, the first lien status of the real estate loans.
- Evaluating each real estate loan based on specific loan-to-value (“LTV”) or loan-to-cost (“LTC”) ratios relating to the type of real estate loan being made. The LTV ratio compares the total amount being borrowed to the value of the property as supported by an appraisal, comparable sales prices, or other accepted valuation methodology. The LTC compares the total amount being borrowed to the borrower’s cost basis in the subject property. We will obtain an appraisal for every real estate loan. We may also use other valuation methodologies in our valuation analysis. We do not intend to fund real estate loans that have an LTV or LTC ratio greater than 80%; however, our board of directors has the discretion to authorize the funding of such loans on a case-by-case basis.

Type of Collateral	Expected Maximum Loan-to-Value Ratio
Raw and unimproved land	Generally 65%
Property under development	Generally 70% (of anticipated post-development value)
Construction	Generally 75% (of anticipated post-construction value)
Commercial property	Generally 80% (of anticipated income levels)

- Requiring no minimum net worth requirement for a prospective borrower; instead, Ignite relies heavily on evaluating the strength of the borrower based on its experience, track record and reputation as a borrower in the subject community. The established strength of the borrower provides insight into a borrower’s ability to fulfill the proposed exit strategy and anticipated holding period necessary for a strategic disposition of the property.
- Requiring each prospective borrower and any guarantor to provide tax returns and financial statements for the prior two years for Ignite to evaluate the strength of the borrower and the personal guaranty.
- Requiring income-producing properties to generally have a debt service coverage ratio of 1.25:1, which is typically achieved if the property has at least a 60% occupancy rate.
- Analyzing the property securing a potential investment for the possibility of capital appreciation or depreciation.
- Requiring a review of the status and condition of the recorded title of the property.
- Focusing primarily on geographic locations in the Western United States, which is where Ignite believes it possesses the requisite market knowledge, although there are no geographic limitations on the opportunities Ignite will consider.

Connect Invest may make real estate loans with higher LTV ratios if the loan is supported by credit adequate to justify such higher ratio, including personal guarantees. Occasionally the collateral may include personal property as well as real property. Connect Invest does not have specific requirements with respect to the projected income or occupancy levels of a property securing its investment in a loan. The expected LTV ratios do not apply to financing offered to the purchaser of any real estate acquired through foreclosure, or to refinance an existing development or construction loan that is in default when it matures. In those cases, Connect Invest may accept any reasonable financing terms it deems to be commercially reasonable.

An independent property valuation will be obtained for the assets securing each of the real estate loans. LTV ratios are based on sales comparables or other accepted valuation methodologies at the time of funding and may not reflect

subsequent changes in value. No sales comparables or other accepted valuation methodologies may be dated more than 12 months prior to the funding date of the loan.

A part of our business strategy is to provide financing to acquirers or developers of real estate, mostly in the form of short-term, bridge loans, which necessitate underwriting standards that are less restrictive than traditional mortgage lenders and a loan approval process that is faster than traditional lenders. Substantially all of the real estate loans that Connect Invest funds are expected to be “balloon payment” loans, which are loans requiring the payment of all principal at the maturity of the loan. Balloon payment loans are non-investment grade and, therefore, carry a high risk of default. Balloon payment loans are also riskier than amortizing loans because the borrower’s repayment depends on its ability to refinance the loan or sell the property.

We anticipate that a majority of the real estate loans that we fund will consist of “interest-carry” mortgage loans, meaning the borrower will be provided with sufficient financing to enable it to make the interest payments during the term of the loan. We believe that in many cases these real estates are riskier than the mortgage loans made by commercial banks. However, in return we expect to receive a higher interest rate on these real estate loans than more traditional lenders. We have instituted measures designed to mitigate the risks associated with these real estate loans, such as imposing a lower loan-to-value ratio with respect to loans we determine to be more risky (thereby providing a larger equity cushion if real estate values decline).

Connect Invest intends to fund loans to borrowers primarily in the western United States.

### ***Interest Rates***

After the borrower has completed the loan application process and Ignite has determined to continue the origination process, an interest rate is then assigned to the loan request. Ignite establishes the interest rates on a loan-by-loan basis after evaluating several different factors relating to the applicable real estate loan. The factors considered by Ignite in determining the interest include the following:

- Type/purpose of the loan
  - Unentitled raw land
  - Entitled raw land
  - Development
  - Construction/redevelopment
- Term of the loan
- Length of optional extension terms
- Loan-to-Cost/Loan-to-Value
- Length of time that borrower has been in business
- Personal guarantee
- Years borrowing through Ignite/payment history

In addition to these factors, Ignite will evaluate the level of competition for making the loan, both as to the borrower and the assets. Ignite is involved in a highly competitive industry, so, on occasion, Ignite will discount the interest rate that it would otherwise apply to a particular real estate loan in order to assure that it will have the opportunity to originate the loan.

### ***Illustration of Interest Payments if Prepayment Occurs***

Borrowers are permitted to prepay a real estate loan at any time without penalty. Prepayments will reduce or eliminate the interest payments you expect to receive on a Note. Set forth below are a series of examples of the impact of the prepayment of a real estate loan. These examples assume that an investor purchases a \$10,000 Note

corresponding to a real estate loan bearing interest at 8.00% and having a three-year term. If the real estate loan is not paid in full until maturity, the investor will receive aggregate Note principal payments of \$10,000 and aggregate Note interest payments of \$2,400 (disregarding, for purposes of this example, the lower interest rate payable on the Notes resulting from the reduction of the real estate loan interest rate for the servicing fees). If, however, the real estate loan corresponding to the Note is fully prepaid prior to maturity, then the impact on the payments received by the holder of a Note would be as described below:

- If the real estate loan is prepaid one month after issuance, the investor will receive a Note principal payment of \$10,000 and aggregate Note interest payments of \$66.67.
- If the real estate loan is prepaid following the first six months of payment, the investor will receive aggregate Note principal payments of \$10,000 and aggregate Note interest payments of \$400.
- If the real estate loan is prepaid following the first 12 months of payment, the investor will receive aggregate Note principal payments of \$10,000 and aggregate Note interest payments of \$800.
- If the real estate loan is prepaid following the first 24 months of payment, the investor will receive aggregate Note principal payments of \$10,000 and aggregate Note interest payments of \$1,600.

For information about historical loan prepayment information, see “— Historical Information about Ignite and Loan Fundings.”

### ***Standard Terms of the Real Estate Loans***

All real estate loans will be secured by real estate owned by the borrowers and will have fixed interest rates and maturities ranging from six months to three years. The real estate loans will provide for monthly interest payments, with all principal due at maturity of the loan, and may be repaid in whole or in part at any time without prepayment penalty. In the case of a partial prepayment, the dollar amount, but not the rate, of the borrower’s monthly interest payment will be reduced. See “Description of the Notes—Prepayments.”

### ***Post-Closing Loan Servicing***

Ignite will service the real estate loans pursuant to the terms of the applicable Servicing Agreement. See “— Servicing Agreement.” Ignite’s servicing procedures on the real estate loans generally involve it transferring payments received from the borrowers under the real estate loans to Connect Invest by ACH transfer. Such funds are then transferred by Connect Invest to a clearing account in its name where they remain until the amounts clear. Thereafter, Connect Invest makes payments on the Notes by transferring the appropriate funds to the ITF account and allocating amounts received on specific real estate loans to the appropriate investor’s sub-account. Connect Invest transfers amounts due to it for real estate loans that it funded from the clearing account to another operating account of Connect Invest. An investor may transfer uncommitted funds out of the investor’s sub-account in the ITF account by ACH to the investor’s designated bank account at any time, subject to normal execution times for such transfers (generally 2-3 days). Connect Invest discloses on its website to the relevant investors regarding borrowers’ payment performance on the corresponding real estate loans. See “—Servicing Agreement.”

### ***Collection Process***

Under the terms of the Servicing Agreement, Ignite will initiate collection procedures in the event of a borrower default under the terms of the applicable real estate loan. See “— Servicing Agreement.” When a real estate loan is past due and payment has not been received within 10 days of the due date, Ignite will contact the borrower to request payment. After a 10-day grace period, Ignite may, in its discretion, assess a late payment fee. The amount of the late payment fee is up to 15% of the unpaid installment amount or such lesser amount as may be provided by applicable law. This fee may be charged only once per late payment. During this 10-day grace period, Ignite may also work with the borrower to structure a new payment plan in respect of the real estate loan. Any such modification to the payment terms of a real estate loan will not require the consent of any holder of the Notes corresponding to that real estate loan.

Following the expiration of the applicable grace period (whether as a result of the borrower's failure to timely make an interest or principal payment, Ignite will notify Connect Invest (along with any other party providing funding for such real estate loan) as to Ignite's evaluation through communication with the borrower to determine the most optimal outcome. The optimal outcome may include, but is not limited to; loan term modification and/or forbearance of interest or payoff received, negotiation of Deed in Lieu or to proceed with foreclosure by filing a Notice of Default, which process and timeline is dictated by state laws governed by the location of the real estate. Ignite will evaluate and provide all options available to lenders through a ballot vote, which requires 51% of the majority loan amount to determine the course of action taken by Ignite on behalf of the lenders.

A Loan Modification and/or Forbearance Agreement may extend the loan term (Initial Maturity Date) delaying foreclosure proceedings and allowing borrower payments to be suspended or modified for a designated period. Loan modification and/or forbearance may be considered as an optimal resolution should the borrower require a limited timeframe to resolve the delinquency without future action required.

The consideration for a Deed in Lieu is not typically the optimal resolution as it requires lenders to release the borrower and Guarantors from their obligation under the Note and acquire the unknown liabilities associated with the real estate upon transfer of ownership. This process does however reduce cost and the timeframe of completing the foreclosure proceedings.

If the borrower is unwilling to enter into a Deed in Lieu of foreclosure within the designated time period or if Ignite determines that process is not advisable, Ignite will, if authorized by the Majority Lenders, commence foreclosure proceedings with respect to the real estate collateral by filing a Notice of Default on the property. The borrower will then have a cure period, generally between 90 and 120 days, depending on the laws of the state in which the property is located, during which the borrower can pay all amounts due under the real estate loan. Following the termination of the cure period, Ignite will foreclose on the property in accordance with the laws of the applicable state, which typically require some form of "Trustee Sale" process be undertaken. During this period, the borrower may file for bankruptcy or initiate some other form of litigation against Ignite or Connect Invest to delay or prevent the foreclosure of the property.

Upon the execution of a Deed in Lieu of foreclosure or the successful completion of the foreclosure process, the parties providing funding for the real estate loan, including Connect Invest, will have title to the real estate assets securing the defaulted real estate loan. Ignite will then evaluate the optimal way to monetize the property to provide Connect Invest with funds to repay the Notes corresponding to the defaulted real estate loan. Among the alternatives that would be available to Ignite, with the approval of the Majority Lenders, are selling, leasing or refinancing the property. Ignite will select the alternative that it believes gives it the highest probability to secure funds sufficient to repay the applicable Notes, subject to the approval of the Majority Lenders, which would consist solely of Connect Invest if it has funded at least 51% of the applicable real estate loan. Investors will be provided status updates on the collection process through monthly investor account statements, Connect Invest web site and specific e-mail correspondence.

Ignite's normal collection process changes in the event of a borrower bankruptcy filing. When Ignite receives notice of the bankruptcy filing, as required by law, it ceases all payments on the real estate loan. Ignite also defers any other collection activity. The status of the real estate loan switches to "bankruptcy." The bankruptcy action results in an automatic stay of any action by a creditor, which prevents the real estate collateral from being transferred or sold. Automatic stays are injunctions that prevent most forms of debt collection that go into effect immediately upon filing for bankruptcy. Ignite then will begin legal proceedings to obtain a Lift Stay to remove the property from the bankruptcy injunction. The Lift Stay process generally takes 30 to 60 days, as it requires a notice to be filed and a court hearing. The court may rule in one of two ways: in favor of Ignite and remove the property from the bankruptcy, thus allowing Ignite to proceed with the foreclosure, or grant the borrower additional time to sell the property, thus providing the borrower with the protection of the bankruptcy action.

### ***Servicing Agreement***

**General.** Ignite has agreed to service each real estate loan pursuant to the terms of its Servicing Agreement with Connect Invest. Pursuant to the terms of the Servicing Agreement, Ignite is always required to use commercially reasonable efforts to service and collect the real estate loans in accordance with industry standards customary for loans

of the same general type and character. This standard of care applicable to Ignite under the Servicing Agreement is called the “Servicing Standard.” Subject to the Servicing Standard, Ignite has full power and authority to take any actions in connection with the servicing and administration of the real estate loans that it deems to be necessary or desirable, provided that any amendment or modification of the terms of any real estate loan requires the prior approval of Connect Invest. Ignite may act alone or through agents but will remain responsible for the proper performance of its duties by any agents it appoints. The receipt payments on the real estate loans by Connect Invest, and therefore the amount of payments received by the holders of Notes, will be dependent upon the performance by Ignite of its duties under the Servicing Agreement.

Subject to the Servicing Standard, Ignite is responsible for protecting the interest of Connect Invest in the real estate loans by dealing effectively with borrowers who are delinquent or in default. Ignite is required to maintain an adequate accounting system that will immediately identify delinquent loans and to maintain procedures for sending delinquent notices, assessing late charges and preparing individual analyses of distressed or chronically delinquent real estate loans. Ignite has sole discretion to determine (1) the timing and content of communications sent to delinquent borrowers and (2) when and whether to refer a delinquent loan for collection, initiate legal action to collect a delinquent loan, sell a delinquent loan to a third party or accelerate the maturity of a delinquent loan that is at least ninety (90) days past due. Ignite is authorized to select and engage on Connect Invest’s behalf, but subject to Ignite’s oversight and responsibility, any collection agency to which any delinquent loan is referred for collection and to determine the amount of its compensation (which shall not, however, exceed 6% of the amount of any recoveries obtained, in addition to any legal fees and transaction fees associated with payment processing incurred in the collection effort). Ignite will be deemed to have undertaken commercially reasonable servicing and collection efforts if it refers a delinquent loan to a collection agency within five business days after such loan first became thirty (30) days past due.

Subject to the Servicing Standard and the approval of Connect Invest, Ignite may waive, modify or vary any non-material terms of any Borrower Loan, consent to the postponement of strict compliance with any such term or grant a non-material indulgence to any borrower. Notwithstanding the foregoing, in the event that any real estate loan is in default or, in the judgment of Ignite, such default is reasonably foreseeable, or Ignite otherwise determines that such action would be consistent with the Servicing Standard, and provided that Ignite has received the prior approval of Connect Invest, Ignite may also waive, modify or vary any term of any real estate loan (including material modifications that would change the interest rate, defer or forgive the payment of principal or interest, change the payment dates or change the place and manner of making payments on such real estate loan), accept payment from the related borrower of an amount less than the principal balance in final satisfaction of such real estate loan or consent to the postponement of strict compliance with any term or otherwise grant any indulgence to any borrower. The modifications contemplated by this servicing provision would be in situations, common to loan servicing industry practices, where a reasonable forbearance or extension of time for payment to be received would prevent a borrower from defaulting entirely on the loan or filing for bankruptcy. From the Note holders’ perspective, such modifications would only be employed in situations where a greater loss would be avoided.

Any such actions taken by Ignite in relation to any real estate loan will not require the approval of the holders of the related Notes and will, nonetheless, be binding on the holders of the related Notes and may reduce the amount of payments to be made on such Notes or result in no further payments being made.

***Servicing Fees.*** The borrower under each real estate loan will pay to Ignite a servicing fee relating to the services provided by Ignite under the Servicing Agreement in an amount initially equal to 0.50% of the original principal amount of such borrower’s real estate loan, subject to adjustment from time to time to reflect market conditions.

***Exculpation and Indemnity.*** Ignite will not be liable under the Servicing Agreement to Connect Invest, any Note holder, any borrower or any other person for any actions it takes or fails to take in connection with the servicing of the real estate loans or for any errors in judgment, except as described below.

Ignite and any of its directors, officers, employees or agents may rely in good faith on any document of any kind that appears to be properly executed and submitted by any person respecting any matters arising in connection with the Servicing Agreement, except to the extent that Ignite knows that such document is false, misleading, inaccurate or incomplete.



Ignite has agreed to indemnify Connect Invest and its officers, directors, employees and agents against any and all claims, damages, losses, liabilities and expenses (including, without limitation, reasonable counsel fees and disbursements), joint or several (collectively, “Damages”), directly or indirectly resulting from:

- the failure of Ignite to perform its duties under the Servicing Agreement,
- the material breach of any of Ignite’s representations, warranties, covenants or agreements contained in the Servicing Agreement,
- the acts or omissions of any permitted subservicer or service provider engaged by Ignite to service the real estate loans in accordance with the Servicing Agreement, and
- any infringement or misappropriation by Ignite of any patent, copyright, trademark, servicemark, trade secret or other proprietary right of any other person;

provided, however, that Ignite will not be responsible for any Damages resulting from:

- the failure of Connect Invest to perform its duties under the Servicing Agreement (unless such failure resulted from the actions or omissions of Ignite),
- the material breach of any of Connect Invest’s representations, warranties, covenants or agreements contained in the Servicing Agreement (unless such breach resulted from the actions or omissions of Ignite),
- the origination, making, funding, sale or servicing of any real estate loans or Notes following the termination of the Servicing Agreement,
- the absence or unavailability of any books, records, data, files or other documents relating to a real estate loan, unless resulting from Ignite’s actions or omissions, or
- compliance with any instructions of Connect Invest if such instructions did not comply with applicable law.

### Historical Information about Ignite and Loan Fundings

Ignite will initially identify and originate all real estate loans that we fund and that will serve as the corresponding loans for each series of Notes. Ignite will be paid servicing fees by the borrowers under the real estate loans.

Ignite, which commenced operations in 1995, has is licensed to act as a commercial mortgage broker in Nevada and Arizona. Through December 31, 2019, Ignite has initiated the funding of over 1,000 real estate-related loans with an aggregate principal amount of approximately \$700 million. Set forth below are tables which present aggregate historical information about the loans funded through Ignite. In regard to the following historical information, prior performance is no guarantee of future results or outcomes.

#### Historical Loan Fundings

	2015	2016	2017	2018
Number of Borrowers <sup>(1)</sup>	27	41	36	44
Total Loans Funded	83	106	110	92
Average Interest Rate	10.53%	10.22%	10.10%	10.21%
Average Loan-to-Value <sup>(2)</sup>	71.80%	67.78%	67.07%	60.79%
Average Length of Loan	8 months	8 months	8 months	8 months

<sup>(1)</sup> There is a separate loan for each real estate asset. As a result, one borrower undertaking the development of multiple projects would have individual loans for each specific project.

<sup>(2)</sup> Determined by an appraisal, a broker price opinion or a valuation provided by the county assessor’s office.

### **Types of Loans Funded**

	2015	2016	2017	2018
Acquisition Loans <sup>(1)</sup>	\$ 27,164,300	\$ 40,155,00	\$ 47,926,200	\$ 69,989,500
Residential	97%	55%	90%	44%
Commercial	3%	45%	10%	56%
Developmental Loans	\$ 26,308,205	\$ 23,687,600	\$ 27,180,450	\$ 29,491,100
Residential	100%	100%	100%	100%
Commercial	0%	0%	0%	0%
Construction Loans	\$ 6,618,000	\$ 11,951,800	\$ 28,471,100	\$ 21,700,000
Residential	84%	100%	36%	99%
Commercial	16%	0%	64%	1%

<sup>(1)</sup> Acquisition loans include raw land and/or existing improvements.

### **Customer Support**

Connect Invest provides customer support to its investors. For most investors, their experience is entirely web-based. Connect Invest includes detailed “frequently asked questions” (“FAQs”) on our website. Connect Invest also post detailed fee information and the full text of its member legal agreements. Connect Invest make additional customer support available to members by email and phone. Its customer support team is located at its headquarters in Las Vegas, Nevada.

### **Technology**

Connect Invest’s system hardware is located in a hosting facility provided by Microsoft Azure Cloud, and managed by Guidance, Connect Invest’s third party technology partner. Connect Invest’s agreement with Guidance expires in 2020 and will be automatically renewed for successive two-year terms, unless either party delivers a termination notice. The MS Azure Cloud hosting solution is fully compliant with the applicable requirements under the Payment Card Industry Data Security Standard and the Sarbanes – Oxley Act. Connect Invest licenses all of the SAAS applications deployed in its platform. Connect Invest, through its agreement with Guidance, will continuously monitor the performance and availability of its platform. Under this agreement, Guidance will be required to maintain a copy of Connect Invest’s wholly-owned source code in GITHUB, a secure third party cloud environment, to protect Connect Invest against loss of access to this software in the event that Guidance permanently ceases to conduct business. If Connect Invest’s agreement with Guidance were to be terminated, Connect Invest would seek to replace their hosting and technical support solutions with a new provider. Connect Invest has a scalable infrastructure that utilizes standard techniques such as load-balancing and redundancies and Content Delivery Network (CDN).

Connect Invest has entered into a license agreement with Episerver that allows Connect Invest to utilize their website and software solutions platform to help process electronic cash movements, record book entries and calculate cash balances in its investors’ accounts. Personal Identifiable Information (PII) for Connect Invest’s investors will be fully encrypted as part of the Episerver platform solution. Connect Invest will process electronic deposits and payments by originating ACH transactions. Episerver’s software will allow Connect Invest to put these transactions in the correct ACH transaction data formats. Connect Invest’s agreement with Episerver has an initial term of two years, beginning in August 2018, and then generally will be automatically renewed for successive two-year terms, unless either party delivers a termination notice.

### **Scalability**

Connect Invest’s platform is highly scalable, because it does not contain any single point of processing that might restrict or reduce the capacity of the overall system. The platform is designed as a collection of many small symmetrical servers capable of replacing each other with no strict dependency between them. This design allows Connect Invest to either scale up either by deploying one or a limited small number of its servers and configuring

them to take advantage of the machine they run on, or deploying a large number of servers and configuring them to run on lightweight machines. Connect Invest's online deployment employs a fast load balancer as a reverse proxy for all the machines containing the actual symmetrical servers, which allows it to intercept end-user requests and route them to the least busy server.

### **Data Integrity and Security**

All data received from end users or from Connect Invest's business counterparties are transported in a secure manner; for example, Connect Invest only exposes data or actions pages of its application in SSL mode. Connect Invest has received an SSL certificate from VeriSign. For communication with Connect Invest's banking counterparties, it requires a dedicated, fully authenticated connection (VPN), in addition to the SSL encryption of the data. Data storage follows specific rules for specific cases. For example, the most sensitive information will be stored using one-way encryption, which makes it impossible to read in the clear, while the next level of data security uses regular encryption, which requires a key in order to decrypt the data, and for regular data, a set of access control rules have been created to limit the visibility of the data and to protect the privacy of each user.

Connect Invest will utilize state of the art network firewall technology for perimeter level threat protection. The philosophy of least privilege is used throughout the infrastructure. In short, each person has access to only what they must have access to in order to do their job. In addition, no two accounts use the same name on any two servers.

### **Competition**

The market for social lending is competitive and rapidly evolving. We believe the following are the principal competitive factors in the social lending market:

- pricing and fees;
- website attractiveness;
- investor experience, including borrower full funding rates and lender returns;
- acceptance as a social network;
- branding; and
- ease of use.

We also face competition from major banking institutions, credit unions and other companies providing funding for real estate.

We may also face future competition from new companies entering our market, which may include large, established companies. These companies may have significantly greater financial, technical, marketing and other resources than we do and may be able to devote greater resources to the development, promotion, sale and support of their lending platforms. These potential competitors may be in a stronger position to respond quickly to new technologies and may be able to undertake more extensive marketing campaigns. These potential competitors may have more extensive potential borrower bases than we do. In addition, these potential competitors may have longer operating histories and greater name recognition than we do. Moreover, if one or more of our competitors were to merge or partner with another of our competitors or a new market entrant, the change in competitive landscape could adversely affect our ability to compete effectively.

### **Employees**

As of the date of this Offering Memorandum, Connect Invest had one full-time employee, and Ignite had 10 full-time employees. None of our employees are represented by labor unions. We have not experienced any work stoppages and believe that our relations with our employees are good.

**Facilities**

Our corporate headquarters, including our principal administrative, marketing, technical support and engineering functions, are located in Las Vegas, Nevada, where we lease workstations and conference rooms under a month-to-month lease agreement. We believe that our existing facilities are adequate to meet our current needs, have the ability to request for more space as needed, and that suitable additional alternative spaces will be available in the future on commercially reasonable terms.

**Legal Proceedings**

Connect Invest is not currently subject to any material legal proceedings. We are not aware of any litigation matters which have had, or are expected to have, a material adverse effect on us.

## DESCRIPTION OF THE NOTES

### General

The Notes will be issued in series pursuant to an Investor Agreement and a Note Agreement to be entered into between us and the investors.

Each series of Notes will correspond to one borrower real estate loan. All Notes will be U.S. dollar denominated, fully amortizing and have a fixed rate of interest. The Notes of each series will have a stated interest rate that is the same as the interest rate for the corresponding borrower real estate loan and an aggregate stated principal amount equal to the investors' aggregate commitment to purchase Notes the proceeds of which they have designated to fund the corresponding real estate loan.

Notwithstanding the foregoing, Connect Invest has no obligation to make any payments on the Notes unless, and then only to the extent that, it has received payments on the corresponding real estate loan, as described below under “—Payments on the Notes.” The Notes will also be subject to prepayment without penalty under certain circumstances as described below under “— Prepayments.”

Notes of each series will have a maturity date fifteen (15) business days following the maturity date of the corresponding real estate loan, including all optional extensions, which is generally between six months and three years after the real estate loan is funded. If, at any time on or prior to the Maturity Date, the borrower under the corresponding real estate loan defaults on a scheduled payment of principal and/or interest, and Ignite, pursuant to the terms of the Servicing Agreement, commences the collection process with respect to that real estate loan, the Company's obligations to make any further payments on the applicable series of Notes will be limited to the payment, within 15 days of receipt, of any Collection Proceeds received by the Company during the 24-month period following the initiation of the collection process (the “Collection Period”).

The aggregate principal amount of Notes of each series will equal the aggregate amount of funds designated by investors to fund the corresponding real estate loan. A single real estate loan will typically be funded by Notes purchased by many different investors. In the event that a real estate loan does not attract Note purchase commitments sufficient to provide full funding for the real estate loan, Connect Invest may elect to fund the remaining amount.

### Ranking

The Notes will not be contractually senior or contractually subordinated to any other indebtedness of Connect Invest. The Notes will be unsecured special, limited obligations of only Connect Invest and neither Ignite nor the borrowers under the corresponding real estate loan will have any obligation to repay the Notes. Connect Invest will be obligated to pay principal and interest on each Note in a series only if and to the extent that it receives principal, interest or late fee payments, along with any Collection Proceeds up to the amount of any unpaid principal and interest, from the borrower on the corresponding real estate loan funded by the proceeds of that series. Such real estate loan payments will be shared ratably among all Notes of the series after deduction of any payments due to Connect Invest on account of the portions of the real estate loan, if any, funded by it in its capacity as a lender on any real estate loan. In the event of a bankruptcy or similar proceeding of Connect Invest, the relative rights of the holder of a Note as compared to the holders of other unsecured indebtedness of it with respect to payment from the proceeds of the real estate loan corresponding to that Note or other assets of ours is uncertain. If Connect Invest were to become subject to a bankruptcy or similar proceeding, the holder of a Note will have an unsecured claim against it that may or may not be limited in recovery to the corresponding borrower real estate loan payments and the real estate collateral securing the corresponding real estate loan.

The Investor Agreement will not contain any provisions that would limit our ability to incur indebtedness in addition to the Notes.

### Payments on the Notes

Subject to the limitations described below under “—Limitations on Payments,” Connect Invest will make payments of principal and interest on the Notes within four business days of receiving Real Estate Loan Payments (as

defined below) in respect of the corresponding real estate loan, in accordance with the payment schedule for each Note. Each Note will have a payment schedule providing periodic payments on payment dates that fall four business days following the due date for each installment of principal and interest on the corresponding real estate loan. The extra four business days allow Connect Invest to assure the finality of the transfer of funds after it receives payments from Ignite. Connect Invest's obligation to make payments on a Note will automatically terminate on the earlier of (1) the date on which all principal and interest payable on the Note has been paid in full and (2) fifteen (15) business days following the expiration of any applicable Collection Period.

The stated interest rate on each Note will be the interest rate on the corresponding real estate loan, less Ignite's servicing fee (which will initially be 0.50%, but may be adjusted from time to time to reflect market conditions) and Connect Invest's platform servicing fee (not to exceed 2.50%, with the exact amount being periodically adjusted to reflect market conditions). Any adjustment to these fees may be made by the Company without the approval of the holders of the Notes. Interest will be computed and will accrue on the Note in the same manner as the interest on the corresponding real estate loan is computed and accrues.

Connect Invest will make all required payments on each Note to the account of the holder in whose name the Note is registered on the record date for the relevant payment date. The record date for each payment date shall be the second business day prior to the actual payment date. If a payment date falls on a date that is not a business day, then such payment will be made on the next succeeding business day.

"Business day" means each Monday, Tuesday, Wednesday, Thursday and Friday that is (1) not a day on which the Automated Clearing House system operated by the U.S. Federal Reserve Bank (the "ACH System") is closed and (2) not a day on which banking institutions in Austin, Texas or New York, New York are authorized or obligated to close.

### **Limitations on Payments**

The right of each holder of a Note to receive principal and interest payments and other amounts in respect of that Note is limited in all cases to the holder's pro rata portion of the Real Estate Loan Net Payments, if any.

For each series of Notes, "*Real Estate Loan Net Payments*" means the amounts, if any, equal to the Real Estate Loan Payments from the corresponding real estate loan, excluding any collection fees imposed by Ignite or any collection agency charges.

"*Real Estate Loan Payments*" for each series of Notes means all amounts received by Connect Invest in connection with the corresponding real estate loan, including, without limitation, all payments or prepayments of principal and interest, any collection fees imposed by Ignite and any payments due to us on account of portions of the corresponding real estate loan, if any, not funded through the issuance of Notes.

To the extent that anticipated Real Estate Loan Payments from a real estate loan are not received by Connect Invest, no payments will be due and payable by us on the Notes related to that real estate loan, and a holder of a Note will not have any rights against Connect Invest, Ignite or the borrower in respect of the Note or the real estate loan corresponding to such holder's Note.

### **Prepayments**

To the extent that a borrower prepays a corresponding real estate loan, such prepayment amount will be a Real Estate Loan Payment and holders of Notes related to that corresponding real estate loan will be entitled to receive their pro rata shares of the prepayment. In the case of a partial prepayment of a corresponding real estate loan, Connect Invest will automatically recalculate the anticipated amortization schedules for the Notes over the remainder of their term and will make available to the holders of those Notes a revised estimate of monthly payments to be received over such term.

### **Consolidation, Merger, Sale of Assets**

The Investor Agreement prohibits Connect Invest from consolidating with or merging into another business entity or conveying, transferring or leasing our properties and assets substantially as an entirety to any business entity, unless:

- the surviving or acquiring entity is a U.S. corporation, limited liability company, partnership or trust and it expressly assumes our obligations with respect to the outstanding Notes; and
- immediately after giving effect to the transaction, no default shall have occurred or be continuing.

### **Denominations, Form and Registration**

Except as may be provided otherwise for a particular series of Notes, Connect Invest will issue Notes in denominations of integral multiples of \$1,000. The Notes will be issued only in registered form and only in electronic form. This means that each Note will be stored on Connect Invest's website. You can view your Notes online and print copies for your records, by visiting your secure, password-protected webpage in the "My Account" section of Connect Invest's website. Connect Invest will not issue certificates for the Notes. Investors will be required to hold their Notes through our electronic Note register.

Connect Invest reserves the right to issue certificated Notes only if it determines not to have the Notes held solely in electronic form.

Connect Invest will treat the investors in whose names the Notes are registered as the owners thereof for the purpose of receiving payments and for any and all other purposes whatsoever with respect to the Notes.

### **Restrictions on Transfer**

The Notes will not be listed on any securities exchange. The Notes are being issued in a private offering and will generally be non-transferable. Therefore, investors must be prepared to hold their Notes to the maturity date of the corresponding real estate loan. Under the terms of the Notes, any transfer of a Note will be wrongful unless the Note has been presented by the registered holder to us or our agent for registration of transfer. The registrar for the Notes, which initially will be us, will not be obligated to recognize any purported transfer of a Note. See "Restrictions on Transfers."

### **Events of Default**

Under the terms of the Note Agreement, any of the following events will constitute an event of default for a series of Notes:

- failure by Connect Invest to make required payments on the Notes for sixty (60) days past the applicable due date;
- failure by Connect Invest to perform, or the breach of, any other covenant for the benefit of the holders of the Notes of such series which continues for sixty (60) days after written notice from a holder of the Notes of the series for which such default exists, subject to such extension and shall be necessary to enable Connect Invest to diligently cure any such default; or
- specified events relating to Connect Invest's bankruptcy, insolvency or reorganization.

It is not a default or event of default under the terms of the Note Agreement if Connect Invest does not make payments when a borrower does not make payments to it on the real estate loan corresponding with the particular series of Notes. In that case, Connect Invest is not required to make payments on Notes, so no default occurs. See "Risk Factors—Payments on the Notes depend entirely on payments we receive in respect of corresponding real estate loans." An event of default with respect to one series of Notes is not automatically an event of default for any other series.

If an event of default occurs due to bankruptcy, insolvency or reorganization as provided in the Note Agreement then the stated principal amount of the Notes shall become due and payable immediately without any act by any holder

of Notes. A default in the payment of any of the Notes or a default with respect to the Notes that causes them to be accelerated, may give rise to a cross-default under any other indebtedness of Connect Invest.

## **Governing Law**

The Investor Agreement and the Note Agreement will be governed by the laws of the State of Nevada without regard to any principle of conflict of laws that would require or permit the application of the laws of any other jurisdiction.

## **Investor Agreement**

When an investor registers on our platform, the investor enters into the Investor Agreement with us that governs the investor's purchases of Notes from time to time from Connect Invest. Under the Investor Agreement, Connect Invest provides the investor the opportunity through the platform to review real estate loan listings, purchase Notes and instruct Connect Invest to apply the proceeds from the sale of each Note to the funding of a specific real estate loan the investor has designated. At the time the investor commits to purchase a Note, the investor must have sufficient funds in the investor's account with Connect Invest to complete the purchase, and the investor will not have access to those funds after making the purchase commitment.

The investor agrees that the investor has no right to make any attempt, directly or through any third party, to take any action to collect from the borrowers on the investor's Notes or the corresponding real estate loans.

The investor acknowledges that the Notes are intended to be indebtedness of Connect Invest for U.S. federal income tax purposes and agrees not to take any position inconsistent with that treatment of the Notes for tax, accounting, or other purposes, unless required by law. The investor also acknowledges that the Notes will be subject to the original issue discount rules of the Internal Revenue Code, as described under "Material U.S. Federal Income Tax Considerations — Taxation of Payments on the Notes."

The Investor Agreement describes the limitations on payments on the Notes, which are described above. Connect Invest expressly disclaims any representations as to a borrower's ability to pay the corresponding real estate loan and does not act as a guarantor of any corresponding real estate loan payments by any borrower.

The parties make customary representations and warranties to each other, and the investor represents and warrants that the investor has not made a decision in connection with any loan requests on Connect Invest's platform on any prohibited basis set forth in any applicable state or local laws, regulations, rules or ordinances concerning credit discrimination.

In the Investor Agreement, the investor acknowledges and agrees that Connect Invest assumes no advisory or fiduciary responsibility in the investor's favor in connection with the purchase and sale of the Notes and Connect Invest has not provided the investor with any legal, accounting, regulatory or tax advice with respect to the Notes.

The investor represents and warrants that the investor meets minimum financial suitability standards and maximum investment limits. See "Plan of Distribution — Who May Invest."

The Investor Agreement provides that it is subject to binding arbitration. It also provides that the parties waive a jury trial in any litigation related to the Investor Agreement and any real estate loans or other agreements related to the Investor Agreement. The Investor Agreement will be governed by the laws of the State of Nevada without regard to any principle of conflict of laws that would require or permit the application of the laws of any other jurisdiction.



## MANAGEMENT

### Connect Invest

#### *Executive Officers and Key Employees*

The following table sets forth information regarding Connect Invest's executive officers and directors as of the date of this Memorandum:

<b>Name (1)</b>	<b>Position(s)</b>
Todd B. Parriott	Chairman of the Board and Chief Executive Officer and President
Tafa Jefferson	Director
Terrance McGovern	Director

#### *Executive Officers*

##### *Todd B. Parriott*

Mr. Parriott is the sole director of Connect Invest and its Chief Executive Officer. Mr. Parriott was elected as a director of Connect Invest and named its Chief Executive Officer in December 2015. Mr. Parriott served as the Chairman of the board of directors, Chief Executive Officer, President and Chief Investment Officer of Desert Capital from December 2003 through May 2011, at which time he resigned each of his positions with Desert Capital. On April 29, 2011, certain of Desert Capital's creditors filed an involuntary Chapter 11 bankruptcy petition against Desert Capital in the United States Bankruptcy Court for the District of Nevada in Las Vegas, Nevada. Desert Capital consented to the involuntary bankruptcy filing on June 9, 2011. Mr. Parriott served as the President of CM Capital Services from July 2001 until December 2003 and was re-elected as President in October 2005. Mr. Parriott has been a manager of and President and Chief Executive Officer of CM Group since November 2007 and 2020 Capital since April 2011. Mr. Parriott graduated with a Bachelor of Science degree in Marketing from the University of Nevada, Las Vegas in 1994.

#### *Directors*

##### *Tafa Jefferson*

Mr. Jefferson is CEO of AMADA Senior Care which provides in-house senior care, long-term insurance claims management and guidance for senior housing options. Since its founding in 2012, AMADA Senior Care has grown to 90 locations in 30 states. In 2008, he co-founded the American Board of Home Care, a non-profit organization dedicated to educating the senior community and raising standards in caregiving, that currently serves over 10,000 client households. Mr. Jefferson founded his first company, Nurse Registry, in 1998 that supplied skilled nursing and non-medical care to seniors. At its apex, Nurse Registry was providing jobs to over 200 caregivers. In 2013, Mr. Jefferson was selected as one of the top 40 entrepreneurs under 40 in Orange County, California by the Orange County Register. He graduated with a Bachelor of Science degree in Management and Entrepreneurship from the University of Pacific in 1997 and spent one year playing professional football in the NFL.

##### *Terrance McGovern*

Mr. McGovern is a co-founder of Kato Pharmaceuticals, a pharmaceutical company dedicated to the development of therapies for pathologies of the eye. He also founded Volante Diagnostics, a developer of biomarkers for brain pathologies. He is the co-developer of the Kato extended release technology, which delivers Resolvine to the retinal surface and is the named inventor on several patents. Prior to Kato he was Managing Partner of Numoda Capital, an early state investor in biotechnology companies. He also founded Crystal Cove Capital, a NASD Broker Dealer which provided investment banking services to public and private emerging healthcare companies. He has held CEO and CFO positions in numerous early stage companies. Earlier in his career he held senior management positions at Duff and Phelps, CIBC and Burns Fry Ltd. Now a subsidiary of Bank of Montreal. He holds a BS in Biology from

Georgetown University, an MS in Mammalian Physiology from Rutgers University, and MBA from Wharton School of business at the University of Pennsylvania.

### **Board Composition and Election of Directors**

Our board of directors currently consists of one member, with two additional independent directors to become members of the board upon the qualification of the offering statement of which this Offering Memorandum constitutes a part. Holders of the Notes offered through our platform will have no ability to elect or influence our directors or approve significant corporate transactions, such as a merger or other sale of our company or its assets.

We operate under the direction of our board of directors, the members of which are accountable to our stockholders as fiduciaries. The board is responsible for the management and control of our affairs.

We will have three independent directors. An “independent director” is a person who is not one of our officers or employees or an officer or employee of Ignite or its affiliates and has not been so for the previous two years.

Each director will serve until the next annual meeting of stockholders and until his successor has been duly elected and qualified. Although our board of directors may increase or decrease the number of directors, a decrease may not have the effect of shortening the term of any incumbent director. Any director may resign at any time or may be removed with or without cause by the stockholders upon the affirmative vote of at least a majority of all the votes entitled to be cast at a meeting called for the purpose of the proposed removal. The notice of the meeting will indicate that the purpose, or one of the purposes, of the meeting is to determine if the director shall be removed.

Unless filled by a vote of the stockholders as permitted by Nevada law, a vacancy created by an increase in the number of directors or the death, resignation, removal, adjudicated incompetence or other incapacity of a director will be filled by a vote of a majority of the remaining directors. As provided in our charter, nominations of individuals to fill the vacancy of a board seat previously filled by an independent director will be made by a committee consisting solely of all of our independent directors.

Our directors are accountable to us and our stockholders as fiduciaries. This means that our directors must perform their duties in good faith and in a manner each director believes to be in our and our stockholders’ best interests. Further, our directors must act with such care as a prudent person in a similar position would use under similar circumstances, including exercising reasonable inquiry when taking actions. However, our directors and executive officers are not required to devote all of their time to our business and must only devote such time to our affairs as their duties may require. We do not expect that our directors will be required to devote a substantial portion of their time to us in discharging their duties.

In addition to meetings of the various committees of the board, which committees we describe below, we expect our directors to hold at least four regular board meetings each year. Our board has the authority to fix the compensation of all officers that it selects and may pay compensation to directors for services rendered to us in any other capacity.

### **Director Independence**

Because our common stock is not listed on a national securities exchange, we are not required to maintain a board consisting of a majority of independent directors or to maintain a nominating committee or compensation committee consisting solely of independent directors. Our board of directors has not analyzed the independence of our directors under any applicable stock exchange listing standards. Holders of the Notes have no ability to elect or influence our directors.

### **Board Committees**

Our board of directors may delegate many of its powers to one or more committees. As of the date of this Offering Memorandum, no board committees have been established.

## **Director Compensation**

We intend to compensate each of our independent directors with an annual retainer of \$4,000.

## **Limitations on Officers' and Directors' Liability and Indemnification Agreements**

As permitted by Nevada law, our articles of incorporation and bylaws contain provisions that limit or eliminate the personal liability of our directors for breaches of duty to the corporation. Our articles of incorporation and bylaws limit the liability of directors to the fullest extent under applicable law. Nevada law provides that directors of a corporation will not be personally liable for monetary damages for breaches of their fiduciary duties as directors, except liability for:

- any breach of the director's duty of loyalty to us or our stockholders;
- any act or omission not in good faith, believed to be contrary to the interests of the corporation or its shareholders, involving reckless disregard for the director's duty, for acts that involve an unexcused pattern of inattention that amounts to an abdication of duty, or that involves intentional misconduct or knowing or culpable violation of law;
- any unlawful payments related to dividends, unlawful stock repurchases, redemptions, loans, guarantees or other distributions; or
- any transaction from which the director derived an improper personal benefit.

These limitations do not apply to liabilities arising under federal securities laws and do not affect the availability of equitable remedies, including injunctive relief or rescission.

As permitted by Nevada law, our amended and restated certificate of incorporation and bylaws also provide that:

- we will indemnify our directors and officers to the fullest extent permitted by law;
- we may indemnify our other employees and other agents to the same extent that we indemnify our officers and directors; and
- we will advance expenses to our directors and officers in connection with a legal proceeding, and may advance expenses to any employee or agent; provided, however, that such advancement of expenses shall be made only upon receipt of an undertaking by the person to repay all amounts advanced if it should be ultimately determined that the person was not entitled to be indemnified.

The indemnification provisions contained in our amended and restated certificate of incorporation and second amended and restated bylaws are not exclusive.

In addition to the indemnification provided for in our amended and restated certificate of incorporation and bylaws, we have entered into indemnification agreements with each of our directors. These agreements require us, among other things, to indemnify such persons for all direct costs of any type or nature, including attorneys' fees, actually and reasonably incurred by such person in connection with the investigation, defense or appeal of: (1) any proceeding to which such person may be made a party by reason of (i) such person's service as a director or officer of our company, (ii) any action taken by such person while acting as director, officer, employee or agent of our company, or (iii) such person's actions while serving at the request of our company as a director, officer, employee or agent of another corporation, partnership, joint venture, trust, employee benefit plan or other enterprise, and in any such case described above, whether or not serving in any such capacity at the time any liability or expense is or was incurred; or (2) establishing or enforcing a right to indemnification under the agreement.

Under these agreements, we are not obligated to provide indemnification: (1) on account of any proceeding with respect to (i) remuneration paid to such person in violation of law, (ii) an accounting, disgorgement or repayment of profits made from the purchase or sale by such person of securities of ours against such person pursuant to the provisions of Section 16(b) of the Exchange Act, or other provisions of any federal, state or local statute or rules and regulations thereunder, (iii) conduct that was in bad faith, knowingly fraudulent or deliberately dishonest or constituted willful misconduct (but only to the extent of such specific determination), or (iv) conduct that constitutes a breach of such person's duty of loyalty or resulting in any personal profit or advantage to which such person is not legally entitled; (2) for any proceedings or claims initiated or brought by such person not by way of defense; (3) for any amounts paid in settlement without our written consent; or (4) if such indemnification would be in violation of any undertaking appearing in and required by the rules and regulations promulgated under the Securities Act, or in any registration statement filed with the SEC. We believe that these provisions and agreements are necessary to attract and retain qualified persons as directors and officers.

In addition, we maintain a general liability insurance policy that covers certain liabilities of directors and officers of our corporation arising out of claims based on acts or omissions in their capacities as directors or officers.

### **MATERIAL U.S. FEDERAL INCOME TAX CONSIDERATIONS**

The following discussion summarizes certain U.S. federal income tax considerations that may be relevant to the acquisition, ownership and disposition of Notes. This discussion is based upon the provisions of the Internal Revenue Code, applicable U.S. Treasury regulations promulgated thereunder, published rulings and other administrative pronouncements issued by the U.S. Internal Revenue Service ("IRS") and U.S. court decisions, all as of the date hereof and all of which are subject to change, possibly with retroactive effect, or are subject to different interpretations. We cannot assure you that the IRS will not challenge one or more of the tax consequences described in this discussion, and we have not obtained, nor do we intend to obtain, a ruling from the IRS or an opinion of counsel with respect to the U.S. federal income tax consequences of acquiring, owning or disposing of the notes.

This discussion is limited to holders who hold the Notes as capital assets within the meaning of the Code (generally, property held for investment). This discussion does not address the tax considerations arising under the laws of any non-U.S., state, local or other jurisdiction or under U.S. estate or gift tax laws. The tax treatment of a holder may vary depending on that holder's particular situation. This discussion does not address all tax considerations that may be important to a particular U.S. Holder in light of the holder's circumstances, or to certain categories of investors that may be subject to special tax rules, such as:

- securities dealers or brokers, or traders in securities electing mark-to-market treatment;
- banks, thrifts, or other financial institutions;
- insurance companies;
- regulated investment companies or real estate investment trusts;
- tax-exempt organizations;
- persons holding Notes as part of a "straddle," "hedge," "synthetic security" or "conversion transaction" for U.S. federal income tax purposes, or as part of some other integrated investment;
- partnerships and other pass-through entities and investors therein;
- persons subject to the alternative minimum tax;
- certain former citizens or residents of the United States;
- governmental bodies or agencies or instrumentalities thereof;
- controlled foreign corporations and passive foreign investment companies;

- Non-U.S. Holders (as defined below); or
- “U.S. Holders” (as defined below) whose functional currency is not the U.S. dollar.

As used herein, you are a “U.S. Holder” if you are a beneficial owner of Notes, and for U.S. federal income tax purposes you are: (i) an individual who is a U.S. citizen or U.S. resident alien, (ii) a corporation (or any other entity taxable as a corporation for U.S. federal income tax purposes) created or organized in or under the laws of the United States, any state thereof or the District of Columbia, (iii) an estate whose income is subject to U.S. federal income taxation regardless of its source, or (iv) a trust that either (A) is subject to the primary supervision of a court within the United States and has one or more U.S. persons (as defined under the Code) with authority to control all substantial decisions of the trust or (B) has a valid election in place to be treated as a U.S. person. A “Non-U.S. Holder” is any beneficial owner of a Note other than a U.S. Holder or a partnership or other entity or arrangement treated as a partnership for U.S. federal income tax purposes.

If a partnership (or other entity or arrangement treated as a partnership for U.S. federal income tax purposes) holds Notes, the U.S. federal income tax treatment of a partner in the partnership will generally depend on the status of the partner and the activities of the partnership. If you are a partnership or a partner in a partnership acquiring Notes, you are urged to consult your own tax advisors about the U.S. federal income tax consequences of acquiring, owning and disposing of the Notes.

**INVESTORS CONSIDERING THE PURCHASE OF NOTES ARE URGED TO CONSULT THEIR OWN TAX ADVISORS REGARDING THE APPLICATION OF THE U.S. FEDERAL INCOME TAX LAWS TO THEIR PARTICULAR SITUATIONS AND THE APPLICABILITY AND EFFECT OF ANY U.S. ESTATE OR GIFT TAX LAWS OR ANY STATE, LOCAL OR NON-U.S. TAX LAWS AND TAX TREATIES.**

### ***Classification of the Notes***

No authority directly addresses the treatment of the Notes or instruments similar to the Notes for U.S. federal income tax purposes. In general, a taxpayer is bound by the form of a transaction for U.S. federal income tax purposes. In form, the Notes will be our obligations. Accordingly, although the matter is not free from doubt, we intend to treat the Notes as indebtedness of our company for U.S. federal income tax purposes.

The IRS may take contrary positions and, accordingly, no assurance can be given that the IRS or a court will agree with the tax characterizations and tax consequences described below. Where the form of a transaction does not reflect the economic realities of the transaction, the substance rather than the form should determine the tax consequences. Each series of Notes will correspond to a real estate loan, and we have no obligation to make any payments on the Notes unless, and then only to the extent that, we have received payments on the corresponding real estate loan. Accordingly, the IRS could determine that, in substance, each investor owns a proportionate interest in the corresponding real estate loan for U.S. federal income tax purposes. The IRS could also determine that the Notes are not our indebtedness but another financial instrument.

The following discussion is based upon the assumption that each Note will be treated as a debt instrument of our U.S. federal income tax purposes. Any differing treatment of the Notes could significantly affect the amount, timing and character of income, gain or loss in respect of an investment in the Notes. Accordingly, all prospective purchasers of the Notes are advised to consult their own tax advisors regarding the U.S. federal, state, local and non-U.S. tax consequences of the purchase, ownership and disposition of the Notes (including any possible differing treatments of the Notes).

### ***Taxation of Payments on the Notes***

The Notes will have original issue discount, or OID, for U.S. federal income tax purposes because the Company is not unconditionally obligated to pay interest on the Notes and payments are made to the U.S. Holders only to the extent that payments are received by the Company on the corresponding real estate loan. A U.S. Holder of a Note will be required to include such OID in income as ordinary interest income for U.S. federal income tax purposes as it accrues under a constant yield method, regardless of such U.S. Holder’s regular method of tax accounting. If a Note

is paid in accordance with its payment schedule, which will be available on the holder's account page at [www.connectinvest.com](http://www.connectinvest.com), the amount of OID includible in income by a U.S. Holder is anticipated to be based on the yield of the Note, as described below, which yield will be lower than the stated interest rate on the Note. As a result, the holder will generally be required to include an amount of OID in income that is less than the amount of stated interest paid on the Note. On the other hand, if a payment on a Note is not made in accordance with such payment schedule, for example because the borrower did not make timely payment in respect of the corresponding real estate loan, a U.S. Holder will be required to include such amount of OID in taxable income as interest even though such interest has not been paid.

The Treasury Regulations governing OID provide special rules for determining the amount and accrual of OID for debt instruments that provide for one or more alternative payment schedules applicable upon the occurrence of contingencies. If the timing and amounts of the payments that comprise each payment schedule are known as of the issue date, and based on all the facts and circumstances as of the issue date, a single payment schedule for a debt instrument, including the stated payment schedule, is significantly more likely than not to occur, the amount and accrual of OID is determined based on that payment schedule. In addition, under the applicable Treasury Regulations, remote and/or incidental contingencies generally may be ignored. A contingency relating to the amount of a payment is incidental if, under all reasonably expected market conditions, the potential amount of the payment is insignificant relative to the total expected amount of the remaining payments on the debt instrument. A contingency relating to the timing of a payment is incidental if, under all reasonably expected market conditions, the potential difference in the timing of the payment is insignificant.

The Notes provide for one or more alternative payment schedules because we are obligated to make payments on a Note only to the extent that we receive payments on the corresponding real estate loan. The payment schedule for each Note, which will be available on the holder's account page at [www.yieldsolution.com](http://www.yieldsolution.com), provides for payments of principal and interest on the Note in accordance with the payment schedule for the corresponding real estate loan. In addition to scheduled payments, we will prepay a Note to the extent that a borrower prepays the real estate loan corresponding to the Note. Notwithstanding such contingencies, we have determined to use the payment schedule of a Note to determine the amount and accrual of OID on the Note because we believe that a Note is significantly more likely than not to be paid in accordance with such payment schedule and/or the likelihood of nonpayment, prepayment, or late payment by the borrower on the real estate loan corresponding to such Note will be remote or incidental. If in the future we determine that the previous sentence does not apply to a Note, we anticipate that it will be required to determine the amount and accrual of OID for such Note pursuant to the rules applicable to contingent payment debt instruments, which are described below, and we will so notify U.S. Holders of the Note.

Our determination is not binding on the IRS. If the IRS determines that the Notes are "contingent payment debt instruments" due to the contingencies described above (or in the future, if we so conclude with respect to a particular series of Notes), the Notes will be subject to special rules applicable to contingent payment debt instruments. Such rules generally require a holder (i) to accrue interest income based on a projected payment schedule and comparable yield, which may be higher or lower than the stated interest rate on the Notes, and (ii) treat as ordinary income, rather than capital gain, any gain recognized on the sale, exchange, or retirement of the debt instrument. This discussion assumes that the Notes are not subject to the contingent payment debt instrument rules.

The OID on a Note will equal the excess of the Note's "stated redemption price at maturity" over its "issue price." The stated redemption price at maturity of a Note includes all payments of principal and stated interest on the Note under the payment schedule of the Note. The issue price of the Notes will equal the principal amount of the Notes.

The amount of OID includible in a U.S. Holder's income for a taxable year is the sum of the "daily portions" of OID with respect to the Note for each day during the taxable year in which the holder held the Note. The daily portion of OID is determined by allocating to each day of any accrual period within a taxable year a pro rata portion of an amount equal to the product of such Note's adjusted issue price at the beginning of the accrual period and its yield to maturity (properly adjusted for the length of the period). We intend to use 30-day accrual periods. The adjusted issue price of a Note at the beginning of any accrual period should be its issue price, increased by the aggregate amount of OID previously accrued with respect to the Note, and decreased by any payments of principal and interest previously made on the Note. A Note's yield to maturity should be the discount rate that, when used to compute the present value of all payments of principal and interest to be made on the Note under the payment schedule of the Note, produces an amount equal to the issue price of such note.

Cash payments of interest and principal under the payment schedule on the Notes will not be separately included in income, but rather will be treated first as payments of previously accrued but unpaid OID and then as payments of principal.

### ***Sale, Retirement or Other Taxable Disposition of Notes***

Upon the sale, retirement or other taxable disposition of a Note, a U.S. Holder generally will recognize gain or loss equal to the difference, if any, between the amount realized upon the sale, retirement or other taxable disposition and the U.S. Holder's adjusted tax basis in the Note. In general, the U.S. Holder's adjusted tax basis of the Note will equal the U.S. Holder's cost for the Note, increased by the OID and market discount previously included in gross income by the holder, as discussed below, and reduced by any payments previously received by the holder in respect of the Note.

Except as described below with respect to any Note acquired at a market discount or, as discussed above, treated as a contingent payment debt instrument, such gain or loss generally will be capital gain or loss and will be long-term capital gain or loss if at the time of sale, retirement or other taxable disposition, such Note has been held for more than one year. Under current U.S. federal income tax law, certain non-corporate U.S. Holders, including individuals, are eligible for preferential rates of U.S. federal income taxation in respect of long-term capital gains. The deductibility of capital losses is subject to limitations under the Code.

### ***Prepayments***

As discussed above, we will prepay a Note to the extent that a borrower prepays the real estate loan corresponding to the Note. If we prepay a note in full, the Note will be treated as retired, and, as described above, a U.S. Holder generally will have gain or loss equal to the difference, if any, between the amount realized upon the retirement and the U.S. Holder's adjusted tax basis in the Note. If we prepay a Note in part, a portion of the Note will be treated as retired. Generally, for purposes of determining (i) the gain or loss attributable to the portion of the Note retired and (ii) the OID accruals on the portion of the Note remaining outstanding, the adjusted issue price, holder's adjusted tax basis, and the accrued but unpaid OID of the Note, determined immediately before the prepayment, will be allocated between the two portions of the Note based on the portion of the Note that is treated as retired. The yield to maturity of a Note is not affected by a partial prepayment.

### ***Acquisition Premium***

If a U.S. Holder purchases a Note for an amount greater than the Note's adjusted issue price but less than the sum of all amounts payable on the Note after the purchase date, the Note will be treated as acquired at an acquisition premium. For a Note acquired with an acquisition premium, the amount of OID that the U.S. Holder must include in gross income with respect to the Note for any taxable year will be reduced by the portion of the acquisition premium properly allocable to such taxable year.

If a U.S. Holder purchases a Note for an amount in excess of the sum of all amounts payable on the Note after the purchase date, the U.S. holder will not be required to include OID in income with respect to the Note.

### ***Nonpayment of Real Estate Loans Corresponding to Note — Automatic Extension***

In the event that we do not make scheduled payments on a Note as a result of nonpayment by a borrower on the real estate loan corresponding to the Note, a U.S. Holder must continue to accrue and include OID on a Note in taxable income until the maturity date. If scheduled payments are not made, solely for purposes of the OID rules, the Note may be treated as retired and reissued on the scheduled payment date for an amount equal to the Note's adjusted issue price on that date. As a result of such reissuance, the amount and accrual of OID on the Note may change. At the time of the deemed reissuance, due to nonpayment by the borrower, we may not be able to conclude that it is significantly more likely than not that the Note will be paid in accordance with one payment schedule and/or that the likelihood of future nonpayment, prepayment, or late payment by the borrower on the real estate loan corresponding to such Note will be remote or incidental. Accordingly, the Note may become subject to the contingent payment debt instrument rules. In addition, in the event that a Note's maturity date is extended because amounts remain due and payable on the

maturity date by the borrower on the real estate loan corresponding to the Note, the Note likely will be treated as reissued and become subject to the contingent payment debt instrument rules. As discussed above, contingent payment debt instruments are subject to special rules. If we determine that a Note is subject to the contingent payment debt instrument rules as a result of such a reissuance, we will notify the U.S. holders and provide the projected payment schedule and comparable yield.

If collection on a Note becomes doubtful, a U.S. Holder may be able to stop accruing OID on the Note. Under current IRS guidance, it is not clear whether a U.S. Holder may stop accruing OID if scheduled payments on a Note are not made. U.S. Holders should consult their own tax advisors regarding the accrual and inclusion of OID in income when collection on a Note becomes doubtful.

### ***Losses as a result of Worthlessness***

In the event that a Note becomes wholly worthless, a non-corporate U.S. Holder who did not acquire the Note as part of the holder's trade or business generally should be entitled to deduct the holder's adjusted tax basis in the Note as a short-term capital loss in the taxable year the Note becomes wholly worthless. The portion of the U.S. Holder's adjusted tax basis attributable to accrued but unpaid OID may be deductible as an ordinary loss, although such treatment is not entirely free from doubt. Under Section 166 of the Code, corporate U.S. Holders and other U.S. Holders that acquired Notes as part of a trade or business generally are entitled to deduct as an ordinary loss any loss sustained during the taxable year on account of a Note becoming wholly or partially worthless. U.S. Holders should consult their own tax advisors regarding the character and timing of losses attributable to Notes that become worthless in whole or in part.

### ***Information Reporting and Backup Withholding***

Information reporting will generally apply to payments, and accruals of OID, on, and the proceeds of the sale or other disposition (including a redemption, exchange or retirement) of, Notes held by you, and backup withholding may also apply to such payments unless the you (i) are a corporation or other exempt recipient and, when required, demonstrate this fact or (ii) provide your taxpayer identification number and satisfy certain certification requirements.

Backup withholding is not an additional tax. Any amount withheld under the backup withholding rules is allowable as a credit against your U.S. federal income tax liability, if any, and a refund may be obtained if the amounts withheld exceed your actual U.S. federal income tax liability and you timely provide the required information or appropriate claim form to the IRS.

**THE PRECEDING DISCUSSION OF CERTAIN U.S. FEDERAL INCOME TAX CONSIDERATIONS IS FOR GENERAL INFORMATION ONLY AND IS NOT TAX ADVICE. YOU ARE URGED TO CONSULT YOUR OWN TAX ADVISOR REGARDING THE PARTICULAR U.S. FEDERAL, STATE, LOCAL AND NON-U.S. TAX CONSEQUENCES OF PURCHASING, HOLDING AND DISPOSING OF THE NOTES IN YOUR PARTICULAR CIRCUMSTANCES.**

### **ERISA CONSIDERATIONS**

The Employee Retirement Income Security Act of 1974, as amended ("ERISA"), and corresponding provisions of the Internal Revenue Code, imposes certain requirements on pension, profit sharing, and other employee benefit plans to which it applies, including individual retirement accounts and annuities, Keogh plans, and other tax-exempt plans ("Plans"), and on those persons who are fiduciaries or parties in "interest" with respect to such Plans. In considering an investment of assets of a Plan in the Notes, a Plan fiduciary should consider, among other things: (i) the purposes, requirements, and liquidity needs of such Plan;

- (i) the definition of Plan assets under ERISA and applicable U.S. Department of Labor regulations; (iii) whether the investment satisfies the diversification requirements of Section 404(a)(1)(c) of ERISA; and (iv) whether such an investment is appropriate for the Plan and prudent considering the nature of the investment.



In addition, Sections 406 and 407 of ERISA and Section 4975 of the Internal Revenue Code prohibit certain transactions that involve a Plan and a “party in interest” under ERISA or “disqualified” persons under the Internal Revenue Code with respect to the Plan and Plan assets. Consequently, a Plan contemplating an investment in the Fractionalized Interests should consider whether Company, or any affiliate of Company, is or might become a party in interest or a disqualified person with respect to the Plan. Potential Plan Investors are urged to consult with, and rely upon, their own advisors and counsel for advice on the ERISA and IRS issues relating to a Plan’s investment in the Notes.

## **RESTRICTIONS ON TRANSFERS**

The Notes are not being registered under the Securities Act. The Notes may not be sold or transferred unless they are registered under the Securities Act and the applicable securities laws of any appropriate jurisdiction, or unless exemptions from such registration requirements are available. Accordingly, the Notes will not be listed on any securities exchange, nor do we have plans to establish any kind of trading platform to assist investors who wish to sell their Notes. There is no public market for the Notes, and none is expected to develop. Accordingly, investors may be required to hold Notes to the maturity date of the corresponding real estate loan.

As a condition to this offering, we have placed in the Note, the Investor Agreement and the Note Agreement various restrictions upon the ability of investors to resell or otherwise dispose of any Notes purchased, including without limitation the following:

1. No investor may resell or otherwise transfer any Notes except to a person or entity that meets the eligibility standards described herein (See the section entitled “*Investor Qualifications*”).
2. The Notes have not been registered with the SEC under the Securities Act in reliance upon the exemptions provided for under Section 4(a)(2) and Rule 506 thereunder. Fractional Notes may not be sold or otherwise transferred without registration under the Securities Act or pursuant to an exemption therefrom. In addition, no sales or transfers may be made for at least one (1) year after the last sale by the Company of a particular series of Notes. In the case of construction or rehabilitation loans, that one-year period will not begin to run until the last loan disbursement under the loan disbursement agreement has been funded. Any such sale or transfer shall be subject to the Company’s right of first refusal described in the preceding paragraph.
3. A transfer fee shall be charged for every transfer request made by investor to the Company for administrative and legal costs.
4. No sale or transfer shall be effective unless the buyer or transferee has executed and delivered to the Company all documents required by the Company for investing in the Notes and paid the transfer fee to the Company.
5. All transfers must be approved by the Company and the Company may, in its sole discretion, grant or withhold such approval.

The Notes will be registered electronically with the Company, and the Company does not anticipate issuing physical Notes or related instruments. The form of Note that will be available online will contain one or more legends stating that the Notes have not been registered under the Securities Act and describing the applicable limitations on resale.

## **ADDITIONAL INFORMATION AND UNDERTAKINGS**

The Company undertakes to make available to each potential Investor every opportunity to obtain any additional information from the Company necessary to verify the accuracy of the information contained in this Memorandum. The Company will provide such information to the extent that it possesses such information or can acquire it without unreasonable effort or expense. This additional information includes documents or instruments relating to the operation and business of the Company that are material to this offering and the transactions contemplated and

described in this Offering Memorandum. Should you have any questions, please do not hesitate to contact the Company as follows:

Connect Invest Corporation  
2140 E. Pebble Road, Suite 150  
Las Vegas, NV 89123

Attention: Investor Relations  
[www.connectinvest.com](http://www.connectinvest.com)