Name of Offeree: _____

CONFIDENTIAL ACCREDITED INVESTOR PACKAGE

MONTEREY RECEIVABLES FUNDING, LLC

Offering of up to $50,000,000 in the aggregate of
Secured Class A-1 6% Participating Notes, Secured Class B-1 7% Participating Notes and Secured Class A-2 8% Notes

(Minimum Purchase: $50,000)
(Maximum Purchase $2,000,000)

January 2018

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INDEX OF EXHIBITS

- TAB A of this package contains a Confidential Private Placement Memorandum (ñMemorandumò or ñmemorandumò) setting forth a summary of the terms of this offering, a business summary, a corporate profile for Monterey Financial Services, Inc., the ñ**RISK FACTORS**ò associated with an investment in the Company and a summary of tax issues related to the purchase of the Notes.

- TAB B of this package contains the form of Class A-1 Note.

- TAB C-1 of this package contains the form of Class B-1 Note.

- TAB C-2 of this package contains the form of Class A-2 Note.

- TAB D-1 of this package contains the form of Security Agreement.

- TAB D-2 of this package contains the form of Omnibus Amendment.

- TAB E of this package contains the form of Loan Servicing / Management Agreement.

- TAB F of this package contains the Subscription Documents (the ñSubscription Documentsò) to be completed by investors interested in purchasing Notes.

SHOULD YOU HAVE ANY QUESTIONS, PLEASE CONTACT THE COMPANY AS FOLLOWS:

Monterey Receivables Funding, LLC
Attn: Chris Hughes
4095 Avenida De La Plata
Oceanside, California 92056
Phone: (760) 639-3527
E-mail: CHughes@MontereyFinancial.com

THIS OFFERING OF NOTES (ñSECURITIESò) IS MADE PURSUANT TO RULE 506(C) OF REGULATION D PROMULGATED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE ñSECURITIES ACTò). THE SECURITIES MAY BE SOLD ONLY TO ñACCREDITED INVESTORS,ò WHICH FOR NATURAL PERSONS ARE INVESTORS WHO MEET CERTAIN MINIMUM ANNUAL INCOME OR NET WORTH THRESHOLDS. THE SECURITIES ARE BEING OFFERED IN RELIANCE ON AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT, AND ARE NOT REQUIRED TO COMPLY WITH SPECIFIC DISCLOSURE REQUIREMENTS THAT APPLY TO REGISTRATION UNDER THE SECURITIES ACT. THE U.S. SECURITIES AND EXCHANGE COMMISSION OR ANY EQUIVALENT STATE OR FOREIGN AGENCIES HAVE NOT PASSED UPON THE MERITS OF OR GIVEN ITS APPROVAL TO THE SECURITIES, THE TERMS OF THE OFFERING, OR THE ACCURACY OR COMPLETENESS OF ANY OFFERING MATERIALS. THE SECURITIES ARE SUBJECT TO LEGAL RESTRICTIONS ON TRANSFER AND RESALE AND INVESTORS SHOULD NOT ASSUME THEY WILL BE ABLE TO RESELL THEIR SECURITIES. INVESTING IN SECURITIES INVOLVES RISK, AND INVESTORS SHOULD BE ABLE TO BEAR THE LOSS OF THEIR INVESTMENT. INVESTMENT IN THE SECURITIES SHOULD BE CONSIDERED HIGHLY SPECULATIVE AND SUITABLE ONLY FOR PERSONS OF ADEQUATE FINANCIAL MEANS WHO HAVE NO NEED FOR LIQUIDITY WITH RESPECT TO THIS INVESTMENT. PURCHASERS OF THE SECURITIES SHOULD HAVE THE FINANCIAL ABILITY AND WILLINGNESS TO ACCEPT THE RISKS (INCLUDING, AMONG OTHER THINGS, THE RISK OF LOSS OF THEIR ENTIRE INVESTMENT AND THE LACK OF LIQUIDITY) AND SHOULD CONSULT THEIR FINANCIAL ADVISORS REGARDING THE APPROPRIATENESS OF MAKING AN INVESTMENT. FURTHERMORE, THE SECURITIES OFFERED ARE NOT SUBJECT TO THE PROTECTIONS OF THE INVESTMENT COMPANY ACT OF 1940, AS AMENDED.

THIS CONFIDENTIAL ACCREDITED INVESTOR PACKAGE HAS BEEN PREPARED FOR DISTRIBUTION TO ACCREDITED INVESTORS TO ASSIST THEM IN EVALUATING THIS OFFERING. THIS CONFIDENTIAL ACCREDITED INVESTOR PACKAGE DOES NOT CONSTITUTE AN OFFER OR SOLICITATION TO ANYONE IN ANY JURISDICTION IN WHICH SUCH OFFER OR SOLICITATION IS NOT AUTHORIZED.

THE NOTES OFFERED HEREIN MAY NOT BE SOLD, TRANSFERRED OR OTHERWISE DISPOSED OF WITHOUT SATISFACTION OF CERTAIN CONDITIONS, INCLUDING REGISTRATION UNDER OR THE AVAILABILITY OF AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT.

PROSPECTIVE INVESTORS ARE NOT TO CONSTRUE THE CONTENTS OF THIS CONFIDENTIAL ACCREDITED INVESTOR PACKAGE AS LEGAL, TAX OR BUSINESS ADVICE. PRIOR TO MAKING AN INVESTMENT DECISION REGARDING THE NOTES, A PROSPECTIVE INVESTOR SHOULD CONSULT HIS OR HER OWN ADVISORS AND CAREFULLY REVIEW AND CONSIDER THE CONTENTS OF THIS CONFIDENTIAL ACCREDITED INVESTOR PACKAGE.

THE COMPANY MAKES THE STATEMENTS IN THIS CONFIDENTIAL ACCREDITED INVESTOR PACKAGE AS OF THE DATE HEREOF, UNLESS STATED OTHERWISE. NEITHER THE DELIVERY OF THIS CONFIDENTIAL ACCREDITED INVESTOR PACKAGE, NOR ANY SALE MADE HEREUNDER AS OF A DATE AFTER THE DATE OF THIS CONFIDENTIAL ACCREDITED INVESTOR PACKAGE (OR THE LATEST AMENDMENT OR SUPPLEMENT HERETO), SHALL CREATE ANY IMPLICATION THAT THE INFORMATION CONTAINED HEREIN OR THE AFFAIRS OF THE COMPANY HAVE NOT CHANGED SINCE THE DATE

HEREOF (OR OF THE LATEST AMENDMENT OR SUPPLEMENT) OR THAT SUCH INFORMATION IS CORRECT AS OF ANY TIME SUBSEQUENT TO ITS DATE.

BY ACCEPTING THIS CONFIDENTIAL ACCREDITED INVESTOR PACKAGE, AN INVESTOR (1) AGREES TO KEEP CONFIDENTIAL ALL INFORMATION CONTAINED IN THIS CONFIDENTIAL ACCREDITED INVESTOR PACKAGE AND NOT USE IT FOR ANY PURPOSE OTHER THAN TO EVALUATE AND DETERMINE INTEREST IN PURCHASING NOTES AND (2) ACKNOWLEDGES AND AGREES THAT THIS CONFIDENTIAL ACCREDITED INVESTOR PACKAGE SHALL REMAIN THE PROPERTY OF THE COMPANY AND SHALL BE IMMEDIATELY RETURNED UPON THE COMPANYôS REQUEST.

EXCEPT AS CONTAINED IN THIS CONFIDENTIAL ACCREDITED INVESTOR PACKAGE, NO PERSON HAS BEEN AUTHORIZED TO PROVIDE OR FURNISH INFORMATION RELATING TO THIS OFFERING. ANY INFORMATION OTHER THAN THAT CONTAINED IN THIS CONFIDENTIAL ACCREDITED INVESTOR PACKAGE MAY NOT BE RELIED UPON.

ANY INQUIRIES REGARDING THE INVESTMENT DESCRIBED IN THIS MEMORANDUM SHOULD BE DIRECTED AS FOLLOWS:

Monterey Receivables Funding, LLC
Attn: Chris Hughes, President & CEO
4095 Avenida De La Plata
Oceanside, California 92056
Phone: (760) 639-3527
E-mail: CHughes@MontereyFinancial.com

TERMS OF SALE; COMPANY'S RIGHT TO REJECT OFFERS

THE SALE OF THE SECURITIES OFFERED HEREBY IS SUBJECT TO THE COMPANYÕS VERIFICATION BY REASONABLE STEPS THAT THE INVESTOR IS AN ACCREDITED INVESTOR AND THE PROVISIONS OF THE SUBSCRIPTION DOCUMENTS TO BE EXECUTED BY EACH INVESTOR PURCHASING NOTES FROM THE COMPANY. ANY PURCHASE OF THE SECURITIES OFFERED HEREBY SHOULD BE MADE ONLY AFTER A COMPLETE AND THOROUGH REVIEW OF THE PROVISIONS OF SUCH DOCUMENTS AND THE ENTIRE CONFIDENTIAL ACCREDITED INVESTOR PACKAGE.

THE COMPANY RESERVES THE RIGHT, IN ITS SOLE AND ABSOLUTE DISCRETION, TO MODIFY, AMEND AND/OR WITHDRAW ALL OR A PORTION OF THIS OFFERING AND/OR TO ACCEPT OR REJECT IN WHOLE OR IN PART ANY PROSPECTIVE INVESTMENT IN THE NOTES OFFERED HEREBY OR TO ALLOT TO ANY PROSPECTIVE INVESTOR LESS THAN THE AMOUNT OF THE NOTES OFFERED HEREBY THAT SUCH INVESTOR DESIRES TO PURCHASE. THE COMPANY SHALL HAVE NO LIABILITY WHATSOEVER TO ANY OFFEREE AND/OR INVESTOR IN THE EVENT THAT ANY OF THE FOREGOING SHALL OCCUR.

FORWARD-LOOKING STATEMENTS

This Confidential Accredited Investor Package contains forward-looking statements that are subject to a number of risks and uncertainties, many of which are beyond the Companyõs control. All statements, other than statements of historical facts included in this investor package, regarding such matters as the Companyõs strategy, future operations, financial positions, estimated revenues or losses, projected costs, prospects, plans, and objectives of management are forward-looking statements. When used in this investor package, the words ñwill,ò ñbelieve,ò ñintend,ò ñanticipate,ò ñestimate,ò ñexpect,ò ñproject,ò ñplanò and similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain such identifying words. All forward-looking statements speak only as of the date of this document. Although the Company believes that its plans, intentions and expectations reflected in, or suggested by, the forward-looking statements made in this document, and any additional offering documents, are reasonable, the Company can give no assurance that these plans, intentions or expectations will be achieved. The Company discloses important factors that could cause the actual results to differ materially from what is expected under ñ**RISK FACTORS**ò discussed in this investor package. These cautionary statements qualify all forward-looking statements attributable to the Company or persons acting on the Companyõs behalf.

TAB A

CONFIDENTIAL PRIVATE PLACEMENT MEMORANDUM
OFFERED TO ACCREDITED INVESTORS ONLY
Offering of up to $50,000,000 in the aggregate of
Secured Class A-1 6% Participating Notes, Secured Class B-1 7% Participating Notes and
Secured Class A-2 8% Non-Participating Notes

(Minimum Purchase: $50,000)
(Maximum Purchase: $2,000,000)

MONTEREY RECEIVABLES FUNDING, LLC

This Confidential Private Placement Memorandum (this ñMemorandumò or ñmemorandumò) relates to the offer and sale by Monterey Receivables Funding, LLC, a Delaware limited liability company (the ñCompanyò), of up to $50,000,000 in the aggregate of Secured Class A-1 6% Participating Notes Secured Class B-1 7% Participating Notes and Secured Class A-2 8% Non-Participating Notes (together, the ñNotesò) in the Company, with a minimum purchase of $50,000 and a maximum purchase of $2,000,000, provided that the Company may elect to waive such minimum and maximum amounts with respect to any investor. The Class B and B-1 7% Participating Notes will represent a minimum of ten percent (10%) of the aggregate outstanding Notes. Purchasers of Notes may elect to allocate their purchase between the different categories of Notes subject to limitations established by the Company with respect to the maximum amount of each class of Notes to be sold. The Class A-1 6% Participating Notes and Class A-2 8% Non-Participating Notes are senior in right of payment to the Class B-1 7% Participating Notes. The Notes bear simple interest at the stated rates and only the Class A-1 6% and Class B-1 7% Notes participate *pro rata* in ten percent (10%) of the EBITDA of the Company for each calendar fiscal year.

The Company is a single-purpose entity formed on October 10, 2012 as a financing vehicle to purchase consumer receivables, but has no other operations. All of the Receivables (as defined below) purchased by the Company will be serviced by Monterey Financial Services, LLC (ñMFSò), an entity under common control with the Company. See the Section entitled ñ*Business Summary*ò below for more information.

THIS MEMORANDUM SUPERSEDES ANY OFFERING MATERIALS PREVIOUSLY PROVIDED TO POTENTIAL INVESTORS (AS DEFINED BELOW). THE TERMS SET FORTH IN THIS MEMORANDUM (INCLUDING THE ATTACHMENTS HERETO) REPRESENT THE FINAL TERMS OF THE FINANCING (AS DEFINED BELOW).

A PURCHASE OF THE NOTES SHOULD BE CONSIDERED HIGHLY SPECULATIVE, INVOLVING SUBSTANTIAL RISKS AND SUITABLE ONLY FOR PERSONS OF ADEQUATE FINANCIAL MEANS WHO HAVE NO NEED FOR LIQUIDITY WITH RESPECT TO THIS INVESTMENT AND WHO CAN BEAR THE RISKS ASSOCIATED WITH A COMPLETE LOSS OF THEIR INVESTMENT. FOR FURTHER INFORMATION REGARDING SOME OF THE SIGNIFICANT RISKS INVOLVED IN AN INVESTMENT IN THE NOTES, PLEASE SEE THE SECTION OF THIS MEMORANDUM ENTITLED ñ**RISK FACTORS**.ò

SUMMARY OF TERMS

The Financing:

Borrower:	Monterey Receivables Funding, LLC, a Delaware limited liability company (ñCompanyò).
The Financing:	The financing (ñFinancingò) will consist of the sale of Class A-1 6% Participating Notes (ñClass A-1 Notesò), Class B-1 7% Participating Notes (ñClass B-1 Notesò and Class A-2 8% Non-Participating Notes (ñClass A-2 Notesò), in an aggregate maximum amount of up to Fifty Million Dollars ($50,000,000) (the ñMaximum Amountò). Class B-1 and Class B Notes will represent a minimum of ten percent (10%) of the aggregate outstanding Notes.
Minimum Investment:	Each purchaser of Notes (each, an ñInvestor,ò and collectively, the ñInvestorsò) must purchase a minimum of Fifty Thousand Dollars ($50,000) of Notes up to a maximum of Two Million Dollars ($2,000,000) of Notes; provided that the Company, in its sole discretion, may elect to waive such minimum and maximum amounts with respect to any Investor. Purchasers of Notes may elect to allocate their purchase between the different categories of Notes subject to limitations established by the Company with respect to the maximum amount of each class of Notes to be sold.
Investors:	Each Investor must be an ñaccredited investorò as defined in Rule 501 of Regulation D promulgated under the Securities Act of 1933, as amended.
Company Business:	The Company purchases consumer receivables at a discount based upon term of the obligation, interest rate, industry of the seller and consumer credit quality. The Company may also loan money to business entities, if they provide adequate collateral. The Company looks for unique opportunities to finance companies that cannot obtain funding from traditional lending sources or need secondary financing for their subprime consumer base. The Companyôs management team has extensive experience pricing, underwriting and acquiring performing consumer receivables. The Company does not presently intend to sell its interests in the Receivables (as defined below) it acquires to investors or other third parties, but reserves the right to do so in the future. The discount and reserve applied to the debts purchased varies based on the credit quality of the debtor, the interest due on the note and the term of the obligation.

Underwriting Criteria: The Company will use the proceeds from the Financing to purchase and acquire consumer notes, contracts or other obligations (the ñReceivablesò) from one or more sellers who meet criteria established by the Company (each, a ñQualified Sellerò). The Company will use the following criteria with respect to the purchase of each Receivable:

(1) Receivables will have a remaining term of eighty four (84) months or less;

(2) Receivables will not be originated by any employee, dealer, affiliate or shareholder of the Company or MFS;

(3) Receivables will not be involved in any litigation or be subject to any legal proceedings;

(4) Each Receivable will have a remaining principal balance of Thirty Thousand Dollars ($30,000) or less;

(5) The funded amount of all Receivables purchased from any Qualified Seller shall not exceed fifty percent (50%) of all Receivables;

(6) Receivables purchased with any recourse component will have adequate reserves or servicing collateral based on credit quality;

(7) Adequate reserves and discounts will be structured for each Receivable purchased that considers the credit quality of the consumer, as well as the interest rate, term and industry of such Receivable;

(8) Personal loans for niches such as jewelry must be supported by adequate collateral value; and

(9) A credit committee will perform thorough documented due diligence on pricing, procedural structure, and all aspects of underwriting to assure criteria are met prior to funding.

Segregation of Receivables: Each of the Receivables acquired by the Company will be segregated from any Receivables acquired by MFS or any third party. In the event both the Company and MFS purchase Receivables from the same seller, Receivables will be distributed in a random and fair manner as to term, interest, credit, and other relevant factors.

Outstanding Notes: As of December 31, 2017, approximately one hundred seventy (170) Secured Class A, A-1, B B-1 and Class A-2 Notes aggregating approximately $23 million have been issued by the Company (the ñOutstanding Notesò), which remain outstanding. *See*, ñSummary of Terms -- Prior Note Offering,ò below.

Closings: Closings of the Financing will occur following receipt by the Company of binding subscriptions to purchase Notes (the ñInitial Closingò) and will continue on a rolling basis in the Companyôs discretion. In the event that Notes are repaid following a closed offering, the Company may, at its discretion, re-open such offering to fill the available amount that would then reach the closed amount (the ñSubsequent Closingsò).

Reporting Requirements: Upon request the Company will use its commercially reasonable efforts to provide Investors with monthly and annual unaudited financial statements, together with a report detailing the investment and other activities of the Company for such period. All such information shall be made available pursuant to the Metis Fund Portal (*see*, ñThe Offering -- Description of Metis Marketing and Management Platform Portal and Noteholder Communications,ò below).

Management Services; Compensation to MFS: The Company has entered into a Loan Servicing Agreement with MFS, pursuant to which MFS is the exclusive provider of certain services, including, without limitation, all loan processing and funding management, originating, underwriting, servicing and collecting Receivables, and full and complete accounting with respect to monthly and year-end financials.

In connection with the services performed pursuant to the Loan Servicing Agreement, MFS is entitled to Three Dollars & Twenty Five Cents ($3.25)/month, per account. The monthly fee is subject to future adjustments, but in no event shall it exceed competitive market rates for like services. The Company is responsible to pay or reimburse all credit card merchant fees, privacy fees, sales/broker commissions and other transaction costs directly incurred in connection with the purchase of Receivables.

Collection Agreement for Bad Debt: The Company and MFS have entered into a Collection Agreement pursuant to which MFS has the exclusive right to collect all bad debts for the Company for a fee equal to twenty five percent (25%) of all sums collected. The monthly fee is subject to future adjustments, but in no event shall it exceed competitive market rates for like services.

Use of Proceeds: To purchase Receivables, Closing costs, servicing fees to MFS, personal loans based on adequate collateral, ongoing annual accounting, legal and other similar expenses, and other working capital needs.

Terms of Notes:

Interest Rate: The outstanding principal balance on the Notes shall bear interest at the following rates:

- Class A-1 Notes ï Six percent (6%) per annum, cumulative and non-compounding;
- Class B-1 Notes ï Seven percent (7%) per annum, cumulative and non-compounding.
- Class A-2 Notes ï Eight percent (8%) per annum, cumulative and non-compounding.

Interest Payments: During the twelve (12) months following the date of issuance of each Note (the ñInterest-Only Periodò), the holder of such Note shall be entitled to receive a monthly interest-only payment.

Additional Contingent Interest Payment: Investors (excluding holders of Class A-2 Notes) shall also be entitled to additional contingent interest equal to ten percent (10%) of the EBITDA (as defined below) of the Company for each fiscal calendar year, allocated among the investors pro rata based upon their relative principal balances and the number of days invested in Notes during the applicable year. The additional contingent interest shall be payable by February 15th of each year for sums due for the prior calendar year, if any. For purposes of this Section, EBITDA mean earnings before taxes, depreciation and amortization but after all base interest payments on the Notes.

Contingent interest is allocated amongst the Class A and Class B Notes at twenty percent (20%) and the Class A-1 and Class B-1 Notes at ten percent (10%), based on their relative principal balances during the applicable year. In this manner, as the Company has increased capital from loan proceeds to generate potential profits, the various Investorsô share proportionately in their contingent interest percentages of the profits based on their relative contributions of loan proceeds. The following are examples with respect to how these sums are calculated.

For example, assuming (1) there are two investors each of whom have a Note in the principal amount of $100,000; (2) one investor has had his Note outstanding for full fiscal year, while the other investorôs Note was outstanding for half the fiscal year; and (3) the Companyôs EBITDA for the fiscal year was $5,000. In this example, the contingent interest payment would be $500, with 2/3rd (or $333) paid to the investor whose Note was outstanding for the full year and 1/3rd (or $167) paid to the investor whose Note was outstanding for half of the year.

Assume there are total principal amounts outstanding for the entire year in the amount of $1,500,000 and that 33% or $500,000 of those Notes are held by Class A and Class B noteholders and that 33% or $500,000 are held by Class A-1 and Class B-1 noteholders and 33% or $500,000 is held by Class A-2 noteholders. Assume the EBITDA for the year is $300,000. Accordingly, the Class A and Class B noteholders would be entitled to 20% with respect to one third of the available profits and the Class A-1 and Class B-1 noteholders would be entitled to 10% with respect to one third of the profits. So, if the profits are $300,000 for the entire year, the Class A and Class B noteholders would be entitled to their pro rata share of 20% of 33% of $300,000 or 20% X $100,000 or $20,000 in the aggregate. The Class A-1 and Class B-1 noteholders would be entitled to their pro rata share of 10% of 33% of $300,000 or 10% X $100,000 or $10,000 in the aggregate.

Please refer to ñHistorical Financial Informationò below for a description of the Companyôs financial performance to date. Based on managementôs expertise in the industry, it anticipates EBITDA will be approximately 20% of net revenues; *however,* the assumptions may differ materially to what is

experienced in practice and could have an adverse effect on the Companyôs operations and its financial prospects. In addition, no assurance can be given with regard to the same or that the Company will be successful in its business, the collection of its Receivables or otherwise.

Prior Financial History: The Companyôs net income for the twelve (12) months ending December 31, 2017 was $2 million, with total revenue of $5.4 million. As of December 31, 2017, the Company owned $33 million of consumer contracts, with Notes outstanding of approximately $23 million. The Company has purchased contracts from over 100 different businesses.

Principal Payment: The outstanding balance of principal and accrued interest with respect to each particular Note shall be payable at the end of twelve (12) months from issuance of such Note (ñDue Dateò).

Automatic Rollover of Notes: Unless an Investor gives at least ninety (90) daysô advance written notice of redemption prior to each Due Date applicable to any particular Note, such Note will automatically renew and extend for an unlimited number of additional twelve (12) month periods. The ñDue Dateò shall be the date ending on each additional 12 month period.

Priorities: The Class B-1 Notes shall be subordinated in payment to the Class A-1, Class A-2 Notes and the Class A Notes previously sold in that no payment shall be made on the Class B-1 Notes unless and until all payments then due and owning with respect to the Class A Notes, Class A-1 and Class A-2 Notes have been paid in full.

Early Repayment Dates: Each Investor may request to have such Investorôs Class A-1 Notes, Class B-1 Notes and/or Class A-2 Notes paid in full prior to the Due Date for such Investorôs Note (ñRepayment Optionsò); provided, however, that any Investor requesting an early payment will automatically forfeit (i) if the early payment is within one year from the date of the Class A-1 Note, Class B-1 Note or Class A-2 Note (as applicable), all interest earned for the year and any additional interest based on year-end profit; and (ii) if the early payment is anytime thereafter, all interest with respect to the applicable Note for the current month and any additional interest with respect to then-applicable year-end profits. Any such request shall be effective at the beginning of the calendar month in which the request is made.

The purchase price to be paid to Investors upon exercise of a Repayment Option shall be made within thirty (30) days following the date of the Investorôs request. Notwithstanding the foregoing, the maximum aggregate amount of outstanding principal to be repaid in connection with the exercise of Repayment Options shall not exceed in any calendar year twenty percent (20%) of the then-total outstanding principal balance on all issued and outstanding Notes and Outstanding Notes in the aggregate. The payment of any amounts with respect to any Class B-1 Note pursuant to any Repayment Option shall also be subject to there being no amounts due and outstanding, but unpaid, with respect to any Class A-1 Notes, Class A Notes or Class A-2 Notes.

Prepayment: The Company shall have the right to prepay the Notes in full without penalty after the initial twelve (12) months from issuance. Investor will be entitled to retain all interest earned up until prepayment notice and entitled to their contingent interest payment up until the prepayment notice based on yearend financial statements.

Security: The repayment in full of the Notes and the Outstanding Notes shall be secured by a security interest in and to the assets of the Company, including, without limitation, the Receivables and proceeds thereof. The security interest shall be evidenced by a Security Agreement and an Omnibus Amendment thereto and a related UCC-1 financing statement. Each Investor will become a Secured Creditor under the Security Agreement, as amended, pursuant to a counterpart signature page thereto. The Company will also file appropriate amendments to the UCC-1 Financing Statement to add Investors as Secured Parties thereunder.

The Security Agreement imposes the following affirmative covenants, among others: maintenance of good standing, perfection of security interest, timely payment of taxes, maintenance of insurance and protection of intellectual property. In addition, the Company shall not take certain actions without the consent of a Required Majority (as defined below). Such negative covenants include, without limitation, sale of the collateral outside the ordinary course, change in business, incurrence of indebtedness other than subordinated debt and/or creation of any encumbrance on the collateral.

The holders of all such Notes (and in their capacities as Secured Parties under the Security Agreement) will act by a Required Majority with respect to the enforcement and exercise of rights upon the occurrence and during the continuance of an event of default under the Notes and/or the Security Agreement. In addition, the Security Agreement may be amended or a provision thereof waived only in a writing signed by the Company and a Required Majority.

For purposes of the Notes and the Security Agreement, the term ñRequired Majorityò shall mean holders collectively representing more than fifty percent (50%) of the aggregate principal amount of all Notes and the Outstanding Notes outstanding at the time of such amendment, waiver, or other action, decision or determination permitted or required under this Agreement. As such, a Required Majority will have the right and power to diminish or eliminate all rights of the other Investors.

Transferability:	The Notes subscribed for are non-negotiable, and generally may only be transferred, assigned or encumbered with the prior written consent of the Company, in its sole and absolute discretion. In addition to the foregoing, the Company will maintain a book entry system upon which will be reflected the ownership of the Note by each Investor and the unpaid obligations evidenced thereby, and no transfer of any interest in any Note nor any right to receive payments of any amounts thereunder shall be effective unless (among other applicable requirements) such transfer is first registered in the book entry system established by the Company. Any transfer of the Notes (including any transfer to another Investor or third party) shall be subject to compliance with applicable securities laws.
No Right as Equity Member:	Investors will not be entitled to vote, receive dividends or exercise any of the rights of the members of the Company.

General:

Transaction Documents:	The Financing shall be evidenced by, among other things, a Subscription Agreement, a Note issued by the Company to each Investor, a Counterpart Signature Page to the Security Agreement, Amendment to the UCC Security Statement, and such other documents as the Company determines to be necessary in connection herewith (collectively, the ñTransaction Documentsò). The summary of terms set forth in this Memorandum is expressly qualified by the terms and conditions of the Transaction Documents which are hereby incorporated by reference herein, copies of which are available to prospective investors.
Governing Law:	The Transaction Documents shall be governed by California law.
Organizational Expenses; Transaction Expenses	All costs, fees and expenses incurred in connection with the formation of the Company and the Financing shall be paid from the proceeds of the Financing.
Expenses:	Each of the Investors will bear their own expenses and costs relating to the purchase of a Note and/or the consummation of the agreements or transactions contemplated hereunder.
Confidentiality:	This Term Sheet and Memorandum are confidential and may not be disclosed to third parties. Furthermore, each prospective Investor recognizes that any due diligence materials provided by the Company to such investor are confidential and that disclosure of these terms could cause irreparable harm to the Company. Accordingly, each such Investor and, as applicable, its agents, officers and directors acknowledge and agree that the terms, conditions and contents of this Term Sheet and Memorandum will be kept confidential and will not be published or disclosed without the prior written consent of the Company.
Prior Note Offerings:	As of December 31, 2017, the Company has issued Outstanding Notes in the aggregate approximately $23 million. These Outstanding Notes are secured by

$33 million in outstanding consumer retail installment Receivables, and, at 11% average consumer interest rates, there is additional $4.5 million of future potential interest income. Interest is payable monthly to noteholders of Outstanding Notes on the 15th of the following month, and 10% or 20% of net income is payable to such noteholders (excluding Class A-2 Notes) annually as ñContingent Interestò on February 15th of the following year.

Class A and B notes were issued with an initial $5 million offering dated December 2012, which reached the offering maximum by June 2013.

Class A-1, B-1 and A-2 notes were issued with an additional $50 million offering dated July 2013, of which in excess of $22 million of notes were issued as of December 31, 2017. Individual note principal balances vary from $50,000 to $2 million.

Class B and B-1 notes are subordinated to Class A, A-1 and A-2 notes. Class A and A-1 notes are paid 6% interest, Class B and B-1 notes are paid 7% interest and Class A-2 notes are paid 8% interest. The weighted average interest rate for all notes was 7.4% as of December 31, 2017. All notes are issued for a one year term with automatic annual renewals, unless ninety (90) daysô prior written notice is provided to the Company by the noteholder. As of December 31, 2017, there were $15.3 million in A, A-1 and A-2 notes outstanding (66%) and $7.8 million of B and B-1 notes outstanding (34%).

The Company intends to roll over current Class A-1 and Class B-1 notes into this Offering, subject to applicable law. The Companyôs Receivables are not segregated by note class, although the Company, MFS and MFS third-party Receivables are segregated. No more than twenty percent (20%) of all the Company outstanding notes can be redeemed in one year.

The Class A and Class B notes are identical in all respects to the Class A-1 notes and Class B-1 notes, respectively, except that the Class A and Class B notes share in twenty percent (20%) of the net profits of the Company. The Class A-2 Notes pay eight (8%) monthly simple interest and do not share in the net profits of the Company. The Class A-1 notes, Class B-1 and Class A-2 notes will be subject to automatic renewals of one (1) year, on the same terms as the Class A and Class B notes. As a matter of priority, the Class A, Class A-1 and Class A-2 notes must be current in all respects with respect to interest and principal prior to any payment of interest and principal on the Class B and Class B-1 notes. The Class A, Class A-1 and Class A-2 notes shall be *pari passu* to each other in all respects, and the Class B and Class B-1 notes shall be *pari passu* to each other in all respects.

Contingent interest is allocated amongst the Class A and Class B Notes at twenty percent (20%) and the Class A-1 and Class B-1 Notes at ten percent (10%) and Class A-2 Notes at zero percent (0%), based on their relative principal balances during the applicable year. In this manner, as the Company has increased capital from loan proceeds to generate potential profits, the various Investorsô share proportionately in their contingent interest percentages of the profits based on their relative contributions of loan proceeds. The following is an example with respect to how these

sums are calculated.

Assume there are total principal amounts outstanding for the entire year in the amount of $1,000,000 and that 50% or $500,000 of those Notes are held by Class A and Class B noteholders and that 50% or $500,000 are held by Class A-1 and Class B-1 noteholders. Assume the EBITDA for the year is $300,000. Accordingly, the Class A and Class B noteholders would be entitled to 20% with respect to half of the available profits and the Class A-1 and Class B-1 noteholders would be entitled to 10% with respect to half of the profits. So, if the profits are $300,000 for the entire year, the Class A and Class B noteholders would be entitled to their pro rata share of 20% of 50% of $300,000 or 20% X $150,000 or $30,000 in the aggregate. The Class A-1 and Class B-1 noteholders would be entitled to their pro rata share of 10% of 50% of $300,000 or 10% X $150,000 or $15,000 in the aggregate.

MFS Prior Note History: MFS has issued investor notes since 1995 and has a 20-year track record of making all principal and interest payments on time, at a typical rate amount of 7% per annum on approximately $5 million of principal.

THE OFFERING

Generally

AN INVESTMENT IN THE NOTES IS DESIGNED FOR THE SOPHISTICATED ACCREDITED INVESTOR WHO HAS SUCH BUSINESS AND FINANCIAL EXPERIENCE SO AS TO BE CAPABLE OF EVALUATING THE MERITS AND RISKS OF AN INVESTMENT IN THE NOTES AND OF PROTECTING HIS, HER OR ITS OWN INTERESTS IN CONNECTION WITH THIS OFFERING. ALL INVESTORS MUST REPRESENT THAT THEY ARE PURCHASING THE NOTES FOR THEIR OWN ACCOUNT (OR A TRUST ACCOUNT OF THE INVESTOR AS TRUSTEE) AND NOT WITH A VIEW TO OR FOR SALE IN CONNECTION WITH ANY DISTRIBUTION THEREOF. EACH PURCHASER OF NOTES MUST QUALIFY AS (I) AN "ACCREDITED INVESTOR" AS THAT TERM IS DEFINED BY RULE 501(A) OF REGULATION D PROMULGATED UNDER THE SECURITIES ACT, OR (II) A NON-"U.S. PERSON" (AS DEFINED IN REGULATION S OF THE SECURITIES ACT) IN RELIANCE ON REGULATION S OF THE SECURITIES ACT.

Private Placement

The Notes have not been registered under any federal, state or foreign securities laws and the Notes have not been approved or disapproved by the SEC or any other governmental agency. Neither the SEC nor any other governmental agency has passed upon or endorsed the merits of the offering or the accuracy or adequacy of this memorandum. Any representation to the contrary is unlawful.

The offering and sale of the Notes is being made solely to investors in reliance on the private placement exemption from registration provided in Rule 506(c) of Regulation D thereunder, and in reliance on appropriate exemptions from state registration and qualification requirements where available. Under Rule 506(c), the Company may engage in general solicitation or general advertising in offering and selling securities, provided that (i) all purchasers of the securities are accredited investors and (ii) the Company takes reasonable steps to verify that such purchasers are accredited investors, as described below.

Suitability Standards

The Notes are only being offered to, and may only be purchased by, ñaccredited investorsò as that term is defined by Rule 501 of Regulation D promulgated under the Securities Act.

As defined in Rule 501(A), an ñaccredited investorò is:

(1) Any 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; any broker dealer registered pursuant to Section 15 of the Securities Exchange Act of 1934, as amended (the ñExchange Actò); any insurance company as defined in Section 2(13) of the Securities Act; any investment company registered under the Investment Company Act of 1940 or a business development company as defined in Section 2(a)(48) of that Act; any Small Business Investment Company licensed by the United States Small Business Administration under Section 301(c) or (d) of the Small Business Investment Act of 1958; 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; any employee benefit plan within the meaning of the Employee Retirement Income Security Act of 1974, if the investment decision is made by a plan fiduciary, as defined in Section 3(21) of such Act, 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 that are accredited investors;

(2) Any private business development company as defined in Section 202(a)(22) of the Investment Advisers Act of 1940;

(3) Any organization described in Section 501(c)(3) of the Internal Revenue Code, corporation, Massachusetts or similar business trust, or partnership, not formed for the specific purpose of acquiring the securities offered, with total assets in excess of $5,000,000;

(4) Any director, executive officer, or general partner of the issuer of the securities being offered or sold, or any director, executive officer, or general partner of a general partner of that issuer;

(5) Any natural person whose individual net worth, or joint net worth with that personôs spouse, at the time of this purchase exceeds $1,000,000. For the purposes of this item, ñnet worthò means the sum of all cash, checking accounts, savings, cash value of life insurance, retirement accounts, real estate, home investments, personal property and other assets less the sum of mortgage balances, credit cards, loans and other liabilities, excluding (i) the undersignedôs primary residence and (ii) indebtedness that is secured by the undersignedôs primary residence up to the estimated fair market value of the primary residence as of the date hereof (except that if the amount of such indebtedness outstanding as of the date hereof exceeds the amount outstanding sixty (60) days before the date hereof, other than as a result of the acquisition of the primary residence, the amount of such excess shall be included as a liability);

(6) Any natural person who had an individual adjusted gross income in excess of $200,000 in each of the two most recent years or joint adjusted gross income with that personôs spouse in excess of $300,000 in each of those years and who has a reasonable expectation of reaching the same income level in the current year and who has no reason to believe that his/her/their adjusted gross income will not remain the same for the foreseeable future;

(7) Any trust with total assets in excess of $5,000,000, not formed for the specific purpose of acquiring the securities offered, whose purchase is directed by a sophisticated person as described in Rule 506(b)(2)(ii) of Regulation D of the Securities Act; and

(8) Any entity in which all of the equity owners are accredited investors. NOTE: If the Investor is in Accredited Investor because all of its equity owners are accredited investors, then information for each such equity owner showing the category which makes such owner an accredit investor must be furnished.

These standards represent minimum suitability requirements for prospective investors, and the satisfaction of such standards does not necessarily mean that the Notes are a suitable investment for a

prospective investor. Certain states may impose additional or different suitability standards, which may be more restrictive. Investors will be required to represent in writing that they meet the applicable requirements.

Verification of Accredited Investor Status

Potential investors who wish to subscribe to the Offering will first be required to fill out an accredited investor questionnaire and submit additional information to verify accredited investor status in accordance with Rule 506(c). Specifically, the Company will require potential investors to provide one or more of the following information to verify that a natural person who purchases securities in such offering is an accredited investor:

(1) Accredited investors who wish to qualify based on the income test[1] may be required to submit an Internal Revenue Service form that reports the purchaserôs income for the two most recent years (including, but not limited to, Form W-2, Form 1099, Schedule K-1 to Form 1065, and Form 1040) and provide a written representation that he or she has a reasonable expectation of reaching the income level necessary to qualify as an accredited investor during the current year;

(2) Accredited investors who wish to qualify based on the net worth test[2] may be required to submit one or more of the following types of documentation dated within the prior three months and obtain a written representation from the purchaser that all liabilities necessary to make a determination of net worth have been disclosed:

(A) With respect to assets: bank statements, brokerage statements and other statements of securities holdings, certificates of deposit, tax assessments, and appraisal reports issued by independent third parties; and

(B) With respect to liabilities: a consumer report from at least one of the nationwide consumer reporting agencies;

In order to comply with the net worth verification method provided under Rule 506(c), the relevant documentation must be dated within the prior three months of the sale of securities. If the documentation is older than three months, the Company may not rely on the net worth verification method, but may instead determine whether it has taken reasonable steps to verify the purchaserôs accredited investor status under a principles-based method of verification.

(3) The Company may also consider and request written confirmation[3] from one of the following persons or entities that the potential investor has taken reasonable steps to verify that it is an accredited investor within the prior three months and has determined that such potential investor is an accredited investor:

(A) A registered broker-dealer;

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[1] An accredited investor who meets the income test has had an individual income in excess of $200,000 in each of the two (2) most recent calendar years or joint income with that personôs spouse in excess of $300,000 in each of those years and has a reasonable expectation of reaching the same income level in the current calendar year.

[2] An accredited investor who meets the net worth test is a natural person who has individual net worth, or joint net worth with the personôs spouse, that exceeds $1 million at the time of the purchase, excluding the value of the primary residence of such person.

[3] The Company may consider written confirmations from an attorney or certified public accountant who is licensed or duly registered, as the case may be, in good standing in a foreign jurisdiction.

(B) An investment adviser registered with the Securities and Exchange Commission (ñ*SEC*ò);

(C) A licensed attorney who is in good standing under the laws of the jurisdictions in which he or she is admitted to practice law; or

(D) A certified public accountant who is duly registered and in good standing under the laws of the place of his or her residence or principal office.

In addition, prospective investors may be subject to additional information requests and certifications based on the SECôs ñbad actorò rules that would disqualify securities offerings from the Rule 506(c) exemption if an issuer or other relevant persons have been convicted of, or are subject to court or administrative sanctions for, securities fraud or other violations of specified laws. Relevant persons includes ñany affiliated issuer; any director, executive officer, other officer participating in the offering, general partner or managing member of the issuer; any beneficial owner of 20% or more of the issuerôs outstanding voting equity securities, calculated on the basis of voting power; any promoter connected with the issuer in any capacity at the time of such sale; any investment manager of an issuer that is a pooled investment fund; any person that has been or will be paid (directly or indirectly) remuneration for solicitation of purchasers in connection with such sale of securities; any general partner or managing member of any such investment manager or solicitor; or any director, executive officer or other officer participating in the offering of any such investment manager or solicitor or general partner or managing member of such investment manager or solicitor.ò

The representations made by, and the information provided by, each prospective investor will be reviewed to determine his, her or its suitability, and the Company will have the unfettered right to refuse a subscription for Notes if, in its sole discretion, it believes that the prospective investor does not meet the applicable suitability requirements or the Notes are otherwise an unsuitable investment for the prospective investor.

It is anticipated that comparable suitability standards will be imposed by the Company in connection with any resale of the Notes. Any such resale is subject to various restrictions and may result in substantial adverse tax consequences. On any proposed transfer of Notes, the Board of Managers intends to require that the transferee satisfy similar suitability requirements consistent with applicable securities laws.

Use of Proceeds

The Companyôs (MRFôs) use of proceeds is primarily to purchase Receivables. The use of proceeds may also be applied to closing costs, servicing fees to MFS, personal loans based on adequate collateral, ongoing annual accounting, legal and other similar expenses, and other working capital needs.

During the twelve (12) months ending December 31, 2017, payments received from purchased Receivables of $28 million were used to purchase a net $40 million of Receivables for a total purchase price of approximately $21 million and redeem $4 million of Secured Notes. Payments received from purchased Receivables were also used to pay $3.4 million in total expenses, the largest expenses being interest expense of approximately $2 million, servicing fees paid to MFS of approximately $672,000, salary expense of approximately $293,000, external sales commissions of approximately $122,000 and credit card discount fees of approximately $292,000.

Total expenses for the twelve (12) months ending December 31, 2017 were approximately $3.4 million or 12% of total $28 million in cash disbursements, with approximately $21 million or 75% of cash disbursements used to purchase Receivables and $4 million or 13% used to redeem Secured Notes.

THE BUSINESS SUMMARY

Overview

The growth of the consumer receivable management industry has been driven by a number of industry trends, including:

- Åincreasing levels of debt;
- Åfewer conventional funding sources for financing receivables such as bank loans and credit facilities;
- Åincreasing difficulty to collect receivables; and
- Åincreasing utilization of third-party providers such as MFS to collect such Receivables.

The current amount of consumer debt in the United States is significant. As a result, the Company believes current market conditions create excellent opportunities for acquiring large quantities of consumer receivable portfolios.

The Company primarily purchases consumer installment contracts from other businesses. These contracts are loans from those businesses to consumers. The Company does not originate these contracts, but rather, the businesses that sell these contracts to the Company originate these contracts. The Company pays a discounted percentage of the contract principal when purchasing contracts and the consumer interest rate also impacts pricing. Reduction of the Companyôs purchase price from the contract face value is comprised of a discount (Company profit) and reserves (estimated percentage of contracts that default).

Businesses that sell the Company contracts are quite diverse geographically and by industry. Businesses should be able to sell at least $10,000 of contracts per month to be profitable for the Company. The advantage of selling contracts to the Company is the seller receives immediate cash. Frequently receiving immediate cash versus waiting for monthly payments improves the sellerôs cash flow for their business operations. This can be a daily increase in available cash, or in the case of selling an in-house portfolio it can net a business the cash they need for new equipment, expansion, marketing or other expenses.

Description of the Company

The Company was formed on October 10, 2012. The Board of Managers of the Company currently consists of Robert C. Steinke, Kathyleen Steinke, Gabriel Wisdom, Chris Hughes and Shaun Lucas. By December 31, 2017, the Company had grown to $33 million in consumer retail installment contracts purchased from over 100 different businesses in various industries and had issued approximately 170 Secured Notes totaling approximately $23 million.

The Company is majority owned by the same owners as Monterey Financial Services, LLC (ñMFSò), a California corporation. The Company was formed as a financial vehicle to purchase consumer retail installment receivables of the type purchased by MFS. The Company has no operations and will serve solely as a means to provide capital to finance the purchase of such Receivables. The Company will contract with MFS to (i) perform all servicing with respect to the Receivables pursuant to the terms of a Loan Servicing / Management Agreement, the terms of which are described in this

Memorandum; and (ii) collect all bad debt with respect to the Receivables pursuant to the terms of a Collection Agreement, the terms of which are described in this memorandum. While the Receivables acquired by the Company will be segregated from any Receivables acquired by MFS or any third party, in the event both the Company and MFS purchase Receivables from the same portfolio, Receivables will be distributed in a random and fair manner as to term, interest, credit, and other relevant factors at the Companyôs and MFSô discretion. See the Section entitled ñConflicts of Interestò below as well as the risks related to such conflicts of interest set forth in the Section to this Investor Package entitled ñRisk Factors.ò

Description of MFS

For over two decades, MFS has established itself as a reliable source of funding and servicing, and is one of the leading debt recovery companies for resorts in Canada, the United States, and Latin America. During the last 20 years, MFS has funded over $600 million in Receivables, serviced hundreds of thousands of accounts receivable loans and maintenance fees, and collected more than $100 million in delinquent debt. Starting with a staff of four and now with a force of over 120 long-term employees, MFS is forging on and surpassed its quarter-century anniversary as one of the industryôs leading factoring companies.

MFS also funds collateralized loans to consumers, for example, against jewelry where the appraisal is approximately twice the loan balance. Industry examples include jewelry, furniture and bed mattress retailers, fitness equipment, vocational, timeshare, travel clubs and many other industries. The number of businesses the Company purchases contracts from is constantly expanding to minimize the Companyôs risk through diversification and thereby reducing reliance upon any one business or industry.

MFS History:

In 1989 Monterey Financial Services (MFS), LLC. was founded with an objective to create a consumer finance company that would be able to provide comprehensive financial solutions to consumer retailers across multiple industries through the delivery of three complimentary services: consumer receivables financing, loan servicing, and delinquent debt collections. By focusing on these three areas, Monterey Financial Services became a one-stop shop for retailers and retail creditors with varying finance, bad-debt recovery, and servicing needs. Monterey's philosophy for each of its services revolves around receivables performance, and the company's dedication to its clients' success is a core asset. Monterey's extensive history in receivables management revolves around the commitment to maximize portfolio performance for clients through a compliant, professional, and customer service approach. Monterey's proven record of results, across a variety of industries and credit spectrums, span many years and are unparalleled. In order to promote its services nationally, Monterey developed a vast network of independent brokers who specialize in alternative finance solutions of all varieties, and across many different industries. These brokers work directly with the MFS Sales team to bring qualified opportunities to present to the company's credit committee to be approved to become a Monterey client.

Initially, during the early years after formation, Monterey grew its business by employing private capital and through the prudent reinvestment of its corporate profits (generated primarily by the collection and loan servicing divisions), which it then used to purchase consumer installment contracts for its finance division.

Since its inception, growth and diversification have been MFSô priority. All three divisions have experienced steady growth in revenue and market share in the past two decades. The collection agency was the cornerstone of the company during its early years generating the most capital. However, presently, all divisions consistently generate significant revenue.

In 1996 MFS built a 27,000 square foot facility in Oceanside, California in order to accommodate its rapidly growing operations. In addition to the state of the art office building it owns, MFS acquired a contiguous parcel of land onto which future growth and expansion is possible. MFS employs approximately one hundred full time associates and considers them to be its greatest resource. Most employees have college degrees, many are bi-lingual, and many have been with the company for ten or more years. Given that MFS offers competitive base salaries, bonus programs, and full benefits packages which include medical, dental, profit sharing, and 401(k) matching, its employees have constant incentives to stay and grow with the company. Professional dress codes are enforced in order to support MFSôstandard for excellence along with regular training, testing, and evaluations.

MFS maintains compliance protocols with respect to relevant federal and state regulations governing the purchasing, servicing, and collection of consumer debt. Regular training and testing related to debt collection have been implemented. Its Wygant Call Recording System is utilized for quality control, training purposes, and protection against false consumer complaints. MFS passes sensitive consumer data and performance reports through it secure website and ftp site. In the event that a natural disaster were to compromise MFSô physical facility, MFS has implemented a disaster relief program, which includes back-up energy sources and an offsite redundant document storage servicing company, which would ensure that services could be picked up and continued without interruption. MFS undergoes regular outside audits by Wells Fargo and various clients throughout the year. Additionally, MFS employs an independent outside auditing firms to conduct both annual financial audits (since 1994), and annual internal controls SAS 70 audits (since 2004).

MFS believes that its ability to manage accounts receivable funding in each division and underwrite a variety of consumer finance paper distinguishes it from other receivables-factoring companies. Static performance analyses are continuously compiled for the purpose of projecting delinquency by pool credit quality

MFS' Business Divisions:

MFS has been providing receivables financing solutions since 1989 and is one of the industry leaders in consumer financing, loan servicing, and delinquent debt recovery. As a factoring company, its clients receive optimal results whether using any one or a combination of its financial solutions. MFS has been accredited by the Better Business Bureau since May 2000 and currently has an A+ rating. A synopsis of MFSôbusiness divisions are:

Consumer Financing

Offering custom solutions for consumer financing, MFS helps fill the gap where conventional lenders drop off. With finance plans to match the credit spectrum, MFS helps enable clients to offer the finance terms that provide them a competitive advantage.

MFSô consumer financing program is designed to purchase both consumer receivables in the form of either existing aged receivables, including bulk portfolios, or ôflow forwardô business through newly generated contracts from businesses selling services or products to consumers. Its variant pricing structure takes into consideration a wide variety of factors, including industry, credit quality, contract term, APR, and volume. As its purchasing criteria is more flexible than traditional lenders, MFS is able

to enter niche markets and structure primary, secondary and tertiary purchase rates for proportionate credit tiers.

MFSô online approval system (O.A.S.I.S.) provides instant credit decisions to clients as well as an optional e-signature feature, allowing its clients to execute paperless sales contracts electronically and instantly, saving both time and money.

Successful markets include, but are not limited to:

- Vacation Club Memberships & Timeshares
- Infomercial & Direct Response Sales
- Medical Equipment
- Elective Medical Procedures
- Vocational School Tuition
- Water & Air Purification Systems
- Seminars
- Membership Contracts, including
  - Golf Course Memberships
  - Health Club Memberships
  - Other Membership Contracts
- Retail Sales - Both traditional brick & mortar, and e-Commerce, including
  - Pet Stores
  - Furniture Stores
  - Jewelry Stores & More
- Musical Instruments
  - Retail Purchases
  - Rent-to-own

Loan Servicing

MFSô professional receivables management service helps businesses to grow, maximize sales, and benefit from a constant and growing revenue stream. Its accounts receivable loans servicing model has been created to provide clients the freedom to concentrate on growth and sales, while it handles back end support, helping to ensure that clients will receive the most from their portfolio.

While MFS services its own portfolio of purchased accounts, it also offers loan servicing to businesses that either wish to maintain ownership of their portfolio, businesses with open lines of credit that are required to employ a third party servicer, and/or businesses carrying contracts for strictly poor credit consumers of little worth to funding sources. Through their experience and professional management of each consumer account, MFSô professionals help save delinquent loans that other factoring company servicers could not collect or bring current. Often times, saving just one additional loan from default can cover the entire costs of MFSô loan servicing for that month. Complete portfolio status and individual account reporting can be viewed by MFSô clients through MFSô website twenty-

four hours a day, seven days a week. Additionally, MFSô consumer financing program gives customers access to view their respective accounts and make payments directly online.

MFS developed the accounts receivable loans servicing program so that businesses can step away from the backend functions needed to manage payment applications and delinquency control. Clients using MFSô loan servicing program receive monthly residual income. Each of MFSô loan servicing collection associates have several years of experience, not only in collecting a payment, but also in re-educating the consumer to make timely payments while keeping the focus on the benefits of what they are paying for. These associates wear many hats, as quite often the payment problem is not financial but simply a customer service issue that can be quickly and resolved.

Debt Recovery

MFSô collection recovery service produces working capital from non-performing debt. MFS has proven to be highly effective in recovering defaulted loans. Businesses lose billions of dollars each year in defaulted debt. Whether businesses write off commercial or consumer receivables, MFSô effectiveness in collecting delinquent loans can help improve a businessô bottom line.

MFS provides agency services to companies that wish to recover funds, both consumer and commercial debt, which would otherwise be charged off. Given that MFSô collection agency associates are the most experienced in the factoring company, a typical MFS collection agency associate has, on average, more than six years of experience with MFSô debt recovery company. Collection agency associates have graduated, in most cases, from MFSô loan servicing or consumer financing call centers with proven and consistent performance. Collection agency associates earn significant commission income for every dollar collected, which drives them to work all accounts to conclusion.

Skip Tracing Services are used in all three of MFSô divisions. The overall formula for reducing delinquency and recovering delinquent debt is to maintain updated contact information for each account. As opposed to other debt recovery companies, MFS has always believed that letters alone are not sufficient in collecting payments.

Back-up Servicing and Custodial Services

Whether a companyôs need for professional storage management stems from trimming costs, reclaiming space, protecting vital documents, and/or maintaining compliance with ever growing state and federal regulations, more and more are turning towards a third party solution. MFS provides professional records storage in a secure third party environment for the protection of its clients along with its partners and customers. MFSô dual storage solution offers convenience as well as protection.

Digital storage provides a flexible solution for account access, in which MFS is able to drop files at a secure ftp site or zip into a secure file and send by email. Clients may designate naming conventions for each record, making electronic file retrieval effortless.

Physical storage protects valuable records from fire and other disasters in addition to theft. All documents are physically stored in fireproof cabinets, which are housed under lock and key. MFSô dedicated document storage department manages authorized employee access at all times so that the integrity of each record is never compromised.

MFSô building is accessible by card key access and visitors are accompanied at all times. Its cutting edge security and fire alarm systems are backed up by generator in the event of a power outage ensuring systems are never down.

Fees for MFSô professional document solutions are nominal when compared to in-house expenses such as digital imaging hardware and software, physical storage space, fireproof storage cabinets or containers, staffing, compliance control, and more. Document storage is among the many different services that MFSô factoring company has to offer.

Jewelry Funding

MFS has been providing capital solutions for niche businesses for over two decades. With flexibility that certain traditional lenders lack, MFS is able to provide programs that meet jewelersô cash flow needs. For jewelry wholesalers or retailers, MFSô quick, short term loans backed by jewelry collateral help give businesses the chance to overcome the financial hurdles of running their own business. MFSô jewelry loan program provides businesses with the flexibility to:

1. Update their inventory.
2. Prepare for holiday changes.
3. Meet short term capital demands.

MFSô funding does not interfere with any outstanding business or personal loans businesses may already have and their jewelry collateral is their credit worthiness. Discretion is the key to MFSô jewelry loan program.

MFS has multiple investment pools available to fund their clients. MFSô $40 million line of credit, internal profit sharing pool, and newly formed investment pool, help ensure that MFSô programs will be offered for decades to come.

MFSô building access is secured and its jewelry inventory is stored off-site in a locked and guarded environment.

MFS' Information and Communication Systems:

MFS has implemented various methods of communication to inform employees of the proper policies and procedures tied to day-to-day activities. For historical reference and ease of communication, all relevant operational policies and procedures are communicated and retained through the use of electronic information and technology. This allows the Senior Management Team to quickly update and control the accuracy and timeliness of all policies and procedures commonly referenced by the employee staff to ensure the consistent application of correct processes. In addition, managers meet on a quarterly basis to discuss the current status of the organization, and Executive Correlation Meetings (ECMs) are held weekly.

MFS' Monitoring Controls:

Organizational goals are set by the MFS Senior Management Team and then shared with employees and business units. Policies and procedures are updated to reflect operating principles and practices. On a weekly basis, Executive Committee meetings are held to promote coordination, collaboration, and transparency of operations among MFSô Senior Management Team and to make certain the goals, resolutions, and guidelines passed by the Companyøs board of directors are executed and implemented. MFS tracks service levels for customer service, collection processing, file management, and other internal functions. Tracking collections enables MFS to share results with

clients and to provide monthly feedback to managers regarding performance. Managers are responsible for meeting service metrics and deficiencies are corrected.

MFS' Organization:

MFS is a privately held company and the Board of Directors is responsible for setting the strategic direction of MFS within the marketplace. The Board of Directors meets annually (or more often, as necessary) to monitor company progress. The Board of Directors comprises the following five individuals:

Name	Title	Years With MFS
Robert Steinke	Founder/Chairman	28
Kathi Steinke	Board Member	21
Chris Hughes	President & CEO	23
Gabriel Wisdom	Board Member	23
Shaun Lucas	Executive Vice President (EVP)	19

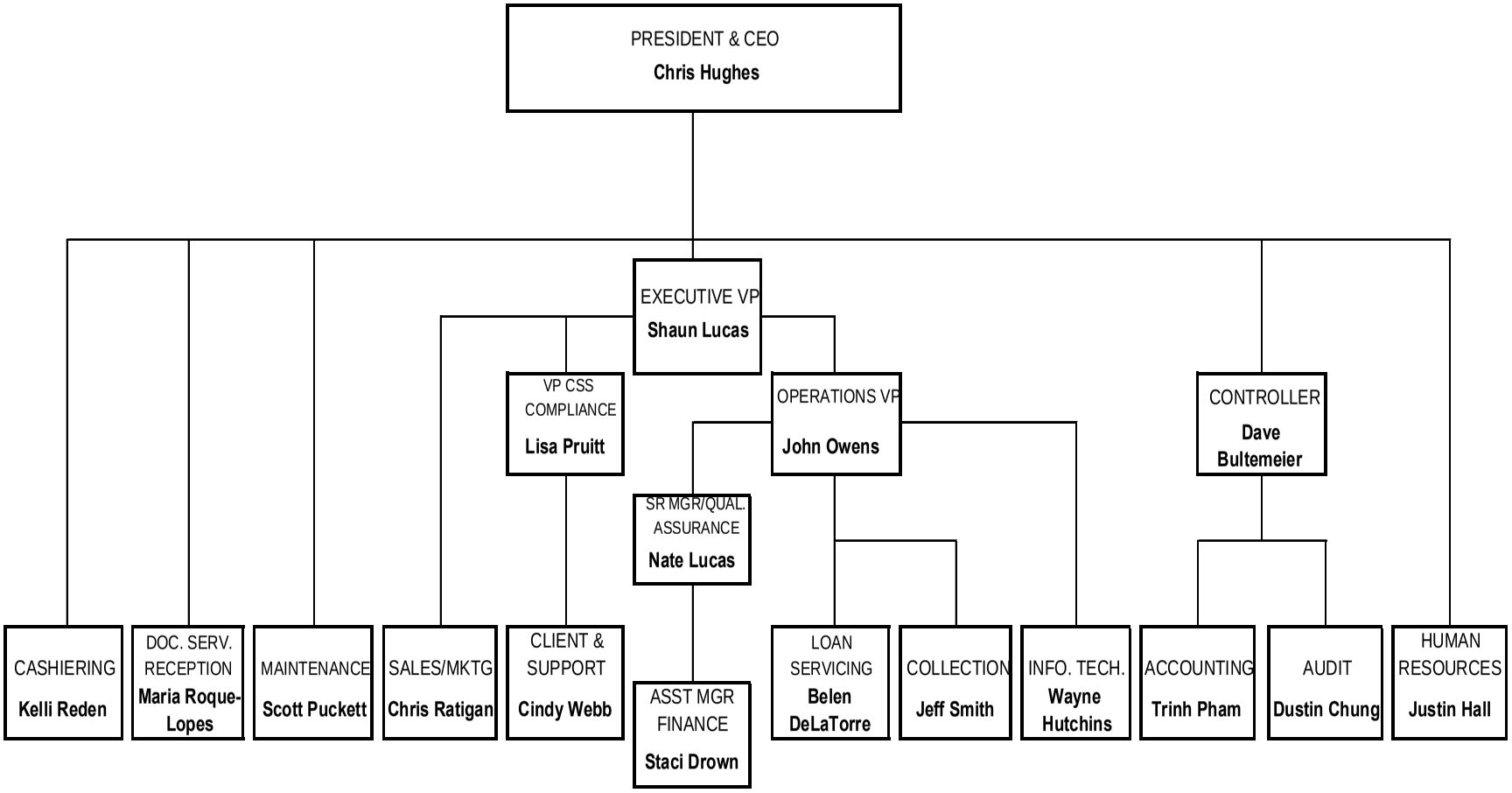
Management has the primary responsibility to develop, maintain, and document internal and compliance controls, and provides oversight to MFSô operations. A formal management organizational structure exists with levels of reporting and accountability. Management is responsible for directing and controlling MFS operations, including establishment and communication of policies and procedures. The organization is designed to provide oversight of control effectiveness and to determine if continuous quality feedback from MFS employees and managers is incorporated into the enterprise and control environment

The key individuals responsible for the daily operations during the audit period include the following:

Name	Title	Years With MFS
Chris Hughes	President and CEO	23
Shaun Lucas	Executive Vice President	19
Wayne Hutchins	Information Systems (IS) Manager	17
David Bultemeier	Controller	18
John Owens	Operations Vice President	10
Lisa Pruitt	VP of CSS-Compliance Officer	20

MFSô organizational structure allows managers to plan, execute, and monitor department and individual performance consistently. The organizational structure provides for segregation of duties and personnel are aligned with job functions and defined responsibilities. MFS maintains organization charts to delineate roles and responsibilities (see following).

MONTEREY FINANCIAL SERVICES, LLC
ORGANIZATION CHART



The President/CEO reports directly to the Chairman. Departments that are responsible for providing service to MFSô clients, including the quality control division, report to the President/CEO. IT, Accounting, Client services, Central Processing, Payment Processing (Cashiering), and Document Services Departments provide support for the operations division. Combined, these divisions represent the support structure for the MFS client base. Furthermore, the Human Resources (HR) Department is responsible for workforce management techniques and continuous professional development. Additional support from HR consists of employee recruitment, retention, and remedial action as necessary. Hiring procedures are enforced and MFS requires credit background checks on individuals employed by MFS, including temporary employees.

MFS' Written Standards and Procedures:

Written policies, standards, and procedures exist for daily functions within the various departments. Departments have detailed procedures for critical aspects of the operations, which are available to MFSô employees.

MFS has developed the following policies, standards, and procedures:

- Loan servicing manual
- Collection agency manual
- Credit processing manual
- Data processing manual
- Accounting manual
- Cashiering manual
- Employee Handbook

MFS' Property and Office:

MFSô executive/corporate office at 4095 Avenida De La Plata, Oceanside, California 92056 is located in leased space owned by Monterey Real Estate, LLC, which is comprised of primarily the same members and shareholders as the Company & MFS. The business office is approximately 27,000 square feet, is subject to a five year lease (maturing on September 23, 2021) with MFS. Monterey Real Estate also acquired a contiguous parcel of land onto which future growth and expansion is possible. MFS believes that its property is adequate for its current needs.

The MFS data processing center is located at the Companyôs headquarters in Oceanside, California. The property has a fence around the perimeter with two electronically controlled gates. The building has three electronically controlled doors for entrance and exit. A security/fire alarm panel is used to monitor doors, fire control systems and other devices and an Access system that controls entry to the property and building. Written policies, procedures and memos relating to physical security and access to the Company headquarters and data center (Server Room) are documented and updated as necessary when changes are required by the President or building owners.

MFS' Employees:

MFS employs over 130 staff with approximately 80 full time collectors on the phones eight hours daily collecting past due contracts. The remaining employees work in MFSô Document Services, IT, Marketing, Payment Processing, Accounting and Client/Support Services Departments.

MFS' Contact Information:

MFSô principal executive offices are located at 4095 Avenida De La Plata, Oceanside, California 92056 and its telephone number is (800) 456-2225. Its corporate website is www.montereyfinancial.com.

Business Strategy

MFSô primary objective is to utilize its managementôs experience and expertise to effectively grow its business. MFS intends to do so by identifying, evaluating, pricing and acquiring consumer receivable portfolios that are optimal for collection through its collection call-center and maximizing the return on such assets in a cost efficient manner. MFSôstrategy includes:

- conducting extensive internal due diligence on businesses that propose to sell their Receivables and their specific Receivables to ensure MFS is provided with the most complete available information on a portfolio in order to maximize collections;
- transferring defaulting contracts to MFSô in-house national collection agency that is compensated on a percentage of cash recovered;
- managing the collection and servicing of its receivable portfolios;
- maintaining geographical diversity in 50 states, Canada, Mexico and Puerto Rico;
- increasing and expanding financial flexibility and leverage through offerings such as this Offering; and
- expanding its business through the purchase of consumer receivables from new and existing sources.

MFS believes that as a result of its managementôs experience and expertise and the fragmented yet growing market in which it operates, it is well-positioned to successfully implement its strategy.

- *Pursue controlled growth by expanding its client network.* MFS believes that it is well positioned to expand its client network throughout the United States, primarily through systematic, organic growth. It believes that its centralized and integrated business model enables it to efficiently identify new clients. It typically takes MFS from one to four weeks to complete due diligence on prospective clients. MFS seeks to locate new clients through direct marketing, trade shows, reputation, independent brokers, website and referrals.
- *Implement business model enhancements.* MFS is implementing enhancements to its business model in order to further distinguish its operations from traditional finance companies. MFS processes approximately 70,000 consumer payments monthly and allows its customers to make payments via its website, ACH (electronically), credit card, check and by phone. MFS maintains approximately 30 segregated bank accounts with approximately six banks, including numerous lock boxes with Commerce Bank, one of the highest rated custodial banks in the U.S.
- These business model enhancements are intended to provide its customers with the best experience available in its market to further enhance its leadership position.
- *Continue to enhance MFS' credit scoring models, business analytics, and technology platforms.* MFS believes continuous enhancement of its industry-leading analytics, processes, and systems is a key driver to its cash flow, future growth, and profitability. MFS is developing its (sixth) generation proprietary credit scoring model (OASIS),

which expands and refines the variables utilized by prior generations of scoring models. With a view to maximizing cash flows and monitoring portfolio risk, MFS intends to continue its efforts to enhance and expand its analytics platform, improve its management information systems and databases, enhance its website and call center systems, and improve its client lead tracking software and sales systems. MFS believes that these improvements will serve to expand its competitive edge.

- *Maintain a strong balance sheet*. Historically, MFS has been able to access credit markets that it believes are not typically available to many finance companies. MFS believes that this success is attributable to its centralized operations, track record, and strong balance sheet. MFS will maintain a continued focus on further enhancing its liquidity and capital position to support its business.

Underwriting Criteria

MFS has a policy limiting purchases from a single business. It purchases from a diverse group of businesses and its purchasing decisions are based upon constantly changing economic and competitive conditions and ongoing relationships with business selling consumer receivables.

MFS has dedicated, and will continue to dedicate substantial resources to developing, maintaining, and updating its proprietary credit scoring model that is focused on predicting the credit risk of its customers. MFS uses experienced managers and executives to develop its credit scoring models and various predictive models used in different aspects of its business. Many companies use FICO scores as a standard metric to assess the credit risk of customers. In contrast, MFS has over 12 years of credit scoring modeling experience in developing scoring models that are more finely tuned to the nuances of the consumer finance industry. Its scoring models provide a substantial improvement over traditional FICO scores in rank-ordering the likelihood of credit risk default within the consumer finance market. MFSô scoring models also include the use of alternative data sources along with traditional credit bureau data which enhance the ability to separate credit risk levels into different categories. Its centralized proprietary credit scoring models are currently used to classify customers into various risk grades that are linked to financing parameters. MFS believes its ability to quantify a customerôs risk profile based upon historical data, breadth of data, and sophisticated modeling techniques, allows it to better predict loan performance, manage the blended quality of its portfolio of loans, and obtain appropriate risk adjusted returns.

The scoring models are periodically updated to account for changes in loan performance, data sources, geographic presence, economic cycles, and business processes. The first credit scoring model was deployed in July 2001. Since then, four subsequent generations of credit scoring models have been implemented, the most recent in April 2015. The credit scoring models have evolved over time and leverage data collected from prior models allowing them to become more sophisticated in identifying the credit risk of its customers.

Prior to each purchase, MFS requires its customers to complete a credit application. Upon entering the customer information into its origination system, its proprietary credit scoring system determines the customerôs credit grade. The customerôs credit grade determines the term, maximum installment payment, and minimum payment amounts. The annual percentage rate (APR) charged is frequently a function of the customerôs credit grade. MFSô centralized risk and pricing department set these terms. Managers are also required to verify the pertinent information on the customersô credit application before approving the loan, including identity.

The static-pool tracking of portfolio loss performance may also be monitored by credit grade. Over the past 12 years, the unit loss rate results by credit grade have been relatively consistent through economic cycles and across different generations of scoring models.

MFSô centralized management team is also responsible for monitoring the underwriting processes, providing underwriting training, monitoring loan servicing, and static-pool tracking of portfolio loss performance and profitability.

The foundation for underwriting these loans is MFSô proprietary credit scoring models described above.

The Companyôs consumer finance program is designed to purchase consumer receivables, both new and aged, from businesses selling services or products to consumers. Its variant pricing structure takes into consideration a wide variety of factors, including industry, credit quality, contract term, contract amount and contract interest rate. With purchasing criteria that are more flexible than traditional lenders, the Company believes that it is able to enter niche markets and structure primary, secondary and tertiary purchase rates for proportionate credit tiers.

MFSô online approval system (O.A.S.I.S.) provides instant credit decisions to clients as well as an optional e-signature feature available 24/7. This allows its clients to execute sales contracts electronically and paperless, saving both time and money.

Client due diligence:

All businesses proposing to sell contracts to MFS go through a background check called a due diligence process. It is critical that the business is in good financial condition, and the owners of the business have good personal credit. MFS believes that if business owners cannot handle their personal credit it frequently is reflected in how they run their business. MFS will consider approving businesses that offer delivered products, i.e. furniture, jewelry, and other retail products that are fully delivered prior to funding.

Once the client application package is received and its due diligence is complete, then MFSô credit committee meets to approve the client. The process for approval typically takes about one or two weeks from the time that it receives a complete finance application package.

MFS has established a formal process for approving and accepting new clients. As part of the approval process for financial service clients, MFSô Credit Committees performs a review of the new client information to minimize the risks to the Company. For a new client, the committee reviews and evaluates the following information: (a) pertinent background information (corporate and individuals), (b) tax returns, (c) any pending litigation, (d) a Dunn and Bradstreet report on the client, (e) financial statements, and (f) a verification of any references. For existing clients, the committee reviews for risk concentration and any other significant changes since the last review of the client information.

Specific due diligence performed on potential clients of the Company includes:

1. Current Corporate financial Statements and Balance Sheets.
2. Most recent Corporate Tax Returns
3. Most recent Personal Tax Returns for all majority shareholders
4. Personal Financial Statement on all majority shareholders
5. Articles of Incorporation
6. Unexpired Business License
7. Copy of 1st & last page of Liability Insurance policy.

8. Copy of 1st & last page of building lease.
9. Any promotional material on the business.
10. Copy of Consumer contract & Credit application (unless using the Companyôs contract)
11. Most recent Merchant Account Statements ï (Direct Response Clients only)

New client due diligence, approval and setup.

Representatives of the Sales and Marketing Department complete a client set-up file outlining required contract master file information for Billing and Collection Departments. Standard documentation is prepared and collected for new clients and includes (a) a New Client Information Memorandum (reviewed and signed by the Senior Manager of Client Support Services and the Auditing Manager) and (b) a signed contract between the client and MFS. Client approval and setup files are retained in the Sales and Marketing Department, and originals are stored in fireproof cabinets.

The Senior Manager of Client Support Services is responsible for entering the initial client setup information into the Megasys system. Client contact information and plan information are entered into client master files within the Megasys system. After the client data has been input into the system, the Assistant Auditing Manager reviews the client data to verify that it was entered correctly into the system. Access to update client master files is restricted to the Supervisor of Client and Support Services, Senior Manager of Client and Support Services, and the Executive Vice President. Customer loans are set up with preset plans based upon the data entered during the client setup process. Plan information dictated by the client contract includes such data as setup fees, percent collected, and additional account fees (active/inactive)

A minimum 5 credit committee member approvals are needed for any client, regardless of size. The Companyôs Credit Committee is comprised of the following:

Name	Title	Years With MFS
Chris Hughes	President & CEO	23
Shaun Lucas	Executive Vice President (EVP)	19
Lisa Pruitt	VP of CSS-Compliance Officer	20
David Bultemeier	Controller	18
John Owens	Operations Vice President	10
Nate Lucas	Sr. Manager of Finance & Quality Assurance	14

O.A.S.I.S. (Online Approval System Instant Score)

Clients may get consumer applications approved with speed and ease by using the Companyôs online approval system, nicknamed O.A.S.I.S. This service is offered via the Internet, which is available to the Company clients 24/7. Clients simply log onto the system, enter the consumerôs information, and receive an approval or decline within seconds. Clients can then print off the contract from their computer and have the customer sign then. For Internet based sales, contracts may be emailed to consumers for ñelectronic signatureò enabling businesses to execute sales instantly and avoids delays and inefficiencies with paper transactions.

This product is attractive to any business that executes immediate sales, i.e. retail furniture, jewelry, or other products. Retail businesses can get instant approvals and close the sale while the consumer is still ñhotò for the sale.

Competition

The Company competes with all lenders who purchase consumers receivables from existing retailers or any entity that may generate a consumer receivable to then be sold. Many of these ñAò lenders compete in the Companyôs ñBò and ñCò space by buying deeper than they normally would in order to offer complete financing. These banks or lenders will often sacrifice profits on the ñBò and ñCò paper in order to land the higher volume ñAò piece. The Companyôs niche and expertise is in the ñBô and ñCò space where MFS has a 25 year track history of performance and financing to its clients.

Other competitors include start-up finance companies that try to undercut the market with pricing and deep pockets, but they quickly realize that without an experienced collection program and support services, it is very difficult to compete with long term competitors like MFS. The Company runs into these competitors from time to time but its clients rarely switch or leave when these start-ups companies solicit them. That being said, the Company has identified certain competitors, but believe that few have the capital and flexibility of the Company to provide clients their entire financing needs.

The Company believes the key competitive factors to effectively serve customers in its markets are: (i) availability of financing, (ii) flexibility to meet and adapt to clientsô specific needs, and (iii) ability to move quickly on financing opportunities. The Company believes that it has developed a flexible and adaptive business model that has positioned it for controlled growth and addresses the competitive factors described above. It believes that its competitive strengths consist of:

- *One of the industry leaders in consumer contract financing, loan servicing and delinquent account collections*. MFS and its affiliates currently finance $90 million contracts and provide loan servicing for over $100 million in contracts. Its collection agency pursues over $500 million in contracts and MFS serves as back-up servicer for over $30 million contracts. MFS intends to continue to penetrate this highly fragmented market by increasing sales in existing markets and through controlled expansion into new markets. It believes that with the processes it has developed it will be able to achieve profitability in most new markets within three months of entering those markets.
- *Integrated and centralized business model.* MFS believes that its integrated business model (Financing, Loan Servicing and Bad Debt Collections) and centralized operations enable it to carefully manage its business and provide consistent customer service, while providing it with a stable platform for growth.
- *Sophisticated and proprietary information-based systems and strategies.* MFS 25 yearsô experience in the receivables market has enabled it to develop sophisticated, proprietary systems and databases that help it manage each aspect of its business. It uses its credit scoring system to classify customers into various credit grades defined by MFS based on historical loan performance. The credit grades are used to determine minimum down payments, maximum payment terms, and interest rates. MFS believes that its ability to quantify each customerôs risk profile allows it to better predict loan performance, maintain the quality of its loan portfolio, and enhance its servicing and collections activities. MFS also believes that these models and databases enable it to rapidly adjust its business model to address changing market demands and customer trends, which MFS believes results in more predictive and less volatile loan performance.

- *Management Information Systems* MFS believes that a high degree of automation is necessary to enable it to grow and successfully compete with other financial services companies. Accordingly, it continually upgrades its computer software and, when necessary, hardware to support the servicing and recovery of consumer receivables it acquires. MFSô telecommunications and computer systems allow it to quickly and accurately process the large amount of data necessary to purchase and service consumer receivable portfolios. Due to MFSô desire to increase productivity through automation, it periodically reviews its systems for possible upgrades and enhancements. MFS maintains business interruption insurance and maintains a disaster recovery program intended to allow it to operate its business at an offsite facility.
- *Multiple sources of financing.* MFS has been able to access a wide variety of lending facilities, including lines of credit, private promissory notes and large investment partners, enabling it to purchase portfolios up to $100 million. Since January 1, 2000, it has purchased $800 million in finance contracts, placed over $2 billion contracts for loan servicing and placed over $1 billion contracts into its collection agency.
- *Highly experienced management team with strong operating track record.* MFSô executive management team has centralized its operations, created its data-driven and adaptive business model, and implemented automation and credit scoring models that it believes increase its efficiency. MFSô five member senior management team has an average of over 25 years of relevant industry experience.

Competition in the financing industry

MFSô business of purchasing consumer receivables is highly competitive and fragmented, and it expects that competition from new and existing companies will increase. MFS competes with:

- other purchasers of consumer receivables; and
- other financial services companies who purchase consumer receivables.

MFS competes with its competitors for consumer receivable portfolios, based on many factors, including:

- purchase price;
- speed in making purchase decisions; and
- reputation.

MFSô competitive strategy is designed to capitalize on the marketôs lack of a dominant industry player. It believes that its managementôs experience and expertise in identifying, evaluating, pricing and acquiring consumer receivable portfolios, and managing collections and current sources of financing help give it a competitive advantage.

MFS believes that it has a number of competitive advantages which it believes differentiates it from its competitors and that have enabled it to effectively grow its business by identifying, evaluating, pricing and acquiring consumer receivable portfolios that are optimal for collection through its collection operations and maximizing the return on such assets. MFS believes that its proprietary pricing model and its focus on collections gives it a competitive advantage.

MFS started as a collection agency and loan servicer twenty four years ago and it believes procedures and expertise developed over the years with an emphasis on collections places MFS at a competitive edge over other consumer receivable purchasers.

Description of MFS as Loan Servicing Agent and Collection Agency

While MFS services its own portfolio of purchased accounts, it also offers loan servicing to businesses who either wish to maintain ownership of their portfolio, businesses with open lines of credit that are required to employ a third party servicer, and/or businesses carrying contracts for strictly poor credit consumers of little worth to funding sources. Through their experience and professional management of each consumer account, MFSô professionals are able to help save delinquent loans that other servicers could not collect or bring current. Complete portfolio status and individual account reporting can be viewed by MFSô clients through its website twenty-four hours a day, seven days a week. Additionally, MFSô consumer customers have access to view their respective accounts and make payments directly online.

MFS developed the loan servicing program so that businesses can step away from the backend functions needed to manage payment applications and delinquency control. Clients using MFSô loan servicing program receive monthly residual income. Each of MFSô Loan Servicing Collection Associates have several years of experience, not only in collecting a payment, but also in re-educating the consumer to make timely payments while keeping the focus on the benefits of what they are paying for. These associates wear many hats, as quite often the payment problem is not financial but simply a customer service issue that can be quickly and resolved.

Loan Servicing Agent:

MFS contracts to manage other businessôs accounts receivables for a flat fee per account per month if MFS is not providing financing for that business. Clients that set up accounts to pay via EFT/ACH will be charged a lower servicing fee and clients that require either coupon books or monthly statements will be charged a higher fee.

Many companies find they are good at creating new sales, but not very good at managing accounts receivable. These companies find that it is cheaper and more efficient to hire MFS. MFS believes that what distinguishes MFS from its competition is the fact that it will make unlimited phone calls in order to collect monthly payments. Most other loan servicers either do not offer this service or severely limit this activity unless you are willing to pay an additional fee.

MFS currently has approximately $150 million under loan servicing management. The upper management of Monterey averages 20 years of managing consumer receivables.

Collection Agency:

MFS provides agency services to companies who wish to recover funds which would otherwise be charged off. Given that MFSô collection agency associates are the most experienced in the company, a typical MFS collection agency associate has, on average, more than ten years of experience with MFS. Collection agency associates have graduated, in most cases, from MFSô loan servicing or consumer finance call centers with proven and consistent performance.

Skip Tracing Services are used in all three of MFSô divisions. The overall formula for reducing delinquency and recovering delinquent debt is to maintain updated contact information for each account. MFS has always believed that letters alone are not sufficient in collecting payments.

MFSô collection team is comprised of many experienced collectors in the company and in the industry as a whole. While many agencies experience high turnover and constant new-hire training, MFSô collectors have been with the company an average of ten years.

Essentially what separates MFS from its competition is:

- ÅMFS hires mostly college graduates with good communication skills, with good credit and are well groomed. These three criteria usually ensure it excellent employees.
- ÅMFSô average collector has been with MFS for at least 10 years ensuring its expertise. Most collection agencies experience high turnover.
- Å MFS is one of less than 80 collection agencies nationwide to be approved by the Federal Government.

MFSô client base includes several billion-dollar corporations as well as Fortune 500 corporations. They have used Monterey almost exclusively for their collections.

Collection Policies:

Account representatives are assigned accounts by delinquency status, client, or industry. Assigning accounts by delinquency can be done by period (month) or by actual number of daysô delinquency. The further in arrears an account becomes the more difficult it is to contact directly and collect. The more capable account representatives will be responsible for collection of the seriously delinquent accounts. Clients or whole industries will often have unique collection requirements and special handling instructions that must be followed. Account representatives become very familiar with MFSô client list and are aware of the unique situations that exist. Some clients require a customer service, collection approach while others want an assertive approach. Some clients do not allow extensions, reduced payments, discounts to principle, and solicitations for payment in full. Other clients expect these options offered to their customers as a last resort to resolve the delinquency. MFS demands that at all times account representatives exercise good judgment, professionalism, and courtesy in dealing with customers, clients, and co-workers. Its policies are designed to provide its clients with the best service and performance possible and are an integral part of its commitment.

Account representatives will be personally responsible for a group of accounts each month. Collection goals will be established each month based on the delinquency and quality of the portfolio. Because account representativesô performance will be measured, they exert consistent effort every call, every day. Policies and responsibilities will change from time to time as the business expands and as the market place changes. Account representatives are expected to be flexible and exhibit awareness in their approach to every function they perform.

Loan Servicing / Management Agreement

The Company entered into a Loan Servicing / Management Agreement with MFS, pursuant to which the Company engages MFS to be the exclusive provider of certain services for an initial term of one (1) year, such term to automatically renew for successive one (1) year terms unless terminated by either party upon ninety (90) daysô written notice. The services provided by MFS include, without limitation, all loan processing and funding management, originating, underwriting, servicing and collecting Receivables, and full and complete accounting with respect to month year-end financials. In connection with the services performed pursuant to the Loan Servicing/Management Agreement, MFS shall be entitled to (i) a flat rate of $3.25 per month for each account serviced by MFS; (ii) a credit card

chargeback fee of $5.00 for each credit card payment chargeback or reversal due to customer disputes; and (iii) an additional $1.00 for each Form 1098 sent to customers (such rates and fees are subject to adjustment, but in no event greater than competitive market rates for like services). MFS may adjust the fees on an annual basis in an amount not to exceed ten percent (10%). The Company keeps one hundred percent (100%) of any late payment, NSF fees or other fees. The Company is responsible to pay or reimburse all credit card merchant fees, privacy fees, sales/broker commissions and other transaction costs directly incurred in connection with the purchase of Receivables.

Each of the Company and MFS has reciprocal indemnification obligations for losses arising out of or in connection with such partyøs breach of its obligations under the Loan Servicing/Management Agreement. In addition, the Company indemnifies MFS from all losses relating to the origination, maintenance, collection or enforcement of its receivables and/or any account, the selection, purchase, acceptance or rejection by any customer of any of the services relating to the contracts/accounts.

Collection Agreement

The Company and MFS entered into a Collection Agreement, pursuant to which MFS has the exclusive right to collect all bad debt and certain other accounts receivable for the Company for a fee equal to twenty five percent (25%) of all sums collected. In addition, MFS is entitled to a $10.00 processing fee for any account cancelled by the Company prior to the end of the term of the Agreement (such rates and fees are subject to adjustment, but in no event greater than competitive market rates for like services). The Collection Agreement has an initial term of one (1) year that automatically renews for successive one (1) year terms unless either party notifies the other in writing within 90 days of the end of the then-current term.

Pursuant to the Collection Agreement, MFS has the authority to settle any account with the customer for 75% of the then current balance. In addition, if MFS determines, in its sole discretion, that due to the customerøs financial condition, the filing of a lawsuit against customer will not enhance the amount of the funds collected, MFS can settle the account for 50% of the then current balance, so long as the customer waives all of its rights with respect the applicable account.

Similar to the Loan Servicing/Management Agreement, the parties have reciprocal indemnification obligations for losses arising out of or in connection with such partyøs breach of its obligations under the Collection Agreement. In addition, the Company indemnifies MFS from all losses relating to the delivery of accounts to MFS for collection which the Company erroneously determines to be collectible.

DESCRIPTION OF THE COMPANY AND ITS MANAGEMENT

Description of Key Personnel

Chris Hughes, President & CEO, graduated from San Diego State University in 1993 with a degree in Business Administration and a concentration in Marketing. Chris joined Monterey Financial Services in 1995 in the loan-servicing department and quickly proved himself as a top performer, exceeding both personal and company goals. In 1996, Chris was promoted first to Assistant Manager and soon after Manager of Montereyôs Collection Agency. In the year 2000 he was promoted to Vice President of Operations and in 2007 to Executive Vice President where his responsibilities included the oversight and executive management of Operations, IT, Human Resources, Cashiering, Accounting, and Corporate Legal. Chrisôs ability to demand professionalism and performance while meeting Montereyôs clientsô expectations has proven to be a great asset to Montereyôs growth. Chrisô most recent promotion to President, effective January 1, 2013, was a direct result of his hard work and leadership within and outside of the company.

Shaun Lucas, Executive Vice President, joined Monterey in 1999 and became Supervisor of the Loan Servicing division his first year. After leading the staff to record numbers, he was promoted to the Finance Manager in 2000. Shaun has an analytical background, graduating from Idaho State University with a degree in biochemistry, and exercised these skills in reviewing portfolios and industries in great detail. Shaun was named Director of Finance in 2006 followed by a promotion to Vice President of Operations in 2007. In addition to overseeing the Finance, Loan Servicing and Collection divisions, his responsibilities presently include assisting Sales and Marketing with developing new clients and maintaining relationships with existing clients. Shaun also directs Montereyôs Client and Support Services including the development of a sophisticated credit processing system, which includes an instant approval program (O.A.S.I.S.) available 24/7 to Montereyôs clients. MFS believes that Shaunôs history of setting a high standard of expectations for the performance of Montereyôs staff combined with his analytical ability is a large part of Montereyôs success.

John Owens, Vice President of Operations, joined Monterey Financial in 2008. After demonstrating ability within our Loan Servicing department he was promoted to Loan Servicing Supervisor in 2010 and Loan Servicing Manager in 2011. Showing continued dedication to improving department efficiency, portfolio performance, and overall client relationships led to John becoming Finance Manager in 2013. His high levels of analytics and strategic planning was instrumental in overseeing the overall department growth and performance of our Finance division. In 2015 he was promoted to Operations Manager followed by a promotion to Vice President of Operations in 2016. John currently oversees the Finance, Loan Servicing and Collection divisions as well as Montereyôs IT department, while also serving as a member of Montereyôs credit committee. His leadership in taking initiative to identify and correct issues, improve procedures, and communicate effectively with clients and consumers, all while pushing our performance expectations through training and mentoring is crucial in Montereyôs current and future success.

Lisa Pruitt, Vice President of Client and Support Services and Compliance Officer, joined Monterey in 1998 as the Central Processing Manager, handling all applicant underwriting and new account placement for all divisions. In 2013, she was promoted to Senior Manager during the merge of Client Services and Central Processing, creating our Client and Support Services division. In 2015, Lisa stepped in to manage the partnership formed with our charter bank as our Compliance Officer. She also

sits on our credit committee, which is charged with the vetting and structuring of all new finance clients. Lisa graduated from National University with Magna Cum Laude honors with a degree in Business Administration, with a concentration in Entrepreneurship. Lisaôs vast experience and long history of high performance has been very valuable to Monterey and led to her promotion to Vice-President in 2016.

Dave Bultemeier, Controller, CPA, has been with Monterey since 2001. Prior to joining Monterey Dave worked for PricewaterhouseCoopers in its audit and tax divisions. In addition to the valuable experience he developed working for one of the worldôs largest accounting firms, Dave has served as corporate Controller and Chief Financial Officer for multiple consumer finance companies. Dave graduated with distinction from Indiana University with a degree in Accounting. Daveôs responsibilities at MFS include the coordination of all internal financial and audit controls, annual financial projections and reporting, budget creation and assessment, and collateral and regulatory audits. Dave also fills a key role in the establishment and maintenance of important lender and client accounting relationships and is a member of Montereyôs credit committee, providing valuable analytical input.

HISTORICAL FINANCIAL INFORMATION

Overview of Company Performance

The Company purchased consumer receivables of approximately 40 million and 17,000 accounts for an average contract balance of $2,400 from more than 100 different businesses during the twelve (12) ending December 31, 2017. Cash collected on these accounts YTD through June 30, 2017 was $28 million or 70% of total purchases.

As of December 31, 2017, the Company owned approximately $33 million or 13,000 accounts with an average balance of $2,600. Unearned discount (future) income from these accounts is $2.8 million with reserves for future losses of $4.5 million (14%). Greater than 60 day delinquency is only 5.9%. The average remaining term for these contracts is 30 months and the average consumer contract interest rate is 11%, meaning potentially $4.5 million of interest may be collected, in addition to the approximately $33 million of outstanding balances.

With approximately $23 million of Company notes issued as of December 31, 2017, $33 million of receivables outstanding, plus approximately $4.5 million of potential interest collections, the notes are collateralized at 163% of note face value.

Company Balance Sheet - Line Item Descriptions

The Company formed as a limited liability company on October 10, 2012, and commenced operations in December, 2012, so comparative financial statements are not presented. The Company commenced external financial audits with the year ending December 31, 2013. The following is the December 31, 2017 unaudited balance sheet for the Company with detailed descriptions of major line items:

MONTEREY RECEIVABLES FUNDING, LLC
Balance Sheet
December 31, 2017

ASSETS		
CASH		
Cash	$518,041	
Due To Client	32,142	
TOTAL CASH		550,183
CONTRACTS RECEIVABLE		
Contracts Receivable	33,319,070	
Unearned Discount	(2,779,121)	
NET CONTRACTS RECEIVABLE		30,539,949
OTHER RECEIVABLES		
Interest Receivable & Prepaid Expense		278,833
TOTAL ASSETS		$31,368,965
LIABILITIES		
ACCOUNTS PAYABLE & ACCRUED EXPENSES		
Accounts Payable	$0	
Contingent Interest	153,385	
Accrued Salary	14,015	
Accrued Interest	146,214	
Deferred Revenue	0	
TOTAL A/P & ACCRUED EXP.		313,614
CLIENT RESERVES (HOLDBACKS)		4,543,459
TOTAL NOTES PAYABLE		23,305,000
TOTAL LIABILITIES		28,162,072
EQUITY		
Membersô Equity	2,702,095	
Issued Common Units	7,524	
Net Income / (Loss)	1,997,876	
Shareholder distributions	(1,503,077)	
Treasury Units	2,475	
TOTAL EQUITY		3,206,893
TOTAL LIABILITIES AND EQUITY		$31,368,965

Notes:

Cash: Excess cash is deployed to purchase contracts and is replenished through significant monthly cash flow from monthly payments from consumer monthly installment contracts and issuance of additional notes secured by these contracts. A cash balance is maintained for contract purchases, operating expenses, potential note redemptions and member tax distributions.

Contracts receivable. The Company owns approximately $33 million consumer installment contracts with an average balance of $2,600, average remaining term of 30 months and average interest rate of 11%, resulting in $4.5 million of potential interest that may be collected, in addition to the $33 million current receivables balance. $2.8 million of Unearned Discount is recognized as income over the remaining term of purchased contracts.

Interest receivable. This entry reflects the interest accrued but not yet collected for consumer retail installment contracts.

Liabilities

Accounts payable. Vendors are paid currently because operating expenses are minimal compared to monthly cash received from consumer installment contracts. Any balance is for vendor invoices applicable to the current month received after month end.

Accrued interest. This balance is the interest due noteholders for the current month paid on the 15th of the following month.

Contingent interest. This entry reflects the 10% or 20% profit paid to the investors (excluding Class A-2 8% Notes) after year end accrued and expensed monthly, calculated on monthly net income.

Client Reserves. This entry reflects reductions in contract purchase price (aka holdbacks) that are held to cover potential contract defaults. Excess reserves are either refunded to the client or recognized as income to the Company, depending on the contractual arrangement between the Company and the client.

Notes Payable. This entry reflects amounts owed to the Company investors that range in size from $50,000 to $2 million each. There are approximately 170 notes issued totaling $23 million dollars. These notes are collateralized by the $33million in contracts receivable, plus additional potential $4.5 million in future interest collections. Minimum and maximum note balances are for economy of scale/efficiency and to avoid an unusually large potential redemption to any one investor.

Equity

Members Equity: This balance reflects $6.2 million net income from 2012 through 2016 minus member distributions of $3.5 million, with the Company commencing operations in December, 2012.

Issued Common Stock. The Company is privately held by a limited number of members, all of which are also members, directors or executives of MFS.

Member Distributions. Since the Company is a limited liability company (LLC), taxable income is passed through to the members and members are distributed quarterly estimates of taxes resulting

from the LLC's taxable income. At the members discretion and when deemed appropriate, members may take profit distributions.

Company Income Statement - Line Item Descriptions

The following is the December 31, 2017 unaudited income statement for the Company with detailed descriptions of major line items:

MONTEREY RECEIVABLES FUNDING, LLC
Income Statement
For the Twelve Months Ended December 31, 2017

	Current Month	Monthly %	YTD	YTD %
INCOME				
Finance Income	$285,776	81%	$4,425,564	81%
Finance - Late Charges	7,911	2%	126,677	2%
Finance - Other Fees	22,256	6%	324,177	6%
Finance - NSF Fees	11,014	3%	161,160	3%
Finance - Set Up Fees	115	0%	19,694	1%
Buyback Fees	8,375	2%	87,210	2%
Collection Income	21,536	6%	210,873	4%
Other Income	1,547	0%	75,694	1%
TOTAL INCOME	358,530	100%	5,431,050	100%
EXPENSES				
Accounting	1,833	0%	22,000	0%
Credit Card Discount	22,255	6%	292,356	5%
Interest Expense	135,720	38%	2,024,498	39%
Legal		0%		0%
Salary Expense	14,015	4%	293,354	5%
Servicing Fees	45,604	13%	671,825	12%
Permits/Licenses/Fees		0%	300	0%
Sales Commissions	20,043	6%	122,041	2%
TOTAL EXPENSES	239,470	67%	3,426,374	63%
INCOME FROM OPERATIONS	119,060	33%	2,004,676	37%
State Income Taxes	5,790	1%	6,800	0%
NET INCOME / (LOSS)	$113,270	32%	$1,997,876	37%

Notes:

Revenue

Finance Income. This amount reflects income from the initial discount charged a business when the Company purchases consumer installment contracts. The discount is recognized as income over the term of the contract, not at the point of purchase. Monthly consumer contract interest earned averaging 11% is also included in this line item. Interest income is affected by (i) the principal balance of its loan portfolio, (ii) the average APR of its loan portfolio, and (iii) the payment performance by our borrowers on their loans.

Finance late charges, pay by phone, NSF Fees. This amount reflects fees assessed by the Company and collected from consumers.

Buy-back fees. This fee is paid by the seller of contracts to the Company when a contract fails to perform and the seller is contractually obligated to replace (ñbuybackò) the contract through recourse arrangements included in the written agreement between the Company and contract seller.

Collection Income. This amount is recovery on contracts previously charged off to MFSôs collection agency on which amounts have now been collected.

Expenses

Credit card discount. This amount reflects fees that Visa, MasterCard, American Express and Discover assess the Company for processing monthly consumer installment payments.

Interest. This amount includes both the monthly interest paid to noteholders and monthly accrual of noteholdersô 10% or 20% profit participation (ñcontingent interestò) paid annually.

Servicing fees. Since the Company is only a holding company, MFS performs all monthly loan servicing for the Company and charges $3.25 per account for these services. Services include collection efforts, payment deposits, accounting, client and consumer due diligence, etc.

Sales Commissions – Independent Contractors. This entry reflects commissions paid to external brokers for identifying and introducing businesses that sell contracts to the Company.

Liquidity and Capital Resources of the Company

The term ñliquidityò refers to the Companyôs ability to generate adequate amounts of cash to fund its operations, including portfolio purchases, operating expenses and distributions for member tax payments. Historically, the Company has generated working capital primarily from cash collections on its portfolios of consumer receivables in excess of the cash collections required to make principal and interest payments on its debt and operating expenses. On December 31, 2017, the Company held $518,041 in cash and zero accounts payable. Management believes that cash flow generated from this Offering and consumer contracts will be sufficient to finance operations. Cash flow generated from consumer contracts was approximately $28 million for the twelve (12) months ending December 31, 2017.

MFS' Financial Information

The following discussion and analysis of MFSô financial condition and results of operations should be read in conjunction with MFSô audited consolidated financial statements and related notes that are available on request. In addition to historical financial information, the following discussion contains forward-looking statements that reflect MFSô plans, estimates, and beliefs. MFSô actual results could differ materially from those discussed in the forward-looking statements. Factors that could cause or contribute to these differences include those discussed below and elsewhere in this offering memorandum, particularly in ñRisk Factorsò and ñForward-Looking Statements.ò

Overview

MFS is one of the leading loan servicers, collection agencies and consumer financing companies in the U.S. It provides its clients one integrated receivable management organization with a comprehensive end-to-end solution for their receivable management needs. MFS provides loan servicing to 70,000 accounts representing over $150 million, its collection agency includes 484,000 accounts exceeding $700 million, collects approximately 28,000 purchased accounts totaling $67 million and performs back-up servicing for 600 accounts totaling $1 million.

During the twelve months ended December 31, 2017, MFS and its affiliates purchased over $112 million contracts, placed $209 million contracts in loan servicing and placed $144 million contracts in its collection agency.

Over the past twenty eight (28) years, MFS has developed an integrated business model that consists of client due diligence, contract underwriting, loan financing, loan servicing and bad debt collections. MFS believes that its model enables it to operate successfully in the underserved secondary financing market

MFS operates in large and highly fragmented financing markets. Within this market, MFS caters to customers who have the income necessary to complete their monthly installment payments, but may not qualify for financing from traditional third-party sources.

Access to funding

MFS provides financing to its clients to facilitate their cash flow needs and business expansion. Historically, MFS has relied upon large commercial lenders with expertise in the consumer finance industry, as well as subordinated debt provided by individuals, albeit at a higher cost of funds.

MFS also acquires bulk receivables at auction. In November 2006, MFS completed an auction transaction which was collateralized by approximately $12 million of finance receivables from the largest independent furniture chain in Chicago. In April, 2008, MFS acquired at auction $18 million of receivables from the third largest jewelry retailer in the U.S.

MFS currently has a $30 million credit facility with Wells Fargo plus investment partner alliances committed to handle bulk receivable purchases up to $100 million.

MFS Balance Sheet – Five Year Comparisons

Since the Company has limited operating experience and MFSô finance division is identical to the Company and is managed by the same management team, the following are five year financial statement comparisons for MFS. MFSô financial statements have been audited since 1994 and these audit reports are available upon request.

MONTEREY FINANCIAL SERVICES, LLC
BALANCE
SHEETS

Dollars in Thousands (000's)

	2013	2014	2015	2016	2017
ASSETS					
Cash	958	9	1,465	513	444
Contracts Rec.	29,634	42,840	37,910	26,956	21,282
Other Rec.	526	922	900	786	674
Prepaid & Other	117	108	105	106	94
Total	31,235	43,879	40,380	28,361	22,494
Fixed assets	2,820	2,918	3,039	3,086	3,123
Depreciation	(2,548)	(2,674)	(2,803)	(2,920)	(2,995)
Net fixed	272	244	236	166	128
Total Assets	31,507	44,123	40,616	28,527	22,622
LIABILITIES & EQUITY					
A/P & Accrued Liab.	872	692	680	763	740
Total Current Liab.	872	692	680	763	740
Holdbacks	7,875	9,355	6,681	5,244	4,038
Line of Credit	12,155	24,878	22,292	12,263	7,510
Investment Banker	0	0	0	0	0
Long-Term Debt	0	0	0	0	0
Notes Payable	4,504	6,059	5,800	4,275	3,775
Total Long-term Debt	24,534	40,292	34,773	21,782	15,323
Total Liab.	25,406	40,984	35,453	22,545	16,063
Common Stock	387	274	274	274	274
Treasury Stock	(1,677)	(4,940)	(4,940)	(4,940)	(4,940)
Retained Earnings	7,391	7,805	9,829	10,648	11,226
Total Equity	6,101	3,139	5,163	5,982	6,560
Total Liab. & Equity	31,507	44,123	40,616	28,527	22,622

Notes:

Assets

Cash. A cash balance is maintained primarily for contract purchases and accumulates from monthly collections from MFSôLoan Servicing and Collection Agency business divisions.

Contracts receivable. MFS has maintained a substantial consumer finance receivable portfolio of $21 million to $43 million over the past five years.

Other receivables. Other receivables are comprised primarily of interest due from consumers and monthly fees due from Loan Servicing and Collection Agency clients (businesses).

Fixed assets. Fixed assets consist primarily of technical enhancements by MFS, including computer hardware and proprietary software, automated phone systems and scanning systems.

Liabilities

Accounts payable and accrued expenses. This line item is comprised of approximately one dozen accrual line items to maintain MFSôfinancial statements on an accrual/GAAP basis.

Holdbacks. This amount reflects reserves that reduced the purchase price of contracts (aka holdbacks) that are held to cover potential consumer contract defaults. Excess reserves are either refunded to the client or recognized as income to MFS, depending on the contractual arrangement between MFS and the client.

Line of Credit. This entry reflects Wells Fargoôs credit facility and fluctuates with the amount of contracts receivable MFS purchases.

Notes payable. This entry reflects approximately 45 notes due to individual investors, similar to notes payable issued by the Company. These notes are subordinated to Wells Fargo and fluctuate with MFSô need for financing contracts that may not conform withWells Fargoôs loan covenants.

Equity

Common stock and treasury stock. MFS is privately held by a limited number of shareholders, all of which are also members of the Company. MFS bought out a large shareholder in 2014, causing an increase in treasury stock.

Retained earnings. This entry reflects the result of accumulated net income, but is reduced by approximately 50% for shareholder distributions to cover shareholder tax liabilities. MFS is an LLC, so taxable income is passed through to shareholders.

MFS income statements – five year comparisons

The following are five year financial statement comparisons for MFS:

MONTEREY FINANCIAL SERVICES, LLC
INCOME STATEMENT

Dollars in Thousands (000's)

	2013	2014	2015	2016	2017
Revenue	15,863	17,806	18,136	16,845	19,513
Total COGS	0	0	0	0	0
Gross profit	15,863	17,806	18,136	16,845	19,513
Gross Margin %	100%	100%	100%	100%	100%
SG&A	11,702	14,199	13,294	13,599	15,418
EBITDA	4,161	3,607	4,842	3,246	4,095
EBITDA Margin	26.2%	20.3%	26.7%	19.3%	21.0%
Depr., Amort. & Goodwill	116	125	128	119	74
Total Non-Cash Expenses	116	125	128	119	74
EBIT	4,045	3,482	4,714	3,127	4,021
EBIT Margin	25.5%	19.6%	26.0%	18.6%	20.6%
Interest Expense	953	1,211	1,721	1,163	1,661
Pre-tax Income	3,092	2,271	2,993	1,964	2,360
Income Taxes	7	79	102	21	13
Net Income	3,085	2,191	2,891	1,943	2,347

Revenue

Revenue is comprised of income from MFSô three business divisions: Finance, Loan Servicing and Collection Agency. Revenue fluctuates with the amount of receivables purchased and placed with MFS for loan serving and collections. Steady revenue increases were due to growth in all three business divisions in multiple industries.

Expenses

MFSô largest SG&A expense line items are compensation, employee benefits and credit card fees, which, when combined, comprised approximately 72% of total MFSôs year 2017 expenses.

Interest expense

Interest expense is comprised of interest due to Wells Fargoôs credit line and individual noteholders. Interest varies with the amount of consumer installment receivables purchased.

Net income

Subsequent yearsô increase in net income was due to increased efficiency through automation and growth in MFSôthree receivables business divisions.

MFS 2017 financial statements

MFSôs 2016 revenue was $19.5 million and net income $2.3 million.

Historically, MFS has acquired consumer receivable portfolios with purchase prices ranging from 35% to 80% of face amounts. MFSô consumer receivable purchases for year 2017 exceeded $46 million for approximately 16,000 contracts. A five year comparison of MFSô finance portfolio follows:

MONTEREY FINANCIAL SERVICES, LLC
FINANCE NOTES RECEIVABLE (000's)

	2013	2014	2015	2016	2017
New Business:					
Amount	$51,438	$65,744	$46,769	$21,697	$46,485
Number of accounts	27,194	22,146	14,771	5,493	16,240
Average balance	$1,892	$2,969	$3,166	$3,950	$2,862
Notes Receivable:					
Outstanding	$33,059	$48,021	$41,438	$29,157	$23,337
Unearned Income	($2,943)	($4,699)	($3,528)	($2,201)	($2,055)
Reserves	($7,875)	($9,355)	($6,681)	($5,244)	($4,038)
	$22,241	$33,967	$31,229	$21,713	$17,245
Collections:					
Amount	$38,771	$37,404	$39,375	$25,734	$31,182
Percentage	117%	78%	95%	88%	134%
Number of accounts	21,484	18,980	16,973	10,174	10,022
Delinquency >60 days	6.0%	5.5%	8.2%	4.4%	9.1%
Average:					
Contract balance	$1,539	$2,530	$2,441	$2,866	$2,329
Months to maturity	20	30	27	29	25
Interest Rate	11%	12%	13%	12%	10%

MFS maintained capacity for purchasing hundreds of thousands of contracts annually for the past five years. MFS has undergone financial audits since 1994 and has undergone internal controls audits (aka SAS 70 or SSAE 16 SOC 1 Type 2 audits) since 2004. These audits are available upon request.

MFSô maintains reserves of $4 million and unearned income of $2.1 million against $23 million of receivables (combined 27%).

Due to MFSôfocus on collections, 78% to 134% of the outstanding receivable balance has been collected annually and over 60 day delinquency has been maintained at 9.1% or below.

Early payoffs enhance MFSôcash flow because the full outstanding balance is received early in the term of the contract and the initial purchase price of the contract is discounted below the principal balance. MFS usually has recourse to the business selling contracts for replacement contracts if the seller cancels the contract or the contract defaults early in its term. In addition, MFS usually requires

clients to place contracts in its loan servicing division as additional collateral and the current dollar amount of these contracts are nine figures.

MFSô average contract balance has increased from $1,892 to $2,862 and the average months to maturity has increased from 20 months to 25 months due to growth away from shorter term smaller balance contracts. Average consumer contract interest rates have maintained between 10% and 13%. With an average interest rate of 10% as of December 31, 2017, MFS can potentially collect $2.4 million of interest in addition to the $23 million balance of contracts outstanding.

MFS' Loan Portfolio

MFS actively monitors its portfolio performance and the credit grade mix of contract purchases. Its proprietary credit grading system segments its customers into several credit grades. MFS controls the grade mix of contract purchases through the terms provided to its customers, which are established centrally by its management team, and applied consistently to all clients. MFS has higher minimum down payments and lower maximum installment payments for its lower credit grade customers, resulting in lower default rates for its lower credit grade customers. Due to the fact that its loans have a relatively short average duration, MFS is able to closely monitor credit trends and make appropriate adjustments to the both the grade mix and pricing of its contract purchases.

MFSôportfolio to date turns over rapidly to help reduce the risk of the consumer defaulting.

MFS' Collection and Operating Expenses

Monitoring and Collections

MFS seeks to minimize credit losses by carefully monitoring its portfolio of finance receivables. After completing a purchase, each loan is automatically added to its comprehensive receivables system. Its proprietary collection system was developed specifically for consumer finance receivables and provides it the transparency and tools necessary to effectively and efficiently service its loan portfolios. MFS sets daily queues of delinquent accounts for each collector to manage based on the customerôs delinquency status. MFS also utilizes an automated dialer and messaging system to enhance collection efficiency.

Accounts greater than 60 days past due (i.e., ñback-endôô collections) are assigned to MFSôcollection agency located in the same building. Recovery, bankruptcy, payment processing, cash balancing, customer service, quality assurance, contract verification, as well as its call center, and administration functions are all performed onsite at its centralized Oceanside, CA facility.

Integrated Information Systems

MFS manages the operations of its purchased receivables, loan servicing center, collection agency and its accounting and reporting functions with a single, integrated information system. When MFS purchases a contract, its staff records the purchase in its system, and the system adds the contract to its receivable database and makes the appropriate accounting entries. MFS uses both local and wide-area data and voice communication networks that allow it to account for all purchase and sale activity centrally and to service large volumes of contracts from its centralized collections facilities. MFS also has internally developed comprehensive databases and management tools, including credit scoring models, static pool analyses, and predictive modeling to set receivable acquisition and underwriting guidelines, categorize and price contract purchases, establish collection strategies, and monitor underwriting effectiveness.

MFSô systems and databases are maintained in secured data centers. Its data centers are configured with redundant power, cooling, and network access. Fire protection systems, including passive and active design elements, are installed. MFS utilizes multiple backup systems in an effort to ensure uninterruptible power. Its network features multiple wide area network connections using a redundant routing architecture and multiple access points to public networks.

Systems and databases are configured for high availability and disaster recovery. High availability is achieved through the use of server and database clustering and redundancy at multiple hardware layers. MFS backs up all of its databases and systems on a regular basis. It leverages a blended data duplication disk backup and traditional tape backup strategy that supports rapid data recovery. Tape backups are stored in a secure offsite location. Critical systems are attached to a storage area network and data replication is in place across data centers. Server virtualization technology is utilized to improve the efficiency and availability of resources and applications. MFS has a comprehensive disaster recovery plan in place to cover intermittent or extended periods of interruption in one or more of its critical systems. MFS tests its disaster recovery on a monthly basis.

Critical Accounting Policies

The discussion and analysis of its financial condition and results of operations are based upon its consolidated financial statements, which have been prepared in accordance with United States generally accepted accounting principles. The preparation of these financial statements requires management to make estimates and judgments that affect the reported amounts of assets and liabilities, revenue and expenses, and related disclosures of contingent assets and liabilities at the date of its financial statements. Actual results may differ from these estimates under different assumptions or conditions, impacting its reported results of operations and financial condition.

Certain accounting policies involve significant judgments and assumptions by management, which have a material impact on the carrying value of assets and liabilities and the recognition of income and expenses. Management considers these accounting policies to be critical accounting policies. The estimates and assumptions used by management are based on historical experience and other factors, which are believed to be reasonable under the circumstances. The significant accounting policies which it believes are the most critical to aid in fully understanding and evaluating its reported financial results are described below.

Contracts receivable and revenue recognition

Contracts receivable consist of consumer accounts receivable that the Company and MFS have purchased at a discount. The Company and MFS record these receivables at the principal amount of the outstanding contract. The principal balance, less a purchase discount and holdback amount, is paid in cash to the client at the time of purchase. The discount is reflected as deferred income and is recognized as income over the remaining life of the contract using the effective interest method.

Reserve for credit losses

For all accounts purchased, the Company and MFS hold back a portion of the purchase price to absorb future potential credit losses. When collection of a contractôs balance is determined to be doubtful, generally 60 days past due on the basis of contractual terms, accrual of interest is discontinued and the account is offset against the holdback reserve. Discount income recognized and uncollected on nonperforming contracts is reversed at the time of offset to client holdbacks and are refunded in accordance with contract terms, which generally require holdbacks to be retained by the Company and MFS until contracts default or periodic reviews conclude that excess reserves exist.

Through historical experience and an evaluation of current economic conditions, management considers such holdbacks to be adequate to absorb currently anticipated credit losses.

Although it is reasonably possible that events or circumstances could occur in the future that are not presently foreseen, which could cause actual credit losses to be materially different from the recorded reserve for credit losses, it believes that it has given appropriate consideration to the relevant factors and have made reasonable assumptions in determining the level of the reserves. Its credit and underwriting policies and adherence to such policies and the execution of collections processes have a significant impact on collection results, as well as the economy as a whole. Changes to the economy, unemployment, and collections and recovery processes could materially affect its reported results.

Interest expense

As a result of the issuance of the notes offered herein, the Company expects weighted average cost of funds will average between 6% and 8%. Additional noteholder 10% or 20% net income participation (ñcontingent interestò) is also included and may increase cost of funds and noteholder returns from 8% to 12%.

Member and Shareholder distributions

The Company and MFS make significant distributions to members and shareholders since the Companyôs formation as an LLC on October 10, 2012 and MFSô election as an LLC on October 1, 2015. Income from the LLCôs flow through to the individual members and shareholders, who report income/losses on their individual income tax returns. The Company and MFS have made distributions to members and shareholders to fund taxes paid by the shareholders resulting from income of the Company and MFS, respectively.

CAPITALIZATION

Equity:

The Company is a privately held limited liability company formed on October 10, 2012 in Delaware and is owned by a limited number of members, all of which are also shareholders, directors or executives of MFS.

Since the Company is a limited liability company (LLC), taxable income is passed through to the members and the members are distributed quarterly estimates for tax liability resulting from the LLCôs taxable income.

The Company is wholly owned by Monterey Financial Holdings, LLC.

Debt:

As of December 31, 2017, approximately 200 Secured Class A, A-1, Class A-2, B and B-1 notes for approximately $23 million have been issued by the Company. These notes are secured by $33 million in outstanding consumer retail installment receivables, plus, at 11% average interest, there is an additional $4.5 million of future potential interest income. Interest is payable monthly to noteholders on the 15th of the following month, plus 10% or 20% of net income is payable to noteholders annually (excluding Class A-2 8% Notes) as ñContingent Interestò prior February 15th of the following year.

Class A and B notes were issued with an initial $5 million offering dated December, 2012, which quickly reached the offering maximum by June 2013. Class A-1, B-1 and A-2 notes were issued with an additional $50 million offering dated July 2013, of which approximately $22 million of notes were issued as of December 31, 2017. Individual note principal balances vary from $50,000 to $2 million. The Company has placed a $2 million maximum limit on future individual notes.

Class B and B-1 notes are subordinated to Class A, A-1 and A-2 notes. Class A and A-1 notes are paid 6% interest, Class B and B-1 notes are paid 7% interest and Class A-2 Notes are paid 8% interest. The weighted average interest rate for all notes is currently 7.4%. All notes are issued for a one year term with automatic annual renewals, unless 90 days prior written notice is provided to the Company. There are currently $15.3 million in Class A, A-1 and A-2 notes outstanding (66%) and $8 million of Class B and B-1 notes outstanding (34%).

Current Class A-1 and Class B-1 notes will be rolled over into this offering. Company receivables are not segregated by note Class, although the Company, MFS and MFS third party receivables are segregated. No more than 20% of all the Company outstanding notes can be redeemed in one year.

RELATED PARTY TRANSACTIONS AND CONFLICTS OF INTEREST

The Company and MFS are under common control. Specifically, the members, managers and officers of the Company are the same shareholders, directors and officers of MFS. The Companyôs managers and officers initially own one hundred percent (100%) of the outstanding equity interests of the Company. Accordingly, MFSô directors and officers have the ability to control the Company and direct its affairs and business both as managers/officers and as members.

These managers and officers owe fiduciary duties to the Company but have also made equity investments in the Company. In addition, these managers and officers may choose to purchase Notes on the same terms and conditions as other purchasers. This creates the potential that, in making decisions for the Company, the Companyôs directors and officers will be influenced by (i) their equity position in the Company and (ii) the Notes (if any) they purchase.

In addition, the principals of the Company also provide services to MFS, an entity with objectives similar to the Company. While the receivables acquired by the Company will be segregated from any receivables acquired by MFS or any third party, in the event both the Company and MFS purchase receivables from the same portfolio, receivables will be distributed in a random and fair manner as to term, interest, credit, and other relevant factors at the Companyôs and MFSô discretion.

The Company was formed as a financial vehicle to purchase consumer retail installment receivables of the type purchased by MFS. The Company has no operations and will serve solely as a means to provide capital to finance the purchase of such receivables. The Company will contract with MFS to (i) perform all servicing with respect to the receivables pursuant to the terms of a Loan Servicing / Management Agreement, the terms of which are described in this memorandum; and (ii) collect all bad debt with respect to the receivables pursuant to the terms of a Collection Agreement, the terms of which are described in this memorandum. For more information on conflicts of interest, see the risk factor entitled ñ*Certain Members of the Board of Managers and/or Officers of the Company May have Interests that Compete with those of the Company*ò

RISK FACTORS

THE FOLLOWING CONTAINS A DESCRIPTION OF SOME OF THE MATERIAL RISKS RELATED TO THE COMPANY AND AN INVESTMENT THEREIN. EACH INVESTOR SHOULD CAREFULLY CONSIDER THE RISKS DESCRIBED BELOW TOGETHER WITH ALL OF THE OTHER INFORMATION INCLUDED IN THIS PACKAGE BEFORE MAKING AN INVESTMENT DECISION. THE RISKS AND UNCERTAINTIES DESCRIBED BELOW ARE NOT THE ONLY RISKS AND UNCERTAINTIES FACED BY THE COMPANY. IF ANY OF THE FOLLOWING RISKS OR UNCERTAINTIES ACTUALLY OCCURS, THE COMPANYÕS BUSINESS, FINANCIAL CONDITION OR RESULTS OF OPERATIONS COULD SUFFER.

RISKS RELATED TO THE FINANCING

The Company is offering the Notes through Rule 506(c) of Regulation D (the "Exemption"). As the Exemption has only been recently enacted and may be subject to subsequent amendment or modification, there can be no assurance that the Company will fully comply with the Exemption. The Company is relying upon an exemption from registration of the Notes with the SEC in reliance upon Rule 506(c), which became effective September 23, 2013. Under the Exemption, issuers can offer securities through means of general solicitation, provided that: (a) all purchasers in the offering are accredited investors, (b) the issuer takes reasonable steps to verify their accredited investor status, and (c) certain other conditions in Regulation D are satisfied. Issuers wishing to engage in general solicitation also need to take ñreasonable stepsò to verify the accredited investor status of purchasers. The SEC has proposed various rules which could make the Companyôs compliance with the Exemption difficult, including a proposal to require companies to file an advance notice on a ñForm Dò with the SEC fifteen (15) days prior to engaging in general solicitation in reliance with the Exemption. The SEC has also proposed amending Rule 507 of Regulation D to disqualify an issuer from relying on Rule 506 for one (1) year for future offerings if the issuer, or any predecessor or affiliate of the issuer, did not comply, within the last five (5) years, with all of the Form D filing requirements in a Rule 506 offering. In the event that the SEC determines that the Offering was not in compliance with the Exemption and, among other things, bans the Company from future offerings either in reliance on the Exemption or otherwise under the existing or proposed rules under Regulation D, such an event would have a material adverse effect on the Company, the Notes, and the Companyôs ability to raise additional funds and maintain operations.

There is no public market for the Notes, and the Notes are subject to substantial restrictions on transferability. There is no public market for the Notes and no equity interests of the Company are currently registered under the Securities Act or the securities laws of any jurisdiction. The Notes are being offered and sold pursuant to an exemption from the registration requirements of the Securities Act provided by Section 4(2) of the Securities Act and Rule 506(c) of Regulation D promulgated thereunder. The Notes will be ñrestricted securitiesò as that term is defined in Rule 144 of Regulation D and, accordingly, may not be resold or otherwise transferred unless such Notes are registered under the Securities Act and the securities laws of any other appropriate jurisdiction, unless exemptions from such registration requirements are available. Additionally, the Notes will contain significant restrictions on transferability. Accordingly, purchasers of Notes may be unable to liquidate an investment in the Notes, and therefore should be able to bear the economic risk of an investment in the Notes for an indefinite period and to withstand a total loss of investment. These restrictions on the transferability of the Notes make an investment in the Notes extremely illiquid.

The Board of Managers of the Company will control the Company and its decision-making process. Pursuant to the terms of the LLC Agreement, the Board of Managers will have broad discretion in the management of the Company. Without limiting the generality of the foregoing, the business, investment decisions, property and affairs of the Company will be governed by, and all powers of the Company exercised by, or under the direction of, the Board of Managers of the Company. Therefore, the members of the Company, in their capacities as such, will have no part in the management of the Company or the decisions its Board of Managers make. Furthermore, MFS will have control over all of the servicing of the Companyôs receivables pursuant to the terms of the Collection Agreement and the Loan Servicing / Management Agreement.

This is a Best Efforts Offering and the Company will only be able to Purchase Consumer Debt as Notes are Sold. The Company may conduct its initial closing of Notes sold as soon as the Company has received commitments to sell Notes in the principal amount of $500,000. However, there can be no assurance that all of the Notes will be sold. As Notes are sold, the Company will use all or a portion of the proceeds to purchase receivables. The Companyôs success directly depends, among other things, the amount of receivables it purchases. The Company may not raise funds to purchase a substantial amount of receivables, which may materially adversely affect the Companyôs ability to repay the principal amount of the Notes and any accrued interest thereon.

The Company's Ability to Satisfy its Obligations under the Notes Depends on Many Factors Beyond its Control. The Companyôs ability to pay the principal of and interest on the Notes depends on the ability of MFS to service and collect the Companyôs receivables. MFSô ability to collect the receivables may be impacted by prevailing economic conditions, financial, business, legislative and regulatory factors and other factors beyond the Companyôs or MFSô control. There can be no assurance that MFS will be able to collect on the Companyôs receivables, that the consumers on such receivables will not dispute the debt or that all or any portion of the Companyôs portfolio becomes bad debt. If MFS is unable to collect on the Companyôs receivables for any reason, the Company may not be able to satisfy its obligations under the Notes. The Company does not have any other assets on its balance sheet to satisfy its obligations under the Notes. In such an event, the obligations under the Class B-1 Notes would be at risk first, and then the obligations under the Class A-1 Notes.

Subordination – The Right to Receive Payment on the Class B-1 Notes is Junior to All of the Company's Obligations on the Class A-1 and A-2 Notes. All Class B-1 Notes will be junior in right of payment to the holders of Class A-1 and A-2 Notes. As such, no payment shall be made on the Class B-1 Notes unless and until all payments then due and owning with respect to the Class A-1 and A-2 Notes have been paid in full. For the avoidance of any doubt, payments due under the Class A-1 Notes Class B-1 Notes and Class A-2 Notes are made concurrently unless there is a payment default under the Class A-1 or Class A-2 Notes, at which time no payments would be made on the Class B-1 Notes until all defaults under the Class A-1 and Class A-2 Notes are cured. In the event that the Company is declared bankrupt, becomes insolvent or is liquidated or reorganized, obligations under the Class A-1 and A-2 Notes will be entitled to be paid in full from the Companyôs assets before any payment may be made with respect to the Class B-1 Notes. In any of the foregoing events, there can be no assurance that the Company will have sufficient assets to pay amounts due on the Class B-1 Notes. As a result, holders of the Class B-1 Notes may receive less, proportionally, than the holders of debt senior to the Class B-1 Notes. In addition, as noted above, the Class A-1 and A-2 Notes are *pari passu* in right of payment with the Class A Notes and the Class B-1 Notes are *pari passu* in right of payment with the Class B Notes.

The Company may need Additional Financing to Purchase Receivables and Expand its Portfolio. The Company has been formed as a financial vehicle to, among other things, purchase receivables MFS is not able to purchase. The Company may need to raise additional financing to

purchase more such receivables and/or expand its portfolio. The failure to obtain additional financing may materially affect the Companyõs ability to purchase such receivables and/or participate in opportunities presented by MFS. There can be no assurance that the Company will be able to acquire additional financing on favorable terms or at all. Such additional financing may be in the form of additional debt or equity securities. Debt securities issued in the future by the Company may be senior to the Notes in priority and right of payment and may bear interest at rates which vary significantly from the Notes. Other than the subordination of the Class B-1 Notes to the obligations under the Class A-1 and A-2 Notes, there may not be any segregation of collateral with respect to Companyõs assets to secure Companyõs obligations to any holders of the Notes. Additional debt securities may also be secured by some or all of the Companyõs assets. There can be no assurance that the issuance of other debt or equity securities might not have an impact on the timing or amount of payments received by a holder of the Notes.

Effect of Usury Laws. Holders of Notes will receive an interest return on their investment in the Notes. The Company holds a California Commercial Finance Lenderõs License, in which case the interest rate realized by the holders of Notes or the Company should be statutorily exempt from usury laws of the State of California. However, in the event such license revoked during the term of the Notes, and there can be no assurance that such license would be re-issued to Company. In addition, applicable terms of California law may change. If the Notes were found to violate such usury laws, the consequences may include, without limitation, fines, forfeiture of some or all of the interest contracted for, and reimbursement of an amount equal to three (3) times the interest charged in excess of the maximum legal rate.

Exercise of Redemption Rights may Impact the Company's ability to Satisfy its Obligations under the other Notes. The holders of Notes may request to have their Notes paid in full prior to the due date, subject to forfeiture of certain interest payments under the Notes. The obligation of the Company to repay the Notes prior to their scheduled due date may adversely affect its ability to make payments due under the other Notes. As such, holders of Notes that do not exercise the early repayment option may be at more risk than those who exercise the right.

The Company has the Ability to Limit Redemption Rights of the Holders. The holders of Notes may be limited in their ability to exercise their redemption rights. The maximum aggregate amount of principal to be repaid by the Company in connection with the early payment rights of the holders of Notes may not exceed 20% of the then-total outstanding principal balance on all Notes.

Legal Matters. No opinions will be received in connection with legal matters relevant to the issuance of the Notes.

No Rights as Owners or Members. Holders of Notes, in such capacity, are not and shall not have any rights as equity holders in the Company. As such, holders of Notes will not be entitled to vote, receive dividends or exercise any of the rights of the Companyõs members for any purpose. Thus, actions that affect the holders of Notes may be taken without the approval of such holders.

Exercise of Rights and Remedies under the Notes and Security Agreement Need Action by a Required Majority. The rights and remedies available to holders of Notes upon the occurrence and during the continuance of a default under the Notes and Security Agreement may only be exercised upon written instruction by holders of Notes representing more than 50% of the then-outstanding principal under all Notes (ñRequired Majorityò). As such, a Required Majority may, on behalf of all holders of Notes, waive any provision under the Notes or the Security Agreement, including the enforcement of the affirmative and negative covenants under the Security Agreement. In addition, the holders of Notes (and in their capacities as Secured Parties under the Security Agreement) will act by a

Required Majority with respect to the enforcement and exercise of rights upon the occurrence and during the continuance of an event of default under the Notes and/or the Security Agreement. In addition, the Security Agreement may be amended or a provision thereof waived only in a writing signed by the Company and a Required Majority. In this regard, a Required Majority will have the right and power to diminish or eliminate all rights of the holders of Notes.

RISKS RELATED TO THE COMPANY AND ITS BUSINESS

The Company will require additional capital in addition to the capital needs detailed in its Business Plan. The future business opportunities for the Company will necessitate a further capital raising for the Company, and there can be no assurance that the Company will be able to secure additional capital on favorable terms, or at all. The Company may seek additional financing through public or additional private debt or equity offerings. Providers of additional financing may require repayment, interest, fees or other payments which may significantly reduce revenues and/or profits generated by the Company.

Dependence Upon Key Individuals of MFS. The future success of the Company is dependent upon the activities of its officers and managers, which are the officers and directors of MFS. Growth in the business of the Company and MFS is dependent, to a large degree, on MFSô ability to retain and attract such employees. MFS can make no assurance that its current programs and other incentives will allow it to retain key employees or hire new employees.

The Company is Essentially an Underwriter of Receivables and Does Not have Any Operations. The Company is underwriting receivables and does not have any operations. It is completely dependent Companyôs ability to succeed in the future is dependent on its ability to build or acquire the necessary operational and organizational infrastructure, manage risk and recruit experienced employees. In addition, the Company operates in a highly regulated industry, and its future business may be adversely affected by the legal and regulatory environment the Company faces, which may change at any time and which is outside the Companyôs control.

Competition in the Consumer Receivables Financing Industry. The consumer receivables financing industry is highly competitive. The success or failure of the Companyôs business will depend, in part, upon its ability to purchase consumer receivables of sufficient quality at discounts and upon the terms stated herein, so that the Company may earn a return sufficient to pay interest and principal on the Notes. The Companyôs ability to invest and reinvest the funds a sufficient number of times during the year is a factor which will determine the Companyôs profitability and its ultimate ability to pay the principal and interest on the Notes.

Misrepresentations or Fraud by Sellers of Consumer Receivables. A misrepresentation or fraudulent act by a person selling consumer receivables to the Company could cause particular consumer receivables to be uncollectible. In such case, Company could suffer losses and a holder of Notes could lose his, her or its investment in part or in whole.

Unsecured Consumer Receivables. Generally, the obligations of obligors on consumer receivables will be unsecured to the extent that tangible or intangible personal property was financed through such consumer receivables. In such situations, the Company will be relying on the creditworthiness of the obligor for repayment of the consumer receivable. Widespread increases in non-payments are likely to occur if the country or a region experiences an economic downturn, such as a recession. If an obligor fails to pay his consumer receivable, if collection efforts are unsuccessful and if the amounts of any such uncollectible consumer receivables exceeded Companyôs financial ability to

pay amounts due on the Notes, a holder of Notes could lose his, her or its investment in part or in whole.

Risks With Respect to Preexisting Liens. Company will undertake a lien search with respect to sellers of consumer receivables. However, at times, due to human error, inaccuracies, or misidentification of the seller or for other reasons, such lien search may be inaccurate in whole or in part. In such a case, the Company may only be able to collect from an obligor on such consumer receivable to the extent the amount of such consumer receivable exceeds the amounts owed by the seller in excess of the amounts owed to a preexisting and unidentified lienholder.

No Opportunity to Evaluate All Assets. Company has not yet selected specific consumer receivables to be purchased in the future. Accordingly, holders of Notes will not have the opportunity to evaluate the reinvestments of proceeds of this offering or the merit or creditworthiness of any particular debtor with respect to such consumer receivables to be purchased in the future. Each investor must rely on the ability of Company based upon the criteria set forth herein to select consumer receivables and to manage and operate its business.

Consumer Protection Laws. Numerous federal and state consumer protection laws and related regulations impose substantial requirements upon lenders and servicers involved in consumer finance. These laws include the Truth-in-Lending Act, the Equal Credit Opportunity Act, the Federal Trade Commission Act, the Community Reinvestment Act, the Fair Credit Reporting Act, the Fair Debt Collection Procedures Act, the Magnuson-Moss Warranty Act, the Federal Reserve Boardôs Regulations B and Z, the Soldiersô and Sailorsô Civil Relief Act of 1940, state adoptions of the National Consumer Act and of the Uniform Consumer Credit Code and state and sales finance and other similar laws. Also, state laws impose finance charge ceilings and other restrictions on consumer transactions and require contract disclosures in addition to those required under federal law. These requirements impose specific statutory liabilities upon creditors who fail to comply with their provisions. In some cases, this liability could affect the Companyôs ability to enforce consumer finance contracts such as the receivables. The so-called ñHolder-in-Due-Courseò Rule of the Federal Trade Commission (the ñFTC Ruleò), the provisions of which are generally duplicated by the Uniform Commercial Code, other state statutes or the common law, has the effect of subjecting a seller in a consumer credit transaction (and certain related creditors and their assignees) to all claims and defenses which the obligor in the transaction could assert against the seller. Liability under the FTC Rule is limited to the amounts paid by the obligor under the contract and the holder of the contract may also be unable to collect the balance remaining due thereunder from the obligor. To the extent that any of the receivables will be subject to the requirements of the FTC Rule, the Company, as the holder of the related receivables, may be subject to any claims or defenses that the obligor on the receivable may assert against seller. Such claims are usually limited to a maximum liability equal to the amounts paid by the obligor on the receivable. If this occurs the amount of the receivable will be unavailable as a source of repayment of the Notes and if the amount of any such uncollectible receivable exceeded Companyôs financial ability to pay amounts due on the Notes, a holder of Notes could lose his, her or its investment in part or in whole.

Other Limitations. Laws limiting or prohibiting deficiency judgments, numerous other statutory provisions, including federal bankruptcy laws and related state laws, may interfere with or affect the ability of the Company to collect upon a secured consumer receivable or to realize upon collateral or to enforce a deficiency judgment against the obligor. In a filing under any chapter of the federal bankruptcy laws, an obligor on a receivable may receive a complete discharge from his obligation to pay the receivable and the Company may recover nothing or may only share generally in a bankrupt obligorôs assets available for distribution to unsecured creditors. In any situation of an obligorôs bankruptcy, the automatic stay would delay the timing of payments to the Company. State or

federal exemptions may include part or all of the collateral pledged for a secured receivable which would prevent the Company from realizing upon such collateral or obtaining the value thereof in a bankruptcy or insolvency situation involving an obligor on a receivable. Also, under the federal bankruptcy law, a court may prevent a creditor from repossessing any collateral, and, as a part of the rehabilitation plan, reduce the amount of the secured indebtedness to the market value of the collateral at the time of the bankruptcy leaving the creditor as a general unsecured creditor for the remainder of the indebtedness. A bankruptcy court may also reduce the monthly payments due under a contract or change the rate of finance charge and time of repayment of the indebtedness. It is also possible that any or all of the collateral securing a receivable could be lost, damaged or destroyed without adequate insurance in which case, if the obligor does not pay the receivable. In any of the foregoing situations, if the amount of any uncollectible receivable exceeds the Companyôs financial ability to pay amounts due on the Notes, a holder of Notes could lose his, her, or its investment in whole or in part.

The Company is a Financing Vehicle with no Operations. The Company has been formed as a financing vehicle to purchase receivables and other consumer debt not otherwise able to be purchased by MFS. The Company has no operations and will contract all of its servicing and collection duties to MFS. The Company has no control over the performance of its portfolio and is dependent on MFSô ability to successfully service and collect on the debt. MFSô inability to collect on the debt will adversely affect the Companyôs ability to repay the Notes. In addition, any default by MFS with regard to any account, consumer or otherwise any violation of any applicable law with regard to the servicing of consumer debt will directly impact MFSô ability to service the Companyôs portfolio and, as such, the Companyôs ability to satisfy its obligations under the Notes.

Certain members of the Board of Managers and/or officers of the Company may have interests that compete with those of the Company. The principals of the Company may provide services for other entities with objectives similar to the Company. If a business opportunity is deemed suitable for both the Company and one or more of such additional entities, the principals of the Company will attempt to determine the entity for which the business opportunity is most appropriate. However, the principals of the Company and its subsidiaries are not required to allow the Company to participate in any such opportunities. Furthermore, the Companyôs founders, officers and members of the Board of Managers directly and indirectly own a significant percentage of the outstanding capital units of the Company and, accordingly, have the ability to control the Company and direct its affairs and business both as members of the Board of Managers/officers and as members of the Company. These members of the Board of Managers and officers owe fiduciary duties to the Company but have also made equity investments in the Company. In addition, these members of the Board of Managers and officers may choose to purchase Notes on the same terms and conditions as other purchasers. This creates the potential that, in making decisions for the Company, the Companyôs officers and members of the Board of Managers will be influenced by (i) their equity position in the Company and (ii) the Notes (if any) they purchase.

The Board of Managers has broad discretion in use of proceeds. Although the Companyôs management anticipates utilizing the proceeds of the sale of Notes to purchase consumer receivables not otherwise available for purchase by MFS under its current credit facility, all as more specifically described in the Sections above entitled ñ*Summary of Terms*ò and the ñ*Business Summary,*ò the Company and its management will retain broad discretion to allocate the proceeds of this offering as well as the timing of its expenditures. Investors will not have the opportunity to evaluate the economic, financial or other information that the Company may use to determine how it uses these proceeds. Managementôs failure to apply these funds effectively could have a material adverse effect on the Companyôs business and its ability to satisfy its obligations under the Notes.

Issuances of additional debt or equity may adversely impact the Company's financial condition and may dilute your Notes. The Companyôs capital requirements depend on numerous factors, including costs of accounts and consumer receivables, closing costs, servicing and collection fees to MFS, ongoing annual accounting, legal and other expenses and other working capital needs. The Company cannot accurately predict the timing and amount of its capital requirements. In addition, in the future the Company intends to expand the Financing, offer additional series of notes and/or offer equity interests in the Company; provided, further that any such securities shall be subject to the security interest priorities among the Class A-1 Notes and the Class B-1 Notes. Subject to the foregoing, the securities may be on terms senior to or on parity with the Notes. While the sale of such securities will increase the pool of collateral securing the Companyôs securities, it will also result in the Company being more leveraged, resulting in increased risk of default on its obligations thereunder.

MFS may not be able to purchase consumer receivables at favorable terms or at all. The Companyôs ability to execute its business strategy depends upon the continued availability of consumer receivable portfolios that meet its purchasing criteria and MFSô ability to identify and finance the purchases of such assets. The availability of consumer receivable portfolios at favorable prices and on terms acceptable to the Company depends on a number of factors outside of its control, including: the continuation of the current growth trend in debt; the continued volume of consumer receivable portfolios available for sale; competitive factors affecting potential purchasers and sellers of consumer receivable portfolios; and fluctuations in interest rates. The market for acquiring consumer receivable portfolios is becoming more competitive, thereby possibly diminishing the Companyôs ability to acquire such portfolios at attractive prices in future periods. The growth in debt may also be affected by: a continued slowdown in the economy; continued reductions in consumer spending; changes in laws and regulations governing lending and bankruptcy; and fluctuation in interest rates.

MFS may not be able to recover sufficient amounts from its portfolio to recover the costs associated with the purchase and servicing of those assets. The Company acquires receivables and outsources the servicing and collection of the same to MFS for a fee. In order to be profitable over the long term, the Company must continually purchase and MFS must continuously collect on a sufficient volume of receivables to generate revenue that exceeds costs. The Companyôs inability to realize value from receivable portfolios in excess of the purchase price paid for such receivables and its expenses may compromise its ability to remain as a going concern. The originators or interim owners of the receivables generally have: made numerous attempts to collect on these obligations, often using both their in-house collection staff and third-party collection agencies; subsequently deemed these obligations as uncollectible; and charged-off these obligations. The receivable portfolios are purchased at significant discounts to the actual amounts the obligors owe. These receivables are difficult to collect and actual recoveries may vary and be less than the amount expected. In addition, collections may worsen in a weak economic cycle, such as the cycle it is currently experiencing in the United States. In addition, as the unemployment rate increases, MFS and the Company may experience lower recovery rates. As a result, the Company may not recover amounts in excess of its acquisition and servicing costs. For the reasons set forth herein and elsewhere in this Investor Package, the Company cannot estimate what percentage of the current face amount of consumer receivables it will actually collect.

Collections may decrease if bankruptcy filings increase. During times of economic recession, the amount of defaulted consumer receivables generally increases, which contributes to an increase in the amount of personal bankruptcy filings. Under certain bankruptcy filings an obligorôs assets are sold to repay credit originators, but since certain of the receivables purchased are unsecured, the Company often would not be able to collect on those receivables. There are no assurances being made that MFSô collection experience would not decline with an increase in bankruptcy filings. If actual collection experience with respect to unsecured receivable portfolios is significantly lower than

projected when the portfolio was purchased, realization on those assets may decline and its earnings could be negatively affected.

The consumer finance industry is highly regulated under state laws and changes in state laws could negatively affect the Company's business. The consumer receivable financing business is regulated under numerous state laws and regulations, which are subject to change and which may impose significant costs or limitations on the way the Company conducts or expands its business model. Any adverse change in present laws or regulations, or their interpretation, in one or more such states could materially impact the Company and MFS.

SUMMARY OF TAX ISSUES

TO COMPLY WITH U.S. TREASURY DEPARTMENT CIRCULAR 230, PROSPECTIVE INVESTORS ARE HEREBY NOTIFIED THAT: (A) ANY DISCUSSION OF U.S. FEDERAL TAX MATTERS CONTAINED OR REFERRED TO IN THIS OFFERING MEMORANDUM IS NOT INTENDED OR WRITTEN TO BE USED, AND CANNOT BE USED BY PROSPECTIVE INVESTORS, FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED UNDER THE INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE ñCODEò); (B) SUCH DISCUSSION IS BEING USED IN CONNECTION WITH THE PROMOTION OR MARKETING (WITHIN THE MEANING OF CIRCULAR 230) OF THE TRANSACTIONS OR MATTERS ADDRESSED HEREIN; AND (C) PROSPECTIVE INVESTORS SHOULD SEEK ADVICE BASED ON THEIR PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.

The following discussion is a summary of certain material U.S. federal income tax consequences expected to result from the purchase, ownership and disposition of the Notes by Investors who acquire the notes at original issuance for their ñissue priceò within the meaning of section 1273 of the Code (the first price at which a substantial amount of the notes are sold to Investors for cash other than bond houses, brokers or similar persons or organizations acting in the capacity as underwriters, placement agents or wholesalers) and who hold the Notes as ñcapital assetsò within the meaning of section 1221 of the Internal Revenue Code of 1986, as amended (the ñCodeò). This summary is based upon current provisions of the Code, applicable Treasury regulations, judicial authority and administrative interpretations and practice. Future legislation, Treasury regulations, administrative interpretations and practice and court decisions may affect the tax consequences described in this summary, possibly on a retroactive basis. The Company has not requested, and does not plan to request, any rulings from the Internal Revenue Service (the ñIRSò) concerning the tax consequences described in this summary, and the statements set forth herein are not binding on the IRS or a court. Thus, neither the Company nor MFS can provide any assurances that the tax consequences described in this summary will not be challenged by the IRS or sustained by a court if so challenged.

The U.S. federal income tax treatment of a holder of a Note may vary depending upon such holderôs particular situation. Certain holders (including, but not limited to, banks and other financial institutions, real estate investment trusts, regulated investment companies, former citizens or permanent residents of the United States, controlled foreign corporations, passive foreign investment companies, individual retirement and other tax-deferred accounts, insurance companies, persons who mark-to-market the Notes for U.S. federal income tax purposes, partnerships or other pass-through entities or investors therein, brokers, dealers in securities or currencies, traders in securities, governmental organizations, tax-exempt entities, U.S. holders (as defined below) that have a functional currency other than the U.S. dollar, holders subject to the alternative minimum tax, and persons holding notes as part of a ñstraddle,ò ñhedge,ò ñconversion transaction,ò or other integrated transaction) may be subject to special tax rules not discussed below. This summary addresses only certain U.S. federal income tax consequences of the purchase, ownership and disposition of the Notes, and does not address any state, local or non-U.S. tax consequences, or any tax consequences under the estate, gift, or alternative minimum tax provisions of the Code.

PROSPECTIVE INVESTORS SHOULD CONSULT THEIR TAX ADVISORS WITH REGARD TO THE PARTICULAR CONSEQUENCES TO THEM OF THE PURCHASE, OWNERSHIP AND DISPOSITION OF THE NOTES, INCLUDING THE APPLICATION AND

EFFECT OF ANY U.S. FEDERAL, STATE, LOCAL AND NON-U.S. TAX LAWS AND TAX TREATIES.

As used herein, the term ñU.S. holderò means a beneficial owner of a Note that is or is treated for U.S. federal income tax purposes as:

- an individual citizen or resident of the United States;
- a corporation created or organized in or under the laws of the United States, any state thereof or the District of Columbia;
- an estate whose income is subject to U.S. federal income tax regardless of its source;
- a trust if both (i) a court within the United States is able to exercise primary supervision over the administration of the trust and (ii) one or more U.S. persons (as defined in Code section 7701(a)(30)) have authority to control all substantial decisions of the trust; or a trust that was in existence on August 20, 1996, and treated as a U.S. person prior to such date, that elects to continue to be treated as a U.S. person.

As used herein, the term ñnon-U.S. holderò means any beneficial owner of a Note (other than a partnership or other pass-through entity) that is not a U.S. holder.

If any entity which is treated as a ñpartnershipò for U.S. federal income tax purposes holds a Note, the tax treatment of any holders of equity interests in such partnership with respect to the Note generally will depend upon the status of each such equity holder and the activities of the partnership. Any prospective Investor in the Notes which is treated as a ñpartnershipò for U.S. federal income tax purposes should consult its own tax advisor regarding the tax consequences of the partnershipôs purchase, ownership and disposition of a Note.

Characterization of the Notes for U.S. federal income tax purposes

Although the Notes are denominated as debt issued by the Company (as opposed to equity), and although the Company intends to treat and report the Notes as debt for U.S. federal income tax purposes, there can be no assurances that the treatment of the Notes as debt for U.S. federal income tax purposes will be respected by the IRS or by a court if challenged by the IRS. If challenged by the IRS, it is possible that the Notes may be characterized as equity in the Company (rather than as debt) for U.S. federal income tax purposes. In such event, the general U.S. federal income tax consequences to holders (both U.S. holders and non-U.S. holders) of the Note would differ significantly from those described herein. There is no objective, bright-line test for determining whether any particular instrument is more appropriately considered debt or equity in the issuing entity for U.S. federal income tax purposes. Instead, the courts will analyze all facts and circumstances in making such determination. Although the Company intends to treat and characterize the Notes as debt for U.S. federal income tax purposes, and although the Company believes there is support in the tax law for such treatment, there can be no assurances that the IRS will not successfully challenge such treatment. The balance of the discussion below assumes that the Notes will be properly characterized and treated for U.S. federal income tax purposes as debt (rather than equity) issued by the Company.

U.S. Holders

Taxation of Interest Income on the Notes

Because of the fact that holders of Notes will be entitled to receive, in addition to fixed interest (i.e., 6% per annum in the case of Class A-1 Notes 7% per annum in the case of Class B-1 Notes and 8% per annum in the case of Class A-2 Notes), payments of additional contingent interest based on certain portions of the Companyôs EBITDA (not applicable to Class A-2 Notes), the Class A-1 Notes and Class B-1 Notes will be characterized for U.S. federal income tax purposes as contingent payment debt instruments (or ñCPDIsò). For CPDIs, U.S. holders are generally required to accrue and report for U.S. federal income tax purposes an amount of interest income during their holding period for such Notes based on a projected payment schedule that is derived from the issuerôs cost of capital for fixed rate non-contingent debt instruments. The primary method for such accrual is the non-contingent bond method. Under the non-contingent bond method, the issuer of a CPDI (i.e., the Company) is required to calculate the yield it would reasonably be expected to pay on a non-contingent fixed rate debt instrument and then construct a projected payment schedule of all contingent and non-contingent payments on the instrument that produces the comparable yield. The projected payment schedule is then used to determine the amount of interest income that is required to be included by each U.S. holder of Notes in taxable income as interest accruing on such Notes during a tax year, as well as to make positive and negative adjustments to such amount in order to arrive at the interest income or ordinary loss to be included in the U.S. Holderôs income for the tax year.

As noted, the projected payment schedule for the Notes is created by the Company and, under the applicable tax regulations, will generally be respected for tax purposes, and the holders of the Notes generally must follow such schedule, unless it is unreasonable.

The amount of interest that accrues on a CPDI must be adjusted upward or downward to reflect differences between the actual and projected amounts of the contingent payments each year. These periodic positive and negative adjustments determine the amount of interest income or, in general, ordinary loss to U.S. holders of CPDIs during a particular accrual period. If the actual amount of a contingent payment is more than its projected amount, the difference is a positive adjustment on the date of the payment. If the amount of a contingent payment is less than its projected amount, the difference is a negative adjustment on the date of the payment. The U.S. holder accounts only for those adjustments that occur during a taxable year in which it holds a CPDI. The amount, if any, by which total positive adjustments on a CPDI exceed the total negative adjustments in the taxable year is a net positive adjustment. A net positive adjustment is generally treated as additional interest for the taxable year. The amount, if any, by which total negative adjustments on a CPDI exceed the total positive adjustments in the taxable year is a net negative adjustment. A U.S. holderôs net negative adjustment on a CPDI for a taxable year is treated as follows: (i) first, it reduces the amount of the U.S. holderôs interest income for the taxable year, then (ii) if the net negative adjustment exceeds the interest that would otherwise be taken into account, the excess is treated as an ordinary loss by the U.S. holder.

However, the amount treated as ordinary loss is limited to the amount of interest income recognized by the U.S. Holder in prior taxable years reduced by the total amount of the net negative adjustments treated as ordinary loss on the CPDI in prior taxable years. If the net negative adjustment exceeds the sum of the amounts treated as a reduction of interest and as ordinary loss on the CPDI for the taxable year, the excess is a negative adjustment carry forward. In general, a U.S. holder treats a negative adjustment carry forward for a taxable year as a negative adjustment on the CPDI on the first day of the succeeding taxable year. However, if a Holder of a CPDI has a negative adjustment carry forward on the CPDI in a taxable year in which the CPDI is sold, exchanged, or retired, the negative

adjustment carry forward reduces the U.S. holderôs amount realized on the sale, exchange, or retirement.

Sale, Exchange or Retirement of the Notes

Any gain recognized by a U.S. holder on the sale, exchange, or retirement of a CPDI generally is treated for U.S. federal income tax purposes as ordinary income (as opposed to capital gains treatment for Class A-2 Notes). Any loss so recognized by a U.S. holder is in general ordinary loss to the extent that the total interest inclusions on the CPDI exceed the total net negative adjustments the U.S. holder already accounted for as ordinary loss (as opposed to capital loss treatment for Class A-2 notes, which may be limited under various provisions of the U.S federal income tax laws). Any additional loss is treated as loss from the sale, exchange, or retirement of the CPDI. If at the time of the sale, exchange, or retirement there are no remaining contingent payments due on the CPDI under the projected payment schedule, then any gain or loss recognized by the U.S. Holder is generally treated as gain or loss from the sale, exchange, or retirement of the CPDI.

For purposes of determining the amount realized by a U.S. holder on the scheduled retirement of a CPDI, a U.S. holder is treated as receiving the projected amount of any contingent payment due at maturity. If the amount received is different from the projected amount, the difference is treated as a positive or negative adjustment, as discussed above. The amount realized by a U.S. holder on the retirement of a CPDI is reduced by any negative adjustment carry forward determined in the taxable year of the retirement. An unscheduled retirement of a CPDI (or the receipt of a pro rata prepayment that is treated as a retirement of a portion of a CPDI) is treated as a repurchase of the CPDI by the issuer from the U.S. holder for the amount paid.

Medicare surtax

For taxable years beginning after December 31, 2012, certain U.S. holders who are individuals, estates, or trusts are subject to a 3.8% Medicare surtax on the lesser of (1) the U.S. holderôs ñnet investment incomeò for the relevant taxable year and (2) the excess of the U.S. holderôs modified gross income for the taxable year over a certain threshold (which in the case of individuals will be between $125,000 and $250,000, depending on the individualôs circumstances). A U.S. holderôs net investment income will generally include its gross interest income, if any, and its net gains from the disposition of the Notes, unless such interest payments or net gains are derived in the ordinary course of the conduct of a trade or business (other than a trade or business that consists of certain passive or trading activities). Prospective investors should consult their own tax advisors regarding the effect, if any, of this surtax on their investment in the Notes.

Backup withholding and information reporting

The Company is generally required to report to the IRS the amount of interest accruing on and the proceeds of the sale or other disposition of the Notes, the name and address of the recipient, and the amount, if any, of tax withheld. These information reporting requirements apply even if no tax was required to be withheld, but they do not apply to U.S. holders that are exempt from the information reporting rules, such as corporations. In general, backup withholding (currently at a rate of 28%) will apply to payments received by a U.S. holder with respect to the Notes unless the U.S. holder is (i) a corporation or other exempt recipient and, when required, establishes an exemption or (ii) provides its correct taxpayer identification number, certifies that it is not currently subject to backup withholding and otherwise complies with the applicable requirements of the backup withholding rules. A U.S. holder that does not provide the Company with its correct taxpayer identification number may be subject to penalties imposed by the IRS. Backup withholding is not an additional tax. Amounts

withheld under the backup withholding rules from a payment to a U.S. holder may be refunded or credited against the U.S. holderôs U.S. federal income tax liability, provided that the required information is furnished to the IRS in a timely manner. The Company will require all U.S. Investors to provide the requisite information then-required by the IRS to avoid withholding.

Non-U.S. holders

Interest on the Notes

Subject to the discussion of backup withholding below, payments by the Company of fixed interest (i.e., the portions of the interest corresponding to the 6% per annum for Class A-1 Notes, 7% per annum for Class B-1 Notes and 8% per annum for Class A-2 Notes) paid to a non-U.S. holder on any particular Notes will not be subject to United States federal income or withholding tax with respect to such amounts, provided that such amounts meet the requirements of the ñportfolio interestò exemption in the Code. In general, payments of contingent interest on the Notes (i.e., the amounts corresponding to the rights of the Note holders to receive certain portions of the Companyôs EBIDTA each year) will not be eligible for the portfolio interest exemption, but the payments of such fixed interest (i.e., the portions of the interest corresponding to the 6% per annum for Class A-1 Notes, 7% per annum for Class B-1 Notes and 8% per annum for Class A-2 Notes) will be so eligible if:

- such interest is not effectively connected with a U.S. trade or business of the non-U.S. holder;
- such non-U.S. holder does not actually or constructively, own 10% or more of the total capital or profits interest in the Company;
- such non-U.S. holder is not a controlled foreign corporation (as defined in the Code) that is related to the Company through actual or constructive ownership and is not a bank that received such Notes on an extension of credit made pursuant to a loan agreement entered into in the ordinary course of its trade or business; and
- either (i) the non-U.S. holder certifies in a statement (generally an IRS form W-8BEN) provided to the Company, under penalties of perjury, that it is not a ñUnited States personò within the meaning of the Code and provides its name and address, (ii) a securities clearing organization, bank or other financial institution that holds customersô securities in the ordinary course of its trade or business and holds the Notes on behalf of the non-U.S. holder certifies to the Company under penalties of perjury that it, or the financial institution between it and the non-U.S. holder, has received from the non-U.S. holder a statement, under penalties of perjury, that such non-U.S. holder is not a ñUnited States personò and provides the applicable withholding agent with a copy of such statement or (iii) the non-U.S. holder holds its Notes directly through a ñqualified intermediaryò and certain conditions are satisfied.

If the above conditions are not met, payments of fixed interest (i.e., the portions of the interest corresponding to the 6% per annum for Class A-1 Notes, 7% per annum for Class B-1 Notes and 8% per annum for Class A-2 Notes) on the Notes which are made to a non-U.S. holder that are not effectively connected income will be subject to a U.S. federal withholding tax of 30% unless such non-U.S. holder is entitled to a reduction in or an exemption from such withholding tax under a tax treaty between the United States and the non-U.S. holderôs country of residence. In addition, payments of contingent interest (i.e., the amounts corresponding to the rights of the Note holders to receive certain portions of the Companyôs EBIDTA each year, not applicable to Class A-2 Notes) will also be subject

to a U.S. federal withholding tax of 30% unless such interest is effectively connected with a U.S. trade or business of such non-U.S. holder or such non-U.S. holder is entitled to a reduction in or an exemption from such withholding tax under a tax treaty between the United States and the non-U.S. holderôs country of residence. To claim such a reduction or exemption under a treaty, a non-U.S. holder must generally complete IRS Form W-8BEN and claim this exemption on the form. Prospective investors should consult their tax advisors regarding the certification requirements for non-U.S. holders.

A non-U.S. holder generally will be exempt from withholding tax on any interest paid on the Notes which is effectively connected with such non-U.S. holderôs conduct of a United States trade or business (as described below) if the non-U.S. holder provides the Company with a properly executed IRS Form W-8ECI.

Sale, exchange, retirement or other taxable disposition of the Notes

A non-U.S. holder generally will not be subject to U.S. federal income or withholding tax on any gain realized on the sale, exchange or other taxable disposition of a Note (other than any amounts representing accrued but unpaid interest) unless the gain is effectively connected with the conduct of a trade or business within the United States (and, if required by an applicable tax treaty, is attributable to a permanent establishment or fixed base within the United States maintained by the non-U.S. holder).

Backup withholding and information reporting

The Company will, when required, report to the IRS and to each non-U.S. holder the amount of any interest paid to, and any tax withheld with respect to, such non-U.S. holder on a Note, regardless of whether any tax was actually withheld on such payments. Copies of these information returns may also be made available to the tax authorities of a country in which the non-U.S. holder resides under the provisions of a tax treaty or other agreement between the United States and such country. Backup withholding (currently at a rate of 28%) and information reporting will not apply to payments of interest on the Notes or principal payments by the Company to a non-U.S. holder if the non-U.S. holder certifies (as described above) as to its non-U.S. holder status under penalty of perjury. Payments of the proceeds of sales or exchanges of notes by a non-U.S. holder may be subject to information reporting, and may be subject to backup withholding unless the seller certifies its non-U.S. status (and certain requirements are met) or otherwise establishes an exemption. Backup withholding is not an additional tax. A non-U.S. holder may obtain a refund or credit against such non-U.S. holderôs U.S. federal income tax liability of any amounts withheld under the backup withholding rules, provided the required information is furnished to the IRS in a timely manner.

Non-U.S. holders should consult their tax advisors regarding the application of the information reporting and backup withholding rules in light of their particular situations.

Foreign Account Tax Compliance Act ("FATCA")

In addition to the foregoing, additional withholding may apply to payments made by the Company to certain non-U.S. holders of Notes pursuant to the Foreign Account Tax Compliance Act, or ñFATCA.ò Pursuant to FATCA, all foreign financial institutions (which term includes most foreign hedge funds, private equity funds, mutual funds, securitization vehicles and other investment vehicles) and certain other foreign entities must comply with certain new U.S. information reporting rules with respect to their U.S. account holders and investors or confront a new withholding tax on U.S.-source payments made to them (whether received as a beneficial owner or as an intermediary for another party). More specifically, a foreign financial institution or other foreign entity that does not comply with the FATCA reporting requirements will generally be subject to a new 30% withholding tax with respect to any

ñwithholdable payments.ò For this purpose, withholdable payments include generally most types of U.S.-source payments (which may, under certain circumstances, include interest payments on any of the Notes) and may also include the entire gross proceeds from the sale or other taxable disposition of Notes, even if the payment would otherwise not be subject to U.S. nonresident withholding tax. Final Treasury regulations and applicable IRS Notices defer these withholding obligations to future periods. Nonetheless, each non-U.S. holders of Notes should consult with their own tax advisors regarding any applicable requirements of FATCA and/or such non-U.S. holderôs obligations to comply with such requirements. The Company will not pay any additional amounts to non-U.S. holders in respect of any amounts withheld pursuant to FATCA (in fact, pursuant to the terms of the Notes, any amounts required to be withheld by the Company pursuant to FATCA or otherwise with respect to any particular payment to a non-U.S. holder of a Note will be treated for all purposes as a payment made to such non-U.S. holder pursuant to the Note). Under certain circumstances, a non-U.S. holder of a Note may be eligible for refunds or credits of any amounts so withheld under the FATCA requirements. Non-U.S. holders are urged to consult with their own tax advisors regarding the effect, if any, of the FATCA provisions to them based on their particular circumstances.

Potential Risk of Recharacterization.

As noted above, the Company intends to characterize the Notes as debt for U.S. federal tax purposes, and believes that such characterization is supportable by applicable tax law. However, as also noted above, there is no objective test for determining whether a particular security should be treated as ñdebtò or ñequityò in the issuing entity for tax purposes; instead, such determination is based on an analysis of all surrounding facts and circumstances. Should the IRS successfully assert that the Notes are more properly characterized as equity, rather than debt, in the Company for U.S. federal tax purposes, the Non-US holders of the Notes could be subject to U.S. withholding taxes with respect to their allocable shares of any interest or other income derived by the Company from the underlying receivables and other instruments in which the Company is or may be invested in from time to time. Again, although the Company believes that the IRS would be unsuccessful were it to challenge the characterization of the Notes in this manner, there can be no assurances that this will be the case.

Furthermore, even if the Notes are respected as ñdebtò (rather than equity) for tax purposes, Section 1.881-3 of the U.S. Treasury Regulations contains a set of rules which could, in the case of certain ñback-to-backò loan arrangements, permit the IRS to recharacterize such transactions. For example, since the holders of the Notes are ñlendersò to the Company, and the Company is a ñlenderò to various consumers with respect to certain receivables which are and will be purchased by the Company from time to time, it is possible that the IRS may seek to apply these rules to the holders of the Notes. In such event, these rules could, in effect, result in the holders of the Notes being treated for tax purposes the same as if they held the underlying consumer receivables directly, in which case, a 30% U.S. withholding tax could apply to such holders of such Notes. The Company believes that if the IRS were to attempt to apply these particular rules to the holders of the Notes that the IRS should not be successful, as there are one or more potential exceptions to these rules which should apply in this case. Again, however, these rules are quite complex, and there can be no assurances that the IRS, or a court, would agree with the Companyôs interpretation of these rules.

As noted above, if the Notes were to be recharacterized by the IRS for tax purposes, including in the manner described above, the holders of the Notes could be subject to 30% U.S. withholding taxes on some or all of their income derived from such Notes. Thus, in the event that the Company takes the position that such 30% U.S. withholding taxes do not apply, and the IRS were to successfully challenge that position after the fact, the Company could be held liable for such amounts, thereby potentially adversely affecting all investors in the Notes. As a result, all potential investors in the Notes should consult with their own tax advisors regarding these and other risks associated with such investment.

ADDITIONAL INFORMATION

Representatives of the Company will make themselves available to prospective investors and their representatives to answer questions about the terms and conditions of this Financing and the information set forth in this Confidential Private Placement Memorandum. The Company will provide to prospective investors, or make available for their inspection or copying, at any reasonable time after prior notice, any additional documents or information in their possession or which can be acquired without unreasonable effort or expense relating to the Company, MFS, this Financing or any information set forth in this Confidential Private Placement Memorandum. Such additional documents or information may include, without limitation:

a. due diligence material; and

b. additional information relating to the business affairs and activities of the Company and/or of MFS.

Prospective investors and their representatives are invited to contact Chris Hughes, President of the Company and MFS, at 4095 Avenida De La Plata, Oceanside, California, 92056, telephone (760) 639-3527.

EXCEPT AS CONTAINED IN THIS OFFERING MEMORANDUM, NO PERSON HAS BEEN AUTHORIZED TO PROVIDE OR FURNISH INFORMATION RELATING TO THIS OFFERING. ANY INFORMATION OTHER THAN THAT CONTAINED IN THIS OFFERING MEMORANDUM MAY NOT BE RELIED UPON.

TAB B
FORM OF CLASS A-1 NOTE

THE SECURITIES REPRESENTED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE ñACTò), OR UNDER THE SECURITIES LAWS OF ANY STATE. THESE SECURITIES MAY NOT BE OFFERED, SOLD OR OTHERWISE TRANSFERRED, PLEDGED OR HYPOTHECATED EXCEPT AS PERMITTED UNDER THE ACT AND APPLICABLE STATE SECURITIES LAWS PURSUANT TO REGISTRATION OR AN EXEMPTION THEREFROM. THE ISSUER OF THESE SECURITIES MAY REQUIRE AN OPINION OF COUNSEL SATISFACTORY TO THE ISSUER THAT SUCH OFFER, SALE OR TRANSFER, PLEDGE OR HYPOTHECATION OTHERWISE COMPLIES WITH THE ACT AND APPLICABLE STATE SECURITIES LAWS

CLASS A-1
SECURED, NON-NEGOTIABLE PROMISSORY NOTE

$_____ Oceanside, California
_____ __, 201_

For value received, Monterey Receivables Funding, LLC, a Delaware limited liability company (ñPayorò), hereby promises to pay to _____ or his, her or its assignee (ñPayeeò) the principal amount of _____ dollars ($_____), with interest on the outstanding principal amount at the rate of six percent (6%) simple interest per annum, cumulative but non-compounding. Interest shall be calculated based on a 365 day year, actual days elapsed.

This Class A-1 Non-Negotiable Promissory Note (this ñNoteò) is issued as part of a series of notes issued pursuant to that certain confidential accredited investor package for Payorôs offering (ñFinancingò) of up to $50,000,000 in the aggregate of Class A-1 Notes, Class B-1 Notes and Class A-2 Notes (together, the ñNotesò) dated on or about the date hereof (ñInvestor Packageò). The Company previously sold up to $5,000,000 in aggregate principal amount of Class A Notes and Class B Notes (the ñOutstanding Notesò). Each Class A-1 Note ranks on a *pari passu* basis in all respects (including payment) with all other Class A-1 Notes, Class A-2 Notes and the Class A Notes previously issued by the Company.

Interest only on the outstanding principal shall be payable monthly in arrears commencing on the 15th day of each month with respect to the prior calendar month commencing on the 15th day of the calendar month following the first full calendar month after the date of this Note. The entire principal balance and all accrued but unpaid interest shall be due and payable in full at the expiration of twelve (12) months from issuance of the Note (ñMaturity Dateò); provided, however that unless Payee provides at least ninety (90) daysô advance written notice of redemption prior to each Maturity Date, this Note will automatically renew and extend for an additional twelve (12) month period, without penalty or additional fees. This Note may be prepaid in whole or in part by Payor at any time following the initial twelve (12) months following the date hereof. Investor will be entitled to retain all interest earned up until prepayment notice and entitled to their contingent interest payment up until the prepayment notice based on yearend financial statements.

In addition, Payee shall also be entitled to additional contingent interest equal to ten percent (10%) of the EBITDA (as defined below) for each fiscal calendar year, allocated among all participants in the Financing pro rata based upon their relative principal balances and the number of days invested in Notes during the applicable year (ñContingent Interestò). The additional contingent interest shall be payable by February 15th of each year for sums due for the prior calendar year, if any. For purposes of this Note, the term ñEBITDAò shall mean earnings before tax, depreciation and amortization, but after all base interest payments on the Notes.

Payee may request Payor to redeem all or any portion of the outstanding principal balance of this Note at any time upon written request to Payor (ñRepayment Optionò); provided, however that, in connection with any such early redemption, Payee shall and hereby does automatically forfeit (i) if the early payment is within one (1) year from the date of this Note, all interest earned for the year and any additional Contingent Interest; and (ii) if the early payment is anytime thereafter, all interest for the current month and any additional Contingent Interest with respect to then-applicable year-end profits (in each case, the ñForfeited Amountò). For the avoidance of any doubt, no interest shall accrue under this Note in the month of or months after the Payee has exercised his, her or its Repayment Option. Any such request shall be effective at the beginning of the calendar month in which the early redemption request is received in writing by the Payor. Payee shall receive a redemption price equal to the then-outstanding principal amount under this Note plus any accrued and unpaid interest on this Note less the Forfeited Amount (the ñRedemption Priceò). The Redemption Price shall be paid in immediately available funds within thirty (30) days following the date of Payeeôs written request. Notwithstanding the foregoing, the maximum aggregate amount of outstanding principal to be repaid in connection with the exercise of Repayment Options shall not exceed in any calendar year twenty percent (20%) of the then aggregate total outstanding principal balance on all issued and outstanding Notes.

Upon the occurrence of a Default (as defined below), all unpaid principal, accrued unpaid interest and other amounts owing hereunder shall, at the option of, and only upon written notice provided to the Payor exclusively by the Required Majority (as defined below), be immediately due, payable and collectible by Payor pursuant to applicable law without presentment, demand, protest, notice of any kind or notice of dishonor, all of which are hereby expressly waived. If a Default occurs and is continuing, the Required Majority may pursue, on behalf of all Payees, any available remedy by proceeding at law or in equity to collect the payment of amounts due under the Notes or to enforce the performance of any provision of the Notes. A delay or omission by the Required Majority in exercising any right or remedy accruing upon a Default shall not impair the right or remedy or constitute a waiver of or acquiescence in the Default. A waiver on any one occasion shall not be construed as a bar to or waiver of any such right or remedy on any future occasion. For purposes of the Security Agreement and this Note, a ñRequired Majorityò shall mean Payees under Notes and Outstanding Notes holding at more than fifty percent (50%) of the aggregate principal amount of all such notes outstanding at such time. Payee acknowledges that a Required Majority will have the right and power to diminish or eliminate all rights of Payee hereunder and under the Security Agreement.

For purposes of this Note, Payor shall be in ñDefaultò if Payor: (1) fails to make any payment of interest or principal hereunder, as it falls due and fails to cure such failure within twenty (20) days following receipt of written notice from Payee; (2) admits in writing its inability to pay its debts as they become due, or makes a general assignment for the benefit of creditors or files any petition or action for relief under any bankruptcy, reorganization, insolvency or moratorium law, or any other law or laws for the relief of, or relating to, debtors; or (3) an involuntary petition is filed against Payor under any bankruptcy, reorganization, insolvency or moratorium law, or any other law or laws for the relief of, or relating to, debtors unless such petition shall be dismissed or vacated within sixty (60) days of the date thereof.

The repayment in full of the Notes and the Outstanding Notes shall be and hereby is secured on a pari passu basis by a first position security interest in all of the assets of Payor, pursuant to the terms that certain Security Agreement, dated as of even date herewith (the ñSecurity Agreementò), entered into by and among Payor, Payee and each other holder of such notes. Payor shall not, directly or indirectly, without the written consent of a Required Majority, create, permit or suffer to exist any lien or encumbrance on the Collateral (as defined in the Security Agreement) and shall defend the Collateral against and take such other action as is necessary to remove, any liens on or in the Collateral, or in any portion thereof, except as permitted pursuant to the Security Agreement. The holders of Notes (and in their capacities as Secured Parties under the Security Agreement) will act by a Required Majority with respect to the enforcement and exercise of rights upon the occurrence and during the continuance of an event of default under the Notes and/or the Security Agreement. In addition, the Security Agreement may be amended or a provision thereof waived only in a writing signed by the Company and a Required Majority.

Payor shall provide all Payee all information and materials, full access to any and all information and shall perform such other acts or actions as may be requested by Payee to enable Payee to act or take actions as a Required Majority.

The Payor of this Note hereby waives diligence, presentment, protest and demand and also notice of protest, demand, dishonor and nonpayment of this Note.

In the event that Payor reasonably determines that it is required to deduct and withhold from any amounts owing to Payee pursuant to this Note and to remit such amounts to any taxing authority in connection with any withholding or similar taxes imposed on such amounts, such amounts, as and when so deducted, withheld and remitted by Payor shall be deemed paid to Payee for all purposes.

If Payee should institute collection efforts, of any nature whatsoever, to attempt to collect any and all amounts due hereunder upon the default of Payor, Payor shall be liable to pay to Payee immediately and without demand all reasonable costs and expenses of collection incurred by Payee, including without limitation reasonable attorneyôs fees, whether or not suit or other action or proceeding be instituted and specifically including, but not limited to, collection efforts that may be made through a bankruptcy court.

Notwithstanding any provision herein or in any instrument now or hereafter securing this Note, the total liability for payments in the nature of interest shall not exceed the limits imposed by the applicable usury laws of the State of California. If, from any circumstances whatsoever, fulfillment of any provision hereof or of any other agreement, evidencing or securing the debt, at the time performance of such provisions shall be due, shall involve the payment of interest in excess of that authorized by law, the obligation to be fulfilled shall be reduced to the limit so authorized by law, and if from any circumstances, Payee shall ever receive as interest an amount which would exceed the highest lawful rate applicable to the Payor, such amount which would be excessive interest shall be applied to the reduction of the principal balance of the debt evidenced hereby and not to the payment of interest.

The provisions of this Note are intended by Payor to be severable and divisible and the invalidity or unenforceability of a provision or term herein shall not invalidate or render unenforceable the remainder of this Note or any part thereof.

Payee and other holders of Notes, in such capacity, are not and shall not have any rights as equity holders in Payor. As such, neither Payee nor any other holder of Notes, in such capacity, will not be entitled to vote, receive dividends or exercise any of the rights of the members of Payee for any purpose.

Notwithstanding any provision herein, the Payee hereby agrees and acknowledges that this Note is non-negotiable, and (subject to the rights of Payeeôs individual heirs or legatees on the death of the Payee) may only be transferred, assigned or encumbered with the prior written consent of the Payor which consent the Payor may withhold in its sole discretion. Upon any transfer of this Note approved by Payor, Payor may require, as a condition thereto, the payment of a sum sufficient to reimburse it for any transfer tax incidental thereto. Any transfer shall also be subject to (i) the transfereeôs agreement in writing to be subject to the applicable terms of this Note; (ii) compliance with all applicable state and federal securities laws (including the delivery of legal opinions reasonably satisfactory to Payor, if such are reasonably requested by Payor); and (iii) such additional documentation as is reasonably required by the Payor. This Note shall be binding upon any successors or assigns of Payor.

In addition to the foregoing, the Payor will maintain a book entry system upon which will be reflected the ownership of the Note by Payee and the unpaid obligations evidenced thereby, and, notwithstanding any other provision of this Note to the contrary, no transfer of any interest in any Note nor any right to receive payments of any amounts thereunder shall be effective unless (among other applicable requirements) such transfer is first registered in the book entry system established by the Payor.

THE OFFERING OF SECURITIES IS MADE PURSUANT TO RULE 506(C) OF REGULATION D PROMULGATED UNDER THE ACT. THE SECURITIES MAY BE SOLD ONLY TO ñACCREDITED INVESTORS,ò WHICH FOR NATURAL PERSONS ARE INVESTORS WHO MEET CERTAIN MINIMUM ANNUAL INCOME OR NET WORTH THRESHOLDS. THE SECURITIES ARE BEING OFFERED IN RELIANCE ON AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE ACT, AND ARE NOT REQUIRED TO COMPLY WITH SPECIFIC DISCLOSURE REQUIREMENTS THAT APPLY TO REGISTRATION UNDER THE ACT. THE U.S. SECURITIES AND EXCHANGE COMMISSION OR ANY EQUIVALENT STATE OR FOREIGN AGENCIES HAVE NOT PASSED UPON THE MERITS OF OR GIVEN ITS APPROVAL TO THE SECURITIES, THE TERMS OF THE OFFERING, OR THE ACCURACY OR COMPLETENESS OF ANY OFFERING MATERIALS. THE SECURITIES ARE SUBJECT TO LEGAL RESTRICTIONS ON TRANSFER AND RESALE AND INVESTORS SHOULD NOT ASSUME THEY WILL BE ABLE TO RESELL THEIR SECURITIES. INVESTING IN SECURITIES INVOLVES RISK, AND INVESTORS SHOULD BE ABLE TO BEAR THE LOSS OF THEIR INVESTMENT. INVESTMENT IN THE SECURITIES SHOULD BE CONSIDERED HIGHLY SPECULATIVE AND SUITABLE ONLY FOR PERSONS OF ADEQUATE FINANCIAL MEANS WHO HAVE NO NEED FOR LIQUIDITY WITH RESPECT TO THIS INVESTMENT. PURCHASERS OF THE SECURITIES SHOULD HAVE THE FINANCIAL ABILITY AND WILLINGNESS TO ACCEPT THE RISKS (INCLUDING, AMONG OTHER THINGS, THE RISK OF LOSS OF THEIR ENTIRE INVESTMENT AND THE LACK OF LIQUIDITY) AND SHOULD CONSULT THEIR FINANCIAL ADVISORS REGARDING THE APPROPRIATENESS OF MAKING AN INVESTMENT. FURTHERMORE, THE SECURITIES OFFERED ARE NOT SUBJECT TO THE PROTECTIONS OF THE INVESTMENT COMPANY ACT OF 1940, AS AMENDED. FURTHERMORE, THIS NOTE IS NON-NEGOTIABLE AND MAY BE SOLD OR OTHERWISE TRANSFERRED ONLY IN COMPLIANCE WITH CONDITIONS SPECIFIED IN A SUBSCRIPTION AGREEMENT, A COMPLETE AND CORRECT COPY OF WHICH IS AVAILABLE FOR INSPECTION AT THE PRINCIPAL OFFICE OF PAYOR AND WILL BE FURNISHED WITHOUT CHARGE TO THE HOLDER OF THIS NOTE UPON WRITTEN REQUEST.

The Payee further agrees to execute and deliver such additional documents, agreements or instruments, and/or to take such additional actions, as shall be reasonably requested by the Payor in order to comply with any tax reporting or similar requirements relating to any payments pursuant to this Note. The Payor may request from time to time such information as Payor may deem necessary to determine

Payorôs and/or Payeeôs compliance with applicable regulatory requirements or tax status, and the Payee covenants and agrees to provide such information as reasonably may be requested. Without limitation on any of the other provisions herein, the Payee covenants and agrees to provide (and to update periodically), upon request by the Payor, any information (or verification thereof) which the Payor deems necessary or appropriate in connection with any requirements of the U.S. Internal Revenue Code of 1986, as amended (the ñCodeò) and/or the Regulations promulgated thereunder, including Code Sections 1471-1474, and any forms, instructions or other guidance issued by any governmental authority thereunder. The Payee agrees to waive any provision of any non-U.S. law that would, absent a waiver, prevent compliance with such requests. Payee acknowledges that any failure to comply with any such requests from the Payor may result in various adverse consequences under the Code, including, potentially (and without limitation), imposition of a U.S. withholding obligation on any payments to the Payee pursuant to this Note. Payee agrees to indemnify and hold the Payor harmless from and against any losses, damages, costs, expenses or liabilities incurred as a result of any failure to comply with any of the covenants or agreements set forth in this document.

Any notice or other communication required or permitted hereunder shall be in writing and shall be deemed to have been given on the third business day after mailing within the United States, postage prepaid, by registered or certified mail, return receipt requested, addressed to the parties as set forth on the signature page hereto. Each of the parties hereto shall be entitled to specify a different address by giving written notice to the other parties hereto in accordance with this paragraph.

This Note shall be governed by and construed and interpreted in accordance with the internal laws of the State of California, without regard to choice of law principles. The parties agree that any and all disputes, claims or controversies arising out of or relating to this Note or the Security Agreement that are not resolved by their mutual agreement shall only be brought in a court of competent jurisdiction in the County of San Diego, State of California. This choice of venue is intended by the parties to be mandatory and not permissive in nature, and to preclude the possibility of litigation between the parties with respect to, or arising out of, this Agreement in any jurisdiction other than that specified in this Section. Each party waives any right it may have to assert the doctrine of forum *non conveniens* or similar doctrine or to object to venue with respect to any proceeding brought in accordance with this Section.

IN WITNESS WHEREOF, the parties have caused this Note to be executed by a duly authorized signatory as of the first date set forth above.

BORROWER:

MONTEREY RECEIVABLES FUNDING, LLC

By: _____
Chris Hughes, President and CEO
4095 Avenida De La Plata
Oceanside, California 92056

INVESTOR:

Print Name of Holder:_____

_____
Signature

Title (if applicable): _____
Address:_____
_____
Email: _____

[Signature Page to Class A-1 6% Note]

TAB C-1
FORM OF CLASS B-1 NOTE

THE SECURITIES REPRESENTED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE ñACTò), OR UNDER THE SECURITIES LAWS OF ANY STATE. THESE SECURITIES MAY NOT BE OFFERED, SOLD OR OTHERWISE TRANSFERRED, PLEDGED OR HYPOTHECATED EXCEPT AS PERMITTED UNDER THE ACT AND APPLICABLE STATE SECURITIES LAWS PURSUANT TO REGISTRATION OR AN EXEMPTION THEREFROM. THE ISSUER OF THESE SECURITIES MAY REQUIRE AN OPINION OF COUNSEL SATISFACTORY TO THE ISSUER THAT SUCH OFFER, SALE OR TRANSFER, PLEDGE OR HYPOTHECATION OTHERWISE COMPLIES WITH THE ACT AND APPLICABLE STATE SECURITIES LAWS.

CLASS B-1
SECURED, NON-NEGOTIABLE PROMISSORY NOTE

$_____ Oceanside, California
_____ __, 201_

For value received, Monterey Receivables Funding, LLC, a Delaware limited liability company (ñPayorò), hereby promises to pay to _____ or his, her or its assignee (ñPayeeò) the principal amount of _____ dollars ($_____), with interest on the outstanding principal amount at the rate of seven percent (7%) simple interest per annum, cumulative but non-compounding. Interest shall be calculated based on a 365 day year, actual days elapsed.

This Class B-1 Non-Negotiable Promissory Note (this ñNoteò) is issued as part of a series of notes issued pursuant to that certain confidential accredited investor package for Payorôs offering (ñFinancingò)of up to $50,000,000 in the aggregate of Class A-1 Notes, Class B-1 Notes and Class A-2 Notes (together, the ñNotesò) dated on or about the date hereof (ñInvestor Packageò). The Company previously sold up to $5,000,000 in aggregate principal amount of Class A Notes and Class B Notes (the ñOutstanding Notesò). Each Class B-1 Note ranks on a pari passu basis in all respects (including payment) with all other Class B-1 Notes issued in the Financing, and the Class B Notes previously issued by the Company.

Interest only on the outstanding principal shall be payable monthly in arrears commencing on the 15th day of each month with respect to the prior calendar month commencing on the 15th day of the calendar month following the first full calendar month after the date of this Note. The entire principal balance and all accrued but unpaid interest shall be due and payable in full at the expiration of twelve (12) months from issuance of the Note (ñMaturity Dateò); provided, however that unless Payee provides at least ninety (90) daysô advance written notice of redemption prior to each Maturity Date, this Note will automatically renew and extend for an additional twelve (12) month period, without penalty or additional fees. This Note may be prepaid in whole or in part by Payor at any time following the initial twelve (12) months following the date hereof. Investor will be entitled to retain all interest earned up until prepayment notice and entitled to their contingent interest payment up until the prepayment notice based on yearend financial statements.

In addition, Payee shall also be entitled to additional contingent interest equal to ten percent (10%) of the EBITDA (as defined below) for each fiscal calendar year, allocated among all participants in the Financing pro rata based upon their relative principal balances and the number of days invested in Notes during the applicable year (ñContingent Interestò). The additional contingent interest shall be

payable by February 15th of each year for sums due for the prior calendar year, if any. For purposes of this Note, the term ñEBITDAò shall mean earnings before tax, depreciation and amortization, but after all base interest payments on the Notes.

Payee may request Payor to redeem all or any portion of the outstanding principal balance of this Note at any time upon written request to Payor (ñRepayment Optionò); provided, however that, in connection with any such early redemption, Payee shall and hereby does automatically forfeit (i) if the early payment is within one (1) year from the date of this Note, all interest earned for the year and any additional Contingent Interest; and (ii) if the early payment is anytime thereafter, all interest for the current month and any additional Contingent Interest with respect to then-applicable year-end profits (in each case, the ñForfeited Amountò). For the avoidance of any doubt, no interest shall accrue under this Note in the month of or months after after the Payee has exercised his, her or its Repayment Option. Any such request shall be effective at the beginning of the calendar month in which the early redemption request is received in writing by the Payor. Payee shall receive a redemption price equal to the then-outstanding principal amount under this Note plus any accrued and unpaid interest on this Note less the Forfeited Amount (the ñRedemption Priceò). The Redemption Price shall be paid in immediately available funds within thirty (30) days following the date of Payeeôs written request. Notwithstanding the foregoing, the maximum aggregate amount of outstanding principal to be repaid in connection with the exercise of Repayment Options shall not exceed in any calendar year twenty percent (20%) of the then aggregate total outstanding principal balance on all issued and outstanding Notes.

Upon the occurrence of a Default (as defined below), all unpaid principal, accrued unpaid interest and other amounts owing hereunder shall, at the option of, and only upon written notice provided to the Payor exclusively by the Required Majority (as defined below), be immediately due, payable and collectible by Payor pursuant to applicable law without presentment, demand, protest, notice of any kind or notice of dishonor, all of which are hereby expressly waived. If a Default occurs and is continuing, the Required Majority may pursue, on behalf of all Payees, any available remedy by proceeding at law or in equity to collect the payment of amounts due under the Notes or to enforce the performance of any provision of the Notes. A delay or omission by the Required Majority in exercising any right or remedy accruing upon a Default shall not impair the right or remedy or constitute a waiver of or acquiescence in the Default. A waiver on any one occasion shall not be construed as a bar to or waiver of any such right or remedy on any future occasion. For purposes of the Security Agreement and this Note, a ñRequired Majorityò shall mean Payees under Notes and Outstanding Notes holding at more than fifty percent (50%) of the aggregate principal amount of all such Notes outstanding at such time. Payee acknowledges that a Required Majority will have the right and power to diminish or eliminate all rights of Payee hereunder and under the Security Agreement.

For purposes of this Note, Payor shall be in ñDefaultò if Payor: (1) fails to make any payment of interest or principal hereunder, as it falls due and fails to cure such failure within twenty (20) days following receipt of written notice from Payee; (2) admits in writing its inability to pay its debts as they become due, or makes a general assignment for the benefit of creditors or files any petition or action for relief under any bankruptcy, reorganization, insolvency or moratorium law, or any other law or laws for the relief of, or relating to, debtors; or (3) an involuntary petition is filed against Payor under any bankruptcy, reorganization, insolvency or moratorium law, or any other law or laws for the relief of, or relating to, debtors unless such petition shall be dismissed or vacated within sixty (60) days of the date thereof.

The repayment in full of the Notes and the Outstanding Notes shall be and hereby is secured on a pari passu basis by a first position security interest in all of the assets of Payor, pursuant to the terms that certain Security Agreement, dated as of even date herewith (the ñSecurity Agreementò), entered into by

and among Payor, Payee and each other Note holder of such notes. Payor shall not, directly or indirectly, without the written consent of a Required Majority, create, permit or suffer to exist any lien or encumbrance on the Collateral (as defined in the Security Agreement) and shall defend the Collateral against and take such other action as is necessary to remove, any liens on or in the Collateral, or in any portion thereof, except as permitted pursuant to the Security Agreement. The holders of Notes (and in their capacities as Secured Parties under the Security Agreement) will act by a Required Majority with respect to the enforcement and exercise of rights upon the occurrence and during the continuance of an event of default under the Notes and/or the Security Agreement. In addition, the Security Agreement may be amended or a provision thereof waived only in a writing signed by the Company and a Required Majority.

Payor shall provide all Payee all information and materials, full access to any and all information and shall perform such other acts or actions as may be requested by Payee to enable Payee to act or take actions as a Required Majority.

THE PAYEE OF THIS NOTE HEREBY ACKNOWLEDGES THAT THE RIGHTS UNDER ALL CLASS B-1 NOTES ISSUED IN THE FINANCING, INCLUDING THIS NOTE, SHALL BE AND HEREBY IS SUBORDINATE AND JUNIOR IN RIGHT, PRIORITY AND ALL OTHER RESPECTS TO THE OBLIGATIONS UNDER THE CLASS A NOTES PREVIOUSLY ISSUED AND THE CLASS A-1 AND CLASS A-2 NOTES ISSUED IN THE FINANCING. AS SUCH, NO PAYMENTS SHALL BE MADE ON THE CLASS B-1 NOTES, INCLUDING THIS NOTE, UNLESS AND UNTIL ALL PAYMENTS THEN DUE AND OWING WITH RESPECT TO THE CLASS A NOTES PREVIOUSLY ISSUED, THE CLASS A-1 NOTES AND ANY SENIOR FUTURE NOTES HAVE BEEN PAID IN FULL. PAYEE HEREBY AGREES TO EXECUTE AND DELIVERY ANY SUBORDINATION AGREEMENT THAT MAY BE REQUIRED BY ANY SUCH HOLDERS OF CLASS A NOTES, CLASS A-1 AND CLASS A-2 NOTES TO EVIDENCE SUCH SUBORDINATION AND AS MAY BE REQUIRED BY THE COMPANY IN CONNECTION WITH ANY LIQUIDATION.

The Payor of this Note hereby waives diligence, presentment, protest and demand and also notice of protest, demand, dishonor and nonpayment of this Note.

In the event that Payor reasonably determines that it is required to deduct and withhold from any amounts owing to Payee pursuant to this Note and to remit such amounts to any taxing authority in connection with any withholding or similar taxes imposed on such amounts, such amounts, as and when so deducted, withheld and remitted by Payor shall be deemed paid to Payee for all purposes.

If Payee should institute collection efforts, of any nature whatsoever, to attempt to collect any and all amounts due hereunder upon the default of Payor, Payor shall be liable to pay to Payee immediately and without demand all reasonable costs and expenses of collection incurred by Payee, including without limitation reasonable attorneyôs fees, whether or not suit or other action or proceeding be instituted and specifically including, but not limited to, collection efforts that may be made through a bankruptcy court.

Notwithstanding any provision herein or in any instrument now or hereafter securing this Note, the total liability for payments in the nature of interest shall not exceed the limits imposed by the applicable usury laws of the State of California. If, from any circumstances whatsoever, fulfillment of any provision hereof or of any other agreement, evidencing or securing the debt, at the time performance of such provisions shall be due, shall involve the payment of interest in excess of that authorized by law, the obligation to be fulfilled shall be reduced to the limit so authorized by law, and if from any circumstances, Payee shall ever receive as interest an amount which would exceed the highest lawful

rate applicable to the Payor, such amount which would be excessive interest shall be applied to the reduction of the principal balance of the debt evidenced hereby and not to the payment of interest.

The provisions of this Note are intended by Payor to be severable and divisible and the invalidity or unenforceability of a provision or term herein shall not invalidate or render unenforceable the remainder of this Note or any part thereof.

Payee and other holders of Notes, in such capacity, are not and shall not have any rights as equity holders in Payor. As such, neither Payee nor any other holder of Notes, in such capacity, will not be entitled to vote, receive dividends or exercise any of the rights of the members of Payee for any purpose.

Notwithstanding any provision herein, the Payee hereby agrees and acknowledges that this Note is non-negotiable, and (subject to the rights of Payeeôs individual heirs or legatees on the death of the Payee) may only be transferred, assigned or encumbered with the prior written consent of the Payor which consent the Payor may withhold in its sole discretion. Upon any transfer of this Note approved by Payor, Payor may require, as a condition thereto, the payment of a sum sufficient to reimburse it for any transfer tax incidental thereto. Any transfer shall also be subject to (i) the transfereeôs agreement in writing to be subject to the applicable terms of this Note; (ii) compliance with all applicable state and federal securities laws (including the delivery of legal opinions reasonably satisfactory to Payor, if such are reasonably requested by Payor); and (iii) such additional documentation as is reasonably required by the Payor. This Note shall be binding upon any successors or assigns of Payor.

In addition to the foregoing, the Payor will maintain a book entry system upon which will be reflected the ownership of the Note by Payee and the unpaid obligations evidenced thereby, and, notwithstanding any other provision of this Note to the contrary, no transfer of any interest in any Note nor any right to receive payments of any amounts thereunder shall be effective unless (among other applicable requirements) such transfer is first registered in the book entry system established by the Payor.

THE OFFERING OF SECURITIES IS MADE PURSUANT TO RULE 506(C) OF REGULATION D PROMULGATED UNDER THE ACT. THE SECURITIES MAY BE SOLD ONLY TO ñACCREDITED INVESTORS,ò WHICH FOR NATURAL PERSONS ARE INVESTORS WHO MEET CERTAIN MINIMUM ANNUAL INCOME OR NET WORTH THRESHOLDS. THE SECURITIES ARE BEING OFFERED IN RELIANCE ON AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE ACT, AND ARE NOT REQUIRED TO COMPLY WITH SPECIFIC DISCLOSURE REQUIREMENTS THAT APPLY TO REGISTRATION UNDER THE ACT. THE U.S. SECURITIES AND EXCHANGE COMMISSION OR ANY EQUIVALENT STATE OR FOREIGN AGENCIES HAVE NOT PASSED UPON THE MERITS OF OR GIVEN ITS APPROVAL TO THE SECURITIES, THE TERMS OF THE OFFERING, OR THE ACCURACY OR COMPLETENESS OF ANY OFFERING MATERIALS. THE SECURITIES ARE SUBJECT TO LEGAL RESTRICTIONS ON TRANSFER AND RESALE AND INVESTORS SHOULD NOT ASSUME THEY WILL BE ABLE TO RESELL THEIR SECURITIES. INVESTING IN SECURITIES INVOLVES RISK, AND INVESTORS SHOULD BE ABLE TO BEAR THE LOSS OF THEIR INVESTMENT. INVESTMENT IN THE SECURITIES SHOULD BE CONSIDERED HIGHLY SPECULATIVE AND SUITABLE ONLY FOR PERSONS OF ADEQUATE FINANCIAL MEANS WHO HAVE NO NEED FOR LIQUIDITY WITH RESPECT TO THIS INVESTMENT. PURCHASERS OF THE SECURITIES SHOULD HAVE THE FINANCIAL ABILITY AND WILLINGNESS TO ACCEPT THE RISKS (INCLUDING, AMONG OTHER THINGS, THE RISK OF LOSS OF THEIR ENTIRE INVESTMENT AND THE LACK OF LIQUIDITY) AND SHOULD CONSULT THEIR FINANCIAL ADVISORS REGARDING THE APPROPRIATENESS OF MAKING AN INVESTMENT. FURTHERMORE, THE SECURITIES OFFERED ARE NOT

SUBJECT TO THE PROTECTIONS OF THE INVESTMENT COMPANY ACT OF 1940, AS AMENDED. FURTHERMORE, THIS NOTE IS NON-NEGOTIABLE AND MAY BE SOLD OR OTHERWISE TRANSFERRED ONLY IN COMPLIANCE WITH CONDITIONS SPECIFIED IN A SUBSCRIPTION AGREEMENT, A COMPLETE AND CORRECT COPY OF WHICH IS AVAILABLE FOR INSPECTION AT THE PRINCIPAL OFFICE OF PAYOR AND WILL BE FURNISHED WITHOUT CHARGE TO THE HOLDER OF THIS NOTE UPON WRITTEN REQUEST.

The Payee further agrees to execute and deliver such additional documents, agreements or instruments, and/or to take such additional actions, as shall be reasonably requested by the Payor in order to comply with any tax reporting or similar requirements relating to any payments pursuant to this Note. The Payor may request from time to time such information as Payor may deem necessary to determine Payorôs and/or Payeeôs compliance with applicable regulatory requirements or tax status, and the Payee covenants and agrees to provide such information as reasonably may be requested. Without limitation on any of the other provisions herein, the Payee covenants and agrees to provide (and to update periodically), upon request by the Payor, any information (or verification thereof) which the Payor deems necessary or appropriate in connection with any requirements of the U.S. Internal Revenue Code of 1986, as amended (the ñCodeò) and/or the Regulations promulgated thereunder, including Code Sections 1471-1474, and any forms, instructions or other guidance issued by any governmental authority thereunder. The Payee agrees to waive any provision of any non-U.S. law that would, absent a waiver, prevent compliance with such requests. Payee acknowledges that any failure to comply with any such requests from the Payor may result in various adverse consequences under the Code, including, potentially (and without limitation), imposition of a U.S. withholding obligation on any payments to the Payee pursuant to this Note. Payee agrees to indemnify and hold the Payor harmless from and against any losses, damages, costs, expenses or liabilities incurred as a result of any failure to comply with any of the covenants or agreements set forth in this document.

Any notice or other communication required or permitted hereunder shall be in writing and shall be deemed to have been given on the third business day after mailing within the United States, postage prepaid, by registered or certified mail, return receipt requested, addressed to the parties as set forth on the signature page hereto. Each of the parties hereto shall be entitled to specify a different address by giving written notice to the other parties hereto in accordance with this paragraph.

This Note shall be governed by and construed and interpreted in accordance with the internal laws of the State of California, without regard to choice of law principles. The parties agree that any and all disputes, claims or controversies arising out of or relating to this Note or the Security Agreement that are not resolved by their mutual agreement shall only be brought in a court of competent jurisdiction in the County of San Diego, State of California. This choice of venue is intended by the parties to be mandatory and not permissive in nature, and to preclude the possibility of litigation between the parties with respect to, or arising out of, this Agreement in any jurisdiction other than that specified in this Section. Each party waives any right it may have to assert the doctrine of forum non conveniens or similar doctrine or to object to venue with respect to any proceeding brought in accordance with this Section.

IN WITNESS WHEREOF, the parties have caused this Note to be executed by a duly authorized signatory as of the first date set forth above.

BORROWER:

MONTEREY RECEIVABLES FUNDING, LLC

By: _____
Chris Hughes, President & CEO
4095 Avenida De La Plata
Oceanside, California 92056

INVESTOR:

Print Name of Holder: _____

_____
Signature

Title (if applicable): _____
Address: _____
_____
Email _____

[Signature Page to Class B-1 7% Note]

TAB C-2

FORM OF CLASS A-2 NOTE

THE SECURITIES REPRESENTED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE ñACTò), OR UNDER THE SECURITIES LAWS OF ANY STATE. THESE SECURITIES MAY NOT BE OFFERED, SOLD OR OTHERWISE TRANSFERRED, PLEDGED OR HYPOTHECATED EXCEPT AS PERMITTED UNDER THE ACT AND APPLICABLE STATE SECURITIES LAWS PURSUANT TO REGISTRATION OR AN EXEMPTION THEREFROM. THE ISSUER OF THESE SECURITIES MAY REQUIRE AN OPINION OF COUNSEL SATISFACTORY TO THE ISSUER THAT SUCH OFFER, SALE OR TRANSFER, PLEDGE OR HYPOTHECATION OTHERWISE COMPLIES WITH THE ACT AND APPLICABLE STATE SECURITIES LAWS.

CLASS A-2
SECURED, NON-NEGOTIABLE PROMISSORY NOTE

$_____ Oceanside, California
_____ ___, 201__

For value received, Monterey Receivables Funding, LLC, a Delaware limited liability company (ñPayorò), hereby promises to pay to _____ or his, her or its assignee (ñPayeeò) the principal amount of _____ dollars ($_____), with interest on the outstanding principal amount at the rate of eight percent (8%) simple interest per annum, cumulative but non-compounding. Interest shall be calculated based on a 365 day year, actual days elapsed.

This Class A-2 Non-Negotiable Promissory Note (this ñNoteò) is issued as part of a series of notes issued pursuant to that certain Confidential Accredited Investor Package for Payorôs offering (ñFinancingò) of up to $50,000,000 in the aggregate of Class A-1 Notes, Class A-2 Notes and Class B-1 Notes (together, the ñNotesò) dated on or about the date hereof (ñInvestor Packageò). The Company previously sold up to $5,000,000 in aggregate principal amount of Class A Notes and Class B Notes (the ñOutstanding Notesò). Each Class A-2 Note ranks on a pari passu basis in all respects (including payment) with all other Class A-1 Notes and Class A-2 Notes issued in the Financing, as well as the Class A Notes previously issued by the Company.

Interest only on the outstanding principal shall be payable monthly in arrears commencing on the 15th day of each month with respect to the prior calendar month commencing on the 15th day of the calendar month following the first full calendar month after the date of this Note. The entire principal balance and all accrued but unpaid interest shall be due and payable in full at the expiration of twelve (12) months from issuance of the Note (ñMaturity Dateò); provided, however that unless Payee provides at least ninety (90) daysô advance written notice of redemption prior to each Maturity Date, this Note will automatically renew and extend for an additional twelve (12) month period, without penalty or additional fees. This Note may be prepaid in whole or in part by Payor at any time following the initial twelve (12) months following the date hereof. Investor will be entitled to retain all interest earned up until prepayment.

Payee may request Payor to redeem all or any portion of the outstanding principal balance of this Note at any time upon written request to Payor (ñRepayment Optionò); provided, however that, in connection with any such early redemption, Payee shall and hereby does automatically forfeit (i) if the early payment is within one (1) year from the date of this Note, all interest earned for the year; and (ii) if the early payment is anytime thereafter, all interest for the current month (in each case, the ñForfeited

Amountò). For the avoidance of any doubt, no interest shall accrue under this Note in the month of or months after the Payee has exercised his, her or its Repayment Option. Any such request shall be effective at the beginning of the calendar month in which the early redemption request is received in writing by the Payor. Payee shall receive a redemption price equal to the then-outstanding principal amount under this Note plus any accrued and unpaid interest on this Note less the Forfeited Amount (the ñRedemption Priceò). The Redemption Price shall be paid in immediately available funds within thirty (30) days following the date of Payeeôs written request. Notwithstanding the foregoing, the maximum aggregate amount of outstanding principal to be repaid in connection with the exercise of Repayment Options shall not exceed in any calendar year twenty percent (20%) of the then aggregate total outstanding principal balance on all issued and outstanding Notes.

Upon the occurrence of a Default (as defined below), all unpaid principal, accrued unpaid interest and other amounts owing hereunder shall, at the option of, and only upon written notice provided to the Payor exclusively by the Required Majority (as defined below), be immediately due, payable and collectible by Payor pursuant to applicable law without presentment, demand, protest, notice of any kind or notice of dishonor, all of which are hereby expressly waived. If a Default occurs and is continuing, the Required Majority may pursue, on behalf of all Payees, any available remedy by proceeding at law or in equity to collect the payment of amounts due under the Notes or to enforce the performance of any provision of the Notes. A delay or omission by the Required Majority in exercising any right or remedy accruing upon a Default shall not impair the right or remedy or constitute a waiver of or acquiescence in the Default. A waiver on any one occasion shall not be construed as a bar to or waiver of any such right or remedy on any future occasion. For purposes of the Security Agreement and this Note, a ñRequired Majorityò shall mean Payees under Notes and Outstanding Notes holding at more than fifty percent (50%) of the aggregate principal amount of all such Notes outstanding at such time. Payee acknowledges that a Required Majority will have the right and power to diminish or eliminate all rights of Payee hereunder and under the Security Agreement.

For purposes of this Note, Payor shall be in ñDefaultò if Payor: (1) fails to make any payment of interest or principal hereunder, as it falls due and fails to cure such failure within twenty (20) days following receipt of written notice from Payee; (2) admits in writing its inability to pay its debts as they become due, or makes a general assignment for the benefit of creditors or files any petition or action for relief under any bankruptcy, reorganization, insolvency or moratorium law, or any other law or laws for the relief of, or relating to, debtors; or (3) an involuntary petition is filed against Payor under any bankruptcy, reorganization, insolvency or moratorium law, or any other law or laws for the relief of, or relating to, debtors unless such petition shall be dismissed or vacated within sixty (60) days of the date thereof.

The repayment in full of the Notes and the Outstanding Notes shall be and hereby is secured on a pari passu basis by a first position security interest in all of the assets of Payor, pursuant to the terms that certain Security Agreement, dated as of even date herewith (the ñSecurity Agreementò), entered into by and among Payor, Payee and each other Note holder of such notes. Payor shall not, directly or indirectly, without the written consent of a Required Majority, create, permit or suffer to exist any lien or encumbrance on the Collateral (as defined in the Security Agreement) and shall defend the Collateral against and take such other action as is necessary to remove, any liens on or in the Collateral, or in any portion thereof, except as permitted pursuant to the Security Agreement. The holders of Notes (and in their capacities as Secured Parties under the Security Agreement) will act by a Required Majority with respect to the enforcement and exercise of rights upon the occurrence and during the continuance of an event of default under the Notes and/or the Security Agreement. In addition, the Security Agreement may be amended or a provision thereof waived only in a writing signed by the Company and a Required Majority.

Payor shall provide all Payee all information and materials, full access to any and all information and shall perform such other acts or actions as may be requested by Payee to enable Payee to act or take actions as a Required Majority.

The Payor of this Note hereby waives diligence, presentment, protest and demand and also notice of protest, demand, dishonor and nonpayment of this Note.

In the event that Payor reasonably determines that it is required to deduct and withhold from any amounts owing to Payee pursuant to this Note and to remit such amounts to any taxing authority in connection with any withholding or similar taxes imposed on such amounts, such amounts, as and when so deducted, withheld and remitted by Payor shall be deemed paid to Payee for all purposes.

If Payee should institute collection efforts, of any nature whatsoever, to attempt to collect any and all amounts due hereunder upon the default of Payor, Payor shall be liable to pay to Payee immediately and without demand all reasonable costs and expenses of collection incurred by Payee, including without limitation reasonable attorneyôs fees, whether or not suit or other action or proceeding be instituted and specifically including, but not limited to, collection efforts that may be made through a bankruptcy court.

Notwithstanding any provision herein or in any instrument now or hereafter securing this Note, the total liability for payments in the nature of interest shall not exceed the limits imposed by the applicable usury laws of the State of California. If, from any circumstances whatsoever, fulfillment of any provision hereof or of any other agreement, evidencing or securing the debt, at the time performance of such provisions shall be due, shall involve the payment of interest in excess of that authorized by law, the obligation to be fulfilled shall be reduced to the limit so authorized by law, and if from any circumstances, Payee shall ever receive as interest an amount which would exceed the highest lawful rate applicable to the Payor, such amount which would be excessive interest shall be applied to the reduction of the principal balance of the debt evidenced hereby and not to the payment of interest.

The provisions of this Note are intended by Payor to be severable and divisible and the invalidity or unenforceability of a provision or term herein shall not invalidate or render unenforceable the remainder of this Note or any part thereof.

Payee and other holders of Notes, in such capacity, are not and shall not have any rights as equity holders in Payor. As such, neither Payee nor any other holder of Notes, in such capacity, will not be entitled to vote, receive dividends or exercise any of the rights of the members of Payee for any purpose.

Notwithstanding any provision herein, the Payee hereby agrees and acknowledges that this Note is non-negotiable, and (subject to the rights of Payeeôs individual heirs or legatees on the death of the Payee) may only be transferred, assigned or encumbered with the prior written consent of the Payor which consent the Payor may withhold in its sole discretion. Upon any transfer of this Note approved by Payor, Payor may require, as a condition thereto, the payment of a sum sufficient to reimburse it for any transfer tax incidental thereto. Any transfer shall also be subject to (i) the transfereeôs agreement in writing to be subject to the applicable terms of this Note; (ii) compliance with all applicable state and federal securities laws (including the delivery of legal opinions reasonably satisfactory to Payor, if such are reasonably requested by Payor); and (iii) such additional documentation as is reasonably required by the Payor. This Note shall be binding upon any successors or assigns of Payor.

In addition to the foregoing, the Payor will maintain a book entry system upon which will be reflected the ownership of the Note by Payee and the unpaid obligations evidenced thereby, and, notwithstanding

any other provision of this Note to the contrary, no transfer of any interest in any Note nor any right to receive payments of any amounts thereunder shall be effective unless (among other applicable requirements) such transfer is first registered in the book entry system established by the Payor.

THE OFFERING OF SECURITIES IS MADE PURSUANT TO RULE 506(C) OF REGULATION D PROMULGATED UNDER THE ACT. THE SECURITIES MAY BE SOLD ONLY TO ñACCREDITED INVESTORS,ò WHICH FOR NATURAL PERSONS ARE INVESTORS WHO MEET CERTAIN MINIMUM ANNUAL INCOME OR NET WORTH THRESHOLDS. THE SECURITIES ARE BEING OFFERED IN RELIANCE ON AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE ACT, AND ARE NOT REQUIRED TO COMPLY WITH SPECIFIC DISCLOSURE REQUIREMENTS THAT APPLY TO REGISTRATION UNDER THE ACT. THE U.S. SECURITIES AND EXCHANGE COMMISSION OR ANY EQUIVALENT STATE OR FOREIGN AGENCIES HAVE NOT PASSED UPON THE MERITS OF OR GIVEN ITS APPROVAL TO THE SECURITIES, THE TERMS OF THE OFFERING, OR THE ACCURACY OR COMPLETENESS OF ANY OFFERING MATERIALS. THE SECURITIES ARE SUBJECT TO LEGAL RESTRICTIONS ON TRANSFER AND RESALE AND INVESTORS SHOULD NOT ASSUME THEY WILL BE ABLE TO RESELL THEIR SECURITIES. INVESTING IN SECURITIES INVOLVES RISK, AND INVESTORS SHOULD BE ABLE TO BEAR THE LOSS OF THEIR INVESTMENT. INVESTMENT IN THE SECURITIES SHOULD BE CONSIDERED HIGHLY SPECULATIVE AND SUITABLE ONLY FOR PERSONS OF ADEQUATE FINANCIAL MEANS WHO HAVE NO NEED FOR LIQUIDITY WITH RESPECT TO THIS INVESTMENT. PURCHASERS OF THE SECURITIES SHOULD HAVE THE FINANCIAL ABILITY AND WILLINGNESS TO ACCEPT THE RISKS (INCLUDING, AMONG OTHER THINGS, THE RISK OF LOSS OF THEIR ENTIRE INVESTMENT AND THE LACK OF LIQUIDITY) AND SHOULD CONSULT THEIR FINANCIAL ADVISORS REGARDING THE APPROPRIATENESS OF MAKING AN INVESTMENT. FURTHERMORE, THE SECURITIES OFFERED ARE NOT SUBJECT TO THE PROTECTIONS OF THE INVESTMENT COMPANY ACT OF 1940, AS AMENDED. FURTHERMORE, THIS NOTE IS NON-NEGOTIABLE AND MAY BE SOLD OR OTHERWISE TRANSFERRED ONLY IN COMPLIANCE WITH CONDITIONS SPECIFIED IN A SUBSCRIPTION AGREEMENT, A COMPLETE AND CORRECT COPY OF WHICH IS AVAILABLE FOR INSPECTION AT THE PRINCIPAL OFFICE OF PAYOR AND WILL BE FURNISHED WITHOUT CHARGE TO THE HOLDER OF THIS NOTE UPON WRITTEN REQUEST.

The Payee further agrees to execute and deliver such additional documents, agreements or instruments, and/or to take such additional actions, as shall be reasonably requested by the Payor in order to comply with any tax reporting or similar requirements relating to any payments pursuant to this Note. The Payor may request from time to time such information as Payor may deem necessary to determine Payorôs and/or Payeeôs compliance with applicable regulatory requirements or tax status, and the Payee covenants and agrees to provide such information as reasonably may be requested. Without limitation on any of the other provisions herein, the Payee covenants and agrees to provide (and to update periodically), upon request by the Payor, any information (or verification thereof) which the Payor deems necessary or appropriate in connection with any requirements of the U.S. Internal Revenue Code of 1986, as amended (the ñCodeò) and/or the Regulations promulgated thereunder, including Code Sections 1471-1474, and any forms, instructions or other guidance issued by any governmental authority thereunder. The Payee agrees to waive any provision of any non-U.S. law that would, absent a waiver, prevent compliance with such requests. Payee acknowledges that any failure to comply with any such requests from the Payor may result in various adverse consequences under the Code, including, potentially (and without limitation), imposition of a U.S. withholding obligation on any payments to the Payee pursuant to this Note. Payee agrees to indemnify and hold the Payor harmless

from and against any losses, damages, costs, expenses or liabilities incurred as a result of any failure to comply with any of the covenants or agreements set forth in this document.

Any notice or other communication required or permitted hereunder shall be in writing and shall be deemed to have been given on the third business day after mailing within the United States, postage prepaid, by registered or certified mail, return receipt requested, addressed to the parties as set forth on the signature page hereto. Each of the parties hereto shall be entitled to specify a different address by giving written notice to the other parties hereto in accordance with this paragraph.

This Note shall be governed by and construed and interpreted in accordance with the internal laws of the State of California, without regard to choice of law principles. The parties agree that any and all disputes, claims or controversies arising out of or relating to this Note or the Security Agreement that are not resolved by their mutual agreement shall only be brought in a court of competent jurisdiction in the County of San Diego, State of California. This choice of venue is intended by the parties to be mandatory and not permissive in nature, and to preclude the possibility of litigation between the parties with respect to, or arising out of, this Agreement in any jurisdiction other than that specified in this Section. Each party waives any right it may have to assert the doctrine of forum non conveniens or similar doctrine or to object to venue with respect to any proceeding brought in accordance with this Section.

IN WITNESS WHEREOF, the parties have caused this Note to be executed by a duly authorized signatory as of the first date set forth above.

BORROWER:

MONTEREY RECEIVABLES FUNDING, LLC

By: _____
Chris Hughes, President & CEO
4095 Avenida De La Plata
Oceanside, California 92056

INVESTOR:

Print Name of Holder:_____

_____
Signature

Title (if applicable): _____

Address:_____

_____

Email _____

[Signature Page to Class A-2 8% Note]

TAB D-1
FORM OF SECURITY AGREEMENT

SECURITY AGREEMENT

This Security Agreement (this ñAgreementò) is made and entered into as of _____, 201_ (the ñEffective Dateò), by and among Monterey Receivables Funding, LLC, a Delaware limited liability company (the ñDebtorò), on the one hand, and the purchasers of those certain Secured Non-Negotiable Class A Promissory Notes and/or Secured Non-Negotiable Class B Promissory Notes issued by Debtor in connection with the Offering (as defined below) (together, the ñSecured Partyò), on the other hand.

RECITALS

WHEREAS, Debtor is currently offering for sale up to Fifty Million Dollars ($50,000,000) in aggregate principal amount of Secured Non-Negotiable Class A Promissory Notes and Secured Non-Negotiable Class B Promissory Notes, as such amount may be increased and/or additional series of notes offered in the future upon approval of Debtorôs Board of Managers (the ñOfferingò). Capitalized terms not otherwise defined herein shall have the meanings ascribed to such terms in the Notes; and

WHEREAS, as further security for the payment and performance of all of Debtorôs Obligations (as defined below) to the Secured Party, it is the intent of Debtor to pledge and grant on a pari passu basis to each member of the Secured Party, representing all of the participants in the Offering, a first priority security interest in all of the assets of Debtor, as hereinafter provided, which first priority security interest shall be perfected immediately upon execution of this Agreement.

AGREEMENT

NOW, THEREFORE, in consideration of the above Recitals and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereby agree as follows:

1. Grant of Security Interest. As security for full and timely payment, performance and satisfaction of all obligations of Debtor to the Secured Party, whether existing as of the Effective Date or incurred subsequent to the Effective Date, including, without limitation, the principal amount, any accrued and unpaid interest due under the Notes (collectively, the ñObligationsò), Debtor hereby pledges and grants on a pari passu basis to each member of the Secured Party a first priority security interest in all of Debtorôs right, title and interest in and to all of Debtorôs assets, including, without limitation, those assets described in Exhibit A attached hereto (collectively, the ñCollateralò).

2. Maintenance of Security Interest. Debtor agrees, at any time and from time to time, at the expense of Debtor, and upon request of the Secured Party (acting upon the written instruction and at the direction of the Required Majority), to promptly execute and deliver all further instruments and documents, and take all further action, that may be necessary or

desirable, in the Secured Partyôs discretion (as directed by the Required Majority), in order to protect any security interest granted or purported to be granted hereby or to enable the Secured Party to exercise and enforce the Secured Partyôs rights and remedies hereunder with respect to any Collateral, including, without limitation, transferring Collateral to the possession of the Secured Party (if a security interest in such Collateral can only be protected by possession). If Debtor executes and delivers any document or instrument pursuant to this Section 2, such document or instrument shall be in form and substance reasonably satisfactory to the Secured Party (as directed by the Required Majority) and a copy thereof shall be provided by Debtor to the Secured Party; and if such Debtor takes any other action pursuant to this Section 2, such action shall be taken with the prior written consent of the Secured Party (acting upon the written instruction and at the direction of the Required Majority) and notice thereof shall be given by Debtor to the Secured Party.

3. Debtorôs Attorney-in-Fact. Debtor hereby irrevocably appoints the Secured Party, with full power of substitution, as its true and lawful attorney-in-fact with full irrevocable power and authority in the place and stead of Debtor and in the name of Debtor or in the Secured Partyôs own name, from time to time in the discretion of the Secured Party (as directed by the Required Majority), for the purpose of carrying out the terms of this Agreement (but the Secured Party shall not be obligated to and shall incur no liability to Debtor or any third party for failure to do so), to take any and all appropriate action and to execute and deliver any and all documents and instruments which may be necessary or desirable to protect the security interest granted hereunder or to maintain the priority of the secured interest granted hereunder. Without limiting the generality of the foregoing, Debtor hereby grants the Secured Party (acting as directed by the Required Majority) the power and right, on behalf of Debtor, upon prior written notice to Debtor, to do the following upon the occurrence and during the continuation of any Event of Default: (a) collect by legal proceedings or otherwise and endorse, receive and receipt for all dividends, interest, payments proceeds and other sums and property now or hereafter payable on or on account of the Collateral; (b) enter into any extension, reorganization, deposit, merger, consolidation or other agreement pertaining to, or deposit, surrender, accept, hold or apply other property in exchange for the Collateral; (c) insure, process and preserve the Collateral; (d) transfer the Collateral to its own or its nomineeôs name; and (e) make any compromise or settlement, and take any action it deems advisable, with respect to the Collateral. Debtor shall be responsible to reimburse the Secured Party upon demand for any costs and expenses, including, without limitation, reasonable attorneyôs fees, the Secured Party may incur while acting as Debtorôs attorney-in-fact hereunder or otherwise in protecting the Collateral or the Secured Partyôs rights therein, all of which costs and expenses are included in the Obligations secured hereby. It is further agreed and understood between the parties hereto that such care as the Secured Party gives to the safekeeping of its own property of like kind shall constitute reasonable care of the Collateral when in the Secured Partyôs possession; provided, however, that the Secured Party shall not be required to make any presentment, demand or protest, or give any notice and need not take any action to preserve any rights against any prior party or any other person in connection with the Obligations or with respect to the Collateral.

4. Representations and Warranties. Debtor hereby represents and warrants that: (a) Debtor is the owner of the Collateral (or, in the case of after-acquired Collateral, at the time Debtor acquires rights in the Collateral, will be the owner thereof) and that no other person

other than the Secured Party has (or, in the case of after-acquired Collateral, at the time Debtor acquires rights therein, will have) any right, title, claim or interest (by way of security interest or other lien or charge or otherwise) in, against or to the Collateral, except for subordinated indebtedness and any liens for taxes, assessments and other government charges not yet due and payable; (b) Debtor will not sell or offer to sell or otherwise transfer the Collateral or any interest therein without the prior written consent of the Secured Party (acting as directed by the Required Majority) other than in the ordinary course of business; and (c) all information heretofore, herein or hereafter supplied to the Secured Party by or on behalf of Debtor with respect to its Collateral is true and correct in all material respects.

5. Affirmative Covenants of Debtor. Debtor shall do all of the following:

a. Government Compliance.

Maintain Debtorôs legal existence and good standing in Debtorôs jurisdictions of formation and maintain qualification in each jurisdiction in which the failure to so qualify would reasonably be expected to have a material adverse effect on Debtorôs business or operations. Debtor shall comply with all laws, ordinances and regulations to which it is subject, noncompliance with which could have a material adverse effect on Debtorôs business.

Execute, deliver and cause to be filed any and all agreements, instruments, reports, or other documents (including, without limitation, a UCC-1 Financing Statement and any other documents required or deemed desirable or necessary to perfect the security interest in other jurisdictions) necessary to perfect the first priority security interest granted in the Collateral, either (i) concurrently with the execution of this Agreement, or (ii) as soon as reasonably practicable thereafter.

b. Taxes. Make timely payment of all foreign, federal, state, and local taxes or assessments and shall deliver to the Secured Party (acting as directed by the Required Majority), upon prior written request, appropriate certificates attesting to such payments;

c. Insurance. Keep its business and the Collateral insured for risks and in amounts standard for companies in Debtorôs industry and location and as the Secured Party (acting as directed by the Required Majority) may reasonably request. Insurance policies shall be in a form, with companies, and in amounts that are satisfactory to the Secured Party (acting as directed by the Required Majority). At the Secured Partyôs request, Debtor shall deliver certified copies of policies and evidence of all premium payments. Proceeds payable under any policy shall, at the Secured Partyôs option (acting as directed by the Required Majority), be payable to the Secured Party on account of the Obligations. If Debtor fails to obtain insurance as required under this Section 5(c) or to pay any amount or furnish any required proof of payment to third persons and the Secured Party, the Secured Party may (acting as directed by the Required Majority) make all or part of such payment or obtain such insurance policies required in this Section 5(c), and take any action under the policies the Secured Party (acting as directed by the Required Majority) deems prudent.

d. Protection of Intellectual Property Rights. Debtor shall: (a) protect, defend and maintain the validity and enforceability of its intellectual property; (b) promptly

advise the Secured Party in writing of material infringements of its intellectual property; and (c) not allow any intellectual property material to Debtorôs business to be abandoned, forfeited or dedicated to the public without the Secured Partyôs written consent and shall cause each of its subsidiaries to do the same in respect of intellectual property to which any such subsidiary has any right, title or interest.

e. Litigation Cooperation. From the date hereof and continuing through the termination of this Agreement, make available to the Secured Party, without expense to the Secured Party, Debtor and its officers, employees and agents and Debtorôs books and records, to the extent that the Secured Party may deem them reasonably necessary to prosecute or defend any third-party suit or proceeding instituted by or against the Secured Party with respect to any Collateral or relating to Debtor.

f. Provide Information and Access to Secured Party. Provide information and materials to, full access to any and all information and to perform such other acts or actions as may be requested by any member of the Secured Party to enable such member or any other members of the Secured Party to act or take actions as a Required Majority.

g. Further Assurances. Execute any further instruments and take further action as the Secured Party (acting upon the written instruction and at the direction of the Required Majority) reasonably requests to (i) further perfect, protect or maintain the Secured Partyôs first priority lien and security interest in the Collateral by, including, without limitation, (a) delivering and causing to be filed any financing or continuation statements (including ñin lieuò continuation statements) under the Uniform Commercial Code with respect to the first priority security interest granted hereunder, (b) executing, delivering, and causing to be filed any and all agreements, instruments, reports, or other documents with the U.S. Patent and Trademark Office or Canadian Intellectual Property Office necessary to further perfect, protect and maintain the first priority security interest granted hereunder in respect of Debtorôs intellectual property; and (c) any other instrument, document, agreement, or other papers that may be necessary or desirable (in the reasonable direction of the Secured Party acting at the direction of the Required Majority) to perfect, maintain and validate the first priority security interest granted hereunder or to permit the Secured Party to exercise and enforce the rights of the Secured Party hereunder with respect to such first priority security interest; or (ii) to effect the purposes of this Agreement.

6. Negative Covenants of Debtor. Debtor shall not do any of the following without the Secured Partyôs prior written consent (as such consent shall be provided upon the written instruction and at the direction of the Required Majority):

h. Dispositions. Convey, sell, lease, transfer or otherwise dispose of, all or any part of the Collateral, except for transfers (i) of inventory in the ordinary course of business; (ii) of worn out or obsolete equipment; and (iii) of certain licenses for the use of the property of Debtor in the ordinary course of business.

i. Changes in Business Locations. Debtor shall not, without prior written notice to the Secured Party: (1) change any of its jurisdictions of organization, (2) change its

organizational structures or types, (3) change its legal names, or (4) change any organizational numbers (if any) assigned by its jurisdictions of organization.

j. Indebtedness. Create, incur, assume, or be liable for any indebtedness other than subordinated indebtedness.

k. Encumbrance. Create, incur, allow, or suffer any lien on any of the Collateral, or enter into any agreement, document, instrument or other arrangement with any third party which directly or indirectly prohibits or has the effect of prohibiting Debtor from assigning, mortgaging, pledging, granting a security interest in or upon, or encumbering any of Debtorôs intellectual property, other than in respect of Senior Indebtedness or in the ordinary course of business.

l. Compliance. Become an ñinvestment companyò or a company controlled by an ñinvestment company,ò under the Investment Debtor Act of 1940 or undertake as one of its important activities extending credit to purchase or carry margin stock (as defined in Regulation U of the Board of Governors of the Federal Reserve System); fail to meet the minimum funding requirements of Employee Retirement Income Security Act of 1974 (ñERISAò), permit a Reportable Event or Prohibited Transaction (as such terms are defined in ERISA) to occur; fail to comply with the Federal Fair Labor Standards Act or violate any other law or regulation, if the violation could reasonably be expected to have a material adverse effect on Debtorôs business; withdraw from participation in, permit partial or complete termination of, or permit the occurrence of any other event with respect to, any present pension, profit sharing and deferred compensation plan which could reasonably be expected to result in any liability of Debtor, including any liability to the Pension Benefit Guaranty Corporation or its successors or any other governmental agency.

7. Events of Default. The occurrence of any of the following shall be an ñEvent of Default:ò (a) any ñEvent of Defaultò by Debtor under any of the Notes, which default is not cured within any grace period granted with respect to such default; (b) transfer or disposition of the Collateral, except as permitted by this Agreement; (c) attachment, execution or levy on the Collateral; or (d) any default hereunder, which default is not cured within thirty (30) days after written notification thereof.

8. Remedies upon Event of Default. Upon the occurrence and during the continuance of an Event of Default, the Secured Party exclusively (acting upon the written instruction and at the direction of the Required Majority) may exercise any one or more of the following rights and remedies: (a) declare all Obligations to be immediately due and payable, which shall then be immediately due and payable, without presentment or other notice or demand; (b) exercise and enforce any or all rights and remedies available upon default to a secured party under the Uniform Commercial Code, including, but not limited to, the right to take possession of the Collateral, proceeding without judicial process if permitted by law or by judicial process, and the right to sell, lease or otherwise dispose of the Collateral; or (c) exercise or enforce any or all other rights or remedies available to the Secured Party by law or agreement against the Collateral, including specifically the right to use the Collateral, against Debtor or against any other person or property.

9. Rights as to the Collateral. As to the Collateral and notwithstanding anything to the contrary contained herein, the grant of the security interest herein by Debtor herein stated is intended to be a grant for security purposes and is not intended to divest Debtor of its ownership of the Collateral, except as otherwise provided herein and, so long as no Event of Default has occurred and is continuing, (i) Debtor shall retain title to and record ownership of the Collateral, and (ii) Debtor shall be entitled to receive any and all income or distributions made with respect to the Collateral, except as provided herein or in the Notes.

10. Security Interest Absolute. All rights of the Secured Party and the assignment and security interest hereunder, and all obligations of Debtor hereunder, shall remain in full force and effect and shall secure the Obligations, and shall be absolute and unconditional, irrespective of: (a) any change in the time, manner or place of payment of, or in any other term of, all or any of the Obligations or any other amendment or waiver of or any consent to any departure from the Notes or any other agreement evidencing the Obligations; (b) any taking, exchange, release or non-perfection of any other collateral, or any release or amendment or waiver of or consent to departure from any guaranty, for all or any of the Obligations; (c) any manner of application of any Collateral, or proceeds thereof, to all or any of the Obligations or any manner of sale or other disposition of any Collateral; or (d) any other circumstances other than releases, waivers and the like by the Secured Party that might otherwise constitute a defense available to, or a discharge of, any Debtorôs obligations hereunder or Secured Partyôs security interest hereunder.

11. Continuing Security Interest; Sale of Participations; Release of Collateral. This Agreement shall create a continuing first priority security interest in the Collateral and shall (a) remain in full force and effect until the payment in full of the Obligations, (b) be binding upon Debtor, its successors and its assigns under the Notes, and (c) inure to the benefit of, and be enforceable by (subject to the terms hereof), the Secured Party and its successors and assigns (as the same may act upon the written instruction and at the direction of the Required Majority). No sales of participations in, and no other sales, assignments, transfers or other dispositions of, any agreement governing or instrument evidencing the Obligations or any portion thereof or interest therein by the Secured Party shall in any manner affect the lien granted to the Secured Party hereunder. Upon the payment in full of the Obligations, the security interest granted hereby shall terminate and all rights to the Collateral shall revert to Debtor. Upon any such termination, the Secured Party will, at Debtorôs expense, execute and deliver to Debtor such documents as Debtor shall reasonably request to evidence such termination. The Secured Party shall, at the request of Debtor, deliver any document reasonably necessary to release any lien granted hereunder with respect to the Collateral Debtor is transferring.

12. Secured Partyôs Duties. The powers conferred on the Secured Party hereunder are solely to protect such Secured Partyôs interest in the Collateral as a secured party and shall not impose any duty upon the Secured Party to exercise any such powers. Except for the safe custody of the Collateral in the Secured Partyôs possession and the accounting for money actually received by Secured Party hereunder, the Secured Party shall not have any duty as to the Collateral or as to the taking of any necessary steps to preserve any rights pertaining to the Collateral. The Secured Party shall not have any responsibility or liability for the collection of any proceeds of the Collateral or by reason of any invalidity, lack of value or uncollectability

of the Collateral. The Secured Party shall be deemed to have exercised reasonable care in the custody and preservation of the Collateral in the Secured Partyôs possession if such Collateral is accorded treatment substantially equal to that which such Secured Party accords its own property.

13. Expenses. Debtor shall, upon demand, pay to the Secured Party the amount of any and all reasonable expenses, including the reasonable fees and expenses the Secured Partyôs counsel and of any experts and agents, which the Secured Party may incur in connection with (a) the administration of this Agreement, (b) the custody or preservation of, or the sale of, collection from, or other realization upon, of the Collateral, (c) the exercise or enforcement of any of the rights of the Secured Party hereunder, or (d) the failure by Debtor to perform or observe any of the provisions hereof or under the Notes.

14. Reinstatement. This Agreement shall remain in full force and effect and continue to be effective should any petition be filed by or against Debtor for liquidation or reorganization, should Debtor become insolvent or make an assignment for the benefit of creditors or should a receiver or trustee be appointed for all or any significant part of Debtorôs property and assets, and shall continue to be effective or be reinstated, as the case may be, if at any time payment and performance of the Obligations, or any part thereof, is, pursuant to applicable law, rescinded or reduced in amount, or must otherwise be restored or returned by any obligee of the Obligations, whether as a ñvoidable preference,ò ñfraudulent conveyance,ò or otherwise, all as though such payment or performance had not been made. In the event that any payment, or any part thereof, is rescinded, reduced, restored or returned, the Obligations shall be reinstated and deemed reduced only by such amount paid and not so rescinded, reduced, restored or returned.

15. Authority of Secured Party. The Secured Party shall have and be entitled to exercise all such powers hereunder as are specifically delegated to the Secured Party by the terms hereof or under applicable law, together with such powers as are incidental thereto. The Secured Party may execute any of its duties hereunder by or through agents or employees and shall be entitled to retain counsel and to act in reliance upon the advice of such counsel concerning all matters pertaining to its duties hereunder.

16. Waiver of Hearing. Debtor expressly waives any constitutional or other right to a judicial hearing before the Secured Party takes possession or disposes of the Collateral upon default as provided in each of the Notes and herein.

17. Cumulative Rights. The rights, powers and remedies of the Secured Party under this Agreement shall be in addition to all rights, powers and remedies given to the Secured Party by virtue of any statute or rule of law, the Notes, or any other agreement, all of which rights, powers and remedies shall be cumulative and may be exercised successively or concurrently without impairing the Secured Partyôs security interest in the Collateral.

18. Waiver. Any forbearance or failure or delay by the Secured Party in exercising any right, power or remedy shall not preclude the further exercise thereof, and every right, power or remedy of the Secured Party shall continue in full force and effect until such right, power or remedy is specifically waived in a writing executed by the Secured Party or the

Required Majority. Debtor waives any right to require the Secured Party to proceed against any person or to exhaust the Collateral or to pursue any remedy in the Secured Partyôs power.

19. Entire Agreement; Severability. This Agreement, the Notes issued pursuant to the Offering and any additional agreements entered into by and among Debtor and Purchasers in connection with the Offering collectively contain the entire agreement among Debtor and the Purchasers with respect to the Offering and the subject matter contained herein. This Agreement supersedes in its entirety any and all prior written and oral agreements and understandings between the parties with respect to the subject matter of this Agreement. If any of the provisions of this Agreement shall be held invalid or unenforceable, this Agreement shall be construed as if not containing those provisions and the rights and obligations of the parties hereto shall be construed and enforced accordingly.

20. References. Singular references herein include the plural.

21. Choice of Law. This Agreement shall be construed and enforced in accordance with and governed by the laws of the State of California, except to the extent that the validity of any security interest created hereunder, or remedies hereunder, in respect of any item of the Collateral is governed by the laws of a jurisdiction other than the State of California under mandatory statutes. Except for actions seeking injunctive relief (which may be brought in any appropriate jurisdiction) suit under this Agreement shall only be brought in a court of competent jurisdiction in San Diego County, California. This choice of venue is intended by the parties to be mandatory and not permissive in nature, and to preclude the possibility of litigation between the parties with respect to, or arising out of, this Agreement in any jurisdiction other than that specified in this Section. Each party waives any right it may have to assert the doctrine of forum non conveniens or similar doctrine or to object to venue with respect to any proceeding brought in accordance with this Section.

22. Successors and Assigns. This Agreement is for the benefit of the Secured Party and their respective successors and assigns, and in the event of an assignment of all or any of the Obligations, the rights hereunder, to the extent applicable to the indebtedness so assigned, may be transferred with such indebtedness. This Agreement shall be binding on the Debtor and its respective successors and assigns.

23. Waiver of Jury Trial. TO THE EXTENT SUCH WAIVER IS PERMITTED UNDER APPLICABLE LAW, DEBTOR AND (BY ITS ACCEPTANCE OF THE NOTES) THE SECURED PARTY AND EACH OTHER PURCHASER WAIVES ITS RIGHT TO A TRIAL BY JURY OF ANY CLAIM OR CAUSE OF ACTION BASED UPON OR ARISING OUT OF OR RELATED TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY, IN ANY ACTION, PROCEEDING OR OTHER LITIGATION OF ANY TYPE BROUGHT BY ANY PARTY AGAINST ANY OTHER PARTY, WHETHER WITH RESPECT TO CONTRACT CLAIMS, TORT CLAIMS, OR OTHERWISE. EACH OF DEBTOR, THE SECURED PARTY AND EACH OTHER PURCHASER AGREE THAT ANY SUCH CLAIM OR CAUSE OF ACTION SHALL BE TRIED BY A COURT TRIAL WITHOUT A JURY. WITHOUT LIMITING THE FOREGOING, EACH OF DEBTOR, THE SECURED PARTY AND EACH OTHER PURCHASER FURTHER AGREE THAT ITS RIGHT TO A TRIAL BY JURY IS WAIVED

BY OPERATION OF THIS SECTION AS TO ANY ACTION, COUNTERCLAIM OR OTHER PROCEEDING WHICH SEEKS, IN WHOLE OR IN PART, TO CHALLENGE THE VALIDITY OR ENFORCEABILITY OF THIS AGREEMENT OR ANY PROVISION HEREOF. THIS WAIVER SHALL APPLY TO ANY SUBSEQUENT AMENDMENTS, RENEWALS, SUPPLEMENTS OR MODIFICATIONS TO THIS AGREEMENT.

24. Amendment or Waiver. This Agreement may be amended or a provision hereof waived only in a writing signed by Debtor and a Required Majority. A ñRequired Majorityò shall mean the members of the Secured Party holding more than fifty percent (50%) of the principal amount of all Notes outstanding at the time of such amendment, waiver, or other action, decision or determination permitted or required under this Agreement. Each member of the Secured Party acknowledges that a Required Majority will have the right and power to diminish or eliminate all rights of such member hereunder.

25. Notices. All notices, requests, demands and other communications hereunder shall be in writing to the parties at the addresses set forth on the signature pages hereto, or at such other address as shall be given in writing by a party to the other parties, and shall be deemed to have been duly given at the earlier of (i) the time of actual delivery, (ii) the next business day after deposit with a nationally recognized overnight courier specifying next day delivery, with written verification of receipt, (iii) when sent by facsimile if receipt is confirmed, or (iv) on the fifth (5th) business day following the date deposited with the United States Postal Service, postage prepaid, certified with return receipt requested.

26. Counterparts; Facsimile Execution. This Agreement may be executed in counterparts, each of which shall constitute an original. A facsimile, PDF or other copy of any signature hereto transmitted by electronic means shall have the same force and effect as an original thereof.

IN WITNESS WHEREOF, the parties caused this Security Agreement to have been duly executed and delivered as of the Effective Date.

DEBTOR: **MONTEREY RECEIVABLES FUNDING, LLC.**,
a Delaware limited liability company

By: _____
Chris Hughes, CEO & President

IN WITNESS WHEREOF, the parties caused this Security Agreement to have been duly executed and delivered as of the Effective Date.

SECURED PARTY:

_____

[Print Legal Name of Secured Party]

By: _____

Print Name: _____

Print Title (if applicable): _____

EXHIBIT A
DESCRIPTION OF COLLATERAL

The assets of Debtor shall include the following:

a. Fixtures and Improvements -- All of Debtorôs fixtures and improvements to real property in all of its forms, including the following: all buildings, structures, furnishings, and all heating, electrical, lighting, power and air conditioning equipment, and all antennas, transmitters, receivers and related equipment, and all other equipment that under applicable law constitutes a fixture, or improvements, and all parts thereof and all accessions, additions, attachments, improvements, substitutions and replacements thereto and therefor (any and all of the foregoing being collectively, the ñFixturesò); and

b. Equipment (including Computer Hardware and Embedded Software) -- All of Debtorôs goods and equipment in all of its forms, including the following: all machinery, tools, motor vehicles, furniture and furnishings, and all antennas, transmitters, receivers and related equipment, all communications, telecommunications, switches and related equipment, and all computer and other electronic data processing hardware, integrated computer systems, central processing units, memory units, display terminals, printers, features, computer elements, video records, tape recorders and other recording devices, card readers, tape drives, hard and soft disk drives, cables, electrical supply hardware, generators, power equalizers, accessories and all peripheral devices and other related computer hardware, together with all software embedded therein, all source codes and object codes relating to such software, and all documentation manuals and materials with respect to such hardware and software, and all rights with respect to all of the foregoing, including any and all licenses, options, warranties, service contracts, program services, test rights, maintenance rights, support rights, improvement rights, renewal rights and indemnifications, and any model conversions of any of the foregoing, and all parts thereof and all accessions, additions, parts (including replacement parts), attachments, improvements, substitutions and replacements thereto and therefor (any and all of the foregoing being collectively the ñEquipmentò); and

c. Inventory -- All of Debtorôs inventory in all of its forms, including the following: (1) all raw materials and work in process therefor, finished goods thereof, and materials used or consumed in the preparation, manufacture, creation or production thereof, and (2) all goods in which Debtor has an interest in mass or a joint or other interest or right of any kind (including goods in which Debtor has an interest or right as consignee), and (3) all goods which are held by Debtor as lessor, or held for sale or lease, or furnished under a contract of service, and (4) all goods which are returned to or repossessed by Debtor, and in each instance all accessions thereto, products thereof and documents therefor (any and all of the foregoing being collectively the ñInventoryò); and

d. Receivables, Accounts, Contracts, Money, Instruments, Chattel Paper and Related Documents -- All of Debtorôs accounts, receivables, including intercompany debt or other obligations between or among any of the Debtors, credit card receivables, health care insurance receivables, cash collateral accounts, lock box accounts, other deposit accounts, security deposits, advance payments, contracts, contract rights, leases, of real and personal

property licenses, license fees, insurance policies, chattel paper, documents, letter-of-credit rights, instruments (whether or not negotiable), money, general intangibles and other obligations of any kind, and whether or not arising out of or in connection with the sale or lease of goods or the rendering of services (any and all of the foregoing being the ñContract Rightsò), and all rights of Debtor in and to all agreements, security agreements, guaranties, leases and other contracts securing or otherwise relating to any such Contract Rights (any and all such security agreements, guaranties, leases and other contracts being the ñRelated Contractsò) and all of Debtorôs books and records relating to the foregoing; and

e. Intellectual Property -- Without limiting any of the foregoing, all of Debtorôs intellectual and information related property, rights and assets, including the following (collectively, ñIntellectual Property Collateralò):

i. Computer Software and Data -- (a) All non-embedded software programs and data bases (including source code, object code and all related applications and data files) owned, licensed or leased by Debtor, and (b) all firmware associated therewith or with any of the Equipment, and (c) all documentation and materials (including all flow charts, logic diagrams, algorithms, manuals, guides, instructions, indices, abstracts and specifications) with respect to such software and firmware, and (d) all rights with respect to all of the foregoing, including any and all copyrights, trademarks, licenses, options, warranties, service contracts, program services, test rights, maintenance rights, support rights, improvement rights, renewal rights and indemnifications, and any substitutions, replacements, additions or model conversions of any of the foregoing (collectively, ñComputer Software Collateralò), and

ii. Copyrights -- All copyrights of Debtor in each work or authorship and derivative works thereof, whether published or unpublished and whether or not the same also constitutes a trade secret, whether statutory or common law, registered or unregistered, throughout the world, including all of Debtor's right, title and interest in and to all copyrights registered in the United States Copyright Office or anywhere else in the world, and all applications for registration thereof, whether pending or in preparation, and all copyright licenses, and further including the right to sue for past, present and future infringements of any thereof, all rights corresponding thereto throughout the world, and all goodwill associated therewith, all extensions, continuations and renewals of any thereof, and all proceeds of the foregoing, including licenses, fees, royalties, income, payments, claims, damages and proceeds of suit (collectively, ñCopyright Collateralò), and

iii. Patents -- All patents and like protections, including all improvements, divisions, continuations, renewals, reissues, extensions and continuations-in-part of the same, and all applications for registration thereof, whether pending or in preparation, all patent licenses, the right to sue for past, present and future infringements of any thereof, all rights corresponding thereto throughout the

world, and all goodwill associated therewith, all extensions, continuations and renewals of any thereof, and all proceeds of the foregoing, including licenses, fees, royalties, income, payments, claims, damages and proceeds of suit (collectively, ñPatent Collateralò), and

iv. Trademarks -- (a) All trademarks, service marks, trade names, corporate names, company names, business names, operating names, domain names, fictitious business names, trade styles, certification marks, collective marks, call signs, logos, other source of business identifiers, prints, labels and goods on which any of the foregoing appear or have appeared, designs (including product designs) and general intangibles of a like nature (any and all of the foregoing being the ñTrademarksò), anywhere in the world, whether registered or not and whether currently in use or not, all registrations and recordings thereof and all applications to register the same, whether pending or in preparation for filing, including registrations, recordings and applications in the United States Patent and Trademark Office or in any office or agency of the United States of America or any State thereof or any foreign country, and (b) all Trademark licenses, and (c) all reissues, extensions or renewals of any of the foregoing, and (d) all of the goodwill of the business connected with the use of, and symbolized by, the items described in the foregoing, and (e) all proceeds, fees, royalties, income or payments of, and rights associated with, the foregoing, including any claim by Debtor against third parties for past, present or future infringement or dilution of any Trademark, Trademark registration or Trademark license, or for any injury to the goodwill associated with the use of any such Trademark or for breach or enforcement of any Trademark license (collectively, ñTrademark Collateralò), and

v. Trade Secrets -- All common law and statutory trade secrets and all other confidential or proprietary or useful information and all know-how obtained by or used in or contemplated at any time for use in Debtorôs business (any and all of the foregoing being the ñTrade Secretsò), whether or not such Trade Secret has been reduced to a writing or other tangible form, including all documents and things embodying, incorporating or referring in any way to such Trade Secrets, all Trade Secret licenses, and including the right to sue for and to enjoin and to collect damages for the actual or threatened misappropriation of any Trade Secret and for the breach or enforcement of any such Trade Secret license (collectively, ñTrade Secret Collateralò); and

f. Publication, Programming and Production-Related Property -- Without limiting any of the foregoing, all of Debtorôs right, title, interest and benefits in, to and under (a) all books, writings, journals, articles and publications, and (b) all customer, subscriber, prospect, inquiry, circulation, marketing, advertising, publicity, promotional and programming files, lists, records, documents, contracts and agreements, including all files, lists and records of active, expired, prospective, trial and conditional customers and subscribers, and all files, lists and records of current, former and prospective advertisers, and all internally generated, purchased and rented mailing lists (but only to the extent of

Debtor's rights therein), and all promotional letters, catalogues, flyers, reply cards, sales materials, promotional materials, sample mailing pieces, artwork, drawings, advertising materials, space advertising and any similar materials, and (c) all publication rights, programming rights, editorial rights, promotional rights, advertising rights, licensing rights, distribution and redistribution rights, and printing and reprinting rights (and any and all agreements, contracts, documents and materials in any way governing or relating to any of the foregoing rights), and (d) all editorial, publishing, programming, manufacturing, prepublication and post-publication, royalty, sales, pricing, cost and promotional files, lists, records and documents, and (e) all indices, abstracts, compilations, summaries, glossaries and archives of or for any of the foregoing items, and (f) all other information and property relating to, used or useful in connection with, evidencing, embodying, incorporating or referring to, any of the foregoing property identified in this clause or elsewhere in this Section and regardless of whether such property is embodied in a tangible or intangible medium; and

g. Licenses and Authorizations -- Without limiting any of the foregoing, all of Debtorôs right, title, interest and benefits in, to and under all present and future licenses, authorizations and other rights for the construction, development, operation and ownership of its business and properties, and all proceeds of such licenses, authorizations and other rights, and all rights of Debtor in and to all agreements, security agreements, guaranties, leases and other contracts securing or otherwise relating to any such licenses, authorizations and other rights; and

h. Other General Intangibles -- Without limiting any of the foregoing, all of Debtor's right, title, interest and benefits in, to and under all other general intangibles, wherever arising, including the following: (a) all corporate, partnership, limited liability company and joint venture investments and other interests in and to any entity (including all ownership rights and interests in Debtorôs subsidiaries, whether or not such rights and interests are certificated), and the proceeds and general intangibles related thereto (including all dividends, distributions, capital accounts and proceeds thereof), and (b) all leasehold interests (whether as lessee or as lessor and whether of real or personal property)) and all related rights thereunder and proceeds thereof, and (c) all tax refunds and other refunds or rights to receive payment from U.S. federal, state, or local governments or from foreign governments, whether or not arising out of or in connection with the sale or lease of goods or the rendering of services, and (d) payment intangibles, including, but not limited to, all loans not evidenced by an instrument or chattel paper, and (e) all settlements, judgments and other awards (whether or not resulting from judicial or arbitration proceedings) and all tort and contract claims and causes of action,; and all rights of Debtor in and to all security agreements, guaranties, leases and other contracts securing or otherwise relating to any such general intangibles; and

i. Securities and Investment Property -- Without limiting any of the foregoing, all of Debtorôs right, title, interest and benefits in, to and under all stocks, options, warrants, bonds, and other securities, security entitlements, securities accounts, commodity contracts, commodities accounts, financial assets and other investment property (including all such securities representing ownership in Debtor's subsidiaries), whether or not

evidenced by a certificate, and the proceeds and general intangibles related thereto (including all dividends and distributions); and

j. Other General Property -- All of Debtorôs other property and rights of every kind and description and interests therein; and

k. Products and Proceeds -- All products, offspring, rents, issues, profits, returns, refunds, income and proceeds of and from any and all of the foregoing Collateral, including the following: all proceeds of the licenses and authorizations, all proceeds that constitute property of the types described in this Exhibit A, all proceeds deposited from time to time in any lock boxes of Debtor, and, to the extent not otherwise included, all payments, unearned premiums and cash or surrender value under insurance policies (whether or not Secured Party or any Purchaser is a loss payee or additional insured thereof), and any indemnity, warranty or guaranty payable by reason of loss or damage to or otherwise with respect to any of the foregoing Collateral;

in each instance (whether or not expressly specified above), wherever located, and whether now existing, owned, leased or licensed or hereafter acquired , leased, licensed, arising, developed, generated, adopted or created for or by Debtor, and howsoever Debtorôs interest therein may arise or appear (whether by ownership, security interest, claim or otherwise).

Notwithstanding any terms of this Agreement to the contrary, the collateral assignment of and security interest in Debtorôs interest in contracts, contract rights, licenses, leases and other agreements with unrelated third parties shall not apply to any contract, Contract Rights, license, lease or other agreement with an unrelated third party if Debtor has entered into such contract, Contract Rights, license, lease or other agreement prior to the date hereof, to the extent that it expressly prohibits the granting of a security interest in or the assignment or collateral assignment of Debtorôs interest therein, and such prohibition is legally enforceable under applicable law, or if such grant or assignment would cause an immediate termination thereof, provided, however, that the foregoing shall not prohibit security interests or collateral assignments created by this Agreement from extending to the proceeds arising from such contracts, Contract Rights, licenses, leases or other agreements or to the monetary value of the goodwill and other general intangibles of Debtor relating thereto. Notwithstanding any terms of this Agreement to the contrary, the collateral assignment of and security interest in Debtorôs interest in fixtures and equipment shall not include fixtures and equipment to the extent a collateral assignment of or grant of a security interest in such fixtures or equipment would be prohibited by any contract relating to such fixtures and equipment.

TAB D-2
OMNIBUS AMENDMENT

OMNIBUS AMENDMENT

This OMNIBUS AMENDMENT (this ñAmendmentò), dated as of August 14, 2013 (the ñEffective Dateò), by and among Monterey Receivables Funding, LLC, a Delaware limited liability company (the ñCompanyò), on the one hand, and (i) those lenders who have purchased Secured Class A Notes and/or Secured Class B Notes (ñOutstanding Notesò) pursuant to the terms of that offering by the Company of up to $5,000,000 in the aggregate of Secured Class A Notes and Secured Class B Notes as set forth in that certain Confidential Accredited Investor Package dated December 2012 (the ñFinancing Packageò); and (ii) those Secured Parties who are parties to (or become parties to by virtue of their execution hereof) that certain Security Agreement, dated as of December 6, 2012 (ñSecurity Agreementò). This Amendment constitutes a first amendment to the Financing Documents (as defined below). The Financing Package, the Outstanding Notes and the Security Agreement, each as amended hereby, are collectively referred to herein as the ñFinancing Documentsò). Capitalized terms used herein and not otherwise defined shall have the meanings ascribed to such term in the Financing Documents.

RECITALS

27. The Company has previously conducted a secured debt financing (the ñFinancingò) in which it issued and sold, in multiple closings, Five Million Dollars ($5,000,000) in principal amount of Outstanding Notes pursuant to the Financing Documents by and among the lenders thereunder (the ñExisting Lendersò) and the Company.

28. The obligations of the Company under the Outstanding Notes are secured by all of the assets of the Company pursuant to the terms and conditions of the Security Agreement.

29. Pursuant to the terms of the Financing Documents, the Company has the right to expand the Financing and/or offer additional series of promissory notes in the future. The Companyôs Board of Managers (ñBoardò) has determined that it is in the best interest of the Company, its members and the Existing Lenders to offer up to $50,000,000 (ñMaximum Amountò) in aggregate principal amount of an additional series of secured promissory notes classified as Secured Class A-1 Notes and Secured Class B-1 Notes (the ñAdditional Notesò) on the same terms as the Existing Notes except that the Additional Notes share in ten percent (10%) of the net profits of the Company (compared to the twenty percent (20%) shared by the Existing Notes). The Class A Notes and the Class A-1 Notes shall be *pari passu* in all respects and the Class B Notes and Class B-1 Notes shall be *pari passu* in all respects. The holders of the Additional Notes shall be permitted to renew and extend their indebtedness with the Company, subject to the Companyôs approval from time to time for additional one (1) or two (2) year periods, on the same terms and conditions as presenting exist, including the twenty percent (20%) profit participation. The twenty percent (20%) profit participation does not impact the Existing Lenders. As a matter of priority, the Class A and Class A-1 Notes must be current in all respects with respect to interest and principal prior to any payment of interest and principal on the Class B and Class B-1 Notes. The holders of the Additional Notes shall be referred to herein as the ñAdditional Note Holders.ò

30. In connection with the issuance and sale of the Additional Notes, the Board has determined that it is in the best interest of the Company, its members and the Existing Lenders to (i) amend the Financing Documents to reflect the sale of the Additional Notes; (ii) authorize the issuance and sale of the Additional Notes; (iii) amend the Financing Documents to provide that: (a) the Class A Notes and the Class A-1 Notes shall be *pari passu* in all respects and that the Class B Notes and Class B-1 Notes shall be *pari passu* in all respects; (b) the obligations under the Additional Notes be secured by all of the assets of the Company; and (c) the Class A Notes and the Class A-1 Notes shall be senior in terms of payment to the Class B Notes and the Class B-1 Notes.

31. Pursuant to terms of the Financing Documents, the amendments contemplated herein require the consent of an Existing Lenders holding more than fifty percent (50%) of the aggregate outstanding principal amount on all Existing Notes (a ñRequired Majorityò), which consents are hereby provided.

NOW, THEREFORE, the parties hereto hereby agree as follows:

AGREEMENT

m. Issuance of Additional Notes. This Amendment shall be effective upon execution by the Company and the Required Majority. The Financing Documents are hereby amended to authorize the issuance and sale of Additional Notes up to the Maximum Amount to occur at such time as the Company has received one or more commitments, in any amount, to purchase Additional Notes. In addition, the Financing Documents shall be further amended to authorize the Company to increase the Maximum Amount of the Additional Notes and/or offer additional series of promissory notes (ñFuture Notesò and together with the Outstanding Notes and the Additional Notes, the ñNotesò) on terms determined by the Board, in its discretion. Upon the sale and issuance of any such Notes, the holders thereof shall be deemed Payees and Secured Parties for all purposes of the Financing Documents. All Notes repaid on a *pari passu* basis with the Outstanding Notes in accordance with their terms. Specifically, for purposes of the Additional Notes, the Class A-1 Notes shall be *pari passu* with the Class A Notes and the Class B-1 Notes shall be *pari passu* with the Class B Notes. Following the initial closing of the sale of any Notes, all references in the Financing Documents to the term ñNotesò shall mean and include the Outstanding Notes, the Additional Notes and the Future Notes, as applicable. Additionally, all references in the Financing Documents to the term ñObligationsò shall mean and include the obligations under all Notes. Furthermore, all references in the Financing Documents to the term ñLenders,ò ñSecured Partyò and ñPayeesò shall mean and refer to the holders of any Notes offered by the Company that are subject to the terms thereof.

n. Repayment of Notes. The Financing Documents are hereby amended to provide that the Class B Notes and the Class B-1 Notes shall be subordinated to the Class A Notes and the Class A-1 Notes. As such, no payment shall be made on the Class B Notes or the Class B-1 Notes unless and until all payments then due and owing with respect to the Class A Notes and the Class A-1 Notes have been paid in full. In addition, to the extent the Company sells any Future Notes, the Financing Documents shall be and hereby are amended to provide for the repayment of any such Future Notes in accordance with their terms.

o. Additional Note Required Majority. The Financing Documents are hereby amended to provide that a ñRequired Majorityò for all purposes thereunder shall mean holders of any Notes representing more than fifty percent (50%) of the aggregate principal amount of all Notes then outstanding.

p. Security Interest. The Financing Documents are hereby amended to provide that the full and timely payment, performance and satisfaction of all obligations of the Company under all Notes

shall be secured by a first priority security interest in all of the assets of the Company granted to each holder of Notes on a *pari passu* basis visï àï vis each other. In connection therewith, the Security Agreement is hereby amended to provide that all references in the Security Agreement to the term ñSecured Partiesò shall mean and refer to the holders of any Notes. The Company is hereby authorized to file a UCC-3 amendment to the UCC-1 filed in connection with the issuance and sale of any Notes to evidence the security interest granted in connection therewith.

q. Representations and Warranties. Each holder of Outstanding Notes hereby, severally and not jointly, represents and warrants to the Company that the representations and warranties of the lenders set forth in the Financing Documents are true and correct as of the Effective Date. The new purchasers of Notes hereby acknowledges receipt of a copy of the Financing Documents and hereby represents and warrants that he/she/it has carefully read the Financing Documents and, by his/her/its execution of this Amendment, hereby agrees that he/she/it shall become a party thereto and to be bound by the terms thereof. Each such new lender hereby makes all of the representations and warranties of the Lenders, Investors, Payees, and Secured Parties, as applicable, set forth in the Financing Documents as of the Effective Date and further represents and warrants that all of such representations and warranties are true and correct as of the Effective Date.

r. Full Force and Effect. Except as expressly set forth herein, the terms and conditions of the Financing Documents, as amended hereby, shall remain in full force and effect.

s. Miscellaneous.

Financing Documents Amended. This Amendment shall be deemed to be an amendment to the Financing Documents and shall, upon execution of the Amendment by the Company and a Required Majority, be binding on all holders of Notes. All references to any of the Financing Documents in any other document, instrument, agreement or writing hereafter shall be deemed to refer to such document as amended hereby.

Successors and Assigns. This Amendment shall be binding upon and inure to the benefit of the Company and each holder of Notes and their respective successors and assigns.

Governing Law. This Amendment and the rights and obligations of the parties hereunder shall be construed in accordance with and governed by the laws of the State of California, without regard to conflict of laws principles.

Counterparts. This Amendment may be executed in multiple counterparts, each of which shall be deemed an original and together shall constitute one document. This Amendment may be executed and transmitted via facsimile or electronic transmission in PDF form with the same validity as if it were an ink-signed document.

IN WITNESS WHEREOF, the Company has executed this Amendment as of the Effective Date.

ñ***Company***ò

MONTEREY RECEIVABLES FUNDING, LLC
a Delaware limited liability company

By:_____
Chris Hughes, President

IN WITNESS WHEREOF, the undersigned Existing Lenders representing a Required Majority have executed this Amendment as of the Effective Date.

Aggregate Principal Amount of Existing Notes Subscribed for: $_____

_____
Print Name of Existing Lender

_____
Signature

_____
Print Title, if applicable

IN WITNESS WHEREOF, the parties caused this Omnibus Amendment to have been duly executed and delivered as of the Effective Date.

SECURED PARTY: _____

[Print Legal Name of Secured Party]

By: _____
Print Name: _____
Print Title (if applicable): _____

[ADDITIONAL LENDER COUNTERPART SIGNATURE PAGE TO OMNIBUS AMENDMENT]

TAB E

FORM OF LOAN SERVICING/MANAGEMENT AGREEMENT

LOAN SERVICING / MANAGEMENT AGREEMENT

This Loan Servicing Agreement (hereinafter ñAgreementò) is made effective as of **November 15, 2012** (the ñEffective Dateò), by and between Monterey Receivables Funding, LLC, a Delaware limited liability company with its principal place of business located at 4095 Avenida de la Plata, Oceanside, California 92056 (hereinafter ñPrincipalò), and **MONTEREY FINANCIAL SERVICES, INC.**, a California corporation with its principal place of business located at 4095 Avenida de la Plata, Oceanside, California 92056 (hereinafter ñAgentò).

RECITALS

A. In connection with Principalôs business of providing goods and/or services to various individuals (each, a ñCustomerò and collectively, the ñCustomersò), Principal originates accounts receivable, each of which is evidenced by a retail installment contract, promissory note or other documentation (each a ñContract or Electronic transaction,ò and collectively, the ñContract or Electronic transactionò) which is further described on Schedule òAò attached hereto and incorporated herein by this reference (each, an ñAccountò and collectively, the ñAccountsò).

B. Agent is in the business of servicing receivables such as the Accounts.

C. Principal and Agent desire to enter into this Agreement to provide for, among other things, the collection by Agent of the Accounts for the benefit of Principal and to provide for the remittance of the proceeds from the Accounts by Agent to Principal.

NOW, THEREFORE, in consideration of the foregoing promises, which are incorporated herein by this reference, and the mutual covenants set forth in this Agreement, the parties hereby agree as follows:

AGREEMENT

32. AGENT FOR COLLECTION SERVICES: Principal hereby appoints Agent on an exclusive basis as its collection agent to service and collect the Accounts on behalf of Principal.

33. TERM; TERMINATION: This Agreement shall be effective from the Effective Date and continue for an initial term of one (1) year, unless earlier terminated as provided herein (the ñInitial Termò). At the end of the Initial Term, this Agreement shall automatically renew for successive one (1) year terms, without any further action by either party, unless either party gives the other at least ninety (90) days written notice prior to the expiration of the then current term of its intent not to renew this Agreement. The Initial Term

and any renewal term shall be referred to, collectively, as the ñTerm.ò Principal hereby acknowledges and agrees that this Agreement shall survive and shall remain in full force and effect upon (i) any expiration or termination of any agreement between Principal, Agent and/or one or more Lenders (as defined in Section 8 below); and/or (ii) the payment by Principal, Agent, Customer(s), as the case may be, of any and all payment obligations owed to and outstanding with Lenders. This Agreement may be terminated earlier upon the occurrence of any one or more of the following events:

(a) immediately upon the occurrence of an Insolvency Event (as defined below) with respect to either party or if either party becomes inactive, dormant, goes out of business or is otherwise unreachable by or unresponsive to the other party for a period of sixty (60) days. For purposes of this Agreement, the term ñInsolvency Eventò shall mean, with respect to any person or entity, (1) dissolution, liquid or failure to operate as a going concern; (2) voluntarily or involuntarily filing bankruptcy, making an assignment, arrangement or composition with or for the benefit of creditors, appointment of a receiver; (3) it shall become insolvent or unable to pay its debts as they become duel or (4) it shall seek or become subject to the appointment of an administrator, provisional liquidator, conservator, receiver, trustee, custodian or other similar official for it or for all or substantially all its property; (5) it shall have a secured party take possession of all or substantially all its property or have a distress, execution, attachment, sequestration or other legal process levied or enforced against all or substantially all its property and such secured party shall maintain possession, or any such process is not dismissed, discharged, stayed or restrained, in each case within thirty (30) days thereafter;

(b) the mutual written agreement of the parties hereto in accordance with the terms of such agreement;

(c) immediately by Agent if it determines in good faith, that there has been a Material Adverse Change in Financial Condition (as defined below) or the business of Principal or that the prospect of Principalôs performance pursuant to the terms of this Agreement has been impaired for any reason. For purposes of this Agreement, the term ñMaterial Adverse Change in Financial Conditionò shall mean a (1) material adverse change in the balance sheet or profit and loss statements or other financial condition or prospects of Principal or a Customer from time to time, as determined by Agent in its sole discretion; (2) change in the corporate structure or any material change the ownership or capitalization of the Principal or any Customer, as determined by Agent in its sole discretion, or, as to a Customer, the death or incapacity of the Customer; or (3) an Insolvency Event relating to the Principal or any Customer; or

(d) by Agent upon written notice to Principal in the event of a default by Principal or by Agent for any reason upon not less than thirty (30) days prior written notice to Principal.

34. SERVICING FEE: Agent shall be paid a servicing fee (the ñServicing Feeò) with respect to each Account, as set forth on Schedule ñAò attached hereto and incorporated herein by this reference, which is paid by Principal to Agent as compensation for Agentôs administration and servicing of the Accounts.

35. DUTIES OF AGENT: Throughout the term of this Agreement, Agent shall, to the best of its skill and ability:

(a) inform each Customer of the billing arrangements; send a welcome letter and a monthly billing statement or coupon book to each Customer; proceed to collect all payments due on the Accounts; and post and deposit all payments or like monies received on the Accounts within forty-eight (48) hours of receipt;

(b) re-deposit checks, drafts and other items of payment returned to Agent for reasons of ñReturn to Makerò or ñNon-sufficient fundsò or words of similar effect according to Agentôs standard collection procedures;

(c) hold all post-dated checks, drafts or other items of payment and deposit them on the date appearing on the check, draft or other item of payment;

(d) use its own funds, personnel, tools, supplies and equipment in the performance of its services hereunder;

(e) maintain books and records of all Accounts in accordance with generally accepted accounting principles including, without limitation records concerning principal, interest, late charges, and pre-payments received through pre-authorized debits, checks, drafts or other items of payment and, upon Principalôs written request, give access thereto to Principal;

(f) provide Principal monthly with a full and complete accounting in respect of each Account; By electronic form only. Agent will also provide Principal with full and complete reporting with respect to month and year end financial statements along with any other day to day accounting functions that may be necessary.

(g) service Delinquent Accounts with as many telephone calls as Agent deems reasonably necessary. For purposes of this Agreement, ñDelinquent Account(s)ò shall mean an Account which has a past due amount outstanding for a period in excess of thirty (30) days;

(h) notify Principal of any Account serviced hereunder that becomes a Delinquent Account;

(i) remit to Principal, on the timing basis set forth on Schedule ñA,ò the Collected Funds (as defined below) less (A) the Servicing Fee, unless the Servicing Fee is to be billed monthly to principal as evidenced by a separate agreement in writing to that effect signed by Agent, in its sole discretion, and, in such case, if the Servicing Fee is not paid within thirty (30) days of date of invoice, then the Agent shall have the right to add 1.5% interest per

month on the outstanding balance commencing on the date of the said invoice until paid in full, and/or (B) the amount of any funds which Agent is required to return to a Customer for any reason including, without limitation, the Customerôs bankruptcy and/or an erroneous payment. Then, in consideration for the administrative burden of closing out all files, reports, Contracts, Customers and other matters relating to this Agreement, MFS shall be entitled to a close out fee in the amount equal to all collected funds, except as may be limited by applicable bankruptcy, insolvency, reorganization or other laws of general application relating to or affecting the enforcement of creditorsô rights generally.

(j) perform such other duties as are reasonable and customary for account servicing agents in California and comply with applicable laws and regulations. Provide principal with all loan processing and fund management to and from other outside dealers.

(k) allow Principal to have online access to its Accounts through Agentôs web site; at www.montereyfinancial.com; and

36. DUTIES OF PRINCIPAL: Throughout the Term of this Agreement, Principal shall perform the following duties:

(a) submit to Agent in a timely manner, each of its Accounts, including the credit statement, contract, supporting documentation, current balance and date of next payment in order to enable Agent to arrange for the periodic servicing and collection of the Account;

(b) comply with all of Principalôs representations, warranties and other statutory and contractual obligations to the Customer and otherwise cooperate with Agent in connection with its administration and servicing of the Contracts or electronic transaction and Accounts;

(c) not amend, change, settle, or compromise any Account or amend, modify or waive any term or condition of any related Contracts or electronic transaction; or extend the maturity of any of the foregoing without providing prior written notice to Agent;

(d) in the event Principal receives any payment on an Account, Principal shall notify Agent in writing within one (1) calendar day of its receipt of any such payment and shall forward such payment to Agent within three (3) calendar days of its receipt thereof or earlier upon demand of Agent. Principal hereby irrevocably appoints Agent as its attorney-in-fact to act in its name and stead in regard of the Accounts, including without limitation, the right to endorse or sign Principalôs name on all checks, collections, receipts or other documents with regard to the Accounts, as Agent deems necessary or appropriate, in its discretion, in the performance of its duties hereunder;

(e) give Agent prompt written notice of any fact, event, occurrence or other information it becomes aware of which might adversely affect any Account, the Customerôs ability to pay such Account as an when due, the ability of Agent to collect the Account or otherwise may adversely affect Agentôs rights hereunder;

(f) conduct its business in accordance with sound business practices and standards and perform and fulfill all obligations to Customers under Accounts and related marketing materials, brochures and/or agreements delivered to Customers;

(g) maintain all licenses and authorizations required by all applicable regulatory authorities;

(h) at its expense, timely and fully perform and comply in all material respects with all material provisions, covenants and other promises required to be observed by it under the Contracts or Electronic transactions related to the Accounts; and

(i) not sell, pledge, assign (by operation of law or otherwise) or otherwise dispose of any or all of its right, title or interest in, to or under the Contracts or Accounts, or permit any liens, security interest or other encumbrances of any kind to be placed on the Contracts or Accounts without the prior written consent of Agent, which will not be unreasonably withheld.

(j) notify the Agent within five (5) calendar days of its execution of any agreement with a third party lender pursuant to which such third party lender purchases or receives a security interest in certain outstanding Accounts from Principal and shall require any such lender to execute and deliver to Agent, within five (5) calendar days of the execution of any such agreement, the Lenderôs Addendum (as defined below) attached hereto as Schedule B; and

(k) notify Agent in writing of any change of ownership and/or change in capitalization

37. REPRESENTATIONS AND WARRANTIES: Principal hereby represents and warrants to Agent as follows:

(a) If a corporation, partnership or limited liability company, Principal is duly organized and validly existing and in good standing in the state of its incorporation or formation, as applicable, and has full power to carry on its business as it is presently conducted including, without limitation, to enter into this Agreement and to carry out the transactions contemplated hereby;

(b) The execution, delivery and performance by Principal of this Agreement (i) are within Principalôs corporate powers and constitute a legal, valid and binding obligation or Principal enforceable in accordance with its terms, (ii) have been duly authorized by all necessary corporate and governmental action and the individual executing this Agreement on behalf of Principal has all the requisite power and authority to do so, (iii) do not contravene or result in a default under or conflict with Principalôs charter or by-laws or any law, statute, rule, regulation or decree of any court, administrative agency or governmental body applicable to Principal or to which Principal is or may be subject; and (iv) do not contravene or result in a default under or conflict with any contractual obligation of Principal.

(c) No authorization or approval or other action by, and no notice to or filing with any or other person is required for the due execution, delivery and performance by Principal of this Agreement. All of Principalôs business operations are duly licensed and permitted under all federal, state and local laws, rules and regulations of any governmental authority.

(d) Principal is the legal and beneficial owner of the Contracts or Electronic transactions and the Accounts free and clear of any liens, security interests or other encumbrance or any other type of right or claim.

(e) It is in possession of the original note(s) or such other documentation that evidences each Consumerôs Account, Contract, Electronic transaction and other such legal obligations to be serviced by Agent hereunder. There are and will be no agreement between Principal or its agents and any Customer in connection with any Contract, Electronic transaction, or Accounts to be serviced hereunder and no express or implied warranties have been or will be made by Principal or its agents to such Customer, except, in each case, as expressly set forth in the Contract.

(f) Principal (i) will only use the personal information it receives from a Customer (the ñPersonal Informationò) solely in connection with the origination; administration and servicing of the Customerôs Contract or Electronic transactions; and (ii) will not disclose all or any portion of such Personal Information to any third party, except to Agent, or as otherwise may be permitted under applicable privacy law. Principal has read the Privacy Policy attached hereto as Schedule B and hereby represents and warrants that the terms and conditions contained therein are accurate in all respects with regard to Principalôs privacy policies and procedures in effect as of the date hereof.

(g) All exhibits, financial statements, documents, books, records, other information or reports furnished or to be furnished at any time by or on behalf of Principal to Agent in connection with this Agreement are or will be accurate in all material respects as of their respective dates or as of the date so furnished, and no such item contains or will contain any untrue statement of a material fact or omits or will omit to state a material fact necessary in order to make the statements contained therein, in the light of the circumstances under which they were made, not misleading, except to the extent that any such statement or omission that was untrue or misleading at the time made or that subsequently became untrue or misleading has been superseded or corrected by information provided to Agent prior to the date of this Agreement.

(h) Principal had delivered to Customer all products and services required to be delivered and/or performed in accordance with the Contract or Electronic transactions;

(i) No false, fraudulent or misleading representations were made nor were unfair or deceptive trade practices engaged in by Principal with respect to the Customer or the Contract or Electronic transactions and no statements, promised or representations about the payment terms under the Contract or Electronic transactions, except as stated in writing in the Contract or Electronic transactions;

(j) Principal is not insolvent, nor does the Principal anticipate any pending Insolvency Event;

(k) Each Contract or Electronic transactions has been serviced by Principal in conformity with all applicable laws, rules and regulations and in conformity with Principalôs policies and procedures that are consistent with customary and prudent industry standards; and

(l) In the event of any (a) transfer of control of Principal, including, without limitation, any merger, consolidation or reorganization of Principal with or into any person, firm or entity, where Principal is not the surviving entity in such merger, consolidation or reorganization (a ñChange of Control Eventò), (b) sale, lease conveyance, exchange, transfer or other disposition of all, or substantially all, the assets or Principal shall (x) give Agent written notice of the date of such event and, in the event of a Change of Control Event or an Asset Sale, the identity of the surviving or acquiring corporation, as the case may be, to assume Principalôs obligations hereunder, including, without limitation, providing and ongoing services described under the Contracts or Electronic transactions and hereunder, subject to executing such documents as Agent may reasonable request.

38. DEFAULT AND REMEDIES: Upon the occurrence of a Default (as defined below) by or with respect to Principal, Agent may exercise any or all of the following remedies in addition to any other remedies available to Agent under applicable law; (a) declare all amounts payable hereunder to Agent (including amounts incurred by Agent and its affiliates and agents in connection with collection and remedial efforts relating to any Default (including without limitation, travel costs) to be immediately due and payable and withdraw and offset such amount from and against the Collected Funds and/or any other amounts due to Principal hereunder; (b) require the repurchase of any or all of the servicing Contracts or Electronic transactions that may have be purchased by Agent, if any; (c) terminate this Agreement; (d) substitute other new Contracts or Electronic transactions delivered by Principal for service for the defaulted Contract or Electronic transactions, in like amount, automatically without the prior written consent of Principal, provided that Agent shall give Principal written notice of such substitution; and/or (e) charge interest on any all amounts owed by Principal to Agent at the rate of one and one half (1.5%) per month from the date Agent notifies Principal of such obligation until paid in full. For purposes of this Agreement, the term ñDefaultò shall mean (i) a breach by Principal, which has not been cured during any applicable cure period, of any representation, warranty, covenant, term or condition of this Agreement or of any other agreements to which Principal is obligated or by which it is bound in connection with a Contract or Electronic transactions or Account, (ii) a default by Principal under any other agreement by and between Principal or any affiliate thereof and Agent and any affiliate thereof which has not been cured during any applicable cure period, or (iii) a Material Adverse Change in Financial Condition or business of Principal.

39. INDEMNIFICATION:

t. Principal and Agent each hereby agree to defend, indemnify and hold harmless each other, and the other partyôs affiliates, subsidiaries, employees, officers,

directors, shareholders, attorneys and agents (the ñAffiliatesò), from and against any and all losses, claims, liabilities, demands and expenses whatsoever, including, without limitation, reasonable attorneysô fees and costs (the ñLossesò) arising out of or in connection with any breach by the indemnifying party of its representations, warranties, covenants or obligations hereunder.

u. In addition to the foregoing, Principal shall defend, indemnify and hold harmless Agent and its Affiliates, from and against any and all Losses, in any way arising out of or relating to (i) Principalôs origination, maintenance, collection or enforcement of any Contract or Electronic transactions or Account; (ii) the selection, manufacture, purchase, acceptance or rejection by a Customer of any of the products or services, as applicable, relating to any Contract and Electronic transactions or Account, and the performance, delivery, possession, maintenance, use, condition, return or operation of any of such products or services, as applicable, (including, without limitation, latent and other defects in any product, whether or not discoverable by Agent or the Customer). Each party, as applicable, shall, upon request by the other party, immediately defend any and all actions based on, or arising out of, any of the foregoing. All indemnities and obligations contained herein shall survive the expiration or termination of the Agreement and the expiration or termination of any Account.

v. To the extent that Principal elects to utilize in its operations, including but not limited to, in its individual transactions and dealings with Customers, any form contract, notice, or other written instrument (collectively, ñWritten Instrumentsò) which Agent may volunteer, supply, or provide to Principal from time to time, Agent makes no representation or warranty as to the fitness of said Written Instruments and Principal expressly agrees to hold Agent harmless for the same. Pursuant to Section 6(k) of the Agreement, Principal represents and warrants that any and all contracts or Written Instruments underlying each Account is fully compliant with all applicable law, and is legally binding and fully enforceable.

40. RIGHT TO WITHDRAWAL: Agent may, at any time and for any reason and in its sole discretion, withdraw from administering and servicing any or all of the Contracts and Electronic transactions and/or Accounts upon written notice to Principal.

41. THIRD-PARTY LENDERS: If Principal enters into an agreement with one or more third party lenders (each a ñLender,ò and collectively, the ñLendersò), Principal shall cause each such Lender to execute the Lender Addendum attached hereto as Schedule C (the ñLenderôs Addendumò) or such other similar agreement as may be mutually agreed to by Principal, Agent and Lender. Principal and Agent hereby acknowledge and agree that if Principal enters into an agreement with one or more Lenders with respect to any Account, such Lender may require Agent to execute and deliver certain agreements or other instruments relating to Agentôs servicing of such Accounts (the ñLender Documentsò). Agent, in good faith and as an accommodation to Principal, will execute Lender Documents, subject to prior approval of the Lender Documents by Agent and Agentôs counsel. Notwithstanding the foregoing, the terms of this Agreement shall remain in full force and effect, and Agentôs execution and delivery of any Lender Document shall not terminate this Agreement, nor shall

any Lender Document supersede or otherwise modify this Agreement in any way whatsoever, except as expressly provided in a Lender Document.

42. MISCELLANEOUS:

w. Principal may not assign its rights and obligations hereunder without the prior written consent of Agent, which consent will not be unreasonably withheld. Principal further acknowledges and agrees that an assignment, transfer or sale to a third party in one or a series of related transactions of a fifty percent fully-diluted ownership interest in the company and/or a controlling voting interest in Principal shall be deemed to be an assignment under this Agreement, which shall require the consent of Agent. Principal further acknowledges and agrees that Agent may condition any consent to an assignment on both Principal and the proposed assignee continuing to be jointly and severally bound by all obligations of Principal hereunder. In addition, Agent may withhold its consent to such assignment, in its sole and absolute discretion, in light of Principalôs unique ability to provide services and/or products to its Customers who enter into Contracts and Electronic transactions purchased hereunder. Agent may assign this Agreement, all or a portion of its rights and/or delegate its obligations hereunder at any time upon written notice to Principal.

x. The provisions of this Agreement and the representations, rights and obligations of the parties hereto shall survive the execution and delivery hereof and shall survive the termination of this Agreement and the expiration or termination of any Account.

y. Any notice required to be given hereunder shall be delivered personally, shall be sent by first class mail, return receipt requested, by overnight courier, by facsimile or electronic mail, to the respective parties at the addresses given in the preamble of this Agreement, which addresses may be changed by the parties by written notice conforming to the requirements of this Agreement. Any such notice deposited in the mail shall be conclusively deemed delivered to and received by the addressee four (4) days after deposit in the mail, if all of the foregoing conditions of notice shall have been satisfied. All facsimile communications shall be deemed delivered and received on the date of the facsimile, if (1) the transmittal form showing a successful transmittal is retained by the sender, and (b) the facsimile communication is followed by mailing a copy thereof to the addressee of the facsimile in accordance with this paragraph.

z. The parties agree that this Agreement has been executed and delivered in, and shall be construed in accordance with the internal laws of the State of California as applied to contracts between California residents entered into and to be performed wholly within California. Principal hereby consents to the jurisdiction of any local, state or federal court located within the County of San Diego, State of California; provided, however, nothing contained herein shall preclude Agent from commencing any action hereunder in any Court having jurisdiction thereof. EACH PARTY HEREBY IRREVOCABLY WAIVES ANY RIGHT IT MAY HAVE, AND AGREES NOT TO REQUEST, A JURY TRAIL FOR THE ADJUDICATION OF ANY DISPUTE HEREUNDER OR IN CONNECTION HEREWITH OR ARISING OUT OF THIS AGREEMENT OR ANY TRANSACTION CONTEMPLATED HEREBY.

aa. If at any time any provision of this Agreement shall be held by any court of competent jurisdiction to be illegal, void or unenforceable, such provision shall be of no force and effect, but the illegality or unenforceability of such provision shall have no effect upon and shall not impair the enforceability of any other provision of this Agreement.

bb. This Agreement together with all schedules and exhibits attached hereto, constitutes the entire agreement between the parties concerning the subject matter hereof and incorporates all representations made in connection with negotiation of the same. All prior or contemporaneous agreements, understandings, representation, warranties and statements, oral or written, relating to the subject matter hereof are superseded and are null and void. The terms hereof may not be terminated, amended, supplemented or modified orally, but only by an instrument duly executed by each of the parties hereto. The recitals set forth above are incorporated herein by this reference.

cc. This Agreement and any amendments hereto shall be binding on and inure to the benefit of the parties hereto and their respective permitted successors and assigns.

dd. In the event there is any conflict between this Agreement and any ancillary agreements with respect to any Account, the terms and conditions of this Agreement shall control.

ee. Agent can rely on copies of the Contracts or Electronic transactions or any other documents delivered by Principal as if they were the original evidence of the Customerôs obligations.

ff. If Principal requests Agent to return servicing Contracts or Electronic transactions due to unusually large write-offs, sale or assignment to another party, then Principal will allow Agent to keep a reasonable portion of the final payout of proceeds to cover any NSF, returned checks, chargebacks or any other items that may arise for a 60 day period.

gg. Agent and Principal agree to sign such further documents and take such further action as may reasonably be necessary to effectuate the intent of this Agreement.

hh. If either party commences legal proceedings for any relief against the other party arising out this Agreement, the losing party shall pay the prevailing parties legal costs and expenses, including without limitation, reasonable attorneyôs fees.

ii. This Agreement may be executed in one or more identical counterparts, all of which shall together constitute one and the same instrument when each party has signed one counterpart. To them as much extent permitted by applicable law, in the event that any signature to this Agreement or any amendment hereto is delivered by facsimile transmission or by email delivery of a ñ.PDFò format data file, such signature shall create a valid and binding obligation of the party executing (or on whose behalf such signature is executed) with the same force and effect as if such facsimile or ñ.PDFò signature page were an original thereof.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed by their respective duly authorized representatives on the date first above written.

PRINCIPAL:

MONTEREY RECEIVABLES FUNDING, LLC
a Delaware limited liability company

By: _____

Print: Shaun Lucas

Title: VP Operations

Date: 11-29-12

AGENT:

MONTEREY FINANCIAL SERVICES, INC.
a California corporation

By: _____

Print: Chris Hughes

Title: Executive V.P.

Date: 11-29-12

SCHEDULE A

to that **LOAN SERVICING AGREEMENT**
dated November __, 2012
by and between

MONTEREY FINANCIAL SERVICES, INC.
and
MONTEREY RECEIVABLES FUNDING, LLC

I. DESCRIPTION OF ACCOUNTS

Individual retail installment contracts, membership agreements or finance accounts related to the consumerôs financing of any product or services.

II. SERVICING FEE

Principal agrees that Agent shall be entitled to the following fees, all of which, collectively, shall constitute the Servicing Fee:

a. A flat rate of three dollars ($3.25) per month will be charged to Principal for each Account serviced by Agent;

b. Agent shall be entitled to a credit card chargeback fee of five dollars ($5.00) for each credit card payment chargeback or reversal due to Customer disputes.

c. Should the Accounts be of the type and nature that require Principal to provide Customers with an IRS Form 1098, and should Principal request that Agent send said Form 1098 to Customers, Agent shall charge Principal a fee of one dollars $1.00 for each Form 1098 sent.

Please note that the correct tax payer identification number (TIN) or social security number (SS#) must be included for each Form 1098 filed with the IRS. To the extent that there is a missing or incorrect TIN or SS# associated with the Account placed by Principal, the IRS may impose a per account fee or penalty. To the extent that Agent incurs any penalties, fees, costs, or expenses associated with an incorrect or missing TIN or SS#, Principal shall indemnify Agent for the same.

Please also note that Agent shall not issue any Form 1098ôs for consumers residing outside of the United States of America.

d. Agent shall collect all late charges, NSF fees, and consumer payment fees it collects from Customers and remit to Principal 100% of those fees.

e. Principal shall be responsible for all credit card fees, including but not limited to, per transaction fees and excess chargeback penalties or fines.

f. On a case by case basis Agent may agree from time to time, to arrange for certain additional logistic-related services not expressly set forth in the Agreement or related addenda, including, but not limited to, courier services, special programming, special projects, and or the arrangement of lock box services. Should Agent agree to perform said services on an individual basis, Principal shall reimburse Agent for all of Agent's costs and expenses related to the performance or procurement of said service. Any reimbursement due hereunder to be deducted from Principal's monthly payout.

g. Principal agrees that Agent may adjust the fees set forth herein on an annual basis in an amount not to exceed ten percent (10%).

h. Principal shall be responsible for paying all sales and broker commissions associated with any account serviced by Agent.

III. TIMING OF REMITTANCES

Agent shall remit to Principal the amounts required by Section 4(i) on a monthly basis.

WHEREAS, the parties hereto acknowledge this Schedule A is material to the Agreement, consent to the terms and rates herein set forth, and agree to be bound by the same.

Principal

Agent

IV. PRIVACY POLICY

Please be advised that the Gramm-Leach-Bliley Act (the "Act") and related regulations require all businesses that extend credit to individuals to provide to each Customer a notice setting forth its privacy policy. This notice must be provided to all new Customers, and must be sent annually to all continuing Customers. Agent will supply Principal with a copy of the Act upon request. As an additional service, Agent can send Customers a Privacy Policy in the form attached hereto as Schedule B for a fee of two dollars and no cents ($2.00) per Account. In the event Agent elects for Monterey to perform such service on behalf of Principal, Principal shall review the Act and the attached Privacy Policy with its general counsel to ensure that the terms and conditions therein are accurate in all respects to the Principal's privacy policies in effect as of the

date hereof. Agent's delivery of the notice to Customers shall in no way subject Agent to any liability whatsoever and Principal shall indemnify and defend Agent against any and all claims, liabilities or expenses (including, without limitation, attorneys' fees and costs) that Agent incurs as a result of Principal's breach of its Privacy Policy or for an actual or alleged violation of applicable law.

Please check the appropriate box below indicating whether or not Principal is interested in Agent providing such service.

X Yes. I would like Agent to send the Privacy Policy letter to each of the Customers for a fee of one dollar and no cents ($1.00) per Account. (See attached Exhibit "A"). Should the client fail to pay the aforementioned fee Monterey reserves the right to discontinue sending privacy notice.

____ No, I would not like Agent to send the Privacy Policy letter to each of the Customers, and Principal hereby agrees to indemnify Agent from any costs or expenses which may result due to Principal's elected not to send.

SCHEDULE B
PRIVACY POLICY

Monterey Receivables Funding, LLC

PRIVACY POLICY

This Privacy Policy describes the personal customer information that Monterey Receivables Funding, LLC collects, whom we share such information with and the circumstances under which we share it, and how we protect such information.

Please read this Privacy Policy carefully. This Privacy Policy applies to all personally identifiable financial and other information about you that we now have in our possession or that we obtain in the future. It will continue to apply to you even if you are no longer our customer. We hope that this Privacy Policy will help you understand how we keep your personal information private and secure while using it to serve you better.

I. Personal Information Collected

In order to provide you with the consistent quality financial services that you desire and to manage our business, it is important that we collect and maintain accurate personal information about you. We obtain this information from (1) applications and other forms you fill out and submit to us, (2) consumer credit bureaus, and/or (3) a retailer or a party who originally provided you with credit if we purchased your account from such retailer or other party. For example, we may obtain the following information from the applications and other forms that you have filled out and submitted to us or to a retailer or other party who originally provided you with credit if we purchased your account from such retailer or other party: your name, date of birth, address, social security number, marital status and income. As another example, in evaluating whether to extend credit to you we may have requested consumer credit bureaus to provide us with information regarding the balances of your loans and your payment history with other lenders.

II. Sharing of Personal Information

We do not share your personal information with others except (1) as necessary to service and update your account, (2) with consumer credit bureaus as permitted by federal law, such as the reporting of account activity, and (3) as otherwise permitted or required by law, such as to protect against fraud or to respond to a subpoena.

III. Protection of Personal Information

We control access to your personal information by restricting access to our employees who need it in order to perform their duties for us and who are trained in the proper handling of such information. We maintain physical, electronic and procedural safeguards to protect your personal information.

Sincerely,

Monterey Receivables Funding, LLC

SCHEDULE C
LENDER'S ADDENDUM

This Lenderôs Addendum is attached to and made a part of that certain Servicing Agreement dated as of _____ by and between the Agent and Principal (the ñAgreementò). Capitalized terms not otherwise defined herein shall have the meanings ascribed to them under the Agreement.

Principal and _____ (ñLenderò) have entered into one or more agreements pursuant to which Lender purchases or receives a security interest in certain outstanding Accounts from Principal. In connection with Lenderôs loan to Principal or its purchase of one or more Accounts, Lender hereby understands, acknowledges and agrees that Agent is the servicer of each such Account and further understands, acknowledges and agrees that Agent shall remain the servicer of such Accounts pursuant to the terms and conditions of that Agreement despite: (i), any termination or expiration of any agreement(s) by and among Lender and Principal and/or any other business relationship between the same; or (ii) the payment by Principal, Agent or Customer, as the case may be, of any and all payment obligations owed to and outstanding with Lender.

This Lenderôs Addendum may be executed and delivered via facsimile with the same validity as if it were an ink-signed document.

With the execution of this Lender's Addendum, Lender hereby acknowledges and agrees with the recitation set forth above, and acknowledges that Agent shall rely on the same.

LENDER:

_____

By: _____

Print: _____

Title: _____

Date: _____

TAB F

SUBSCRIPTION DOCUMENTS

MONTEREY RECEIVABLES FUNDING, LLC

Offering of up to $50,000,000 in the aggregate of
Secured Class A-1 6% Participating Notes, Secured Class B-1 7% Participating Notes
and Secured Class A-2 8% Notes

(Minimum Purchase: $50,000)
(Maximum Purchase $2,000,000)

January 2018

SUBSCRIPTION DOCUMENTS

SUBSCRIPTION AGREEMENT and signature INSTRUCTIONS

1. Complete the Investor Questionnaire in Part A, page F-4 and sign page F-5.
2. Provide verification of ñAccredited Investorò status by means of one of the choices listed on Pages F-6 and F-7.
3. Complete and sign the Rule 506(D) representations, if applicable, in Part B on Pages F-8 and F-9.
4. **For Individuals** ï complete and sign page F-17.
5. **For Entities (**e.g., Trusts) ï complete and sign page F-18.
6. Complete and sign page F-19, if applicable
7. Complete and sign page F-20
8. Complete and sign page F-21
9. Complete and sign page F-22, Class A-1 6% Note, if applicable
10. Complete and sign page F-23, Class B-1 7% Note, if applicable
11. Complete and sign page F-24, Class A-2 8% Note, if applicable
12. Complete the appropriate tax form beginning at F-25 (W-9 if US citizen, otherwise W-8BEN or W-8BEN-E)

OFFERED TO ACCREDITED INVESTORS ONLY

Attached are the documents (the ñSubscription Documentsò) relating to the purchase of the Notes in the Company. As set forth more particularly in the Investor Package to which these materials are attached, up to $50,000,000 in Notes are being offered by the Company. Capitalized terms utilized and not otherwise defined herein shall have the meanings ascribed to such terms in the Investor Package.

THIS OFFERING OF NOTES (ñSECURITIESò) IS MADE PURSUANT TO RULE 506(C) OF REGULATION D PROMULGATED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE ñSECURITIES ACTò). THE SECURITIES MAY BE SOLD ONLY TO ñACCREDITED INVESTORS,ò WHICH FOR NATURAL PERSONS ARE INVESTORS WHO MEET CERTAIN MINIMUM ANNUAL INCOME OR NET WORTH THRESHOLDS. THE SECURITIES ARE BEING OFFERED IN RELIANCE ON AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT, AND ARE NOT REQUIRED TO COMPLY WITH SPECIFIC DISCLOSURE REQUIREMENTS THAT APPLY TO REGISTRATION UNDER THE SECURITIES ACT. THE U.S. SECURITIES AND EXCHANGE COMMISSION OR ANY EQUIVALENT STATE OR FOREIGN AGENCIES HAVE NOT PASSED UPON THE MERITS OF OR GIVEN ITS APPROVAL TO THE SECURITIES, THE TERMS OF THE OFFERING, OR THE ACCURACY OR COMPLETENESS OF ANY OFFERING MATERIALS. THE SECURITIES ARE SUBJECT TO LEGAL RESTRICTIONS ON TRANSFER AND RESALE AND INVESTORS SHOULD NOT ASSUME THEY WILL BE ABLE TO RESELL THEIR SECURITIES. INVESTING IN SECURITIES INVOLVES RISK, AND INVESTORS SHOULD BE ABLE TO BEAR THE LOSS OF THEIR INVESTMENT. INVESTMENT IN THE SECURITIES SHOULD BE CONSIDERED HIGHLY SPECULATIVE AND SUITABLE ONLY FOR PERSONS OF ADEQUATE FINANCIAL MEANS WHO HAVE NO NEED FOR LIQUIDITY WITH RESPECT TO THIS INVESTMENT. PURCHASERS OF THE SECURITIES SHOULD HAVE THE FINANCIAL ABILITY AND WILLINGNESS TO ACCEPT THE RISKS (INCLUDING, AMONG OTHER THINGS, THE RISK OF LOSS OF THEIR ENTIRE INVESTMENT AND THE LACK OF LIQUIDITY) AND SHOULD CONSULT THEIR FINANCIAL ADVISORS REGARDING THE APPROPRIATENESS OF MAKING AN INVESTMENT. FURTHERMORE, THE SECURITIES OFFERED ARE NOT

SUBJECT TO THE PROTECTIONS OF THE INVESTMENT COMPANY ACT OF 1940, AS AMENDED.

EACH INVESTOR SHOULD CAREFULLY REVIEW THE ENTIRE CONTENTS OF THE CONFIDENTIAL ACCREDITED INVESTOR PACKAGE BEFORE COMPLETING THESE SUBSCRIPTION DOCUMENTS.

EACH INVESTOR SHOULD CONSULT HIS OR HER ATTORNEY, ACCOUNTANT OR OTHER ADVISORS AS TO ANY LEGAL, TAX AND RELATED MATTERS CONCERNING THIS INVESTMENT AND ITS SUITABILITY FOR THE INVESTOR.

PLEASE COMPLETE AND EXECUTE ALL DOCUMENTS IN ACCORDANCE WITH THE INSTRUCTIONS BELOW. EXCEPT AS OTHERWISE SPECIFICALLY INDICATED, ALL QUESTIONS MUST BE ANSWERED COMPLETELY. IF THE ANSWER TO ANY QUESTION IS ñNO,ò ñNONEò OR ñNOT APPLICABLE,ò PLEASE SO STATE. PLEASE TYPE OR PRINT ALL INFORMATION IN INK.

PART A

INVESTOR QUESTIONNAIRE

The undersigned represents and warrants to Monterey Receivables Funding, LLC that he, she or it is described by one or more of the following (Please check all that apply):

___ A natural person whose individual net worth, or joint net worth with that personôs spouse, at the time of this purchase exceeds $1,000,000. The term ñnet worthò means the sum of all cash, checking accounts, savings, cash value of life insurance, retirement accounts, real estate, home investments, personal property and other assets less the sum of mortgage balances, credit cards, loans and other liabilities, excluding (i) the undersignedôs primary residence and (ii) indebtedness that is secured by the undersignedôs primary residence up to the estimated fair market value of the primary residence as of the date hereof (except that if the amount of such indebtedness outstanding as of the date hereof exceeds the amount outstanding sixty (60) days before the date hereof, other than as a result of the acquisition of the primary residence, the amount of such excess shall be included as a liability);

___ A natural person who had an individual income in excess of $200,000 in each of the two most recent years or joint income with that personôs spouse in excess of $300,000 in each of those years and has a reasonable expectation of reaching the same income level in the current year;

___ A bank as defined in Section 3(a)(2) of the Securities Act, or a 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; any broker or dealer registered pursuant to Section 15 of the Securities Exchange Act of 1934; an insurance company as defined in Section 2(13) of the Securities Act; an investment company registered under the Investment Company Act of 1940 or a business development company as defined in Section 2(a)(48) of that Act; 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; a plan established and maintained by a state or its political subdivisions for the benefit of its employee benefit plan within the meaning of the Employee Retirement Income Security Act of 1974 if the investment decision is made by a plan fiduciary, as defined in Section 3(21) of such Act, which is either a bank, savings and loan association, insurance company, or registered investment advisor, or if the employee benefit plan has total assets in excess of $5,000,000 or, if it is a self-directed plan, with investment decisions made solely by persons that are accredited investors.

___ A private business development company as defined in Section 202(a)(22) of the 1940 Investment Advisors Act.

___ A not-for-profit organization described in Section 501(c)(3) of the Internal Revenue Code, or any Massachusetts or similar business trust or partnership not formed for the specific purpose of acquiring the securities offered, with total assets in excess of $5,000,000;

___ A director, executive officer, or general partner of the issuer of the securities being offered or sold, or any director, executive officer, or general partner of a general partner that is an issuer;

___ A trust, with total assets in excess of $5,000,000 not formed for the specific purpose of acquiring the securities offered, whose purchase is directed by a sophisticated person as described in Rule 506(b)(2)(ii) of Reg. D;

___ An entity in which all of the equity owners are accredited investors.

Date: _____ ___, 201__

Individual Investor:

_____

Print Name:_____

Signature:_____

_____

Additional Signature (if applicable)____

_____

Address: _____

_____

(ALSO COMPLETE PAGE F-17 FOR INDIVIDUALS)

Entity/Trust Investor:

_____

(Name of Entity)

_____

Signature:_____

_____

Additional Signature (if applicable)_____

_____

Address: _____

_____

_____

(ALSO COMPLETE PAGE F-18 FOR ENTITIES/TRUSTS)

Wiring Instruction:

To: Monterey Receivables Funding, LLC (bank account title)
Silvergate Bank, 5810 El Camino Real,
Suite D, Carlsbad, CA 92008
ACCT. #1005007016
ABA ROUTING #322286803

Or mail check with signature pages to:

Monterey Receivables Funding, LLC
Attn: Chris Hughes
4095 Avenida De La Plata
Oceanside, CA 92056

[SIGNATURE PAGE TO INVESTOR QUESTIONNAIRE]

Verification of Accredited Investor Status

Potential investors who wish to subscribe to the Offering will first be required to fill out an accredited investor questionnaire and submit additional information to verify accredited investor status in accordance with Rule 506(c). Specifically, the Company will require potential investors to provide one or more of the following information to verify that a natural person who purchases securities in such offering is an accredited investor:

(1) Accredited investors who wish to qualify based on the income test[4] may be required to submit an Internal Revenue Service form that reports the purchaserôs income for the two most recent years (including, but not limited to, Form W-2, Form 1099, Schedule K-1 to Form 1065, and Form 1040) and provide a written representation that he or she has a reasonable expectation of reaching the income level necessary to qualify as an accredited investor during the current year;

(2) Accredited investors who wish to qualify based on the net worth test[5] may be required to submit one or more of the following types of documentation dated within the prior three months and obtain a written representation from the purchaser that all liabilities necessary to make a determination of net worth have been disclosed:

(A) With respect to assets: bank statements, brokerage statements and other statements of securities holdings, certificates of deposit, tax assessments, and appraisal reports issued by independent third parties; and

(B) With respect to liabilities: a consumer report from at least one of the nationwide consumer reporting agencies;

In order to comply with the net worth verification method provided under Rule 506(c), the relevant documentation must be dated within the prior three months of the sale of securities. If the documentation is older than three months, the Company may not rely on the net worth verification method, but may instead determine whether it has taken reasonable steps to verify the purchaserôs accredited investor status under a principles-based method of verification.

(3) The Company may also consider and request written confirmation[6] from one of the following persons or entities that the potential investor has taken reasonable steps to verify that it is an accredited investor within the prior three months and has determined that such potential investor is an accredited investor:

(A) A registered broker-dealer;

(B) An investment adviser registered with the Securities and Exchange Commission (ñ*SEC*ò);

---

4 An accredited investor who meets the income test has had an individual income in excess of $200,000 in each of the two (2) most recent calendar years or joint income with that personôs spouse in excess of $300,000 in each of those years and has a reasonable expectation of reaching the same income level in the current calendar year.

5 An accredited investor who meets the net worth test is a natural person who has individual net worth, or joint net worth with the personôs spouse, that exceeds $1 million at the time of the purchase, excluding the value of the primary residence of such person.

6 The Company may consider written confirmations from an attorney or certified public accountant who is licensed or duly registered, as the case may be, in good standing in a foreign jurisdiction.

(C) A licensed attorney who is in good standing under the laws of the jurisdictions in which he or she is admitted to practice law; or

(D) A certified public accountant who is duly registered and in good standing under the laws of the place of his or her residence or principal office.

Only complete and sign this from if you are a "Covered Person" as defined below:

PART B

RULE 506(D) REPRESENTATIONS

In connection with Monterey Receivables Funding, LLCôs (the ñCompanyò) reliance on the general solicitation exemption set forth under Rule 506(c) of Regulation D (ñExemptionò), the SEC adopted ñbad actorò rules that would disqualify securities offerings from the Exemption if the Company or other ñCovered Personsò have been convicted of, or are subject to court or administrative sanctions for, securities fraud or other violations of specified laws. Please review and sign the below questionnaire if you are a ñCovered Personò, defined as: any affiliated issuer; any director, executive officer, other officer participating in the offering, general partner or managing member of the issuer; any beneficial owner of 20% or more of the issuerôs outstanding voting equity securities, calculated on the basis of voting power; any promoter connected with the issuer in any capacity at the time of such sale; any investment manager of an issuer that is a pooled investment fund; any person that has been or will be paid (directly or indirectly) remuneration for solicitation of purchasers in connection with such sale of securities; any general partner or managing member of any such investment manager or solicitor; or any director, executive officer or other officer participating in the offering of any such investment manager or solicitor or general partner or managing member of such investment manager or solicitor.

The undersigned represents and warrants to Monterey Receivables Funding, LLC that he, she or it is described by one or more of the following (Please check all that apply):

1. In the past five years there was no criminal conviction (a) in connection with the purchase or sale of any security, (b) in connection with making a false filing with the SEC or (c) arising out of the conduct of the business of an underwriter, broker, dealer, municipal securities dealer, investment adviser or paid solicitor of purchasers of securities (ñSecurities Businessò).

2. In the past five years there was no court injunction or restraining order entered related to (a) the purchase or sale of any security, (b) making a false filing with the SEC or (c) arising out of the conduct of a Securities Business.

3. There was no final order of a state regulator of securities, insurance, banking, savings associations or credit unions; a federal banking agency; the U.S. Commodity Futures Trading Commission or the National Credit Union Administration (1) entered in the past five years that bars a Covered Person from (a) associating with a regulated entity or (b) engaging in the business of securities, insurance or banking or credit union activities, or (2) entered in the past ten years based on fraudulent, manipulative or deceptive conduct.

4. There is in effect no SEC disciplinary order relating to a Securities Business or its associated persons.

5. In the past five years there was no SEC cease-and-desist order.

6. There was no suspension or expulsion from membership in, or suspension or bar from associating with a member of, a securities self-regulatory organization.

7. In the past five years there was no SEC refusal order, stop order or order suspending a Regulation A exemption, and there is no pending proceeding to determine whether such an order should be issued.

8. In the past five years there was no U.S. Postal Service false representation order, and there is in effect no temporary restraining order or preliminary injunction with respect to conduct alleged to have violated the false representation statute that applies to U.S. mail.

Date: _____ ___, 201_

Individual Investor:

_____

Print Name:_____

Signature: _____

Additional Signature (if applicable)____

_____

Address: _____

_____

(ALSO COMPLETE PAGE "F17" FOR INDIVIDUALS)

Entity/Trust Investor:

_____

(Name of Entity)

Signature:_____

_____

Additional Signature (if applicable):_____

_____

Address: _____

_____

(ALSO COMPLETE PAGE "F18" FOR ENTITIES/TRUSTS)

[SIGNATURE PAGE TO RULE 506(D) REPRESENTATIONS]

PART C

SUBSCRIPTION AGREEMENT

MONTEREY RECEIVABLES FUNDING, LLC
4095 Avenida De La Plata
Oceanside, California 92056
Attention: Chris Hughes

Dear Sirs:

Subject to the terms and conditions hereof, the undersigned (ñLenderò) hereby irrevocably subscribes to purchase secured, non-negotiable Class A-1 6% Notes, Class B-1 7% Notes and/or Class A-2 8% Notes (the ñNotesò) in the total principal amount as set forth on the signature page hereto in connection with offering by Monterey Receivables Funding, LLC (the ñCompanyò) of up to $50,000,000 in such Notes (the ñFinancingò).

In consideration for the acceptance by the Company of this Subscription Agreement (the ñSubscription Agreementò), the Lender hereby agrees, represents and warrants as follows:

1. Payment of Purchase Price. The Lender shall pay the total purchase price for the Notes subscribed for hereunder in immediately available funds by check or wire pursuant to the wire instructions set forth below.

Account Name:	Monterey Receivables Funding, LLC
Financial Institution:	Silvergate Bank, 5810 El Camino Real, Suite D, Carlsbad, CA 92008
Account Number:	1005007016
Routing Number:	322286803

Or mail check with signature pages to:

Monterey Receivables Funding, LLC
Attn: Chris Hughes
4095 Avenida De La Plata
Oceanside, CA 92056

2. Acceptance or Rejection of Subscription. The Company shall have the right, in its sole judgment and discretion, to accept or reject this subscription in whole or in part. If rejected, the Company shall give written notice of rejection accompanied by the return of any funds deposited by the Lender, without interest and without reduction for any costs or expenses, along with the Lender's documents. In the event the Company elects to accept the subscription of a Lender, then the Company will retain the Subscription Documents of such Lender and deliver

to such Lender a Class A-1 Note, Class B-1 Note and/or a Class A-2 Note, as applicable, in the principal amount subscribed for by such Lender.

3. Closing. The initial closing of the Financing (the ñInitial Closingò) shall occur at such time as the Company shall determine and will continue on a rolling basis in the Companyôs discretion. At the Initial Closing, the Company shall deliver to each Lender the Notes to be purchased by such Lender hereunder against payment of the purchase price therefor by check or wire transfer payable to the Company. If the Company has not sold Notes in the aggregate amount of up to Fifty Million Dollars ($50,000,000) (the ñMaximum Offering Amountò) at the Initial Closing, the Company may offer, subsequent to the Initial Closing, the opportunity to purchase Notes to additional potential Lenders (each, a ñSubsequent Lenderò); provided, however, that the maximum principal amount of Notes to be sold pursuant to the Financing shall not exceed the Maximum Offering Amount. Subsequent Lenders shall execute this Subscription Agreement and shall be Lenders for purposes hereof. Any subsequent purchase of Notes shall take place at a ñSubsequent Closing.ò At each Subsequent Closing, the Company shall deliver to any Lenders participating therein the Notes to be purchased by such Lenders hereunder against payment of the purchase price therefor by check or wire transfer payable to the Company.

4. Use of Proceeds. As set forth in the Investor Package, the Company will use the net proceeds from the sale of the Notes hereunder to purchase receivables and for closing costs, servicing fees to Monterey Financial Services, Inc., personal loans based on adequate collateral, ongoing annual accounting, legal and other similar expenses, and other working capital needs.

5. Receipt of Documentation. Lender hereby acknowledges receipt of a copy of the Investor Package and all attachments thereto, including the **Risk Factors** contained therein and further acknowledges and agrees that he, she or it has carefully reviewed the same. In addition to the Investor Package, additional documents or information relating to the Company are available from the Board of Managers upon request by any Lender. BY THE EXECUTION OF THIS SUBSCRIPTION AGREEMENT, THE UNDERSIGNED ACKNOWLEDGES THAT THE UNDERSIGNED HAS READ, UNDERSTOOD AND AGREED TO THE PROVISIONS CONTAINED HEREIN, INCLUDING WITHOUT LIMITATION (i) SPECIMEN NOTES, (ii) RISK FACTORS, AND (iii) DESCRIPTION OF THE BUSINESS. THE UNDERSIGNED IS AWARE THAT HIS, HER OR ITS INVESTMENT IN THE NOTES IS A SPECULATIVE INVESTMENT THAT HAS LIMITED LIQUIDITY AND IS SUBJECT TO THE RISK OF COMPLETE LOSS.

6. Agreement to Indemnify. The Lender hereby agrees to indemnify and hold harmless the Company and all of its members (the ñMembersò), and its affiliates from any and all damages, losses, costs and expenses (including reasonable attorneyôs fees) which they may incur (i) by reason of the Lender's failure to fulfill any of the terms and conditions of this Subscription Agreement, (ii) by reason of the Lender's breach of any of the Lender's representations, warranties or agreements contained herein or in the Investor Questionnaire, and (iii) with respect to any and all claims made by or involving any person, other than the Lender claiming any interest, right, title, power or authority regarding the Lender's purchase of Notes. The Lender further agrees and acknowledges that the provisions of this Section shall survive any sale or transfer or attempted sale or transfer, of any portion of the Lender's Notes, the Lenderôs sale or redemption of the Notes, and/or the Lender's death.

7. Acknowledgments. The Lender hereby acknowledges and understands that:

a. This subscription may be accepted or rejected in whole or in part in the sole and absolute discretion of the Company.

b. This subscription is and shall be irrevocable by the Lender and by the Lender's successors or assigns (including any executor, trustee and conservator), except that the Lender shall have no obligations hereunder in the event that this subscription is for any reason rejected or the Financing is for any reason cancelled.

c. No federal or state agency has made any finding or determination as to the fairness of the Financing for investment, or made any recommendation or endorsement of an investment in the Company.

d. Neither the Company nor any of its agents or representatives has made any representation or warranty to any prospective investor in the Notes regarding the tax consequences arising to such prospective investor as a result of any investment in the Notes.

e. At no time has any of the following ever been represented, guaranteed or warranted to the Lender by the Board of Managers or any other person, expressly or by implication: (i) The percentage of profit and/or amount of or type of consideration, profit or loss to be realized, if any, as a result of any investment in the Notes, or (ii) That the past performance or experience on the part of the Company or its affiliates will in any way indicate the predictable results of the ownership of any Notes or of the overall Company venture.

8. Representations, Warranties and Covenants. The Lender hereby represents, warrants and covenants that:

a. The Lender is acquiring the Notes for the Lender's own account, solely for investment and not with a view to or for sale in connection with any distribution of the Notes. The undersigned is acquiring such Notes without a view to, and not for resale in connection with, a distribution of the Notes within the meaning of the Securities Act of 1933, as amended (ñ1933 Actò). The undersigned hereby covenants and agrees that the undersigned shall not sell any of the Notes in violation of the 1933 Act.

b. The Lender has adequate net worth and means of providing for the Lender's current needs and possible personal contingencies to sustain a complete loss of this investment and has no need for liquidity of this investment. The Lender's total commitment to investments, which are not readily marketable, is not disproportionate to the Lender's net worth and will not become disproportionate as a result of the Lender's investment in the Notes. The Lender has such knowledge and experience in financial and business matters that the Lender is capable of evaluating the merits and risks of investment in the Financing and the Company, and the Lender is able to bear the economic risk of the Lender's investment in the Financing and at the present time the Lender could afford a complete loss of the Lender's investment.

c. The Lender is not, unless otherwise disclosed below, an employee benefit plan or individual retirement account, and is an ñaccredited investorò as that term is defined in Rule 501(a) of Regulation D, as amended, promulgated by the Securities and Exchange Commission (ñRegulation Dò). Lender acknowledges and agrees that the sale of the Notes is being made in reliance upon the general solicitation exemption set forth in Rule 506(c) of Regulation D, and hereby consents to provide all documents and information necessary for

the Company and its advisors (including, without limitation, MFN CAPITAL, INC., an affiliate of Metis Financial Network, Inc.) to verify that the Lender is an ñaccredited investorò pursuant to Regulation D.

d. The Lender is acquiring his, her or its Notes without having been furnished any offering literature or prospectus other than the Investor Package and LLC Agreement and all exhibits thereto and any amendments thereto and other documents specifically authorized by the Board of Managers.

e. The Lender has carefully read the Investor Package and the Company has made available to the Lender all documents that the Lender has requested relating to an investment in the Company and has provided answers to all of the Lender's questions concerning the Financing. In evaluating the suitability of an investment in the Company, the Lender has not relied upon any representations or other information (whether oral or written) other than as set forth in the Investor Package and LLC Agreement (including all exhibits and any amendments thereto) or as contained in any documents or answers to questions so furnished to the Lender by the Company. In addition, the Lender has had an opportunity to discuss this investment with representatives of the Company and ask questions of them.

f. The undersigned understands that the Notes will not be registered or qualified under any Federal or state securities laws in reliance upon exemptions therefrom. The undersigned acknowledges and agrees that in order to ensure that the offer and sale of the Notes are exempt from registration or qualification, the Company will rely on the representations and warranties which the undersigned has made in this Subscription Agreement and accompanying documents. Accordingly, the undersigned makes the representations and warranties found in this Subscription Agreement for the purposes of inducing the Company to permit the undersigned to acquire the Notes for which the undersigned hereby subscribes.

g. The Lender recognizes that participating in the Financing involves substantial risks, including a risk of total loss of the Lender's purchase, and the Lender is aware of and understands all of the risk factors related to the Lender's purchase of Notes including, but not limited to, those set forth under the caption ñ**RISK FACTORS**ò in the Investor Package.

h. The address set forth in the Lender's Investor Questionnaire is the Lender's true and correct residence and the Lender has no present intention of becoming a resident of any other state or jurisdiction.

i. All of the information provided to the Company or its agents or representatives concerning the Lender's suitability to participate in the Financing, including the Lender's Investor Questionnaire, is complete, true and correct as of the date hereof. The Lender understands that the Lender's answers will be treated as confidential but agrees that the Company or its agents may present the Investor Questionnaire or the information contained therein to any potential surety or letter of credit issuer and to such parties as they deem appropriate if called upon to establish the availability of an exemption from registration under the Securities Act, or the private placement of the Notes or for other Company purposes. The Lender further understands that the Company is relying on the statements contained herein to establish an exemption from registration under Federal and state securities laws.

j. If applicable, the undersigned representative (ñAuthorized Representativeò) is duly authorized and empowered legally to represent and bind the principal, person, trust, partnership, corporation or other entity (the ñPrincipalò), if any, named as Lender in Notes and to execute this Subscription Agreement and such Subscription Documents and all other instruments in connection with the purchase of the Notes, and said Principal has full power and authority to invest in the Company.

k. If this Subscription Agreement is executed by or on behalf of a corporation, partnership, association, Joint Stock Company, trust or other entity, such organization or entity was not formed for the purpose of acquiring Notes.

l. The undersigned acknowledges that the Company may offer and sell Notes containing different terms (including, without limitation, different interest rates and varying terms until maturity).

m. The undersigned has the knowledge and experience in financial and business matters so as to enable the undersigned to evaluate the merits and risks of the investment represented by the Notes and to protect his or her own interests in connection with the investment.

n. The undersigned understands that the Notes are not being registered under the 1933 Act or qualified under any state securities laws. The undersigned agrees not to transfer any of such securities unless such transfer has been registered under the Act and qualified under applicable state securities laws or unless, in the opinion of counsel, such a transaction is exempt from registration under the Act and qualification under any applicable state securities laws.

o. Notwithstanding any provisions herein, the undersigned hereby agrees and acknowledges that any and all Notes subscribed for are non-negotiable, and (subject to the rights of the undersignedôs individual heirs or legatees on the death of the undersigned) may only be transferred, assigned or encumbered with the consent of the Company which consent of the Company may withhold in its sole discretion.

p. The undersigned understands that there is no public market for resale of the Notes. The undersigned understands that it is unlikely that a market will ever develop. As a consequence, the undersigned understands that the undersigned may not be able to liquidate the undersignedôs investment in the Notes, even in the event that the undersigned may suffer financial or other emergency, except to the limited extent, if any, described in this Subscription Agreement. The undersigned also understands that, for the foregoing reasons, the Notes may not be readily accepted as collateral for a loan.

q. The undersigned acknowledges and is aware that the Company has only a limited financial and operating history and that the Notes are speculative investments which involve a risk of loss by the undersigned of the undersignedôs entire investment in the Company and that the Company will use the proceeds from the sale of Notes to purchase selected accounts receivable and similar instruments generated by entities who make loans or sales to consumers.

r. It has never been guaranteed or warranted to the undersigned by the Company, its officers or directors or by any other person, expressly or by implication, that the past performance or experience on the part of the Company or its affiliates, any director, officer

or any affiliate, will in any way indicate or predict the results of the ownership of Notes or of the overall success of the Company.

s. At the request of the Company, the undersigned will promptly execute such other instruments or documents as may be reasonably required in connection with the purchase of the Notes. The undersigned hereby agrees that the representations and warranties set forth in this Subscription Agreement shall survive the acceptance hereof by the Company, shall be binding upon the heirs, executors, administrators, successors, and assigns to the undersigned, but this subscription is not voluntarily transferable or assignable by the undersigned. This Subscription Agreement shall be governed by and construed in accordance with the laws of the State of California, as applied to contracts between California residents entered into and to be performed wholly within California, regardless of principles of conflicts of law.

t. The undersigned acknowledges that Notes can be prepaid without penalty or additional fees at any time by the Company beginning twelve (12) months after issuance

u. In the event that the undersignedôs subscription for Notes is accepted by the Company, the undersigned further agrees to execute and deliver such additional documents, agreements or instruments, and/or to take such additional actions, as shall be reasonably requested by the Company in order to comply with any tax reporting or similar requirements relating to any payments pursuant to the Note. The Company may request from the undersigned such additional information as it may deem necessary to evaluate the eligibility of the undersigned to acquire and/or hold the Note, and, in the event that the Notes are ultimately issued to the undersigned at any time hereafter, may request from time to time such information as it may deem necessary to determine the eligibility of the undersigned to hold Note or to enable the Company to determine its compliance with applicable regulatory requirements or tax status, and the undersigned covenants and agrees to provide such information as reasonably may be requested. Without limitation on any of the other provisions herein, the undersigned covenants and agrees to provide (and to update periodically), upon request by the Company, any information (or verification thereof) which the Company deems necessary or appropriate in connection with any requirements of the U.S. Internal Revenue Code of 1986, as amended (the ñCodeò) and/or the Regulations promulgated thereunder, including Code Sections 1471-1474, and any forms, instructions or other guidance issued by any governmental authority thereunder. The undersigned agrees to waive any provision of any non-U.S. law that would, absent a waiver, prevent compliance with such requests. The undersigned acknowledges that any failure to comply with any such requests from the Company may result in various adverse consequences under the Code, including, potentially (and without limitation), imposition of a U.S. withholding tax obligation on the payments under the Note. The undersigned agrees to indemnify and hold the Company harmless from and against any losses, damages, costs, expenses or liabilities incurred as a result of any failure to comply with any of the covenants or agreements set forth in this document. The undersigned agrees to notify the Company promptly if there is any change with respect to any information previously provided to the Company regarding the undersigned.

The foregoing representations, warranties and covenants and all other information which the Lender has provided to the Company concerning the Lender and the Lender's financial condition (or concerning the entity or organization which the Lender represents and its financial condition) are true and accurate as of the date hereof and shall be true and accurate as of the applicable closing date. If in any respect such representations,

warranties, covenants or information shall not be true and accurate at any time prior to the applicable closing date, the Lender will give written notice of such fact to the Company specifying which representations, warranties, covenants or information are not true and accurate and the reasons therefore.

9. Subscription Agreement Binding on Heirs, Etc. This Subscription Agreement shall be binding upon the Lender's heirs, successors, estate, legal representatives and assigns, and shall be construed in accordance with the laws of the State of California.

10. Binding Obligation. This Subscription Agreement, when executed by the Lender, will constitute a legal, valid and binding obligation of the Lender, enforceable against the Lender in accordance with its terms, except where such enforcement is limited by equitable principles, bankruptcy, insolvency and other similar laws affecting such enforcement.

11. Arbitration. Any controversy or claim arising out of or relating to this Subscription Agreement including, without limitation, claims under applicable Federal or state securities laws, shall be settled by arbitration in accordance with the rules of the American Arbitration Association and judgment upon the award rendered by the arbitrator(s) may be entered in any court having jurisdiction thereof. Any proceeding hereunder shall be held in San Diego County, California, and the arbitrator(s), in rendering his, her or their decision as to any state law claims, shall apply the laws of the State of California without regard to the application of principles of conflicts of law. The arbitrator(s) shall assess all expenses of arbitration, including arbitration fees, costs and reasonable attorney's fees against the losing party.

12. Consent of Spouse. The spouse of any Lender shall be required to execute and deliver to the Company a ñConsent of Spouseò substantially in the form attached hereto on page B-19.

IN WITNESS WHEREOF, I (we) have executed this Subscription Agreement this _____ day of _____, 201__, and I am (we are) taking legal title to my (our) investment in the Company as follows:

$_____ in Principal Amount of Class A-1 6% Notes to be purchased.
$_____ in Principal Amount of Class B-1 7% Notes to be purchased.
$_____ in Principal Amount of Class A-2 8% Notes to be purchased.

FOR MARRIED INDIVIDUALS who are legally domiciled or residents in the State of California: **(Check One)**

☐ Purchasing as Community Property (sign below)

☐ Purchasing as Separate Property* (sign below)

_____ _____
Type or Print Name(s) of Lender(s) /Investor(s) Type or Print Name of Lender/Investor

_____ _____
Signature of Lender/Investor #1 Signature of Lender/Investor

_____ _____
Signature of Lender/Investor #2 Signature of Lender/Investor's Spouse*

* If separate property is being used to purchase the Notes, the spouse of the Lender must sign above with the following acknowledgment:

I hereby acknowledge that my spouse is making this investment in the Company with (his) (her) separate property and funds.

FOR INDIVIDUALS other than those who have signed above: **(Check One)**

☐ Purchasing Individually

☐ Purchasing as Joint Tenants with right of Survivorship (each owner must sign)

☐ Purchasing as Tenants in Common (each investor must sign)

☐ Purchasing as Tenants by the Entity (each investor must sign)

_____ _____
Type or Print Name of Lender/Investor #1 Type or Print Name of Lender/Investor #2

_____ _____
Signature of Lender/Investor #1 Signature of Lender/Investor #2

WITNESS WHEREOF, I (we) have executed this Subscription Agreement this _____ day of _____, 201__, and I am (we are) taking legal title to my (our) investment in the Company as follows:

$_____ in Principal Amount of Class A-1 6% Notes to be purchased.
$_____ in Principal Amount of Class B-1 7% Notes to be purchased.
$_____ in Principal Amount of Class A-2 8% Notes to be purchased.

FOR ENTITIES/TRUSTS:

(Check One)

☐ Purchasing as agent, Custodian or trustee for entity

Type or Print Name of Entity or Trust: _____

Type or Print Name of Authorized Representative(s): _____

Signature of Authorized Representative #1: _____

Signature of Authorized Representative #2: _____

☐ Purchasing as a Partnership, Corporation or Joint Venture

Type or Print Name of Entity: _____

Type or Print Name of Authorized Representative(s): _____

Title of Authorized Representative(s): _____

Signature of Authorized Representative #1: _____

Signature of Authorized Representative #2: _____

CONSENT OF SPOUSE

I,_____, spouse of _____, do hereby certify, acknowledge and agree as follows:

(a) I have read and approve each and every provision set forth in the foregoing Subscription Agreement.

(b) I accept and agree to be bound by the Subscription Agreement in all respects and in lieu of each other interest I may have in MONTEREY RECEIVABLES FUNDING, LLC (the ñCompanyò), whether that interest may be community property or quasi-community property under the laws of the State of California or other laws relating to marital property in effect in the state of our residence as of the date of the signing of the foregoing Agreement.

(c) I hereby appoint my spouse as my attorney-in-fact with respect to the exercise of any rights under the Agreement.

(d) I hereby consent to any amendments or modifications to the Subscription Agreement that are consented to, executed by or otherwise binding upon my spouse.

Dated:_____ ___, 20___

_____
(Signature)

_____
(Please Print Your Name)

IN WITNESS WHEREOF, the parties caused this Security Agreement to have been duly executed and delivered as of the Effective Date.

SECURED PARTY:

_____
[Print Legal Name of Secured Party/Investor]

Signature: _____
Print Name: _____
Print Title (if applicable): _____

[SIGNATURE PAGE TO SECURITY AGREEMENT]

Monterey Receivables Funding, LLC

ACH Payment Instructions for Monthly Interest Payments:

As a convenience for you, Monterey Receivables Funding, LLC, is setting up ACH payments to automatically deposit your monthly interest checks to your bank account. Please provide the following information so we can complete direct deposits to your bank account:

Name (title) on bank account: _____

Bank account number: _____

Bank name: _____

Routing (ABA) number: _____

E-mail address: _____

Phone Number(s): _____

You can obtain your bank account and routing numbers from the bottom of your checks, deposit slips or you may want to call your bank for ACH instructions. Please return this form with your subscription package.

Signature: _____

Date: _____

Wiring Instructions for initial investment:

Send To: Monterey Receivables Funding, LLC (bank account title)
Silvergate Bank, 5810 El Camino Real,
Suite D, Carlsbad, CA 92008
ACCT # 1005007016
ABA ROUTING # 322286803

IN WITNESS WHEREOF, the parties have caused this Note to be executed by a duly authorized signatory as of the first date set forth above.

BORROWER:

MONTEREY RECEIVABLES FUNDING, LLC

By: _____
Chris Hughes, President & CEO
4095 Avenida De La Plata
Oceanside, California 92056

INVESTOR:

Print Name of Lender/Investor:_____

_____

_____
Signature

Title (if applicable): _____
Address:_____

_____

Email: _____

[Signature Page to Class A-1 6% Note]

IN WITNESS WHEREOF, the parties have caused this Note to be executed by a duly authorized signatory as of the first date set forth above.

BORROWER:

MONTEREY RECEIVABLES FUNDING, LLC

By: _____
Chris Hughes, President & CEO
4095 Avenida De La Plata
Oceanside, California 92056

INVESTOR:

Print Name of Lender/Investor:_____

_____

_____
Signature

Title (if applicable): _____
Address:_____

_____

Email: _____

[Signature Page to Class B-1 7% Note]

IN WITNESS WHEREOF, the parties have caused this Note to be executed by a duly authorized signatory as of the first date set forth above.

BORROWER:

MONTEREY RECEIVABLES FUNDING, LLC

By: _____
Chris Hughes, President & CEO
4095 Avenida De La Plata
Oceanside, California 92056

INVESTOR:

Print Name of Lender/Investor:_____

_____

_____
Signature

Title (if applicable): _____

Address:_____

_____

Email _____

[Signature Page to Class A-2 8% Note]

Form **W-9**
(Rev. August 2013)
Department of the Treasury
Internal Revenue Service

Request for Taxpayer Identification Number and Certification

Give Form to the requester. Do not send to the IRS.

Print or type
See **Specific Instructions** on page 2.

Name (as shown on your income tax return)

Business name/disregarded entity name, if different from above

Check appropriate box for federal tax classification:
☐ Individual/sole proprietor ☐ C Corporation ☐ S Corporation ☐ Partnership ☐ Trust/estate

☐ Limited liability company. Enter the tax classification (C=C corporation, S=S corporation, P=partnership) ▶ _____

☐ Other (see instructions) ▶

Exemptions (see instructions):
Exempt payee code (if any) _____
Exemption from FATCA reporting code (if any) _____

Address (number, street, and apt. or suite no.)

Requester's name and address (optional)

City, state, and ZIP code

List account number(s) here (optional)

Part I Taxpayer Identification Number (TIN)

Enter your TIN in the appropriate box. The TIN provided must match the name given on the "Name" line to avoid backup withholding. For individuals, this is your social security number (SSN). However, for a resident alien, sole proprietor, or disregarded entity, see the Part I instructions on page 3. For other entities, it is your employer identification number (EIN). If you do not have a number, see *How to get a TIN* on page 3.

Note. If the account is in more than one name, see the chart on page 4 for guidelines on whose number to enter.

Social security number
☐☐☐ - ☐☐ - ☐☐☐☐

Employer identification number
☐☐ - ☐☐☐☐☐☐☐

Part II Certification

Under penalties of perjury, I certify that:

1. The number shown on this form is my correct taxpayer identification number (or I am waiting for a number to be issued to me), and
2. I am not subject to backup withholding because: (a) I am exempt from backup withholding, or (b) I have not been notified by the Internal Revenue Service (IRS) that I am subject to backup withholding as a result of a failure to report all interest or dividends, or (c) the IRS has notified me that I am no longer subject to backup withholding, and
3. I am a U.S. citizen or other U.S. person (defined below), and
4. The FATCA code(s) entered on this form (if any) indicating that I am exempt from FATCA reporting is correct.

Certification instructions. You must cross out item 2 above if you have been notified by the IRS that you are currently subject to backup withholding because you have failed to report all interest and dividends on your tax return. For real estate transactions, item 2 does not apply. For mortgage interest paid, acquisition or abandonment of secured property, cancellation of debt, contributions to an individual retirement arrangement (IRA), and generally, payments other than interest and dividends, you are not required to sign the certification, but you must provide your correct TIN. See the instructions on page 3.

Sign Here **Signature of U.S. person ▶** **Date ▶**

General Instructions

Section references are to the Internal Revenue Code unless otherwise noted.

Future developments. The IRS has created a page on IRS.gov for information about Form W-9, at *www.irs.gov/w9*. Information about any future developments affecting Form W-9 (such as legislation enacted after we release it) will be posted on that page.

Purpose of Form

A person who is required to file an information return with the IRS must obtain your correct taxpayer identification number (TIN) to report, for example, income paid to you, payments made to you in settlement of payment card and third party network transactions, real estate transactions, mortgage interest you paid, acquisition or abandonment of secured property, cancellation of debt, or contributions you made to an IRA.

Use Form W-9 only if you are a U.S. person (including a resident alien), to provide your correct TIN to the person requesting it (the requester) and, when applicable, to:

1. Certify that the TIN you are giving is correct (or you are waiting for a number to be issued),
2. Certify that you are not subject to backup withholding, or
3. Claim exemption from backup withholding if you are a U.S. exempt payee. If applicable, you are also certifying that as a U.S. person, your allocable share of any partnership income from a U.S. trade or business is not subject to the withholding tax on foreign partners' share of effectively connected income, and
4. Certify that FATCA code(s) entered on this form (if any) indicating that you are exempt from the FATCA reporting, is correct.

Note. If you are a U.S. person and a requester gives you a form other than Form W-9 to request your TIN, you must use the requester's form if it is substantially similar to this Form W-9.

Definition of a U.S. person. For federal tax purposes, you are considered a U.S. person if you are:

- An individual who is a U.S. citizen or U.S. resident alien,
- A partnership, corporation, company, or association created or organized in the United States or under the laws of the United States,
- An estate (other than a foreign estate), or
- A domestic trust (as defined in Regulations section 301.7701-7).

Special rules for partnerships. Partnerships that conduct a trade or business in the United States are generally required to pay a withholding tax under section 1446 on any foreign partners' share of effectively connected taxable income from such business. Further, in certain cases where a Form W-9 has not been received, the rules under section 1446 require a partnership to presume that a partner is a foreign person, and pay the section 1446 withholding tax. Therefore, if you are a U.S. person that is a partner in a partnership conducting a trade or business in the United States, provide Form W-9 to the partnership to establish your U.S. status and avoid section 1446 withholding on your share of partnership income.

Form **W-8BEN**

(Rev. February 2014)

Department of the Treasury
Internal Revenue Service

Certificate of Foreign Status of Beneficial Owner for United States Tax Withholding and Reporting (Individuals)

► **For use by individuals. Entities must use Form W-8BEN-E.**
► **Information about Form W-8BEN and its separate instructions is at *www.irs.gov/formw8ben.***
► **Give this form to the withholding agent or payer. Do not send to the IRS.**

OMB No. 1545-1621

Do NOT use this form if:	**Instead, use Form:**
• You are NOT an individual	W-8BEN-E
• You are a U.S. citizen or other U.S. person, including a resident alien individual	W-9
• You are a beneficial owner claiming that income is effectively connected with the conduct of trade or business within the U.S. (other than personal services)	W-8ECI
• You are a beneficial owner who is receiving compensation for personal services performed in the United States	8233 or W-4
• A person acting as an intermediary	W-8IMY

Part I Identification of Beneficial Owner (see instructions)

1	Name of individual who is the beneficial owner	2 Country of citizenship
3	Permanent residence address (street, apt. or suite no., or rural route). **Do not use a P.O. box or in-care-of address.**	
	City or town, state or province. Include postal code where appropriate.	Country
4	Mailing address (if different from above)	
	City or town, state or province. Include postal code where appropriate.	Country
5	U.S. taxpayer identification number (SSN or ITIN), if required (see instructions)	6 Foreign tax identifying number (see instructions)
7	Reference number(s) (see instructions)	8 Date of birth (MM-DD-YYYY) (see instructions)

Part II Claim of Tax Treaty Benefits (for chapter 3 purposes only) (see instructions)

9 I certify that the beneficial owner is a resident of within the meaning of the income tax treaty between the United States and that country.

10 **Special rates and conditions** (if applicable—see instructions): The beneficial owner is claiming the provisions of Article of the treaty identified on line 9 above to claim a % rate of withholding on (specify type of income):

Explain the reasons the beneficial owner meets the terms of the treaty article:

Part III Certification

Under penalties of perjury, I declare that I have examined the information on this form and to the best of my knowledge and belief it is true, correct, and complete. I further certify under penalties of perjury that:

- I am the individual that is the beneficial owner (or am authorized to sign for the individual that is the beneficial owner) of all the income to which this form relates or am using this form to document myself as an individual that is an owner or account holder of a foreign financial institution,
- The person named on line 1 of this form is not a U.S. person,
- The income to which this form relates is:
  (a) not effectively connected with the conduct of a trade or business in the United States,
  (b) effectively connected but is not subject to tax under an applicable income tax treaty, or
  (c) the partner's share of a partnership's effectively connected income,
- The person named on line 1 of this form is a resident of the treaty country listed on line 9 of the form (if any) within the meaning of the income tax treaty between the United States and that country, and
- For broker transactions or barter exchanges, the beneficial owner is an exempt foreign person as defined in the instructions.

Furthermore, I authorize this form to be provided to any withholding agent that has control, receipt, or custody of the income of which I am the beneficial owner or any withholding agent that can disburse or make payments of the income of which I am the beneficial owner. **I agree that I will submit a new form within 30 days if any certification made on this form becomes incorrect.**

Sign Here ▶

Signature of beneficial owner (or individual authorized to sign for beneficial owner) Date (MM-DD-YYYY)

Print name of signer Capacity in which acting (if form is not signed by beneficial owner)

Form **W-8BEN-E**

(February 2014)

Department of the Treasury
Internal Revenue Service

Certificate of Status of Beneficial Owner for United States Tax Withholding and Reporting (Entities)

▶ For use by entities. Individuals must use Form W-8BEN. ▶ Section references are to the Internal Revenue Code.
▶ Information about Form W-8BEN-E and its separate instructions is at *www.irs.gov/formw8bene.*
▶ Give this form to the withholding agent or payer. Do not send to the IRS.

OMB No. 1545-1621

Do NOT use this form for:	**Instead use Form:**
• U.S. entity or U.S. citizen or resident	W-9
• A foreign individual	W-8BEN (Individual)
• A foreign individual or entity claiming that income is effectively connected with the conduct of trade or business within the U.S. (unless claiming treaty benefits)	W-8ECI
• A foreign partnership, a foreign simple trust, or a foreign grantor trust (unless claiming treaty benefits) (see instructions for exceptions)	W-8IMY
• A foreign government, international organization, foreign central bank of issue, foreign tax-exempt organization, foreign private foundation, or government of a U.S. possession claiming that income is effectively connected U.S. income or that is claiming the applicability of section(s) 115(2), 501(c), 892, 895, or 1443(b) (unless claiming treaty benefits) (see instructions)	W-8ECI or W-8EXP
• Any person acting as an intermediary	W-8IMY

Part I Identification of Beneficial Owner

1 Name of organization that is the beneficial owner

2 Country of incorporation or organization

3 Name of disregarded entity receiving the payment (if applicable)

4 Chapter 3 Status (entity type) (Must check one box only):

☐ Corporation ☐ Disregarded entity ☐ Partnership
☐ Simple trust ☐ Grantor trust ☐ Complex trust ☐ Estate ☐ Government
☐ Central Bank of Issue ☐ Tax-exempt organization ☐ Private foundation

If you entered disregarded entity, partnership, simple trust, or grantor trust above, is the entity a hybrid making a treaty claim? If "Yes" complete Part III. ☐ Yes ☐ No

5 Chapter 4 Status (FATCA status) (Must check one box only unless otherwise indicated). (See instructions for details and complete the certification below for the entity's applicable status).

☐ Nonparticipating FFI (including a limited FFI or an FFI related to a Reporting IGA FFI other than a registered deemed-compliant FFI or participating FFI).
☐ Participating FFI.
☐ Reporting Model 1 FFI.
☐ Reporting Model 2 FFI.
☐ Registered deemed-compliant FFI (other than a reporting Model 1 FFI or sponsored FFI that has not obtained a GIIN).
☐ Sponsored FFI that has not obtained a GIIN. Complete Part IV.
☐ Certified deemed-compliant nonregistering local bank. Complete Part V.
☐ Certified deemed-compliant FFI with only low-value accounts. Complete Part VI.
☐ Certified deemed-compliant sponsored, closely held investment vehicle. Complete Part VII.
☐ Certified deemed-compliant limited life debt investment entity. Complete Part VIII.
☐ Certified deemed-compliant investment advisors and investment managers. Complete Part IX.
☐ Owner-documented FFI. Complete Part X.
☐ Restricted distributor. Complete Part XI.
☐ Nonreporting IGA FFI (including an FFI treated as a registered deemed-compliant FFI under an applicable Model 2 IGA). Complete Part XII.
☐ Foreign government, government of a U.S. possession, or foreign central bank of issue. Complete Part XIII.
☐ International organization. Complete Part XIV.
☐ Exempt retirement plans. Complete Part XV.
☐ Entity wholly owned by exempt beneficial owners. Complete Part XVI.
☐ Territory financial institution. Complete Part XVII.
☐ Nonfinancial group entity. Complete Part XVIII.
☐ Excepted nonfinancial start-up company. Complete Part XIX.
☐ Excepted nonfinancial entity in liquidation or bankruptcy. Complete Part XX.
☐ 501(c) organization. Complete Part XXI.
☐ Nonprofit organization. Complete Part XXII.
☐ Publicly traded NFFE or NFFE affiliate of a publicly traded corporation. Complete Part XXIII.
☐ Excepted territory NFFE. Complete Part XXIV.
☐ Active NFFE. Complete Part XXV.
☐ Passive NFFE. Complete Part XXVI.
☐ Excepted inter-affiliate FFI. Complete Part XXVII.
☐ Direct reporting NFFE.
☐ Sponsored direct reporting NFFE. Complete Part XXVIII.

6 Permanent residence address (street, apt. or suite no., or rural route). **Do not use a P.O. box or in-care-of address** (other than a registered address).

City or town, state or province. Include postal code where appropriate. | Country

7 Mailing address (if different from above)

City or town, state or province. Include postal code where appropriate. | Country

8 U.S. taxpayer identification number (TIN), if required | **9a** ☐ GIIN | **b** ☐ Foreign TIN | **10** Reference number(s) (see instructions)

Note. Please complete remainder of the form including signing the form in Part XXIX.

Part II **Disregarded Entity or Branch Receiving Payment.** (Complete only if disregarded entity or branch of an FFI in a country other than the FFI's country of residence.)

11 Chapter 4 Status (FATCA status) of disregarded entity or branch receiving payment

☐ Limited Branch. ☐ Reporting Model 1 FFI. ☐ U.S. Branch.

☐ Participating FFI. ☐ Reporting Model 2 FFI.

12 Address of disregarded entity or branch (street, apt. or suite no., or rural route). **Do not use a P.O. box or in-care-of address** (other than a registered address).

City or town, state or province. Include postal code where appropriate.

Country

13 GIIN (if any)

Part III **Claim of Tax Treaty Benefits** (if applicable). (For chapter 3 purposes only)

14 I certify that (check all that apply):

a ☐ The beneficial owner is a resident of within the meaning of the income tax treaty between the United States and that country.

b ☐ The beneficial owner derives the item (or items) of income for which the treaty benefits are claimed, and, if applicable, meets the requirements of the treaty provision dealing with limitation on benefits (see instructions).

c ☐ The beneficial owner is claiming treaty benefits for dividends received from a foreign corporation or interest from a U.S. trade or business of a foreign corporation and meets qualified resident status (see instructions).

15 **Special rates and conditions** (if applicable—see instructions): The beneficial owner is claiming the provisions of Article of the treaty identified on line 14a above to claim a % rate of withholding on (specify type of income):

Explain the reasons the beneficial owner meets the terms of the treaty article:

Part IV **Sponsored FFI That Has Not Obtained a GIIN**

16 Name of sponsoring entity:

17 **Check whichever box applies.**

☐ I certify that the entity identified in Part I:

- Is an FFI solely because it is an investment entity;
- Is not a QI, WP, or WT; **and**
- Has agreed with the entity identified above (that is not a nonparticipating FFI) to act as the sponsoring entity for this entity.

☐ I certify that the entity identified in Part I:

- Is a controlled foreign corporation as defined in section 957(a);
- Is not a QI, WP, or WT;
- Is wholly owned, directly or indirectly, by the U.S. financial institution identified above that agrees to act as the sponsoring entity for this entity; **and**
- Shares a common electronic account system with the sponsoring entity (identified above) that enables the sponsoring entity to identify all account holders and payees of the entity and to access all account and customer information maintained by the entity including, but not limited to, customer identification information, customer documentation, account balance, and all payments made to account holders or payees.

Part V **Certified Deemed-Compliant Nonregistering Local Bank**

18 ☐ I certify that the FFI identified in Part I:

- Operates and is licensed solely as a bank or credit union (or similar cooperative credit organization operated without profit) in its country of incorporation or organization;
- Engages primarily in the business of receiving deposits from and making loans to, with respect to a bank, retail customers unrelated to such bank and, with respect to a credit union or similar cooperative credit organization, members, provided that no member has a greater than five percent interest in such credit union or cooperative credit organization;
- Does not solicit account holders outside its country of organization;
- Has no fixed place of business outside such country (for this purpose, a fixed place of business does not include a location that is not advertised to the public and from which the FFI performs solely administrative support functions);
- Has no more than $175 million in assets on its balance sheet and, if it is a member of an expanded affiliated group, the group has no more than $500 million in total assets on its consolidated or combined balance sheets; **and**
- Does not have any member of its expanded affiliated group that is a foreign financial institution, other than a foreign financial institution that is incorporated or organized in the same country as the FFI identified in Part I and that meets the requirements set forth in this Part V.

Part VI Certified Deemed-Compliant FFI with Only Low-Value Accounts

19 ☐ I certify that the FFI identified in Part I:

- Is not engaged primarily in the business of investing, reinvesting, or trading in securities, partnership interests, commodities, notional principal contracts, insurance or annuity contracts, or any interest (including a futures or forward contract or option) in such security, partnership interest, commodity, notional principal contract, insurance contract or annuity contract;
- No financial account maintained by the FFI or any member of its expanded affiliated group, if any, has a balance or value in excess of $50,000 (as determined after applying applicable account aggregation rules); **and**
- Neither the FFI nor the entire expanded affiliated group, if any, of the FFI, have more than $50 million in assets on its consolidated or combined balance sheet as of the end of its most recent accounting year.

Part VII Certified Deemed-Compliant Sponsored, Closely Held Investment Vehicle

20 Name of sponsoring entity: _____

21 ☐ I certify that the entity identified in Part I:

- Is an FFI solely because it is an investment entity described in §1.1471-5(e)(4);
- Is not a QI, WP, or WT;
- Has a contractual relationship with the above identified sponsoring entity that agrees to fulfill all due diligence, withholding, and reporting responsibilities of a participating FFI on behalf of this entity; **and**
- Twenty or fewer individuals own all of the debt and equity interests in the entity (disregarding debt interests owned by U.S. financial institutions, participating FFIs, registered deemed-compliant FFIs, and certified deemed-compliant FFIs and equity interests owned by an entity if that entity owns 100 percent of the equity interests in the FFI and is itself a sponsored FFI).

Part VIII Certified Deemed-Compliant Limited Life Debt Investment Entity

22 ☐ I certify that the entity identified in Part I:

- Was in existence as of January 17, 2013;
- Issued all classes of its debt or equity interests to investors on or before January 17, 2013, pursuant to a trust indenture or similar agreement; **and**
- Is certified deemed-compliant because it satisfies the requirements to be treated as a limited life debt investment entity (such as the restrictions with respect to its assets and other requirements under § 1.1471-5(f)(2)(iv)).

Part IX Certified Deemed-Compliant Investment Advisors and Investment Managers

23 ☐ I certify that the entity identified in Part I:

- Is a financial institution solely because it is an investment entity described in §1.1471-5(e)(4)(i)(A); **and**
- Does not maintain financial accounts.

Part X Owner-Documented FFI

Note. This status only applies if the U.S. financial institution or participating FFI to which this form is given has agreed that it will treat the FFI as an owner-documented FFI (see instructions for eligibility requirements). In addition, the FFI must make the certifications below.

24a ☐ (All owner-documented FFIs check here) I certify that the FFI identified in Part I:

- Does not act as an intermediary;
- Does not accept deposits in the ordinary course of a banking or similar business;
- Does not hold, as a substantial portion of its business, financial assets for the account of others;
- Is not an insurance company (or the holding company of an insurance company) that issues or is obligated to make payments with respect to a financial account;
- Is not owned by or in an expanded affiliated group with an entity that accepts deposits in the ordinary course of a banking or similar business, holds, as a substantial portion of its business, financial assets for the account of others, or is an insurance company (or the holding company of an insurance company) that issues or is obligated to make payments with respect to a financial account; **and**
- Does not maintain a financial account for any nonparticipating FFI.

Part X Owner-Documented FFI *(continued)*

Check box 24b or 24c, whichever applies.

b ☐ I certify that the FFI identified in Part I:

- Has provided, or will provide, an FFI owner reporting statement that contains:
  - The name, address, TIN (if any), chapter 4 status, and type of documentation provided (if required) of every individual and specified U.S. person that owns a direct or indirect equity interest in the owner-documented FFI (looking through all entities other than specified U.S. persons);
  - The name, address, TIN (if any), chapter 4 status, and type of documentation provided (if required) of every individual and specified U.S. person that owns a debt interest in the owner-documented FFI (including any indirect debt interest, which includes debt interests in any entity that directly or indirectly owns the payee or any direct or indirect equity interest in a debt holder of the payee) that constitutes a financial account in excess of $50,000 (disregarding all such debt interests owned by participating FFIs, registered deemed-compliant FFIs, certified deemed-compliant FFIs, excepted NFFEs, exempt beneficial owners, or U.S. persons other than specified U.S. persons); **and**
  - Any additional information the withholding agent requests in order to fulfill its obligations with respect to the entity.

c ☐ I certify that the FFI identified in Part I has provided, or will provide, an auditor's letter, signed within four years of the date of payment, from an independent accounting firm or legal representative with a location in the United States stating that the firm or representative has reviewed the FFI's documentation with respect to all of its owners and debt holders identified in §1.1471-3(d)(6)(iv)(A)(2), and that the FFI meets all the requirements to be an owner-documented FFI. The FFI identified in Part I has also provided, or will provide, an FFI owner reporting statement of its owners that are specified U.S. persons and Form(s) W-9, with applicable waivers.

Check box 24d if applicable.

d ☐ I certify that the entity identified in line 1 is a trust that does not have any contingent beneficiaries or designated classes with unidentified beneficiaries.

Part XI Restricted Distributor

25a ☐ (All restricted distributors check here) I certify that the entity identified in Part I:

- Operates as a distributor with respect to debt or equity interests of the restricted fund with respect to which this form is furnished;
- Provides investment services to at least 30 customers unrelated to each other and less than half of its customers are related to each other;
- Is required to perform AML due diligence procedures under the anti-money laundering laws of its country of organization (which is an FATF-compliant jurisdiction);
- Operates solely in its country of incorporation or organization, has no fixed place of business outside of that country, and has the same country of incorporation or organization as all members of its affiliated group, if any;
- Does not solicit customers outside its country of incorporation or organization;
- Has no more than $175 million in total assets under management and no more than $7 million in gross revenue on its income statement for the most recent accounting year;
- Is not a member of an expanded affiliated group that has more than $500 million in total assets under management or more than $20 million in gross revenue for its most recent accounting year on a combined or consolidated income statement; **and**
- Does not distribute any debt or securities of the restricted fund to specified U.S. persons, passive NFFEs with one or more substantial U.S. owners, or nonparticipating FFIs.

Check box 25b or 25c, whichever applies.

I further certify that with respect to all sales of debt or equity interests in the restricted fund with respect to which this form is furnished that are made after December 31, 2011, the entity identified in Part I:

b ☐ Has been bound by a distribution agreement that contained a general prohibition on the sale of debt or securities to U.S. entities and U.S. resident individuals and is currently bound by a distribution agreement that contains a prohibition of the sale of debt or securities to any specified U.S. person, passive NFFE with one or more substantial U.S. owners, or nonparticipating FFI.

c ☐ Is currently bound by a distribution agreement that contains a prohibition on the sale of debt or securities to any specified U.S. person, passive NFFE with one or more substantial U.S. owners, or nonparticipating FFI and, for all sales made prior to the time that such a restriction was included in its distribution agreement, has reviewed all accounts related to such sales in accordance with the procedures identified in §1.1471-4(c) applicable to preexisting accounts and has redeemed or retired any, or caused the restricted fund to transfer the securities to a distributor that is a participating FFI or reporting Model 1 FFI securities which were sold to specified U.S. persons, passive NFFEs with one or more substantial U.S. owners, or nonparticipating FFIs.

Part XII Nonreporting IGA FFI

26 ☐ I certify that the entity identified in Part I:

- Meets the requirements to be considered a nonreporting financial institution pursuant to an applicable IGA between the United States and _____;
- Is treated as a _____ under the provisions of the applicable IGA (see instructions); **and**
- If you are an FFI treated as a registered deemed-compliant FFI under an applicable Model 2 IGA, provide your GIIN:

Part XIII Foreign Government, Government of a U.S. Possession, or Foreign Central Bank of Issue

27 ☐ I certify that the entity identified in Part I is the beneficial owner of the payment and is not engaged in commercial financial activities of a type engaged in by an insurance company, custodial institution, or depository institution with respect to the payments, accounts, or obligations for which this form is submitted (except as permitted in §1.1471-6(h)(2)).

Part XIV International Organization

Check box 28a or 28b, whichever applies.

28a ☐ I certify that the entity identified in Part I is an international organization described in section 7701(a)(18).

b ☐ I certify that the entity identified in Part I:

- Is comprised primarily of foreign governments;
- Is recognized as an intergovernmental or supranational organization under a foreign law similar to the International Organizations Immunities Act;
- The benefit of the entity's income does not inure to any private person;
- Is the beneficial owner of the payment and is not engaged in commercial financial activities of a type engaged in by an insurance company, custodial institution, or depository institution with respect to the payments, accounts, or obligations for which this form is submitted (except as permitted in §1.1471-6(h)(2)).

Part XV Exempt Retirement Plans

Check box 29a, b, c, d, e, or f, whichever applies.

29a ☐ I certify that the entity identified in Part I:

- Is established in a country with which the United States has an income tax treaty in force (see Part III if claiming treaty benefits);
- Is operated principally to administer or provide pension or retirement benefits; **and**
- Is entitled to treaty benefits on income that the fund derives from U.S. sources (or would be entitled to benefits if it derived any such income) as a resident of the other country which satisfies any applicable limitation on benefits requirement.

b ☐ I certify that the entity identified in Part I:

- Is organized for the provision of retirement, disability, or death benefits (or any combination thereof) to beneficiaries that are former employees of one or more employers in consideration for services rendered;
- No single beneficiary has a right to more than 5% of the FFI's assets;
- Is subject to government regulation and provides annual information reporting about its beneficiaries to the relevant tax authorities in the country in which the fund is established or operated; **and**
- Is generally exempt from tax on investment income under the laws of the country in which it is established or operates due to its status as a retirement or pension plan;
- Receives at least 50% of its total contributions from sponsoring employers (disregarding transfers of assets from other plans described in this part, retirement and pension accounts described in an applicable Model 1 or Model 2 IGA, other retirement funds described in an applicable Model 1 or Model 2 IGA, or accounts described in §1.1471-5(b)(2)(i)(A));
- Either does not permit or penalizes distributions or withdrawals made before the occurrence of specified events related to retirement, disability, or death (except rollover distributions to accounts described in §1.1471-5(b)(2)(i)(A) (referring to retirement and pension accounts), to retirement and pension accounts described in an applicable Model 1 or Model 2 IGA, or to other retirement funds described in this part or in an applicable Model 1 or Model 2 IGA); **or**
- Limits contributions by employees to the fund by reference to earned income of the employee or may not exceed $50,000 annually.

c ☐ I certify that the entity identified in Part I:

- Is organized for the provision of retirement, disability, or death benefits (or any combination thereof) to beneficiaries that are former employees of one or more employers in consideration for services rendered;
- Has fewer than 50 participants;
- Is sponsored by one or more employers each of which is not an investment entity or passive NFFE;
- Employee and employer contributions to the fund (disregarding transfers of assets from other plans described in this part, retirement and pension accounts described in an applicable Model 1 or Model 2 IGA, or accounts described in §1.1471-5(b)(2)(i)(A)) are limited by reference to earned income and compensation of the employee, respectively;
- Participants that are not residents of the country in which the fund is established or operated are not entitled to more than 20 percent of the fund's assets; **and**
- Is subject to government regulation and provides annual information reporting about its beneficiaries to the relevant tax authorities in the country in which the fund is established or operates.

d ☐ I certify that the entity identified in Part I is formed pursuant to a pension plan that would meet the requirements of section 401(a), other than the requirement that the plan be funded by a trust created or organized in the United States.

e ☐ I certify that the entity identified in Part I is established exclusively to earn income for the benefit of one or more retirement funds described in this part or in an applicable Model 1 or Model 2 IGA, accounts described in §1.1471-5(b)(2)(i)(A) (referring to retirement and pension accounts), or retirement and pension accounts described in an applicable Model 1 or Model 2 IGA.

Part XV Exempt Retirement Plans (Continued)

f ☐ I certify that the entity identified in Part I:

- Is established and sponsored by a foreign government, international organization, central bank of issue, or government of a U.S. possession (each as defined in §1.1471-6) or an exempt beneficial owner described in an applicable Model 1 or Model 2 IGA to provide retirement, disability, or death benefits to beneficiaries or participants that are current or former employees of the sponsor (or persons designated by such employees); **or**

- Is established and sponsored by a foreign government, international organization, central bank of issue, or government of a U.S. possession (each as defined in §1.1471-6) or an exempt beneficial owner described in an applicable Model 1 or Model 2 IGA to provide retirement, disability, or death benefits to beneficiaries or participants that are not current or former employees of such sponsor, but are in consideration of personal services performed for the sponsor.

Part XVI Entity Wholly Owned by Exempt Beneficial Owners

30 ☐ I certify that the entity identified in Part I:

- Is an FFI solely because it is an investment entity;
- Each direct holder of an equity interest in the investment entity is an exempt beneficial owner described in §1.1471-6 or in an applicable Model 1 or Model 2 IGA;
- Each direct holder of a debt interest in the investment entity is either a depository institution (with respect to a loan made to such entity) or an exempt beneficial owner described in §1.1471-6 or an applicable Model 1 or Model 2 IGA.
- Has provided an owner reporting statement that contains the name, address, TIN (if any), chapter 4 status, and a description of the type of documentation provided to the withholding agent for every person that owns a debt interest constituting a financial account or direct equity interest in the entity; **and**
- Has provided documentation establishing that every owner of the entity is an entity described in §1.1471-6(b), (c), (d), (e), (f) and/or (g) without regard to whether such owners are beneficial owners.

Part XVII Territory Financial Institution

31 ☐ I certify that the entity identified in Part I is a financial institution (other than an investment entity) that is incorporated or organized under the laws of a possession of the United States.

Part XVIII Excepted Nonfinancial Group Entity

32 ☐ I certify that the entity identified in Part I:

- Is a holding company, treasury center, or captive finance company and substantially all of the entity's activities are functions described in §1.1471-5(e)(5)(i)(C) through (E);
- Is a member of a nonfinancial group described in §1.1471-5(e)(5)(i)(B);
- Is not a depository or custodial institution (other than for members of the entity's expanded affiliated group); **and**
- Does not function (or hold itself out) as an investment fund, such as a private equity fund, venture capital fund, leveraged buyout fund, or any investment vehicle with an investment strategy to acquire or fund companies and then hold interests in those companies as capital assets for investment purposes.

Part XIX Excepted Nonfinancial Start-Up Company

33 ☐ I certify that the entity identified in Part I:

- Was formed on (or, in the case of a new line of business, the date of board resolution approving the new line of business) (date must be less than 24 months prior to date of payment);
- Is not yet operating a business and has no prior operating history or is investing capital in assets with the intent to operate a new line of business other than that of a financial institution or passive NFFE;
- Is investing capital into assets with the intent to operate a business other than that of a financial institution; **and**
- Does not function (or hold itself out) as an investment fund, such as a private equity fund, venture capital fund, leveraged buyout fund, or any investment vehicle whose purpose is to acquire or fund companies and then hold interests in those companies as capital assets for investment purposes.

Part XX Excepted Nonfinancial Entity in Liquidation or Bankruptcy

34 ☐ I certify that the entity identified in Part I:

- Filed a plan of liquidation, filed a plan of reorganization, or filed for bankruptcy on ;
- During the past 5 years has not been engaged in business as a financial institution or acted as a passive NFFE;
- Is either liquidating or emerging from a reorganization or bankruptcy with the intent to continue or recommence operations as a nonfinancial entity; **and**
- Has, or will provide, documentary evidence such as a bankruptcy filing or other public documentation that supports its claim if it remains in bankruptcy or liquidation for more than three years.

Part XXI 501(c) Organization

35 ☐ I certify that the entity identified in Part I is a 501(c) organization that:

- Has been issued a determination letter from the IRS that is currently in effect concluding that the payee is a section 501(c) organization that is dated ; **or**
- Has provided a copy of an opinion from U.S. counsel certifying that the payee is a section 501(c) organization (without regard to whether the payee is a foreign private foundation).

Part XXII Non-Profit Organization

36 ☐ I certify that the entity identified in Part I is a non-profit organization that meets the following requirements:

- The entity is established and maintained in its country of residence exclusively for religious, charitable, scientific, artistic, cultural or educational purposes;
- The entity is exempt from income tax in its country of residence;
- The entity has no shareholders or members who have a proprietary or beneficial interest in its income or assets;
- Neither the applicable laws of the entity's country of residence nor the entity's formation documents permit any income or assets of the entity to be distributed to, or applied for the benefit of, a private person or non-charitable entity other than pursuant to the conduct of the entity's charitable activities or as payment of reasonable compensation for services rendered or payment representing the fair market value of property which the entity has purchased; **and**
- The applicable laws of the entity's country of residence or the entity's formation documents require that, upon the entity's liquidation or dissolution, all of its assets be distributed to an entity that is a foreign government, an integral part of a foreign government, a controlled entity of a foreign government, or another organization that is described in this Part XXII or escheats to the government of the entity's country of residence or any political subdivision thereof.

Part XXIII Publicly Traded NFFE or NFFE Affiliate of a Publicly Traded Corporation

Check box 37a or 37b, whichever applies.

37a ☐ I certify that:

- The entity identified in Part I is a foreign corporation that is not a financial institution; **and**
- The stock of such corporation is regularly traded on one or more established securities markets, including (name one securities exchange upon which the stock is regularly traded).

b ☐ I certify that:

- The entity identified in Part I is a foreign corporation that is not a financial institution;
- The entity identified in Part I is a member of the same expanded affiliated group as an entity the stock of which is regularly traded on an established securities market;
- The name of the entity, the stock of which is regularly traded on an established securities market, is ; **and**
- The name of the securities market on which the stock is regularly traded is .

Part XXIV Excepted Territory NFFE

38 ☐ I certify that:

- The entity identified in Part I is an entity that is organized in a possession of the United States;
- The entity identified in Part I:
  - Does not accept deposits in the ordinary course of a banking or similar business,
  - Does not hold, as a substantial portion of its business, financial assets for the account of others, or
  - Is not an insurance company (or the holding company of an insurance company) that issues or is obligated to make payments with respect to a financial account; **and**
- All of the owners of the entity identified in Part I are bona fide residents of the possession in which the NFFE is organized or incorporated.

Part XXV Active NFFE

39 ☐ I certify that:

- The entity identified in Part I is a foreign entity that is not a financial institution;
- Less than 50% of such entity's gross income for the preceding calendar year is passive income; **and**
- Less than 50% of the assets held by such entity are assets that produce or are held for the production of passive income (calculated as a weighted average of the percentage of passive assets measured quarterly) (see instructions for the definition of passive income).

Part XXVI Passive NFFE

40a ☐ I certify that the entity identified in Part I is a foreign entity that is not a financial institution (other than an investment entity organized in a possession of the United States) and is not certifying its status as a publicly traded NFFE (or affiliate), excepted territory NFFE, active NFFE, direct reporting NFFE, or sponsored direct reporting NFFE.

Check box 40b or 40c, whichever applies.

b ☐ I further certify that the entity identified in Part I has no substantial U.S. owners, or

c ☐ I further certify that the entity identified in Part I has provided the name, address, and TIN of each substantial U.S. owner of the NFFE in Part XXX.

Part XXVII Excepted Inter-Affiliate FFI

41 ☐ I certify that the entity identified in Part I:

- Is a member of an expanded affiliated group;
- Does not maintain financial accounts (other than accounts maintained for members of its expanded affiliated group);
- Does not make withholdable payments to any person other than to members of its expanded affiliated group that are not limited FFIs or limited branches;
- Does not hold an account (other than a depository account in the country in which the entity is operating to pay for expenses) with or receive payments from any withholding agent other than a member of its expanded affiliated group; **and**
- Has not agreed to report under §1.1471-4(d)(2)(ii)(C) or otherwise act as an agent for chapter 4 purposes on behalf of any financial institution, including a member of its expanded affiliated group.

Part XXVIII Sponsored Direct Reporting NFFE

42 Name of sponsoring entity:

43 ☐ I certify that the entity identified in Part I is a direct reporting NFFE that is sponsored by the entity identified in line 42.

Part XXIX Certification

Under penalties of perjury, I declare that I have examined the information on this form and to the best of my knowledge and belief it is true, correct, and complete. I further certify under penalties of perjury that:

- The entity identified on line 1 of this form is the beneficial owner of all the income to which this form relates, is using this form to certify its status for chapter 4 purposes, or is a merchant submitting this form for purposes of section 6050W,
- The entity identified on line 1 of this form is not a U.S. person,
- The income to which this form relates is: (a) not effectively connected with the conduct of a trade or business in the United States, (b) effectively connected but is not subject to tax under an income tax treaty, or (c) the partner's share of a partnership's effectively connected income, **and**
- For broker transactions or barter exchanges, the beneficial owner is an exempt foreign person as defined in the instructions.

Furthermore, I authorize this form to be provided to any withholding agent that has control, receipt, or custody of the income of which the entity on line 1 is the beneficial owner or any withholding agent that can disburse or make payments of the income of which the entity on line 1 is the beneficial owner.

I agree that I will submit a new form within 30 days if any certification on this form becomes incorrect.

Sign Here ▶

Signature of individual authorized to sign for beneficial owner | Print Name | Date (MM-DD-YYYY)

☐ **I certify that I have the capacity to sign for the entity identified on line 1 of this form.**

Part XXX Substantial U.S. Owners of Passive NFFE

As required by Part XXVI, provide the name, address, and TIN of each substantial U.S. owner of the NFFE. Please see instructions for definition of substantial U.S. owner.

Name	Address	TIN