

FLOW OF FUNDS

WHERE THE INVESTOR ENTERS

At step 6, after a court or trustee has confirmed the claim.

# How the Money Moves

The path of one surplus equity claim, from the auction to the investor. Every dollar is held by a named custodian at every stage, and every movement is documented by a court, trustee or county record.

Exhibit 1: Flow of funds in an after foreclosure asset

Illustrative example: a \$300,000 foreclosure sale against \$200,000 of debt

|                     |   |                                                                                                                                                                                      |                                     |
|---------------------|---|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------|
| HELD BY THE SALE    | 1 | <b>The auction</b><br>The property sells at a judicial or trustee foreclosure sale.                                                                                                  | <b>\$300,000</b><br>SALE PRICE      |
|                     | 2 | <b>The debt is satisfied</b><br>Senior debt and valid liens are paid in full from the sale proceeds.                                                                                 | <b>\$200,000</b><br>TO THE LENDER   |
|                     | 3 | <b>The surplus is held</b><br>The remainder is deposited with the clerk of court, trustee or county. By state law it belongs to the former owner.                                    | <b>\$100,000</b><br>HELD IN CUSTODY |
| PAID TO THE LENDER  | 4 | <b>The claim right is acquired</b><br>Milan CM acquires the former owner's right to the surplus.                                                                                     |                                     |
|                     | 5 | <b>The claim is confirmed</b><br>Milan CM's attorneys file the claim. The court or trustee confirms the surplus amount. Our attorneys work to have the claim released to us.         |                                     |
|                     | 6 | <b>The investor purchases</b><br>The investor buys a beneficial interest in a package of confirmed claims, under a Purchase and Sales Agreement.                                     | <b>Purchase</b><br>CAPITAL IN       |
| HELD IN CUSTODY     | 7 | <b>The disbursement</b><br>The custodian releases the funds to Milan CM's attorneys. The proceeds are then deposited into the investor's account on the platform, per the agreement. | <b>Payout</b><br>PROCEEDS OUT       |
|                     |   |                                                                                                                                                                                      |                                     |
| INVESTOR'S POSITION |   |                                                                                                                                                                                      |                                     |
|                     |   |                                                                                                                                                                                      |                                     |

WHY THE ASSET EXISTS

Foreclosure no longer implies negative equity. A January 2023 CFPB analysis found 81% of homeowners in active foreclosure held at least 10% equity. When the sale exceeds the debt, the difference is surplus equity, and much of it is never claimed.

WHY THE INVESTOR ENTERS LATE

The investor buys after the claim is confirmed (steps 5 to 6). The legal work and most of the waiting happen before the purchase. Timing to disbursement depends on the court or trustee's administrative processing.

WHAT THE AGREEMENT SETS

Each package has its own stated asset value and purchase price, written into its Purchase and Sales Agreement. Current packages typically state a 14% return, and it varies by package.

Figures are illustrative and do not describe a specific transaction. This material is for informational purposes only and is not an offer to buy or sell any security. Past results do not guarantee future results. Source: Consumer Financial Protection Bureau (January 2023, citing Black Knight data).