

## Collateral Transfer of Note and Lien

[property description/address]

### Basic Information

**Date:** [date]

**Debtor:** Hawthorne Interests, LLC, a Texas limited liability company  
**Debtor's Mailing Address:** Hawthorne Interests, LLC  
PO Box 667243  
Houston, TX 77266

**Secured Party:** Hawthorne Income Fund, LLC, a Delaware limited liability company  
**Secured Party's Mailing Address:** Hawthorne Income Fund, LLC  
PO Box 667243  
Houston, TX 77266

### Classification of Collateral: Instrument

**Collateral (including all accessions):** All of Debtor's interest in the Collateral Note and the Collateral Note Security.

**Collateral Note:** [dollar amount] note executed by [borrowers] (collectively "Maker"), and payable to the order of Hawthorne Land, LLC dated [date]

Current principal balance: [dollar amount]

**Collateral Note Security:** Vendor's lien retained in a deed from Debtor to Maker dated [date] recorded under File No. \_\_\_\_\_ in the Official Public Records of [county], [state], and Deed of Trust dated [date], recorded under File No. \_\_\_\_\_ in the Official Public Records of [county], [state].

### Property description:

[property description]

### Obligation:

Note in the amount of [amount] executed by Hawthorne Interests, LLC and payable to the order of Hawthorne Income Fund, LLC dated [date].

Collateral Note Payments: All payments on the Collateral Note are to be made directly to Debtor until after the occurrence of an event of default, at which time Secured Party may notify the Collateral Note maker to make all future payments to Secured Party.

Debtor grants to Secured Party a security interest in the Collateral and all its proceeds to secure Debtor's Obligation and all renewals of any of the Obligation.

**A. Debtor represents and warrants the following:**

1. Debtor owns the Collateral and has the authority to grant this security interest, free from any setoff, claim, restriction, security interest, or encumbrance except liens for taxes not yet due.
2. All information about Debtor's financial condition is or will be accurate when provided to Secured Party.
3. The current balance of the Collateral Note is correct.
4. The Collateral Note has not been modified and is not in default.
5. There are no defenses or offsets to the Collateral Note.
6. The lien of the Collateral Note Security is a first lien.
7. The Collateral represents the valid, legally enforceable obligation of the Collateral Note maker.
8. Debtor will keep the records of payments on the Collateral Note at Debtor's Mailing Address.

**B. Debtor agrees to-**

1. Defend the Collateral against all claims adverse to Secured Party's interest and keep the Collateral free from liens.
2. Pay all of Secured Party's expenses incurred to obtain, preserve, perfect, defend, and enforce this agreement or the Collateral and to collect or enforce the Obligation. These expenses will bear interest from the date of advance at the highest rate allowed by law and are payable on demand at the place where the Obligation is payable. These expenses and interest will become part of the Obligation and will be secured by this agreement.
3. Sign any documents that Secured Party considers necessary to obtain, maintain, and perfect this security interest.

4. Notify Secured Party immediately of any material change in the Collateral; change in Debtor's name, address, or location; change in any warranty or representation in this agreement; change that may affect this security interest; and any event of default.
5. Maintain accurate records of the Collateral; furnish Secured Party any requested information related to the Collateral; and allow Secured Party to inspect and copy all records relating to the Collateral.
6. Perform all obligations required under the Collateral Note Security.
7. Preserve the liability of all obligors on the Collateral and preserve the priority of all security for the Collateral.
8. On Secured Party's demand, deposit all payments received as proceeds of the Collateral in a special bank account designated by Secured Party, who alone will have power of withdrawal.
9. Cause the Collateral Note maker to pay and perform all obligations under the Collateral Note and the Collateral Note Security and inform Secured Party immediately of default in the payment or performance of the Collateral Note.

**C. Debtor agrees not to-**

1. Renew, extend, or modify the Collateral Note or grant releases of any part of the property securing the Collateral Note.
2. Modify any terms in the Collateral Note Security.
3. Commingle any payments on the Collateral with any of Debtor's other funds or property.

**D. Default and Remedies**

1. Debtor's defaults are-
  - a. failing to timely pay or perform any Obligation, covenant, or liability in any written agreement between Debtor and Secured Party;
  - b. making any false warranty, covenant, or representation in this agreement to Secured Party;
  - c. having a receiver appointed for Debtor or any of the Collateral;
  - d. assigning the Collateral for the benefit of creditors;

- e. to the extent permitted by law, having bankruptcy or insolvency proceedings commenced against or by any of the following parties: Debtor; any partnership of which Debtor is a general partner; or any maker, drawer, acceptor, endorser, guarantor, surety, accommodation party, or other person liable on or for any part of the Obligation;
  - f. the dissolution of any of the following parties: Debtor; any partnership of which Debtor is a general partner; or any maker, drawer, acceptor, endorser, guarantor, surety, accommodation party, or other person liable on or for any part of the Obligation; and
  - g. any default under the Collateral Note or the Collateral Note Security.
2. Secured Party may at any time-
- a. take control of any proceeds of the Collateral;
  - b. release any Collateral in Secured Party's possession to any debtor, temporarily or otherwise;
  - c. take control of proceeds of insurance on the Collateral Note Security and reduce any part of the Obligation accordingly or permit Debtor to use such funds to repair or replace damaged or destroyed Collateral covered by insurance;
  - d. demand, collect, convert, redeem, settle, compromise, receipt for, realize on, sue for, and adjust the Collateral either in Secured Party's or Debtor's name, as Secured Party desires; or
  - e. exercise all other rights available to an owner of such Collateral.
3. During the existence of any event of default, Secured Party may-
- a. declare the unpaid principal and earned interest of the Obligation immediately due in whole or part;
  - b. enforce the Obligation; and
  - c. exercise any rights and remedies granted by law or this agreement.
4. Foreclosure of this security interest by suit does not limit Secured Party's remedies, including the right to sell the Collateral under the terms of this agreement. Secured Party may exercise all remedies at the same or different times, and no remedy is a defense to any other. Secured Party's rights and remedies include all those granted by law or otherwise, in addition to those specified in this agreement.

5. If the Collateral is sold after default, recitals in the bill of sale or transfer will be prima facie evidence of their truth and all prerequisites to the sale specified by this agreement and by law will be presumed satisfied.

**E. Collateral Note/Enforcement of Power of Sale**

1. Debtor has endorsed and delivered the Collateral Note to Secured Party. Secured Party is the holder of the Collateral Note and the sole party with power to appoint a substitute trustee or request the trustee to act. Any foreclosure action requested by Debtor is void.

2. Any foreclosure sale under the Collateral Note Security will be at such time and on such terms as Secured Party may, in its discretion, approve. If Secured Party approves a bid from Debtor without payment in full of the Collateral Note, Debtor must provide a mortgagee's title insurance policy with only such exceptions as Secured Party approves and execute such additional security documents as Secured Party may require.

3. Debtor assigns, transfers, and conveys to Secured Party all amounts due on the Collateral Note. Collateral Note maker is directed to make payments on the Collateral Note in accordance with the Collateral Note payments provision above.

4. Debtor indemnifies Secured Party from all claims made against or incurred by Secured Party from any action in connection with the Collateral Note or the Collateral Note Security documents.

**F. General**

1. Notice is reasonable if it is mailed, postage prepaid, to Debtor at Debtor's Mailing Address at least ten days before any public sale or ten days before the time when the Collateral may be otherwise disposed of without further notice to Debtor.

2. This security interest will neither affect nor be affected by any other security for any of the Obligation. Neither extensions of any of the Obligation nor releases of any of the Collateral will affect the priority or validity of this security interest as to any third person.

3. This agreement binds, benefits, and may be enforced by the successors in interest of the parties, except as otherwise provided. Assignment of any part of the Obligation and Secured Party's delivery of any part of the Collateral will fully discharge Secured Party from responsibility for that part of the Collateral. All representations, warranties, and obligations are joint and several as to each Debtor.

4. Secured Party's delay in exercising, partial exercise of, or failure to exercise any of its remedies or rights does not waive Secured Party's rights to subsequently exercise those remedies or rights. Secured Party's waiver of any default does not waive any further default by Debtor. Secured Party's waiver of any right in this agreement or of any default is binding only if it is in writing. Secured Party may remedy any default without waiving it.

5. This agreement may be amended only by an instrument in writing signed by Secured Party and Debtor.
6. The unenforceability of any provision of this agreement will not affect the enforceability or validity of any other provision.
7. This agreement will be construed according to Texas law. This agreement is to be performed in the county of Secured Party's Mailing Address.
8. Interest on the Obligation secured by this agreement will not exceed the maximum amount of nonusurious interest that may be contracted for, taken, reserved, charged, or received under law. Any interest in excess of that maximum amount will be credited on the principal of the Obligation or, if that has been paid, refunded. On any acceleration or required or permitted prepayment, any such excess will be canceled automatically as of the acceleration or prepayment or, if already paid, credited on the principal of the Obligation or, if the principal of the Obligation has been paid, refunded. This provision overrides any conflicting provisions in this and all other instruments concerning the Obligation.
9. In no event may this agreement secure payment of any debt that may not lawfully be secured by a lien on real estate or create a lien otherwise prohibited by law.
10. When the context requires, singular nouns and pronouns include the plural.
11. Notwithstanding anything herein to the contrary, the conveyance of the Collateral Note to Secured Party solely constitutes a collateral assignment of the Collateral Note and Secured Party may not collect, enforce or seize upon the Collateral or otherwise exercise the rights of a holder of the Collateral Note until an event of default occurs with respect to the Obligations. Without limiting the generality of the foregoing, until an event of default by Debtor has occurred, Secured Party shall not complete any allonge-in-blank provided to Secured Party or execute any allonge to assign the Collateral Note to any third party. Upon the payment and performance in full of the Obligations, (a) the collateral assigning of the Collateral Note to Secured Party and the security interest granted to Secured Party thereby shall terminate, become null and void and be of no further force and effect, and (b) Secured Party shall (i) return the Collateral Note, including any allonge thereto, to Debtor (ii) if necessary, execute an allonge to re-assign the Collateral Note to Debtor, and (iii) deliver and, if necessary, record a re-assignment of the Collateral Note Security to Debtor.

Hawthorne Interests, LLC  
By: Hawthorne Interests Manager, LLC, its Manager

By: \_\_\_\_\_  
Douglas Lee Smith, Manager

STATE OF TEXAS           §  
COUNTY OF HARRIS    §

This instrument was acknowledged before me on \_\_\_\_\_, \_\_\_\_\_, by  
Douglas Lee Smith, Manager of Hawthorne Interests Manager, LLC, a Texas limited liability  
company and on behalf of said limited liability company.

\_\_\_\_\_  
Notary Public, State of Texas  
My commission expires: \_\_\_\_\_

AFTER RECORDING RETURN TO:

Hawthorne Income Fund, LLC  
PO Box 667243  
Houston, TX 77266

**ALLONGE TO NOTE**

ALLONGE TO NOTE DATED [FILL IN DATE OF UNDERLYING NOTE], EXECUTED BY [FILL IN UNDERLYING BORROWERS] IN THE ORIGINAL PRINCIPAL AMOUNT OF [FILL IN AMOUNT] PAYABLE TO HAWTHORNE LAND, LLC, A TEXAS LIMITED LIABILITY COMPANY.

SUCH NOTE WAS TRANSFERRED TO HAWTHORNE INTERESTS, LLC, A TEXAS LIMITED LIABILITY COMPANY PURSUANT TO AN ALLONGE DATED [DATE OF TRANSFER OF LOAN FROM HAWTHORNE LAND TO HAWTHORNE INTERESTS].

PAY TO THE ORDER OF \_\_\_\_\_ without recourse, representation or warranty, express or implied.

Hawthorne Interests, LLC

By: Hawthorne Interests Manager, LLC, its Manager

By:

\_\_\_\_\_  
Douglas Lee Smith, Manager

**THIS ALLONGE TO NOTE SHOULD BE PERMANENTLY AFFIXED TO THE PROMISSORY NOTE DESCRIBED ABOVE**