allonge

Investor Packet

CLOSED BETA

Access income-oriented residential mortgage investments starting at $5,000.

Available exclusively to accredited investors.

Private offerings made under Regulation D, Rule 506(c).

Important Notice

This document is provided for informational purposes only. It is not an offer to sell or a solicitation of an offer to buy any security. Any offer or sale of securities will be made only through definitive offering documents made available to eligible investors who have completed required verification.

Investments in private offerings involve substantial risk, including the possible loss of principal. They are illiquid, may not perform as projected, and are appropriate only for investors who can bear that risk and who do not require near-term access to invested capital.

Allonge is currently available only to accredited investors as defined under SEC Rule 501 of Regulation D. Verification of accredited investor status is required before any investment may be made.

Statements regarding target yields, projected returns, internal rate of return, and similar forward-looking metrics reflect management's current expectations based on assumptions described in this packet. Actual results will differ. Target returns are not guaranteed and depend on borrower performance, prepayment behavior, servicing costs, fees, and the specific terms of each offering.

This document contains illustrative deal examples that are educational in nature and do not represent actual investments offered or completed by Allonge. References to specific loan parameters are hypothetical and intended to demonstrate the mechanics of the investment structure.

Investments are not bank deposits, are not FDIC insured, and are not guaranteed by any government agency.

Please review the Risks section of this packet carefully before making any investment decision. The full terms of any offering, including all risks, fees, and restrictions, will be set forth in the offering documents for that specific investment.

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Founder & Chief Executive Officer

FROM THE FOUNDER

A Note from Marc Hernandez

Thank you for taking the time to review this packet.

In March of 2022, I was president of an independent mortgage lender originating roughly $1.5 billion in annual loan volume. We had about $5 million in scratch-and-dent mortgages sitting on our warehouse lines — performing loans we couldn't sell through standard channels because of paperwork, eligibility, or administrative issues at the loan level. Borrowers were paying on time. The collateral was sound. But the loans had defects that disqualified them from our intended execution and revenue target. And the highest bids we received were deeply discounted. We took millions of dollars in real capital losses on assets that should have been worth full value.

Two things became clear watching that play out. First, the buyers on the other side of those trades were earning strong risk-adjusted returns on real property-backed assets — the loans were performing exactly as written. Second, those buyers were almost exclusively large institutions and specialized funds. Individual accredited investors had no way to access that market, even though they had every right to participate in one of the largest fixed-income markets in the world — approximately $13 trillion in U.S. residential mortgage debt outstanding, secured by a housing stock valued in excess of $50+ trillion.

Allonge is what I built to close that gap. We focus on the same scratch-and-dent loans I used to sell at a loss. The discount that punished my old company is the same discount that creates the yield premium we now pass to our investors. Borrowers continue making payments on time. The fundamentals are the same. The difference is who gets to participate.

We use blockchain tokenization as infrastructure to make fractional ownership operationally feasible at a $5,000 minimum. The investment thesis is built on real borrowers making real monthly payments on real properties — the same fundamentals that have backed residential mortgages for a century. The technology is plumbing, not the product.

This packet walks through the asset class, our process, the fee structure, the risks, and how the investment actually produces value. If you're going to put capital to work here, you should understand all of it. If anything raises a question, I'd rather you ask before you decide than after.

You can reach me directly at marc@allonge.io or schedule time with our team using the link at the back of this packet.

Thank you for considering Allonge.

— *Marc Hernandez*

Founder & Chief Executive Officer

QUICK SUMMARY

Allonge at a Glance

If you read nothing else in this packet, here is what matters most.

$5,000 Minimum investment per offering — vs. the $250,000+ typically required for comparable private credit	**8–11%** Target gross annual yield, with additional return potential at payoff as the discount pulls to par. Not guaranteed; varies by offering.
12 mo. Minimum lock-up period before you may request to sell a position	**1st lien** Real-asset backing — fractional interests in performing residential mortgages secured by U.S. real estate

What Allonge is

A private investment platform that gives accredited investors fractional access to performing residential scratch-and-dent mortgages — loans that traditional buyers can't easily resell because of paperwork, eligibility, or administrative defects, and which therefore trade at a discount.

What you are investing in

A fractional interest in real, performing residential mortgages secured by U.S. real estate. Borrowers make monthly payments. You receive monthly distributions of your share of the interest. Principal is returned when the loan pays off or when you sell your position after the lock-up period.

Who it's built for

Accredited investors who want fixed-income yield from real-asset-backed cash flows, are comfortable with a 12-month minimum lock-up, and don't need short-term access to invested capital.

WHAT TO DO NEXT

- Read this packet in full.
- Verify accredited investor status through our secure portal.
- Review available offering documents for any specific investment.
- Contact our team if you have questions before deciding.

THE ASSET CLASS

What are scratch-and-dent mortgages?

Performing loans at a discount — because of paperwork, not borrower distress.

THE ASSET CLASS

What Are Scratch-and-Dent Mortgages?

Scratch-and-dent mortgages are residential loans that may be harder to sell through standard secondary-market channels — not because the borrower is in trouble, but because of administrative, documentation, underwriting, or eligibility issues at the loan level. Most are performing loans, with borrowers making payments on time.

These loans typically cannot be delivered to agency buyers (Fannie Mae, Freddie Mac, Ginnie Mae) or large securitization channels because they fail one or more eligibility tests at the time of attempted sale. Lenders are then forced to either cure the defect, hold the loan on their warehouse line indefinitely (tying up capital), or sell at a discount to specialized buyers.

Because fewer buyers can process these loans efficiently, they often trade at a meaningful discount to face value. That discount is the source of the yield premium for our investors. The opportunity isn't a riskier borrower — it's an inefficient market that pushes paperwork issues into a price discount we can pass along.

> **IMPORTANT DISTINCTION**
>
> "Scratch-and-dent" does not mean "distressed" or "non-performing." It refers specifically to loans with defects in their administrative or eligibility profile — typically while the borrower is still paying on time. The discount comes from market inefficiency, not from borrower distress.

Common Defect Types We Acquire

Scratch-and-dent loans we evaluate typically fall into one or more of the following categories. The discount available on each varies based on defect severity, curability, and the specific seller's situation.

Documentation defects

Missing or incomplete loan files, lost or unreadable signatures, post-closing document deficiencies.

Investor eligibility issues

Guideline exceptions not properly documented, loans that exceeded conforming limits at origination, agency overlay failures.

Post-closing defects
Issues identified after the loan funded that disqualify it from secondary-market delivery.

Administrative / delivery issues
Failed delivery to the intended investor, expired commitment lines, missed delivery windows.

Compliance technicalities
Disclosure timing issues, TRID errors of a non-material nature, state-specific compliance items requiring review.

Cure-required loans
Defects that can be cured but require time and operational work the original lender doesn't want to absorb.

In each case, the borrower's payment performance and the underlying collateral are the foundation of the investment thesis. The defect is a paperwork issue affecting marketability, not a credit issue affecting performance.

OUR PROCESS

How Allonge Sources and Vets Loans

Allonge focuses on five disciplines: sourcing, evaluation, acquisition, servicing, and investor administration. Each one matters; weakness in any one undermines the whole investment thesis.

1 Sourcing

We maintain relationships with a broad network of mortgage originators, warehouse banks, mortgage REITs, and secondary-market participants who carry scratch-and-dent inventory. Loans come to us continuously as part of normal secondary-market flow. We are not dependent on any single counterparty.

2 Initial Evaluation

Every loan goes through a screening process before we make an offer. We evaluate borrower payment history, current loan-to-value ratio, debt-to-income ratio, employment stability indicators, property value, and the specific nature of the defect. Loans that don't meet our criteria are declined.

3 Defect Assessment and Cure Path

For each loan that passes initial evaluation, we determine whether the defect is curable, what cure would require, and what the loan would be worth post-cure. Some defects are curable through document recovery or recertification; others remain permanent paperwork issues that simply restrict marketability.

4 Pricing and Acquisition

Pricing reflects loan characteristics, defect type, expected hold period, projected cash flow, and the discount required to deliver our target yield to investors after fees. We acquire loans only when the math works for both Allonge and our investors.

5 Servicing and Reporting

Acquired loans are placed with established third-party servicers who handle borrower payment collection, escrow management, and customary loan administration. Allonge oversees the servicing relationship, monitors performance, and provides monthly reporting to investors through the platform.

WHAT WE DON'T DO

- We do not originate new mortgages. We acquire performing loans in the secondary market.
- We do not invest in non-performing loans, REO properties, or distressed real estate. The borrower must be paying.
- We do not take operational shortcuts on documentation, compliance, or servicing. The discount is the opportunity, not lax process.

TECHNOLOGY

How We Use Blockchain

Allonge uses tokenization as infrastructure — the technology that lets us divide a mortgage into fractional shares, track ownership, and distribute monthly payments efficiently at scale. It is how we can offer a $5,000 minimum in a market historically reserved for institutional buyers.

This is not crypto. Blockchain is plumbing: it lowers operational costs, streamlines ownership transfer, and makes distributions more efficient than traditional fund structures.

Why we use it

Traditional fund structures rely on layers of administrators, custodians, and transfer agents to track who owns what, calculate distributions, and process payments. Each layer adds cost, time, and reconciliation risk.

Tokenization compresses that stack. A single tokenized representation of a fractional interest is recorded on a blockchain ledger that is auditable, immutable, and accessible in real time. The result is lower operational overhead, faster ownership transfer, and more transparent distribution mechanics.

What it changes for you

- ✓ You can invest in fractional positions starting at $5,000 because the per-investor administrative cost is dramatically lower.
- ✓ Your investment is recorded on an auditable ledger. You can verify your position at any time.
- ✓ Distributions arrive in your Allonge wallet in the app, from which you can withdraw to your bank or reinvest.
- ✓ Ownership transfer (after lock-up) does not require the operational machinery of a traditional fund.

What it does not change

- — The investment is still in residential mortgages. The cash flows still come from borrower payments.
- — Returns still depend on borrower performance, not on the price of any cryptocurrency or token.
- — Your principal is at risk based on the underlying loans, not based on speculative trading.

If your concern is crypto volatility, that is not what you are buying here. You are buying a fractional interest in a performing mortgage, with a digital wrapper that makes the whole thing operationally feasible at this scale.

ILLUSTRATIVE DEAL EXAMPLE · 1 OF 3

DFW Single-Family Residence

A representative scratch-and-dent acquisition.
Numbers are illustrative and educational —
they do not reflect an actual investment.

ILLUSTRATIVE DEAL EXAMPLE · 1 OF 3

DFW Single-Family Residence

Property and Borrower Profile

Property type	**Single-family residence**
Market	**Dallas–Fort Worth metro, TX**
Original purchase price	**~$365,000**
Current estimated value	**~$425,000**
Loan vintage	**2021**
Original term	**30-year fixed-rate mortgage**
Loan-to-value at origination	**~80%**
Borrower employment	**W-2, stable industry**
Payment history	**24 consecutive on-time payments**

The Defect

Post-closing document deficiency. The original lender's final inspection certificate was not properly recorded in the loan file at closing. Discovery of the deficiency post-funding disqualified the loan from agency delivery.

Borrower performance is unaffected. Monthly payments have continued on time. The property securing the loan is unchanged. The defect is administrative: a missing certificate that prevents the loan from being sold through standard channels until the document is recovered or a substitute is recertified.

WHY THIS MATTERS

The loan is otherwise a clean, performing mortgage. The defect creates the discount; the discount creates the yield. Borrowers like this one continue paying regardless of the paperwork status.

Investment Economics

Unpaid Principal Balance (UPB)	**$312,000**
Note coupon	**7.5%**
Allonge acquisition price	**80% of UPB ($249,600)**
Investor subscription price	**87% of UPB ($271,440)**
Net yield to investor (after fees)	**~8.4%**
Projected IRR (5-year est. hold)	**~10.5%**
Minimum investment	**$5,000**
Distribution frequency	**Monthly (interest only)**
Lock-up period	**12 months**

The cash flow walk-through and risk scenarios for this deal continue on the following pages.

ILLUSTRATIVE DEAL EXAMPLE · 2 OF 3

Cash Flow Walkthrough

What a $10,000 investment in the DFW deal example would look like, dollar by dollar, over a hypothetical 5-year hold. The math is the same regardless of investment size — proportional to your share of the loan.

Step 1 · Calculate Your Share

You invest $10,000 at the subscription price of 87% of UPB ($271,440 total). Your ownership stake in the loan is:

```
$10,000 ÷ $271,440 = 3.683% of the loan
```

Step 2 · Monthly Distribution (Running Yield)

The loan generates annual interest of $312,000 (UPB) × 7.5% (note coupon) = $23,400 per year. Your share of that interest is:

```
3.683% × $23,400 = $861.81/yr ÷ 12 = ~$71.82 / month (gross)
```

After the 25-basis-point processing fee, your net monthly distribution is approximately **$71.64**.

Step 3 · Year-by-Year Cash Flow

Assuming the loan continues performing and pays off at year 5:

Year	Monthly	Annual	Cumulative	Event
1	$71.64	$859.65	$859.65	
2	$71.64	$859.65	$1,719.30	
3	$71.64	$859.65	$2,578.95	
4	$71.64	$859.65	$3,438.60	
5	$71.64	$859.65	$4,298.25	Loan pays off
Payoff	**—**	**$11,489**	**$15,787**	**Principal returned**

Step 4 · Where the Return Comes From

Your total cash received over 5 years is approximately $15,787 on a $10,000 investment. That return is composed of two parts:

- Monthly interest distributions: ~$4,298 over 5 years
- Principal returned at payoff: ~$11,489 (3.683% × $312,000 UPB)

> **THE SECOND SOURCE OF RETURN**
>
> Note the payoff number: $11,489 returned on a $10,000 investment. That's a $1,489 capital gain at payoff because you subscribed at a discount to UPB. This pull-to-par accretion is what produces the IRR boost beyond the running yield.

Step 5 · Calculating IRR

Combining 60 months of monthly distributions ($71.64 each) plus the $11,489 principal return at month 60, the internal rate of return on this investment is approximately **10.5%**. That is meaningfully higher than the ~8.4% running yield because IRR captures both income and capital accretion. The longer the loan takes to pay off, the more the principal gain is spread across years, which lowers IRR. The shorter the hold, the higher the IRR — but the lower the absolute cash income.

ILLUSTRATIVE DEAL EXAMPLE · 3 OF 3

What Could Go Wrong

The cash flow walkthrough on the previous page assumed the loan performs as expected and pays off at year 5. Real loans don't always cooperate. Here is what each plausible deviation would mean for your $10,000 investment.

SCENARIO A

Borrower Stops Paying at Year 2

If the borrower stops making payments in year 2, monthly distributions stop. The servicer initiates a workout process, which may include forbearance, modification, or, if those fail, foreclosure proceedings. Outcomes depend on borrower circumstances, state law, and the nature of the default.

In this scenario, your cumulative distributions through year 2 would be approximately $1,719. Foreclosure recovery could return some, all, or none of the principal balance depending on property value, foreclosure costs, and timing. Foreclosure on owner-occupied residential property in the U.S. typically takes 6–24 months and recovers 70–95% of UPB after costs, but outcomes vary widely. In a worst case, you could lose a portion of your principal.

The collateral backing this loan (the home) is the primary protection against this scenario. The borrower's payment history, the property's loan-to-value ratio, and our review of the collateral at acquisition are the controls we use to manage this risk before we acquire.

SCENARIO B

Loan Prepays at Year 1

If the borrower refinances or sells the property at year 1, the loan pays off early. You receive your principal back ($11,489) plus 12 months of distributions (~$860). Total return: ~$12,349 on $10,000 in one year — a strong absolute return.

However, the IRR effect of an early payoff cuts both ways. The monthly cash flows are minimal, so most of the return comes from the principal pull-to-par. That makes the one-year IRR very high (over 20%), but the absolute dollar return is much smaller than holding for 5 years (~$5,787 difference).

Prepayment risk is real — residential mortgages prepay frequently due to refinances and home sales. We model expected prepayment scenarios into our acquisition pricing, but actual prepayment timing is unpredictable.

SCENARIO C

Cure Takes Longer Than Expected

In some scratch-and-dent loans, the defect is curable through document recovery, recertification, or other operational steps. If we expect cure within 90 days and it takes 12 months instead, the loan stays in our portfolio longer than projected, and any planned post-cure resale at full value is delayed.

This does not affect borrower payments — distributions continue normally. It does affect Allonge's operational economics on that specific loan and potentially the timing of any liquidity event.

From the investor's perspective, this scenario is largely cash-flow neutral as long as the borrower keeps paying. The yield continues, the lock-up period progresses, and the deal proceeds toward its eventual payoff or sale.

WHAT THIS TEACHES

Three takeaways from these scenarios:

- **Borrower performance is the dominant variable.** The defect is a paperwork issue; the credit risk is the borrower.
- **Prepayment is a feature, not a flaw.** Early payoffs return your principal sooner with full discount accretion captured.
- **Cure timing affects Allonge's economics more than the investor's running cash flows.**

The Risks section later in this packet covers all of these scenarios — and others — in more depth and across the broader portfolio context.

YIELD MECHANICS

How Your Return Is Calculated

The math behind Allonge investments, in more detail than the website. If you've read the deal example, this is the underlying logic that produces those numbers.

Two Components of Return

Running yield

The monthly interest distributions you receive while you hold the position.

Principal accretion

The difference between what you paid (subscription price) and what you receive when the loan pays off (UPB).

Component 1 · Running Yield

Borrowers make monthly principal-and-interest payments to the loan servicer. Allonge passes the interest portion to investors monthly, in proportion to each investor's ownership stake. Principal payments are held within the investment until the loan pays off or you sell after the lock-up.

```
Annual interest on UPB ÷ Investor subscription
price = Running yield (gross)
```

Because the investor subscribes at a discount to UPB, the running yield always exceeds the note coupon. A 7.5% note acquired at an 87% subscription price produces a gross yield of approximately 8.62% (7.5% ÷ 0.87), which becomes ~8.4% net of the 25-basis-point processing fee.

Component 2 · Principal Accretion at Payoff

Residential mortgages eventually pay off — borrowers refinance, sell the home, or pay through to maturity. When the loan pays off, the full unpaid principal balance is returned.

You subscribed at a discount. The borrower pays off at par. If you bought at 87% of UPB and the loan pays off at 100%, the 13-point difference is a capital gain on top of every dollar of monthly interest you collected.

This is the IRR booster. It is what makes Allonge investments produce returns in the 8–11% range despite the underlying loans having coupons in the 6.5–8.5% range.

Putting It Together: IRR

IRR is the annualized rate that combines all cash flows — monthly distributions plus principal return — into a single return figure. For the DFW example with a 5-year hold:

- 60 monthly distributions of ~$71.64 each = ~$4,298
- Principal returned at month 60: ~$11,489
- Total cash on $10,000 invested: ~$15,787 over 5 years
- **Implied IRR: ~10.5%**

What affects your actual return

- **Hold period** — how long the loan takes to pay off after you invest.
- **Borrower performance** — defaults reduce both running yield and principal return.
- **Servicing costs and fees** — covered in the Returns and Fees section that follows.

These projections assume the borrower performs as expected and the loan pays off at par. The Risks section covers the scenarios where one or more of these assumptions fail.

RETURNS & FEES

How Returns and Fees Work

No hidden mechanics. Exactly what we charge, what other costs may apply, and how investor proceeds flow.

Fees that apply today

- **25 basis points (0.25%) processing fee** on each monthly interest distribution. Charged on the gross distribution; the net amount is what arrives in your wallet.
- **No annual management fee** during the closed beta. (See Beta Advantage.)
- **No subscription, acquisition, or onboarding fees** passed to investors. Acquisition costs are negotiated with the seller of each loan and are not passed through.

Other costs investors should be aware of

These are not separate Allonge charges but are part of the operational economics of mortgage investing:

- **Loan servicing fees** — paid to the third-party servicer. Typically deducted at the loan level before distributions reach investors. Standard industry rates apply.
- **Workout or collection costs** in the event of borrower default — typically netted from recovery proceeds, not separately invoiced.
- **Wallet withdrawal to a bank account** — currently no charge. Any future fee will be disclosed in advance.
- **Tax document preparation** — covered by Allonge during the closed beta. Future treatment disclosed if it changes.
- **Custody fees for tokenized assets** — currently absorbed by Allonge. Subject to change with notice.

How distributions are paid

Monthly interest distributions are deposited directly into your Allonge wallet within the platform. From your wallet, you can withdraw to your linked bank account via ACH, reinvest into new offerings, or hold the balance for future use. Principal is returned when the underlying loan pays off, or when you sell your position after the 12-month lock-up. There is no guarantee of timing or specific liquidity for any sale of your position.

A NOTE ON FUTURE CHANGES

Allonge reserves the right to update its fee structure for new offerings as the platform matures. Any changes will be disclosed in the offering documents for each new investment and will not retroactively affect investments made under prior fee terms. Beta-era investments retain their original fee treatment for the life of those investments.

TRANSPARENCY

How Allonge Makes Money

Sophisticated investors will ask this. Better to answer it before they have to. Allonge generates revenue from three sources, in order of significance.

1 Acquisition-to-Subscription Spread (Primary)

We acquire loans at a deeper discount than we offer to investors. In the DFW deal we acquired at 80% of UPB and offered subscriptions at 87% — a 7-point spread on a $312,000 UPB loan, approximately $21,840 of platform revenue, captured at subscription completion. This is the primary economic engine, rewarding Allonge for sourcing, vetting, structuring, and operationally enabling each opportunity.

2 Processing Fee

The 25-basis-point processing fee on each monthly interest distribution. Small relative to the spread, but it provides ongoing alignment between Allonge's revenue and investor activity over the life of each investment.

3 Future Management Fees (Post-Beta)

Allonge intends to introduce a modest annual management fee for new investments made after the closed beta. This fee is not charged to beta-era investments. The specific structure will be disclosed before non-beta offerings begin.

> **WHY THIS IS THE RIGHT ALIGNMENT**
>
> Investors still subscribe at a meaningful discount to face value (here, 13 points below UPB), which is the source of their yield premium. We earn our margin on the discount we negotiated; investors earn their return on the discount we passed through. Both sides need the underlying loan to perform — if the borrower defaults, both Allonge's reputation and the investor's capital are at risk.

What we do not earn revenue from

- **Acquisition fees from sellers** — negotiated as part of the loan purchase; operational economics, not investor pass-through.
- **Borrower payments outside platform pass-through** — Allonge does not retain interest income beyond the processing fee.
- **Speculation or token price movements** — there is no cryptocurrency or token whose price affects platform revenue.

CLOSED BETA ADVANTAGE

Why Joining Now Matters

Allonge is operating in a closed beta — a small, carefully selected group of accredited investors as we refine the platform, complete our first cohort of investments, and build a track record. Beta participants receive advantages that will not be available afterward.

No annual management fee

Beta participants pay no annual management fee on beta-era investments — for the life of those investments. After beta, new offerings introduce a management fee. Beta-era investments are grandfathered until they pay off or are sold.

First purchase option on new acquisitions

Beta investors get priority access to new offerings. When we acquire and structure a new loan, beta participants are notified first and have a defined window to subscribe before it opens to non-beta investors.

Direct access to the founding team

Questions during diligence go directly to me or a member of our small founding team. As we scale, this access becomes harder to provide. During the beta, it is the default.

Influence on platform development

Beta investors are our first customers. Your feedback on the platform, the offering process, and the reporting interfaces materially shapes how we build forward.

Why we structured it this way

Closed beta is a deliberate choice. We want to grow this platform carefully — operationally, legally, and reputationally. Working with a smaller group lets us complete a meaningful first cohort of acquisitions, validate our process end-to-end, and ensure everyone who participates has the support they need. In exchange for being early — and accepting the platform risk that comes with it — beta participants receive economics and access that will not exist post-beta. This is the standard trade-off in early-stage private investments. It is not a marketing flourish.

If you are reading this packet, you have likely been invited to participate in the closed beta directly. The beta is not open enrollment. Eligibility requires accredited investor verification and acceptance into the program.

HOW IT COMPARES

Where Allonge Sits in Fixed Income

Fixed-income investors choose between yield, liquidity, minimum investment, and asset backing. Here is where Allonge sits relative to other alternatives accredited investors consider.

Not a complete list. Yield ranges are approximations from public market data as of late 2025 and fluctuate with market conditions.

Asset Class	Yield	Min. Investment	Liquidity	Real Asset Backing	Primary Risk
Money market / CDs	4.0–5.0%	$1,000+	Daily / term	—	Inflation, low real yield
U.S. Treasury (10-yr)	~4.5%	$100	Daily	—	Interest rate, inflation
Investment-grade corporate bonds	4.5–6.0%	Varies	Daily	—	Credit, interest rate
Municipal bonds	3.5–5.0%	Varies	Daily	—	Credit, interest rate
Agency MBS	5.0–6.5%	Varies	Daily	Implicit (govt)	Prepayment, interest rate
High-yield corporate bonds	6.5–8.5%	Varies	Daily	—	Credit / default
Public REITs	3.5–5.5%	~$50	Daily	Yes (equity)	Equity volatility
BDCs	8–11%	~$50	Daily	—	Credit, equity volatility
Private credit funds	8–12%	$250,000+	Quarterly / annual	—	Illiquidity, credit
Allonge S&D Mortgages	**8–11%***	**$5,000**	**12-mo lock-up**	**Yes (1st lien)**	**Borrower default, illiquidity**
Public equities (S&P 500)	1.3% (div)	Any	Daily	Operating co.	Market volatility, no income focus
Cryptocurrencies	0% (none)	Any	Daily	—	Speculation, extreme volatility

*Gross yield on subscription price, net of fees. Subject to borrower performance and offering terms. Past performance does not guarantee future results.

HOW IT COMPARES — CONTINUED

Where Allonge Fits in Your Portfolio

Allonge is a fixed-income alternative — not an equity investment, not a speculative position, not a substitute for cash.

We are not equities

Equities derive return primarily from price appreciation and operating-company performance. Volatility is high; income (dividends) is typically a small fraction of total return. Allonge does not generate equity returns or upside from rising asset prices. We provide income from contractual loan payments. If you are looking for equity-like upside, we are not your investment.

We are not crypto

Cryptocurrencies derive value from speculation, network effects, and protocol scarcity dynamics. They produce no income and are extremely volatile. Allonge uses tokenization as infrastructure, but the investment thesis has nothing to do with crypto. If you are concerned about crypto volatility, the structure we use is not what you are exposed to.

We are a yield-focused fixed-income alternative

Compared to traditional fixed income — Treasuries, IG corporate bonds, public REITs — we offer materially higher yields. Compared to high-yield corporate bonds and BDCs, our yield is competitive, but our underlying assets have first-lien claims on real residential property rather than unsecured corporate debt. Compared to private credit funds, our yield range is similar, but our minimum investment is approximately 1/50th of typical private credit minimums.

Yield comparable to private credit, backed by real residential property, at a minimum that doesn't require institutional scale. There are not many places in fixed income that combine all three.

HOW FINANCIAL ADVISORS TYPICALLY POSITION THIS

"Allonge is a private mortgage-backed alternative that fills the high-yield, real-asset-backed slice of a diversified fixed-income allocation. It is not a substitute for liquid bonds, but it is a meaningful complement at lower correlations to equity markets than typical credit products." Allonge is not designed to be a 100% allocation — it is a measured, real-asset-backed addition to a portfolio that already contains liquid fixed income, equities, and other holdings.

THE INVESTOR EXPERIENCE

From Application to Distribution

What investing with Allonge looks like, end to end. Six steps, each designed to give you the information and documents you need to make an informed decision.

1 Apply for Beta Access

Create an account and provide basic profile information. This is the entry point — you are not yet committed to any investment. You are establishing eligibility to evaluate offerings.

2 Verify Eligibility

Allonge uses a standard accredited investor verification process. You provide documentation supporting your status — typically through income, net worth, or professional certification. Verification is handled by a third-party verifier and is required before any investment.

3 Review Offering Materials

Once verified, you access specific offerings as they become available. For each: the offering memorandum or summary; loan- or pool-level information; the fee structure; the risk factors; and any other required documents. Read them in full before subscribing.

4 Subscribe

If an offering is the right fit, you subscribe through the platform — signing subscription documents, funding via ACH or wire, and receiving confirmation of your fractional position. The position is recorded on the platform and on the underlying tokenization ledger.

5 Receive Reporting and Distributions

From subscription forward, you receive monthly reports showing performance, distributions, and material updates. Monthly interest distributions arrive in your Allonge wallet as borrower payments are processed.

6 Exit at Payoff or After Lock-Up

Your investment is returned when the underlying loan pays off, or when you sell your position after the 12-month lock-up. Sales after lock-up are subject to platform transfer mechanics and buyer availability; there is no guarantee of liquidity or specific exit price.

RISKS

Risks and important considerations

Sophisticated investors expect honest risk disclosure. Read this section in full. If any of these risks make you uncomfortable, this may not be the right investment for you.

RISKS

Risks and Important Considerations

The following risks are material to any Allonge investment. This list is comprehensive but may not be exhaustive — the offering documents for any specific investment will contain additional risk factors specific to that deal.

01

Borrower Default Risk

If a borrower stops making monthly payments, interest distributions may be reduced or suspended. The servicer initiates a workout process, which can include forbearance, modification, or foreclosure. Outcomes vary widely based on borrower circumstances, state law, foreclosure timelines, and recovery values. A worst-case borrower default could result in loss of some or all of your invested principal.

Allonge evaluates each borrower's payment history, debt-to-income ratio, employment stability, and collateral position before acquiring a loan. Past payment performance does not guarantee future performance.

02

Liquidity Risk

Investments are subject to a 12-month minimum lock-up period. After that period, you may request to sell your position, but there is no guarantee of a buyer at any specific price. The platform facilitates secondary transfer but does not provide a market-making function. If you need access to your invested capital before the underlying loan pays off, you may not be able to obtain it on the timeline or at the price you want.

03

Concentration Risk

Investing in a single loan exposes you to the performance of one borrower and one property. We strongly recommend spreading your capital across multiple offerings to reduce single-loan exposure. The 12-month lock-up applies per investment, not per portfolio.

04

Platform / Operational Risk

Allonge is an early-stage company in private beta. If our operations were disrupted — through funding, regulatory, key-personnel, or technology issues — your investment would be governed by the offering documents and applicable law, not by the continuity of the platform. We carry insurance and operate under standard fiduciary frameworks, but platform risk is real and should be considered.

05

Servicer Risk

Borrower payments are collected by third-party loan servicers. If a servicer fails or experiences operational disruption, distributions may be delayed. Allonge maintains relationships with multiple servicers and oversees servicing performance, but servicer risk is a real component of mortgage investing.

06

Cure and Re-marketing Risk (Scratch-and-Dent Specific)

Some loans we acquire have curable defects. Cure timing affects when (and whether) a loan can be re-sold at full value. If cure takes longer than expected — or fails — the operational economics of the deal change. This generally affects Allonge's economics more than investor cash flows, but it can affect timing of liquidity events tied to loan disposition.

07

Prepayment Risk

Residential mortgages prepay frequently. Refinances, home sales, and scheduled payoffs all return principal earlier than projected hold periods. Prepayment is generally favorable to investors (capital returned with discount accretion captured), but it shortens the period over which you collect monthly interest. Total absolute return can be lower in early-prepayment scenarios than in longer-hold scenarios.

08

Return Variability

Target yields of 8–11% annually reflect projected returns based on current acquisition prices, note coupons, and our subscription pricing model. Actual returns depend on borrower performance, loan prepayment timing, servicing costs, fees, and the specific offering terms of each investment. Members of our team have experience managing scratch-and-dent portfolios that have produced double-digit returns under levered structures — these projections reflect an unlevered, individual-investor position and are not directly comparable. Past fund performance does not guarantee future results.

09

Regulatory Risk

Private offerings are made under Regulation D, Rule 506(c), and are subject to SEC rules governing accredited investor offerings. Tokenized securities are an evolving area of regulation. Future regulatory changes — at the federal, state, or international level — could affect the platform's operations, the legal structure of investments, or your ability to transfer or hold positions.

10

Tax Considerations

Distributions from Allonge investments are typically treated as ordinary interest income for U.S. federal tax purposes. State, local, and foreign tax treatment varies. Your tax situation will depend on your jurisdiction, your filing status, and the specific structure of each investment. Consult a tax advisor before investing. Allonge does not provide tax advice.

This summary is not exhaustive. Each specific investment has its own risk factors disclosed in the offering documents for that deal. Read those documents carefully — and ask questions — before subscribing.

FIT

Who Allonge Is Built For (and Who It Isn't)

Allonge is not the right investment for everyone. The criteria below should help you self-qualify before you commit time and capital.

May be a fit if you...

- ✓ Want consistent monthly income from residential mortgage cash flows.
- ✓ Are diversifying a fixed-income portfolio with a real-asset-backed alternative.
- ✓ Can commit capital for at least 12 months and are comfortable with limited liquidity beyond that.
- ✓ Understand returns depend on borrower performance and are not guaranteed.
- ✓ Are willing to read offering documents in full before subscribing.
- ✓ Want private-credit yields without the typical $250,000+ minimum.

Not a fit if you...

- — Need short-term access to invested capital.
- — Are seeking principal-protected or guaranteed returns.
- — Want exposure to equities, cryptocurrencies, or speculative trading.
- — Are not accredited under SEC standards.
- — Prefer to invest without reviewing the underlying terms of each offering.
- — Cannot tolerate any potential loss of principal.

A NOTE ON FIT

If you need short-term liquidity or guaranteed returns, this is not a fit. Allonge is designed for accredited investors who understand that private mortgage investments are illiquid and that returns depend on borrower performance and the specific terms of each offering. We would rather you reach this conclusion before you invest than after.

FAQ

Frequently Asked Questions

Is this crypto?

No. Allonge uses blockchain tokenization as infrastructure to support fractional ownership tracking and administration. The investment thesis is built on residential mortgage cash flows from real borrowers paying real mortgage payments on real properties. There is no token whose price affects your return.

Are returns guaranteed?

No. Target yields of 8–11% gross annually reflect projections based on current acquisition prices, note coupons, and our subscription pricing model. Actual returns depend on borrower performance, prepayment timing, servicing costs, fees, and offering terms. Loss of principal is possible.

How is my return different from the note coupon?

Investors subscribe at a discount to UPB. That discount produces yield two ways: a higher running yield on monthly distributions (interest is calculated on UPB but you invested a lower amount), and a capital gain at payoff (principal returns at UPB, more than your subscription price). Together these produce the projected IRR.

What happens if a borrower stops paying?

That triggers a servicing workout process. Outcomes vary based on borrower circumstances, state law, and recovery values. Foreclosure can take 6–24 months and recovery rates vary. See the Risks section for full detail.

Can I sell my investment?

Investments are subject to a 12-month lock-up. After that you may request to sell, but there is no guarantee of a buyer at any specific price. Plan your investment with the assumption of limited liquidity beyond the lock-up.

Who can invest?

The closed beta is available only to accredited investors as defined under SEC Rule 501 of Regulation D. Verification is required before any investment can be made.

How does Allonge make money?

Primary revenue comes from the spread between our acquisition price and the price at which we offer fractional subscriptions. Secondary revenue comes from the 25-basis-point processing fee on monthly distributions.

What will I review before investing?

For each offering: the offering memorandum or summary; loan- or pool-level information; the fee structure; the risk factors; and any subscription documents required for the structure. Read those documents in full before subscribing.

What's the difference between beta and post-beta investments?

Beta investors receive: no annual management fee for the life of their beta-era investments; first purchase option on new offerings; and direct access to the founding team. Post-beta investments will introduce a management fee that does not apply retroactively to beta-era investments.

GLOSSARY

Key Terms

Accredited Investor

An individual or entity that meets specific income, net worth, or professional qualification thresholds defined under SEC Rule 501 of Regulation D, qualifying them to participate in certain private offerings.

IRR (Internal Rate of Return)

The annualized rate of return that combines all cash flows from an investment — monthly distributions plus principal returned at payoff — into a single return figure. The standard measure for investments where cash flows happen across multiple time periods.

Note Coupon

The contractual interest rate the borrower pays on the loan, expressed as an annual percentage of the unpaid principal balance.

Pull to Par

The capital gain that occurs when an investor buys a loan or bond at a discount to face value (par) and holds it through repayment. The difference between the discounted purchase price and the face-value payoff is the pull-to-par gain.

Running Yield

The annual interest income on an investment expressed as a percentage of the invested amount. For Allonge, calculated as annual interest on UPB divided by the investor's subscription price.

Scratch-and-Dent (S&D) Mortgage

A residential loan that may be harder to sell through standard secondary-market channels because of administrative, documentation, underwriting, or eligibility issues at the loan level. Most are performing loans. The defect affects marketability, not borrower performance.

Subscription Price

The price at which an investor purchases a fractional interest in a loan, expressed as a percentage of the loan's unpaid principal balance. For Allonge offerings, typically below face value, with the exact price varying by deal.

Tokenization

The process of representing ownership of an asset (here, a fractional interest in a mortgage) as a digital token recorded on a blockchain ledger. Used as operational infrastructure; it is not the asset itself.

Unpaid Principal Balance (UPB)

The remaining principal owed by the borrower on a mortgage loan. UPB decreases as the borrower makes scheduled principal payments and is the basis for monthly interest calculations.

NEXT STEPS

How to Move Forward

If, after reading this packet, you believe Allonge may be a fit for your portfolio, here is what to do.

1 Verify your accredited investor status

Use the link in your invitation email to begin verification. Standard documentation applies. Verification typically takes 1–3 business days through our third-party verifier.

2 Schedule a call with our team

If you have questions before subscribing — about specific deals, the platform, the team, or anything else — schedule time with us. We expect serious questions and would rather answer them before you decide.

3 Review available offering materials

Once verified, you will have access to specific offerings as they become available. For each, review the full set of disclosed materials before subscribing.

4 Subscribe through the platform

When an offering matches your thesis, complete the subscription, sign documents, fund the investment, and receive confirmation of your fractional position.

5 Track your investment

Monthly reporting and distributions arrive through the platform. Withdraw to your bank or reinvest into future offerings as you choose.

Ready to take the next step?

Reach out directly or begin verification through the secure portal.

Email · **info@allonge.io**

Beta access · **beta.allonge.io**

Website · **allonge.io**

SOURCES & REFERENCES

Data and Citations

Market figures cited in this packet are drawn from the following public sources, accurate as of the dates indicated.

U.S. Residential Mortgage Debt Outstanding

Approximately $13.17 trillion as of Q4 2025. Source: Federal Reserve Bank of New York, Quarterly Report on Household Debt and Credit (released February 2026), aggregating data from the New York Fed/Equifax Consumer Credit Panel.

U.S. Residential Housing Stock Value

Approximately $55 trillion as of mid-2025; Cotality estimate of approximately $48 trillion as of Q2 2025. Sources: Zillow Research analysis, September 2025; Cotality property market reports, 2025.

Total U.S. Mortgage Debt (All Categories)

Approximately $21.6 trillion as of Q4 2025, including residential, commercial, multifamily, and farm mortgages. Source: Federal Reserve Z.1 Financial Accounts of the United States, Q4 2025 release.

Yield Comparisons (Other Asset Classes)

Yield ranges for Treasuries, corporate bonds, REITs, BDCs, and private credit are approximations from public market data as of late 2025. Specific yields fluctuate continuously and should be verified independently.

All projections, illustrative deal examples, and forward-looking statements in this packet are subject to the disclaimers in the Important Notice at the front of this document. References to specific loan parameters, yields, and IRR figures in the Illustrative Deal Example section are hypothetical and intended to demonstrate the mechanics of the investment structure. They do not represent actual investments offered or completed by Allonge.

Thank you for reviewing this packet. If Allonge is a fit, we look forward to having you join us. If it isn't, we appreciate the time you took to find out.

Closed Beta · Accredited Investors Only

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