SUN INITIATIVE FINANCING LLC

FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
TOGETHER WITH
INDEPENDENT AUDITOR'S REPORT

SUN INITIATIVE FINANCING LLC

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DECEMBER 31, 2010 AND 2009

Alexander Aronson Finning
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Where Every Client Is A Valued Client

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INDEPENDENT AUDITOR'S REPORT

To the Members of
SUN Initiative Financing LLC:

We have audited the accompanying balance sheets of SUN Initiative Financing LLC (a Massachusetts limited liability company) (the LLC) as of December 31, 2010 and 2009, and the related statements of operations, changes in members' investment and cash flows for the years then ended. These financial statements are the responsibility of the LLC's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of SUN Initiative Financing LLC as of December 31, 2010 and 2009, and the changes in its members' investment and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As explained in Note 3 of the financial statements, the LLC is part of an affiliated group of companies and has entered into transactions with certain group members. As required under accounting principles generally accepted in the United States of America, the financial statements of the LLC are also consolidated with those of the affiliated group.

Alexander Aronson Finning & Co., P.C.

Wellesley, Massachusetts
March 30, 2011

SUN INITIATIVE FINANCING LLC

BALANCE SHEETS
DECEMBER 31, 2010 AND 2009

ASSETS	2010	2009
CASH	$ 784,647	$ -
CERTIFICATE OF DEPOSIT	3,010,737	-
CASH HELD FOR LOAN LOSS RESERVES	3,806,461	3,500,000
LOANS RECEIVABLE, net of allowance for loan losses of $1,351,140	6,001,031	-
INTERESTS IN REAL PROPERTY:		
Properties held for sale	1,432,119	-
Rental properties	569,513	-
Total assets	$ 15,604,508	$ 3,500,000

LIABILITIES AND MEMBERS' INVESTMENT	2010	2009
ACCOUNTS PAYABLE	$ 54,087	$ -
ACCRUED INTEREST	130,625	-
DUE TO AFFILIATES	880,463	51,577
LOANS PAYABLE	12,035,000	-
Total liabilities	13,100,175	51,577
MEMBERS' INVESTMENT:		
Investor member	2,504,333	3,448,423
Manager member	-	-
Total members' investment	2,504,333	3,448,423
Total liabilities and members' investment	$ 15,604,508	$ 3,500,000

The accompanying notes are an integral part of these statements.

SUN INITIATIVE FINANCING LLC

STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

	2010	2009
OPERATING REVENUES:		
Interest on loans	$ 247,714	$ -
Interest on cash and other	46,972	-
Net rental income from interests in real property	45,401	-
Less - interest expense	(357,863)	-
Total operating revenues	(17,776)	-
OPERATING EXPENSES:		
Reimbursement of loan origination and servicing costs of affiliate	400,332	-
Personnel	385,631	17,579
Office operations	93,435	-
Marketing	34,695	-
Consultants	7,916	-
Legal	3,506	33,998
Accounting and investment fees	799	-
Total operating expenses	926,314	51,577
Net loss	$ (944,090)	$ (51,577)

The accompanying notes are an integral part of these statements.

SUN INITIATIVE FINANCING LLC

STATEMENTS OF CHANGES IN MEMBERS' INVESTMENT
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

	INVESTOR MEMBER	MANAGER MEMBER	TOTAL
MEMBERS' INVESTMENT, December 31, 2008	$ -	$ -	$ -
Contributed capital - for loan loss reserve	3,500,000	-	3,500,000
Net loss	(51,577)	-	(51,577)
MEMBERS' INVESTMENT, December 31, 2009	3,448,423	-	3,448,423
Net loss	(944,090)	-	(944,090)
MEMBERS' INVESTMENT, December 31, 2010	$ 2,504,333	$ -	$ 2,504,333

The accompanying notes are an integral part of these statements.

SUN INITIATIVE FINANCING LLC

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$ (944,090)	$ (51,577)
Adjustments to reconcile net loss to net cash provided by operating activities -		
Changes in operating assets and liabilities:		
Accounts payable	54,087	-
Accrued interest	130,625	-
Due to affiliates	828,886	51,577
Net cash provided by operating activities	69,508	-
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of certificate of deposit and interest earned	(3,010,737)	(3,500,000)
Purchase of loans receivable, net, from Aura Mortgage	(4,731,701)	-
Improvements and closing costs funded within loans receivable	(137,066)	-
Principal payments of loans receivable	47,485	-
Acquisition of interests in real property:		
Purchase of properties held for sale	(2,908,499)	-
Purchase of rental properties	(528,365)	-
Renovation of rental properties	(41,148)	-
Renovation of properties held for sale	(9,830)	-
Net cash used in investing activities	(11,319,861)	(3,500,000)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from loans payable	12,035,000	-
Proceeds from loan payable from Loan Fund	2,582,394	-
Payments on loan payable from Loan Fund	(2,582,394)	-
Capital contribution	-	3,500,000
Net cash provided by financing activities	12,035,000	3,500,000
NET INCREASE IN CASH	784,647	-
CASH, beginning of year	-	-
CASH, end of year	$ 784,647	$ -
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION -		
Cash paid for interest	$ 227,238	$ -

The accompanying notes are an integral part of these statements.

SUN INITIATIVE FINANCING LLC

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009

(1) OPERATIONS AND TAX STATUS

OPERATIONS

SUN Initiative Financing LLC (the LLC), a Massachusetts limited liability company, was organized in November, 2009, to finance the operations of the Stabilizing Urban Neighborhoods Initiative (SUN Initiative), a program operated and managed by NSP Residential, LLC (NSP) (see Note 3). The goal of SUN Initiative is to stop the displacement of families and the neighborhood destabilizing effects of home vacancies and abandonment by enabling homeowners with overleveraged properties to stay in their homes. In 2009, the LLC received a capital contribution from an outside investor, PH Investments, LLC (the Investor Member) for $3,500,000, to be used as first loss capital related to the LLC's loans receivable (see Notes 2 and 4). In 2010, the LLC raised additional capital in the form of loans payable from investors (see Note 5).

The LLC is a financing mechanism for raising and disbursing funds for the purchase and financing of properties in foreclosure in the Boston and Revere, Massachusetts, areas. The LLC works with two related entities, NSP and Aura Mortgage Advisors, LLC (Aura Mortgage) (see Note 3), to carry out these goals. The LLC purchases loans made by Aura Mortgage to low-income borrowers who are purchasing or refinancing a residence in risk of foreclosure (see Note 4). Most of these residences were purchased by borrowers from NSP (see Note 3). In addition, the LLC maintains an interest in real properties held by NSP which are in low-income communities and were foreclosed or are in risk of foreclosure. NSP then renovates these properties and holds them as rental properties, or as properties held for sale under rent to buy arrangements (see Note 2).

TAX STATUS

The LLC has elected to be treated as a partnership for income tax purposes. Items of income, loss, credits or deductions arising from operations are reported by the members on their respective income tax returns (see Notes 2 and 6).

(2) SIGNIFICANT ACCOUNTING POLICIES

The LLC prepares its financial statements in accordance with generally accepted accounting standards and principles established by the Financial Accounting Standards Board (FASB). References to U.S. GAAP in these footnotes are to the FASB Accounting Standards Codification.

The LLC is an integral part of the SUN Initiative (see Note 1), which is deemed to be a business within the meaning of U.S. GAAP standards pertaining to the consolidation of variable interest entities. Therefore, the LLC is not required to be assessed as a potential variable interest entity. Instead, the LLC has implemented the accounting guidance regarding the Accounting for an Investment in a Limited Partnership when the Investor is the Sole General Partner and the Limited Partners have Certain Rights, with respect to NSP's interest in the LLC (see Note 3). This guidance provides that a sole managing member of a LLC is presumed to control the LLC and should consolidate the LLC's financial statements with its own unless the other members of the LLC maintain kick-out rights or substantive participating rights with respect to the operation of the LLC which overcome the presumption of control by the managing member. The Investor Member of the LLC does not maintain such rights and, therefore, the financial statements of the LLC have been consolidated with those of NSP, its parent, and related companies (see Note 3).

(2) SIGNIFICANT ACCOUNTING POLICIES (Continued)

The accompanying financial statements reflect the stand alone financial position, results of operations and cash flows of the LLC.

Cash - Concentration of Risk

Cash and certificates of deposit are maintained in one Massachusetts bank and are insured within limits of the Federal Deposit Insurance Corporation. At times, these balances may exceed the insured limits. Management monitors, on a regular basis, the financial condition of the financial institution, along with their balances, to minimize potential risk.

Cash Held for Loan Loss Reserves

Cash held for loan loss reserves consists of the cash received from the Investor Member and funds received by Aura Mortgage and transferred to the LLC in connection with purchased loans receivable (see Note 3). This cash is being used to offset possible losses on the LLC's loans receivable.

A portion of cash held for loan loss reserves consists of a certificate of deposit (CD) which matures in November, 2011. The interest rate earned on this CD is approximately 1.25%. This CD was funded through the initial capital contribution made by the Investor Member to support the LLC's first loan loss reserves (see Note 1).

Certificate of Deposit

Certificate of deposit consists of a term deposit with an initial term of six months which matures in October, 2011. It is management's intent to renew the CD upon maturity. The interest rate earned on this CD is approximately 1.25%.

Revenue Recognition

Interest on loans receivable is recorded as earned on the accrual basis and represents the interest portion of the borrower's mortgage payment.

Net rental income represents the net income from the LLC's interests in real property (see page 8). All other income is recorded as it is earned.

Expense Allocation

The affiliated companies (see Note 3) share various common expenses, including management salaries, benefits, and facility expenses. The accompanying financial statements include the share of these expenses allocable to the LLC.

Marketing Costs

The LLC expenses marketing costs as they are incurred. Marketing expense was $34,695 for the year ended December 31, 2010.

(2) SIGNIFICANT ACCOUNTING POLICIES (Continued)

Allowance for Loan Losses

The allowance for loan losses is management's estimate of expected loan losses on loans receivable. It is management's policy to record a significant allowance against the initial principal balance of these loans receivable due to the inherent risk of these loans. The percentage used to calculate the loan loss reserve varies depending on certain characteristics of the loan. The allowance for loan loss for each loan is determined when the loan is originated by Aura Mortgage (see Note 3). The loan loss allowance is generally transferred from Aura Mortgage when loans are sold to the LLC. The LLC has not adjusted the allowance for any loans since the time of their acquisition and no principal write downs have reduced the allowance. The allowance for loan losses as transferred from Aura Mortgage as of December 31, 2010, is $1,351,140 (see Note 4).

Estimates

The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that may affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as of the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Fair Value

The LLC follows the *Fair Value Measurements and Disclosures* standards. These standards define fair value, establish a framework for measuring fair value under U.S. GAAP, and expand disclosures about fair value measurements. This policy establishes a fair value hierarchy that prioritizes the inputs and assumptions used to measure fair value. A qualifying asset or liability's level within the framework is based upon the lowest level of any input that is significant to the fair value measurement.

Interests in Real Property

Purchased rental properties as funded by the LLC are recorded at cost. The cost of the five rental properties purchased by NSP and funded by the LLC is $569,513, including $41,148 of renovation costs, as of December 31, 2010.

Properties held for sale as funded by the LLC are also recorded at cost. These properties are being rented to low-income homeowners under rent to buy arrangements. The cost of the nine properties purchased by NSP, funded by the LLC, and held for resale was $1,432,119 at December 31, 2010. Management expects that all properties held for sale, with one exception, will be sold in 2011.

(2) SIGNIFICANT ACCOUNTING POLICIES (Continued)

Uncertainty in Income Taxes

No income tax provision has been included in the accompanying financial statements as the income, loss and credits of the LLC are reported by the members on their respective income tax returns. The LLC follows the *Accounting for Uncertainty in Income Taxes* standard which requires the LLC to report uncertain tax positions, related interest and penalties, and to adjust its unrecognized tax benefits and accrued interest and penalties accordingly. As of December 31, 2010, the LLC determined that there are no material unrecognized tax benefits to report. The LLC does not expect that the amounts of unrecognized tax benefits will change significantly within the next twelve months.

The LLC is subject to potential audit by tax authorities. The LLC believes that it has appropriate support for the positions taken on their returns. The LLC files tax returns in the United States Federal and Massachusetts state jurisdictions, which are generally subject to review for three years.

Subsequent Events

Subsequent events have been evaluated through March 30, 2011, which is the date the financial statements were available to be issued. There were no events that met the criteria for recognition or disclosure in the financial statements.

(3) RELATED PARTY TRANSACTIONS

The LLC was formed by NSP (see Note 1) as its Manager Member. NSP is a limited liability company formed to combat community deterioration and to improve general conditions where low-income people live and work. Boston Community Capital, Inc. (BCC), a Massachusetts nonprofit organization, is NSP's sole member and parent. BCC is related to three other Massachusetts nonprofit corporations through common Board of Director membership and management. These nonprofit corporations are BCLF Ventures, Inc. d/b/a Boston Community Venture Fund (the Venture Fund), Boston Community Loan Fund, Inc. (the Loan Fund), and BCLF Managed Assets Corporation d/b/a Boston Community Managed Assets (Managed Assets). These affiliated companies report their collective financial results and financial position, along with certain other controlled entities, including the LLC, NSP, and Aura Mortgage, in separately issued consolidating financial statements.

Loans Payable to Loan Fund

The LLC has a note payable arrangement with the Loan Fund (see Note 5). Under this arrangement, the LLC drew down and repaid $2,582,394 in 2010, and paid $9,146 of interest to the Loan Fund.

Loans Receivable Purchased from Aura Mortgage

Aura Mortgage (see Note 1), a Massachusetts limited liability company, is a controlled affiliate of the Venture Fund. Aura Mortgage is a mortgage broker and lender for low-income people and communities. During 2010, the LLC purchased at net book value thirty-seven of the mortgage loans issued by Aura Mortgage (see Note 4) for $6,048,516, which is net of loan loss reserves of $1,351,140 (see Notes 2 and 4).

(3) <u>RELATED PARTY TRANSACTIONS</u> (Continued)

<u>Loans Receivable Purchased from Aura Mortgage</u> (Continued)

Thirty-four of the properties financed by Aura Mortgage, and subsequently sold to the LLC, were purchased by the borrowers from NSP. Aura Mortgage finances the borrowers' purchases of the properties from NSP in non-cash transactions, which results in an intercompany obligation from Aura Mortgage to NSP. Aura Mortgage reimburses NSP for this obligation from the proceeds of loans receivable sold to the LLC. Because of the inherent risk in the mortgage loans issued, for accounting purposes, Aura Mortgage generally discounts the principal value of the mortgages by as much as 20% (see Note 2). The LLC purchases all loans at net book value effectively acquiring the loan loss allowances established by Aura Mortgage.

Aura Mortgage continues to service the loans purchased by the LLC. During 2010, the LLC reimbursed Aura Mortgage for $400,332 of net loan origination and servicing costs incurred by Aura Mortgage on loans receivable sold to the LLC. This is reflected as reimbursement of loan origination and servicing costs to affiliate in the accompanying statement of operations for the year ended December 31, 2010.

In 2010, Aura Mortgage was awarded a $1.5 million contract award from the Commonwealth of Massachusetts to fund a first loss fund and loan loss reserves and a portion of Aura Mortgage's administrative costs. These funds are drawn by Aura Mortgage on a claim basis based upon a report of loans issued. Aura Mortgage received $331,309 in 2010, $306,461 of which related to loss reserves for loans receivable that were subsequently sold to the LLC. This cash amount of $306,461 was transferred to the LLC at the time of loan sale. It is included in the accompanying balance sheet as of December 31, 2010, as part of cash held for loan loss reserves (see Note 2). This reserve must be used for new mortgages if the mortgages related to the receipt of these funds have been paid in full.

<u>Interests in Real Property held by NSP</u>

During 2010, the LLC provided funding for twenty-two of the housing units held by NSP for $3,487,842. Five of these units are being held as rental properties, and nine are being held as properties held for sale as of December 31, 2010 (see Note 2). The remaining properties were sold by NSP to low-income borrowers through Aura Mortgage originating loans receivable with these borrowers in 2010 (see above and Note 4).

NSP manages the rental and held for sale properties and transfers the net rental income to the LLC (see Note 2). Net rental income amounted to $45,401 in 2010.

<u>Due to Affiliates</u>

The LLC is responsible for reimbursing the cost of its personnel, an allocated share of overhead, and other operating costs which were paid by Aura Mortgage and NSP (see Note 2). The total amounts due from the LLC to Aura Mortgage and NSP for these costs are $472,486 and $407,977, respectively, as of December 31, 2010. The total amount due from the LLC to NSP for these costs was $51,577 as of December 31, 2009.

(4) LOANS AND INTEREST RECEIVABLE

Loans receivable consists of thirty-seven individual loans bearing interest at rates ranging from 5.75% - 6.5% and maturing at various dates through 2040. Substantially all loans receivable are secured by first mortgages on residential property. Monthly payments of principal and interest are due in amounts between $225 and $1,911.

Principal maturities of the loans receivable as of December 31, 2010, are as follows:

Year	
2011	$ 94,858
2012	101,217
2013	107,664
2014	114,523
2015	121,820
Thereafter	6,812,089
	7,352,171
Less - allowance for loan losses (see Notes 2 and 3)	1,351,140
	$6,001,031

The LLC's loans receivable are secured by residential real estate holdings in Massachusetts and could be affected by adverse real estate markets in the state.

(5) NOTE PURCHASE AGREEMENT AND LOANS PAYABLE

In December, 2009, the LLC entered into a Note Purchase Agreement with the Loan Fund (see Note 3) as the original purchaser and with additional purchasers. Under this agreement, the LLC is able to sell notes representing the purchasers' commitments to make advances to the LLC from time to time in the aggregate principal amount of $50,000,000.

In December, 2009, the LLC entered into an initial unsecured note with the Loan Fund, as original purchaser, under the Note Purchase Agreement. Under this note, the Loan Fund made a commitment to make advances to the LLC from time to time in the aggregate principal amount of $10,000,000. During 2010, the LLC drew, and repaid, $2,582,394 of advances under this agreement (see Note 3).

During 2010, the LLC entered into additional unsecured note payable agreements with thirty-seven additional purchasers, including both individuals and organizations, under the Note Purchase Agreement. Each note payable represents a commitment to make advances to the LLC from time to time in various aggregate principal amounts. The total amount advanced to the LLC under these additional notes payable as of December 31, 2010, is $12,035,000, which is reflected as loans payable on the accompanying balance sheet. The principal amounts of the notes with the additional purchasers range from $25,000 to $5,000,000.

(5) NOTE PURCHASE AGREEMENT AND LOANS PAYABLE (Continued)

All notes payable under the Note Purchase Agreement bear interest at 4.25%, payable quarterly in arrears, and mature on May 30, 2015. The LLC is able to prepay any of the notes payable without penalty.

The Note Purchase Agreement requires LLC to maintain certain covenants as specified in the agreement. As of December 31, 2010, the LLC was in compliance with these covenants.

(6) PARTNERSHIP PROFITS AND LOSSES ALLOCATIONS AND DISTRIBUTIONS

Partnership Profits and Losses Allocations

Net profits shall be allocated among the Members in accordance with the following order and priority:

1) To the Members until they have been allocated net profits in amounts equal to the net losses allocated to each member.
2) 50% to the Manager Member and 50% to the Investor Member.

Net losses shall be allocated among the Members in accordance with the following order and priority:

1) To the Investor Member until its positive capital account balance is reduced to zero.
2) To the Manager Member until its positive capital account balance is reduced to zero.
3) 100% to the Investor Member.

Distributions

Net cash flow, as defined by the LLC agreement, is distributable at the Managing Member's discretion in accordance with the following order and priority:

1) 100% to the Manager Member until its capital contributions have been repaid in full.
2) 100% to the Investor Member until its capital contributions have been repaid in full.
3) 50% to the Manager Member and 50% to the Investor Member.