NSP Financial Plan Assumptions (for SUN Initiative)

The following are the assumptions included in the NSP Financial model (this model was built in fall of 2009 – although our budget built in Dec 2009 was different it did not significantly change the overall 5 year business plan – just the timing of certain volume and staffing increases):

Mortgage assumptions:

We are assuming that each mortgage has an average purchase price of $140,000 (purchase price defined at the price NSP purchases property, usually in short sale, and then transfers to Aura/SUN as part of the new mortgage), we then mark this up by 25% to complete a $175,000 mortgage to the homeowner. The closing cost of the deal are assumed to be 5.0% of the mortgage and 50% of these closing costs are paid by the buyer at the time of the mortgage. The other 50% are added into the mortgage, making the actual mortgage as high as $179,375, including closing costs.

We are assuming that the interest charged on the mortgages is 6.5% in 2009 increasing to 6.75 in 2010 (our actual practice in 2010 has been to close mortgages at rates in the range of 6.38 – 6.5%) through 2015. The mortgages are assumed to be 30 year mortgages.

We are assuming that there are 17 mortgages closed in 2009. In 2010 the first quarter will have 7, 9 and 11 mortgages in January, February and March, respectively. After the first quarter of 2010 rate of mortgages closing will be tied to the number of originators and underwriters. We are assuming that we will close 4 mortgage per month per originator and 2 mortgages per month per underwriter.

BCC Fee income for closing a mortgage will be 1.25% of the mortgage plus $450 per mortgage. This income is recorded at the closing of the mortgage.

Warehouse line:

We are assuming that the warehouse line is not used in 2009.

Starting in 2010 each time a mortgage is closed we will draw on the warehouse line for $140,000 to fund. The warehouse line will have a maximum draw of $50 million. It will be paid in May 2015. When the warehouse line is paid off we stop doing mortgages. I have added as second plan that has no secondary market sales of mortgages and the line is maxed out in 2011 and is not fully paid at the end of 2015 – this was done to show the differences of not using secondary markets to continue our foreclosure purchases - we may in fact have another or different alternative as the market develops.

Direct Expenses & Reserves

We have assumed that the mortgages held on the books have a $29 per mortgage per month processing charge. This expense is being charged on the mortgages sold to the secondary market but there is a revenue source for an equal amount to recover the cost from the secondary purchaser.

We are reserving 10% of the interest income as a bad debt expense through 2012. The 25% mark up on the mortgages has also been booked to a reserve/deferred income account. The write off of the foreclosed mortgages will be charged against this account. In addition, upon selling of the mortgages to an independent entity, the company will record the profit on the mark up of the mortgage if still available after write down on foreclosures.

Foreclosures

We are assuming that 5% of the balance of the loans will be in some form of foreclosure. We have assumed that the foreclosures will take 6 months to resolve.

At the end of the 6 months, 60% of the foreclosed properties will be put up for sale. The sale will take 6 months to be completed and the property will be sold for 80% of the original mortgage. The proceeds of the sale will be used to pay down the warehouse line. The 20% of the mortgage will be written off through the Reserve/deferred income account that was established at the close of the loan.

We have assumed that the foreclosure expense is 10% of the additions to foreclosure account. This amount is deducted from the reserve/deferred income account (appears on liability side of balance sheet) when incurred.

Expenses

Salary expenses include the following administrative salaries: Pat, Anna, Andres and Half of Matt's time in 2009. In January 2010 we add an originator, paralegal and increase Matt's time to 75%. In February 2010, we add an administrator. In March 2010, we added a half of a data entry person. In July 2010, we add another originator and underwriter and reduced Matt's time to half. In September 2010, we increased the underwriters to two full time underwriters.

We have assumed payroll taxes, health insurance, 401(k), computer expenses and travel and entertainment based on a % of salaries or number of employees. We have also assumed other expenses of $175,000 increasing yearly. We have assumed allocation of overhead expenses from BCC of approximately $65k for rent and $50k for management. We have also assumed $50k for legal expense in 2010 for establishment of the Warehouse line and other required documents.

In the second model where we have no bulk sales or secondary market financing, we max out the warehouse line (investor notes) and cut the staff to a "maintenance level" as we are not closing any new loans. We use proceeds from p&i payments to begin paying down the line. The staff reductions are to show that the business can be built and then leveled off at a lower cost than if SUN is continually doing new business along with servicing existing portfolio.

Bulk Sale of Mortgages

We have assumed that in the 2nd quarter of 2011 and every 6 months until the 2nd quarter of 2015, (except 4th quarter of 2013 – because we do not have $25 million of mortgages available), we sell $25 million of the mortgages. Based on the average book value of the mortgages at the time of the sale we will sell between 142 - 145 mortgages per $25 million. We have assumed expenses of the deal of 10% of the amount sold. We have assumed that the net cash will be used to fund additional mortgages until we accumulate cash to pay off warehouse line (investor notes).