

SAMPLE LENDING U.S.A. CORPORATION
INDEPENDENT AUDITORS' REPORT
AND
FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2007

ACME AUDITORS

Certified Public Accountants

CONTENTS

INDEPENDENT AUDITORS' REPORT	i
FINANCIAL STATEMENTS	
Balance Sheet	1
Statement of Income	2
Statement of Stockholders' Equity	3
Statement of Cash Flows	4
Notes to Financial Statements	5
SUPPLEMENTARY INFORMATION	
Computation of Adjusted Net Worth & Liquidity Requirements	12
Balance Sheet	13
Operations & Retained Earnings	14
Cash Flows	16
Details	17
AUDITOR'S REPORTS & FINDINGS	
Independent Auditor's Report on Internal Control (Combined Report Applicable to Internal Control Over Financial Reporting Based on an Audit of Financial Statements and Internal Control Over Compliance for HUD-Assisted Programs	18
Independent Auditor's Report on Compliance With Specific Requirements Applicable to Major HUD Program Transactions	20
Independent Auditor's Report on Compliance with Specific Requirements Applicable to Nonmajor HUD Program Transactions	21
Schedule of Findings and Questioned Costs	22

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Sample Lending U.S.A. Corporation

We have audited the accompanying balance sheets of Sample Lending U.S.A. Corporation as of December 31, 2007 and 2008, and the related statements of income, stockholders equity and cash flows for the years then ended. These financial statements are the responsibility of the Company'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 and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. 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 Sample Lending U.S.A. Corporation as of December 31, 2008 and 2007, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated February 15, 2009, on our consideration of Sample Lending U.S.A. Corporation's internal control over financial reporting. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and not to provide an opinion on the internal control over financial reporting. In accordance with *Government Auditing Standards*, we have also issued an opinion dated February 15, 2009, on Sample Lending U.S.A. Corporation's compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters that could have a direct and material effect on a major HUD-assisted program. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying supplementary information shown on pages XX to ZZ is presented for purposes of additional analysis and is not a required part of the basic financial statements of the Company. Such information has been subjected to the auditing procedures applied in the audit of the basis financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Anywhere, Utah
[REPORT DATE]

SAMPLE LENDING U.S.A. CORPORATION
BALANCE SHEET
DECEMBER 31, 2007 AND 2006

	<u>2007</u>	<u>2006</u>
<i>Assets:</i>		
<i>Current Assets</i>		
Cash and equivalents	\$ 62,724	\$ 53,254
Accounts receivable	1,120	950
Securities available for sale	75,000	50,000
Other current assets	1,700	1,600
<i>Total current assets</i>	140,544	105,804
Premises and equipment, net	41,467	40,423
Other assets	2,672	1,129
<i>Total long-term assets</i>	44,139	41,552
<i>Total assets</i>	\$ 184,683	\$ 147,356
<i>Liabilities and Stockholder's Equity</i>		
Accounts payable and accrued liabilities	\$ 31,415	\$ 29,540
<i>Current Liabilities</i>	31,415	29,540
<i>Total Liabilities</i>	31,415	29,540
<i>Stockholder's Equity:</i>		
1,250 shares issued and outstanding	1,000	1,000
Additional paid-in capital	201,730	195,235
Retained earnings	(49,462)	5,218
<i>Total stockholders' equity</i>	153,268	201,453
<i>Total liabilities and stockholders' equity</i>	\$ 184,683	\$ 230,993

The accompanying notes are an integral part of these financial statements.

SAMPLE LENDING U.S.A. CORPORATION
STATEMENT OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

	<u>2007</u>	<u>2006</u>
Operating income:		
Loan Origination Fees	\$ 540,070	\$ 530,221
Interest income	2	54
Other income	<u>57,810</u>	<u>62,198</u>
Total income	597,882	592,473
Operating expenses:		
Salaries and employee benefits	420,176	415,239
Occupancy and equipment	40,891	39,765
Data processing	28,757	27,492
Other general and administrative	<u>110,738</u>	<u>102,312</u>
Total operating expenses	<u>600,562</u>	<u>584,808</u>
Income before income taxes	(2,680)	7,665

The accompanying notes are an integral part of these financial statements.

SAMPLE LENDING U.S.A. CORPORATION
STATEMENT OF STOCKHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

	Common Stock		Additional Paid-in Capital	Retained Earnings	Total
	Shares	Amount		(Accumulated Deficit)	
Beginning Balance January 1, 2006	1,250	\$1,000	\$195,235	\$0	\$196,235
Contributions					
Distributions					
Net Income				5,218	
Ending Balance December 31, 2006	1,250	\$1,000	\$195,235	\$5,218	\$196,235
Contributions			6,495		\$6,495
Distributions				-52,000	-\$52,000
Net Income				-2,680	-\$2,680
Ending Balance December 31, 2007	<u>1,250</u>	<u>\$1,000</u>	<u>\$201,730</u>	<u>-\$49,462</u>	<u>\$153,268</u>

The accompanying notes are an integral part of these financial statements.

SAMPLE LENDING U.S.A. CORPORATION
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

	<u>2007</u>	<u>2006</u>
Cash flows from operating activities:		
Net income	\$ (2,680)	\$ 7,665
Depreciation	1,365	
Amount receivable from sales of servicing rights		(1,035)
Refundable income taxes		3,812
Others net		<u>(25,125)</u>
Net activities cash provided (used) by operating	<u>(1,315)</u>	<u>(14,683)</u>
Cash flows from investing activities:		
Additions to property and equipment	(41,604)	(17,239)
Others net		<u>61,245</u>
Net activities cash provided (used) by investing	<u>(41,604)</u>	44,006
Cash flows from financing activities:		
Others Net		<u>11,225</u>
Net cash provided by financing activities	<u>0</u>	<u>11,225</u>
Net change in cash and cash equivalents	(42,919)	40,548
Cash and cash equivalents, beginning of year	<u>61,500</u>	<u>20,952</u>
Cash and cash equivalents, end of year	<u>\$ 18,581</u>	<u>\$ 61,500</u>

The accompanying notes are an integral part of these financial statements.

SAMPLE LENDING U.S.A. CORPORATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007

NOTE 1—SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

Sample Mortgage Corp. (the “Company”) was incorporated for the primary purpose of engaging in mortgage banking, including the origination, selling and servicing of mortgages. The Company also extends short-term loans to finance construction of real estate. The Company grants credit primarily to customers throughout New England.

Use of estimates

In preparing financial statements in conformity with generally accepted accounting principles, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the balance sheet and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Material estimates that are particularly susceptible to significant change in the near term relate to prepayment speeds used in the valuation of mortgage servicing rights.

Cash equivalents

Cash equivalents include interest-bearing deposits.

Mortgage loans held for sale

Mortgage loans originated and held for sale in the secondary market are carried at the lower of cost or estimated fair value in the aggregate. Net unrealized losses, if any, are recognized through a valuation allowance by charges to income. In determining fair value, consideration is given to commitments on hand from investors and prevailing market prices.

Servicing

Servicing assets are recognized as separate assets when rights are acquired through purchase or through sale of financial assets. Capitalized servicing rights are amortized into service fee income in proportion to, and over the period of, the estimated future net servicing income of the underlying financial assets. Servicing assets are evaluated for impairment based upon the fair value of the rights as compared to amortized cost. Impairment is determined by stratifying rights by predominant characteristics, such as interest rates and terms. Fair value is determined using prices for similar assets with similar characteristics, when available, or based upon discounted cash flows using market-based assumptions. Impairment is recognized through a valuation allowance for an individual stratum, to the extent that fair value is less than the capitalized amount for the stratum.

Credit related financial instruments

In the ordinary course of business, the Company has entered into commitments to extend credit. Such financial instruments are recorded when they are funded.

Loan origination fees and costs

Loan origination fees applicable to mortgage loans held for sale, net of certain direct origination costs, are deferred and recognized as an adjustment of the related gain or loss on subsequent sale of the loan.

Property and equipment

Land is carried at cost. Buildings and equipment are carried at cost, less accumulated depreciation computed on the straight-line method over the estimated useful lives of the assets.

SAMPLE LENDING U.S.A. CORPORATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007

Foreclosed assets

Assets acquired through, or in lieu of, loan foreclosure are held for sale and are initially recorded at fair value at the date of foreclosure, establishing a new cost basis. Subsequent to foreclosure, valuations are periodically performed by management and the assets are carried at the lower of carrying amount or fair value less cost to sell. Changes in the valuation allowance are included in other expenses.

Transfers of financial assets

Transfers of financial assets are accounted for as sales, when control over the assets has been surrendered. Control over transferred assets is deemed to be surrendered when (1) the assets have been isolated from the Company, (2) the transferee obtains the right (free of conditions that constrain it from taking advantage of that right) to pledge or exchange the transferred assets, and (3) the Company does not maintain effective control over the transferred assets through an agreement to repurchase them before their maturity.

Income taxes

Deferred income tax assets and liabilities are determined using the liability (or balance sheet) method. Under this method, the net deferred tax asset or liability is determined based on the tax effects of the temporary differences between the book and tax bases of the various balance sheet assets and liabilities and gives current recognition to changes in tax rates and laws.

Derivative financial instruments and change in accounting principle

On January 1, 2001, the Corporation adopted Statement of Financial Accounting Standards (“SFAS”) No. 133, “Accounting for Derivative Instruments and Hedging Activities.” This Statement requires that all derivatives be recognized as assets or liabilities in the balance sheet and measured at fair value. On March 13, 2002, the Financial Accounting Standards Board determined that loan commitments related to the origination or acquisition of mortgage loans that will be held for sale must be accounted for as derivative instruments, effective for fiscal quarters beginning after April 10, 2002. Accordingly, the Corporation adopted such accounting on July 1, 2002.

The Company enters into commitments to originate loans whereby the interest rate on the loan is determined prior to funding (rate lock commitments). Rate lock commitments on mortgage loans that are intended to be sold are considered to be derivatives. Accordingly, such commitments, along with any related fees received from potential borrowers, are recorded at fair value in derivative assets or liabilities, with changes in fair value recorded in the net gain or loss on sale of mortgage loans. Fair value is based on fees currently charged to enter into similar agreements, and for fixed-rate commitments also considers the difference between current levels of interest rates and the committed rates. Prior to July 1, 2002, such commitments were recorded to the extent of fees received. Fees received were subsequently included in the net gain or loss on sale of mortgage loans. The cumulative effect of adopting SFAS No. 133 for rate lock commitments as of July 1, 2002 was not material.

The Company manages the interest rate risk on rate lock commitments by entering into forward loan sale contracts, whereby the Company obtains the right to deliver residential loans to investors in the future at a specified yield. Such contracts are accounted for as derivatives and, along with related fees paid to investors, are recorded at fair value in derivative assets or liabilities, with changes in fair value recorded in the net gain or loss on sale of mortgage loans. Fair value is based on the estimated amounts that the Company would receive or pay to terminate the commitment at the reporting date. Prior to the adoption of SFAS No. 133, such commitments were recorded at the amount of fees paid. Fees paid were subsequently included on a proportionate basis in the net gain or loss on sale of mortgage loans as loans were delivered to the investor. Any unused fees were recognized as an expense at the expiration of the commitment date, or earlier, if it was determined the commitment would not be filled. The cumulative effect of adopting

SAMPLE LENDING U.S.A. CORPORATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007

SFAS No. 133 for forward loan sale contracts as of January 1, 2005 was \$(13,000), net of tax affects of \$9,000.

NOTE 2—SERVICING

Mortgage loans serviced for others are not included in the accompanying balance sheets. The unpaid principal balances of loans serviced for others were \$1,398,450,000 and \$1,014,230,000, respectively, at December 31, 2006 and 2005.

The balance of capitalized servicing rights, net of valuation allowances, included in other assets at December 31, 2002 and 2001, was \$5,313,000 and \$4,373,000, respectively. The fair values of these rights were \$5,985,000 and \$4,746,000, respectively. The fair value of servicing rights was determined using discount rates ranging from 6.0% to 7.25% and prepayment speeds ranging from 8.5% to 9.5%, depending upon the stratification of the specific right.

The following summarizes mortgage servicing rights capitalized and amortized, along with the aggregate activity in related valuation allowances:

	<i>December 31,</i>	
	<u>2006</u>	<u>2005</u>
	<i>(in thousands)</i>	
Mortgage-servicing rights capitalized	<u>\$ 1,907</u>	<u>\$ 681</u>
Mortgage-servicing rights amortized	<u>\$.886</u>	<u>\$ 516</u>
Valuation allowances:		
Balances at beginning of year		
Additions	\$ —	\$ —
Reductions	80	—
Write-downs	—	—
Balances of end of year	<u>\$ 80</u>	<u>\$ —</u>

Trust funds administered for investors amounted to \$22,297,000 and \$7,503,000 at December 31, 2002 and 2001, respectively. These funds are maintained in custodial accounts at nonaffiliated banks and are not included in the accompanying balance sheets.

NOTE 3—PREMISES AND EQUIPMENT

A summary of the cost and accumulated depreciation of property and equipment follows:

	<i>December 31,</i>	
	<u>2006</u>	<u>2005</u>
	<i>(in thousands)</i>	
Premises:		
Land	\$ 376	\$ 375
Buildings	1,011	1,011
Equipment	1,031	861
	<u>2,418</u>	<u>2,247</u>
Accumulated depreciation	(668)	(462)
	<u>\$ 1,750</u>	<u>\$ 1,785</u>

SAMPLE LENDING U.S.A. CORPORATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007

Depreciation and expense for the years ended December 31, 2002 and 2001 was \$205,000 and \$180,000, respectively.

NOTE 4—SHORT-TERM DEBT

The Company has a warehouse line of credit with a nonaffiliated bank that expires in 2002. The maximum amount that can be drawn against the line is \$50,000,000. Interest charged against outstanding borrowings is based on prime plus 1/2% (an aggregate of 4.75% at December 31, 2002). Borrowings against the line are collateralized by mortgage loans held for sale.

NOTE 5—INCOME TAXES

Allocation of federal and state income taxes between current and deferred portions is as follows:

	<i>December 31,</i>	
	<u>2006</u>	<u>2005</u>
	<i>(in thousands)</i>	
Current tax provision:		
Federal	\$ 619	\$ 376
State	127	95
	746	471
Deferred tax provision (benefit)		
Federal	35	(123)
State	9	(28)
	44	(151)
	\$ 790	\$ 320

The reasons for the differences between the statutory federal income tax rate and the effective tax rates are summarized as follows:

	<i>December 31,</i>	
	<u>2006</u>	<u>2005</u>
	<i>(in thousands)</i>	
Statutory rate	34.0%	34.0%
Increase resulting from:		
State taxes, net of federal tax benefit	5.0	5.4
Other, net	02.6	01.6
Effective tax rates	41.6%	41.0%

SAMPLE LENDING U.S.A. CORPORATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007

The components of the net deferred tax liability are as follows:

	<i>December 31,</i>	
	<u>2006</u>	<u>2005</u>
	<i>(in thousands)</i>	
Deferred tax liabilities:		
Cash basis of accounting	\$ 55	\$ 54
Purchased mortgage-servicing rights	1,016	1,047
Depreciation	-	-
Deferred loan fees	14	-
	1,085	1,101
Deferred tax assets:		
Reserve for loan losses	(98)	(39)
Deferred loan fees	-	(120)
Other, net	(37)	(36)
	(135)	(195)
Net deferred tax liability	\$ 950	\$ 906

NOTE 6—CREDIT-RELATED FINANCIAL INSTRUMENTS

Loan commitments

The Company is a party to credit-related financial instruments with off-balance-sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to extend credit. Such commitments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the balance sheets.

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since some of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. The amount of collateral obtained is based on management's credit evaluation of the customer.

The Company's exposure to credit loss is represented by the contractual amount of these commitments. Total outstanding commitments to extend credit at December 31, 2006 and 2005 were approximately \$29,416,000 and \$17,294,000, respectively, of which \$20,250,000 and \$12,430,000, respectively, were subject to interest rate lock commitments. The fair value of interest rate lock commitments was \$(143,000) and \$(88,003), respectively. The fair value of interest rate lock commitments is included in other liabilities at December 31, 2006, but not reflected on the balance sheet at December 31, 2005. See Note 1 – Derivative Financial Instruments and Change in Accounting Principle.

Forward loan sale contracts

The Company utilizes forward loan sale contracts to mitigate the interest rate risk inherent in the Company's mortgage loan pipeline and held-for-sale portfolio. Forward loan sale contracts are contracts for delayed delivery of mortgage loans. The selling party agrees to deliver on a specified future date, a specified instrument, at a specified price or yield. However, the contract may allow for cash settlement. The credit risk inherent to the Company arises from the potential inability of counterparties to meet the terms of their contracts. In the event of nonacceptance by the counterparty, the Company would be

SAMPLE LENDING U.S.A. CORPORATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007

subject to the credit risk of the loans retained. The notional amounts of forward loan sale contracts outstanding at December 31, 2006 and 2005 were \$30,888,000 and \$18,182,000, respectively. The fair value of forward loan sale commitments was \$286,000 and \$168,000 at December 31, 2006 and 2005, respectively, and is included in other assets.

NOTE 7—COMMITMENTS AND CONTINGENCIES

Purchase commitments

On December 30, 2006, the Company entered into an agreement to acquire for \$1,260,000 the servicing rights pertaining to loans with an aggregate principal balance of approximately \$105,500,000. The expected settlement date of this transaction is February 1, 2007.

Loans sold with recourse

Loans sold with recourse totaling \$670,000 and \$816,000 at December 31, 2006 and 2005, respectively, represent off-balance-sheet risk in the normal course of business. At December 31, 2006 and 2005, a liability for credit losses amounting to \$50,000, applicable to loans sold with recourse, is included in other liabilities.

Legal contingencies

Various legal claims arise from time to time in the normal course of business which, in the opinion of management, will have no material effect on the Company's financial statements.

NOTE 8—CAPITAL REQUIREMENTS

The Company is subject to various capital requirements in connection with seller/servicer agreements that the Company has entered into with secondary market investors. Failure to maintain minimum capital requirements could result in the Company's inability to originate and service loans for the respective investor and, therefore, could have a direct material effect on the Company's financial statements. The Company's actual capital amounts and the minimum amounts required for capital adequacy purposes, by investor, are as follows:

	Actual Capital	Minimum Capital Requirement
<i>(in thousands)</i>		
As of December 31, 2006:		
HUD	\$ 9,746	\$ 492
FHLMC and FNMA	\$ 9,746	\$ 250
As of December 31, 2005:		
HUD	\$ 8,635	\$ 390
FHLMC and FNMA	\$ 8,635	\$ 250

SUPPLEMENTARY INFORMATION

SAMPLE LENDING U.S.A. CORPORATION
 FINANCIAL DATA TEMPLATE REPORTS
 COMPUTATION OF NET WORTH & LIQUIDITY REQUIREMENTS
 DECEMBER 31, 2007

TITLE I AND II LOAN CORRESPONDENTS

Net Worth Requirement			
1210	Home Office	\$	63,000
1230	Total		<u>63,000</u>
1240	Net Worth Required {Lesser of \$250,000 or Total (Line 1230)}	\$	<u>63,000</u>
500	Stockholder's Equity (Net Worth) per Balance Sheet		153,268
1270	Adjusted Net Worth		<u>153,268</u>
1280	Adjusted Net Worth ABOVE Program Requirement	\$	<u>90,268</u>

LIQUIDITY

111	Cash & Cash Equivalents	\$	62,724
132	Securities Available for Sale		75,000
133	Trading Account Securities		<u>0</u>
1410	Total Liquid Assets	\$	<u>137,724</u>
1270	Adjusted Net Worth		153,268
1420	Liquidity Required		<u>30,654</u>
1430	Liquidity ABOVE the Program Requirement	\$	<u>107,070</u>

SAMPLE LENDING U.S.A. CORPORATION
 FINANCIAL DATA TEMPLATE REPORTS
 BALANCE SHEET
 DECEMBER 31, 2007

ASSETS

Current Assets:

111	Cash and Cash Equivalents	\$ 62,724
121	Accounts Receivable, Net of Allowance for Doubtful Accounts	1,120
132	Securities Available for Sale	75,000
134	Loans Held for Sale, at lower of cost or market	0
135	Other Current Assets	1,700
150	Total Current Assets	<u>140,544</u>

Non-Current Assets:

165	Property, Equipment & Leasehold Improvements, Net of Accumulated Depreciation	41,467
173	Real Estate Owned, at Net realizable value	0
176	Other Non-Current Assets	2,672
170	Total Non-Current Assets	<u>44,139</u>
182	Due from an officer, stockholder or related entity	0
200	Total Assets	<u>\$ 184,683</u>

LIABILITIES

Current Liabilities:

311	Accounts Payable and Accrued Expenses	\$ 31,415
312	Warehouse Line of Credit, UPB	0
313	Interest Payable	0
310	Total Current Liabilities	<u>31,415</u>
300	Total Liabilities	<u>\$ 31,415</u>

EQUITY

502	Common Stock	1,000
504	Additional Paid-in Capital	201,730
506	Retained Earnings	(49,462)
500	Total Equity	<u>153,268</u>
600	Total Liabilities and Equity	<u>\$ 184,683</u>

SAMPLE LENDING U.S.A. CORPORATION
 FINANCIAL DATA TEMPLATE REPORTS
 STATEMENT OF OPERATIONS AND RETAINED EARNINGS
 DECEMBER 31, 2007

Revenues

702	Gross Interest Income	\$	2
709	Retail Origination Fees		505,980
710	Other Retail Origination Income		34,090
711	Correspondent and Broker Fee Income		0
713	Other Income (Loss) related to lending activities		57,810
	700 Total Revenue		<u>597,882</u>

Expenses

Personnel Expense:

901	Personnel Expenses - Wages		383,547
902	Personnel Expenses - Payroll Taxes and Benefits		36,629
	910 Total Personnel Expense		<u>420,176</u>

Operating Expense:

931	Occupancy Expense		40,891
933	Depreciation Expense		1,365
934	Loan Administration Processing Expenses		0
935	Retail Loan Origination Processing Expenses		28,757
937	Provision for Loan Losses		0
938	Servicing Expenses for Foreclosure and REO		53,444
	950 Total Operating Expense		<u>124,457</u>

Professional Fees:

961	Audit Fees		4,757
962	Legal Fees		35
963	Other Professional Fees		50,802
	964 Total Professional Fees		<u>55,594</u>

965	Other Expenses		335
900	Total Expenses		<u>600,562</u>

970	Income Before Taxes, Non-recurring Items and Minority Interest		(2,680)
	1000 Net Income (Loss)		<u>\$ (2,680)</u>

SAMPLE LENDING U.S.A. CORPORATION
FINANCIAL DATA TEMPLATE REPORTS
STATEMENT OF OPERATIONS AND RETAINED EARNINGS
DECEMBER 31, 2007

Statement of Equity:

991	Balance at beginning of year, as reported	207,948
994	Net Income (Loss)	<u>(2,680)</u>
995	Dividend/Distribution	<u>(52,000)</u>
990	Ending Balance	<u><u>\$ 153,268</u></u>

SAMPLE LENDING U.S.A. CORPORATION
FINANCIAL DATA TEMPLATE REPORTS
STATEMENT OF CASH FLOWS
DECEMBER 31, 2007

Cash Flows from Operating Activities		
401	Net Income (Loss)	\$ (2,680)
Reconciliation Adjustments:		
402	Depreciation and Amortization	1,365
404	Undistributed Loss (Earnings) of Affiliates	(57,810)
(Increase) Decrease:		
411	Accounts Receivable	(745)
412	Other Current Assets	558
Increase (Decrease):		
421	Accounts Payable and Accrued Expenses	24,002
426	Total Adjustments	<u>(32,630)</u>
430	Net Cash Provided by (Used in) Operating Activities	(35,310)
Cash Flows from Investing Activities:		
444	Acquisition of PPE	(41,604)
445	Other Investing Activities	<u>55,138</u>
440	Net Cash Provided by (Used in) Investing Activities	13,534
Cash Flows from Financing Activities:		
457	Capital Contributions	75,000
458	Dividends/Distributions	(52,000)
450	Net Cash Provided by (Used in) Financing Activities	23,000
461	Net Increase/(Decrease) in Cash and Cash Equivalents	1,224
462	Cash and Cash Equivalents, Beginning of Year	<u>61,500</u>
463	Cash and Cash Equivalents, End of Year	<u><u>\$ 62,724</u></u>
Supplemental Disclosure of Cash Flow Information:		
473	Other Supplemental Disclosures	62,350

SAMPLE LENDING U.S.A. CORPORATION
 FINANCIAL DATA TEMPLATE REPORTS
 DETAILS
 DECEMBER 31, 2007

ASSETS

Current Assets:

135 Other Current Assets	
135-010 Prepaid Expenses	1,700

Non-Current Assets:

176 Other Non-Current Assets	
176-010 Deposits	2,672

OPERATIONS & EQUITY

Revenues

713 Other Income (Loss) related to lending activities	
713-010 Gain on Sale of Property	57,810

Expenses

965 Other Expenses	
965-010 Contribution Expense	335

CASH FLOW

Cash Flows from Operating Activities

404 Undistributed Loss (Earnings) of Affiliates	
404-010 Miscellaneous	(57,810)

412 Other Current Assets	
412-010 Other	558

Cash Flows from Investing Activities:

445 Other Investing Activities	
445-010 Deposits	(2,672)
445-020 Purchase of real property	(22,190)
445-030 Proceeds from sale of real property	80,000

Supplemental Disclosure of Cash Flow Information:

473 Other Supplemental Disclosures	
473-010 Stockholder Contribution	62,350

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL (COMBINED REPORT
APPLICABLE TO INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN
AUDIT OF FINANCIAL STATEMENTS AND INTERNAL CONTROL OVER COMPLIANCE
FOR HUD-ASSISTED PROGRAMS)**

Name of Client

We have audited the financial statements of [Lender Name], as of and for the year ended December 31, 2006, and have issued our report thereon dated [Date]. We have also audited the Company's compliance with requirements applicable to its major and non-major HUD-assisted programs and have issued our reports thereon dated [Date].

We conducted our audits in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the *Consolidated Audit Guide for Audits of HUD Programs* (the "Guide"), issued by the U.S. Department of Housing and Urban Development, Office of the Inspector General. Those standards and the Guide require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and about whether the Company complied with laws and regulations, noncompliance with which would be material to both its major and non-major HUD-assisted programs.

The management of the Company is responsible for establishing and maintaining effective internal control. In planning and performing our audit of the financial statements and compliance, we considered the Company's internal control over financial reporting and its internal control over compliance with requirements that could have a direct and material effect on both its major and non-major HUD-assisted programs in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and on compliance with the requirements of its major HUD-assisted program and for our report on its compliance with the requirements applicable to its non-major HUD-assisted program, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we do not express an opinion on the effectiveness of the Company's internal control over financial reporting and internal control over compliance.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect on a timely basis misstatements or noncompliance with applicable requirements of a HUD-assisted program. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles, or to administer a HUD-assisted program such that there is more than a remote likelihood that (a) a misstatement of the entity's financial statements or (b) noncompliance with applicable requirements of a HUD-assisted program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that (a) a material misstatement of the financial statements (b) material noncompliance with applicable requirements of a HUD-assisted program, will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting and internal control over compliance was for the limited purpose described above and would not necessarily identify all deficiencies in internal control

that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above.

We also noted other matters involving internal control and its operation that we reported to management of [Project Name] in a separate communication dated March XX, 2007.(REMOVE if NO MANAGEMENT LETTER ISSUED)

This report is intended solely for the information and use of management, the board of directors, others within the organization, and the Department of Housing and Urban Development and is not intended to be and should not be used by anyone other than these specified parties.

SIGNED BY FIRM

DATE

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH SPECIFIC REQUIREMENTS
APPLICABLE TO MAJOR HUD PROGRAMS

(CLIENT)
(City, State)

We have audited the Partnership's compliance with the specific program requirements governing its Title II HUD-Assisted Loan Program including; *quality control plan, loan origination, loan settlement, escrow accounts(?), and mortgagee approval requirements* that are applicable to its major HUD-assisted program for the year ended December 31, 2006. The management of (Client) is responsible for compliance with those requirements. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Consolidated Audit Guide for Audits of HUD Programs* (the Guide), issued by the U.S. Department of Housing and Urban Development (HUD), Office of Inspector General. Those standards and the Guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the requirements referred to above that could have a direct and material effect on a major HUD-assisted program occurred. An audit includes examining, on a test basis, evidence about the Partnership's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Partnership's compliance with those requirements.

The results of our audit procedures disclosed immaterial instances of noncompliance with the requirements referred to above, which we have communicated to the management of (Client) in a separate letter dated (date of letter). We considered those instances of noncompliance in forming our opinion on compliance, which is expressed in the following paragraph. [Eliminate if no management letter.]

In our opinion, (Client) complied, in all material respects, with the requirements referred to above that are applicable to its Title II HUD-Assisted loan program for the year ended December 31, 2006

This report is intended solely for the information and use of the general partners, management, others within the organization, and the Department of Housing and Urban Development and is not intended to be and should not be used by anyone other than these specified parties.

(Firm Signature)

(Date)

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH SPECIFIC
REQUIREMENTS APPLICABLE TO NONMAJOR HUD PROGRAM TRANSACTIONS

(CLIENT)
(City, State)

We have audited the financial statements of (Client) as of and for the year ended (balance sheet date), and have issued our report thereon, dated (date of our report on the client's financial statements).

In connection with that audit and with our consideration of the Partnership's internal control used to administer its Title I HUD-Assisted loan program., as required by the *Consolidated Audit Guide for Audits of HUD Programs* (the Guide), issued by the U.S. Department of Housing and Urban Development (HUD), Office of Inspector General, we selected certain transactions applicable to certain nonmajor HUD-assisted programs for the year ended December 31, 2006.

As required by the Guide, we performed auditing procedures to test compliance with the requirements governing *branch office operations(?), loan origination, loan disbursement, eligible fees and charges(?), financial approval requirements, quality control plan* that are applicable to those transactions. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the Partnership's compliance with those requirements. Accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance that are required to be reported herein under the Guide.

The results of our tests disclosed immaterial instances of noncompliance with the requirements referred to in the third paragraph of this report, which we have communicated to the management of (Client) in a separate letter dated (date of letter) [Remove if no management letter issued].

This report is intended solely for the information and use of the general partners, management, others within the organization, and the Department of Housing and Urban Development and is not intended to be and should not be used by anyone other than these specified parties.

(Firm Signature)
(Date)

SAMPLE LENDING U.S.A. CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED
DECEMBER 31, 2007

None