



## **Accounting, Reporting & Loan Servicing**

Overview: In investments where Mountain Funding has been a junior participant, we have had first-hand experience of the financial pain resulting from faulty reporting by third-party asset managers hired by the senior participants. These painful experiences, however, have had a silver-lining: when we serve as the asset manager, either for our own account or for institutional third parties, we fully understand the importance of timely and accurate top-side reporting to the investors. We are a lender; we are an investor; we are an owner; we are a developer; we are a problem-solver – we know what you want and need to see, and we conform our asset management reporting to (a) identify potential difficulties before they arise, and (b) give the investors the necessary data to understand the complete picture and make smart investment decisions when required.

Why is reporting so important? It allows us and the investors to identify potential risks early, thus enabling us to focus our efforts on where we can achieve the greatest impact for positive results. It helps us to identify viable solutions to issues that arise. And it enables us to identify and execute on appropriate exit strategies to maximize returns on investments and cash flows. We offer tailored reporting to meet the needs of the particular investor group. As developers ourselves, we believe in goal-setting and then diligent and regular testing of those goals, all of which is part of our reporting. Project level benchmarks are established for the underlying project managers, and their project accounting and reporting is then customized to highlight actual results against such benchmarks. Our reporting to the investors is the summary of our analysis and challenging of those underlying project reports, presented to our investors in a concise and useful format with explanations and substance, not just a regurgitation of the project manager's numbers.

The investor reporting presented by many asset managers is merely a superficial summary of billings and collections. At Mountain Funding, we strive to minimize the quantity and maximize the quality of our reporting by focusing on bottom line summary results, analysis and recommendations. We know what the investor needs and wants, because we are investors ourselves. We have been investors/operators/developers of most types of real estate, including land acquisition and development; single-family and condominium construction and sale; and apartment and commercial management and leasing.

Using as just one example, single-family and condominium sale projects - we closely track the sales performance of the project at the individual unit level, customized for each loan/project. This unit information is automatically updated in our system upon receipt of the sale proceeds, as it is integrated with our cash receipts posting process. The unit information is utilized to accommodate tracking of property taxes at the unit level, tracking historical sales information against budget and against benchmarks, tracking remaining inventory of unsold units, and provides reports at both the summary level and the detailed level.

An example of a Unit Summary Report is shown below:



Sample Borrower, Inc.  
Unit Sales Summary  
As of 4/20/2009

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Unit Type	Description	Sq. Ft.	No of Units	Total Sq Ft	Sold/ Closed	% of Type Sold	% of Total Sold	Unsold	Total Sq. Ft.
Ambrosia	4 Bd, 3 Bth	3,278	24	78,672	19	79%	6%	5	16,390
Hibiscus	3 Bd, 2 Bth	2,624	33	86,592	24	73%	8%	9	23,616
Jasmine	5 Bd, 3 Bth	3,540	25	88,500	17	68%	5%	8	28,320
Alpine	4 Bd, 2.5 Bth	3,196	13	41,548	8	62%	3%	5	15,980
Hiawatha	3 Bd, 2.5 Bth	2,733	26	71,058	13	50%	4%	13	35,529
Model Homes	Model Home		4	-	-	0%	0%	4	-
Vacant Lots	Vacant Lot		186	-	-	0%	0%	186	-
<b>Total</b>			<b>311</b>	<b>366,370</b>	<b>81</b>		<b>26%</b>	<b>230</b>	<b>119,835</b>

By providing reporting of sales at the unit level, we can provide you with valuable statistics of average sale prices, average time between the closing date and the date the title company released your funds, average commissions on sales and average closing costs. The system also tracks release prices of the Senior Lender to enable a smooth, transparent process of senior lender payments, and ensure the proper amount of sale proceeds are being remitted in connection with the sale. An example of the Unit Detail Listing of Sales Information is shown below:



Sample Borrower, Inc.  
Detail Listing of Sales Information  
For the Period 1/1/2006 to 4/20/2006

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Closing Date	Unit No.	Unit Type	Buyer	Gross Sales Proceeds	Commissions	Closing Costs	Proceeds to Sr Lender	Proceeds to Seller
1/4/2006	2421	B3	Jeff Davis	\$ 281,688.00	\$ 5,633.76	\$ 3,475.34	\$ 253,519.20	\$ 19,059.70
1/4/2006	2623	B1	Jose Ramirez	\$ 211,848.00	\$ 10,592.40	\$ 2,637.18	\$ 190,663.20	\$ 7,955.22
1/9/2006	4323	B1	Richard Sanchez	\$ 208,938.00	\$ 12,536.28	\$ 512.88	\$ 188,044.20	\$ 7,844.64
1/5/2006	4923	B1	Duane Sebco	\$ 208,938.00	\$ 12,536.28	\$ 713.31	\$ 188,044.20	\$ 7,644.21
1/13/2006	1121	B3	Herb Korn	\$ 289,448.00	\$ 14,472.40	\$ 3,568.74	\$ 260,503.20	\$ 10,903.66
1/13/2006	4823	B1	Bob Cicora	\$ 208,938.00	\$ 4,178.76	\$ 2,802.69	\$ 188,044.20	\$ 13,912.35
1/13/2006	2723	B1	Ken Sidel	\$ 211,848.00	\$ 12,710.88	\$ 519.06	\$ 190,663.20	\$ 7,954.86
1/13/2006	3221	B3	Angelo Piccaso	\$ 289,448.00	\$ 17,366.76	\$ 674.38	\$ 260,503.20	\$ 10,903.66
1/20/2006	0423	B1	Mike Serro	\$ 208,938.00	\$ 10,446.90	\$ 2,602.69	\$ 188,044.20	\$ 7,844.21
1/17/2006	2121	B3	Bob Esspozato	\$ 289,448.00	\$ 14,472.40	\$ 3,568.74	\$ 260,503.20	\$ 10,903.66
3/23/2006	0414	C1	John Lowrey	\$ 310,900.00	\$ 30,790.00	\$ 3,825.80	\$ 263,254.50	\$ 13,029.70
4/11/2006	3914	C1	Joan Vincent	\$ 290,900.00	\$ 17,454.00	\$ 14,921.80	\$ 246,154.50	\$ 12,369.70
1/31/2006	1423	B1	Anna Bremint	\$ 208,938.00	\$ 4,178.76	\$ 2,602.69	\$ 188,044.20	\$ 14,112.35
<b>Totals</b>				<b>\$ 3,220,218.00</b>	<b>\$ 167,369.58</b>	<b>\$ 42,425.30</b>	<b>\$ 2,865,985.20</b>	<b>\$ 144,437.92</b>

Our reporting includes various analysis reports at a summary level, including comparing actual absorption and average sales revenues to budget for any given time periods. Below is an example of a Unit Sales Summary Budget vs. Actual report.



Mountain Funding, LLC  
 Sample Borrower, Inc.  
 Budget vs Actual Summary Sales Information  
 January 2007 - July 2007

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Month	Budgeted Sales			Actual Sales			Variance		
	No of Units	Avg Price Per Unit	Total Revenues	No of Units	Avg Price Per Unit	Total Revenues	No of Units	Avg Price Per Unit	Total Revenues
Jan-07	7	\$ 387,674	\$ 2,713,720	8	\$ 366,939	\$ 2,935,509	1	\$ (20,736)	\$ 221,789
Feb-07	7	\$ 396,375	\$ 2,774,627	7	\$ 374,792	\$ 2,623,545	-	\$ (21,583)	\$ (151,082)
Mar-07	10	\$ 366,036	\$ 3,660,355	14	\$ 388,115	\$ 5,433,612	4	\$ 22,080	\$ 1,773,257
Apr-07	8	\$ 399,972	\$ 3,199,774	7	\$ 333,406	\$ 2,333,839	(1)	\$ (66,566)	\$ (865,935)
May-07	8	\$ 369,246	\$ 2,953,970	9	\$ 324,460	\$ 2,920,143	1	\$ (44,786)	\$ (33,827)
Jun-07	8	\$ 392,028	\$ 3,136,222	8	\$ 340,289	\$ 2,722,311	-	\$ (51,739)	\$ (413,911)
Jul-07	5	\$ 390,921	\$ 1,954,605	5	\$ 372,428	\$ 1,862,138	-	\$ (18,493)	\$ (92,467)
YTD	53	\$ 384,779	\$ 20,393,273	58	\$ 359,157	\$ 20,831,098	5	\$ (25,622)	\$ 437,825
							9%	-7%	2%

We can also track the property level income on a unit basis, and tie in daily details of deposits to bank deposits for complete transparency of income-producing properties. An example of our Rental Income Cash Receipts report is shown below:



Sample Borrower, Inc.  
 Rental Income Cash Receipts  
 For 4/1/2009

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Date of Deposit	Rental Period	Unit #	Unit Type	Lessee	Monthly Lease Amount	Cash Received During Period			
						Rent Income	Concession	Other Income	Total Deposit
4/1/2009	Apr 09	01-306	Gardenia	Bruce Teterbaum	\$ 1,252.70	\$ 1,360.00	\$ (107.30)	\$ 35.00	\$ 1,287.70
4/1/2009	Apr 09	02-206	Magnolia	Jessica Heart	\$ 1,404.00	\$ 1,660.00	\$ -	\$ 90.00	\$ 1,750.00
4/1/2009	Apr 09	04-203	Magnolia	Jim Ruben	\$ 1,660.00	\$ 1,660.00	\$ (50.00)	\$ 65.00	\$ 1,675.00
4/1/2009	Apr 09	04-204	Magnolia	Robert Dole	\$ 1,470.00	\$ 1,550.00	\$ (80.00)	\$ 135.00	\$ 1,605.00
4/1/2009	Apr 09	04-206	Magnolia	Julia Rugsby	\$ 1,565.00	\$ 1,835.00	\$ (95.00)	\$ 65.00	\$ 1,805.00
4/1/2009	Apr 09	04-306	Jasmine	Donna Angle	\$ 1,330.95	\$ 1,526.00	\$ (195.05)	\$ 15.00	\$ 1,345.95
4/1/2009	Apr 09	06-202	Orchid	Lisa Coswell	\$ 1,258.00	\$ 1,443.00	\$ (185.00)	\$ 15.00	\$ 1,273.00
4/1/2009	Apr 09	06-203	Orchid	Glen Fry	\$ 1,219.00	\$ 1,443.00	\$ (224.00)	\$ 15.00	\$ 1,234.00
4/1/2009	Apr 09	06-206	Orchid	Martin Scorry	\$ 1,331.00	\$ 1,443.00	\$ (112.00)	\$ 55.00	\$ 1,386.00
4/1/2009	Apr 09	07-111	Azalea	Ryan Horn	\$ 1,135.00	\$ 1,135.00	\$ -	\$ 35.00	\$ 1,170.00
4/1/2009	Apr 09	07-112	Azalea	Bill Freggett	\$ 1,078.00	\$ 1,078.00	\$ (57.00)	\$ 15.00	\$ 1,036.00
11			Totals		\$ 14,703.65	\$ 16,133.00	\$ (1,105.35)	\$ 540.00	\$ 15,567.65

Current Month Rent Receipts, by Rental Period			
	Gross Rent	Concession	Net Rent
Apr 09	\$ 16,133.00	\$ (1,105.35)	\$ 15,027.65
May 09	\$ -	\$ -	\$ -
Totals	\$ 16,133.00	\$ (1,105.35)	\$ 15,027.65

Our unit tracking system also produces reports to identify leased units without receipts, so proper follow-up can occur to collect any delinquent rental amounts due. An example of this report is shown below:



**Sample Borrower, Inc.  
Leased Units Without Receipts  
For Month Ending 3/31/2009**

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<u>Date Last Rent Pmt Received</u>	<u>Amount of Last Rent Pmt</u>	<u>Rental Period</u>	<u>Unit #</u>	<u>Unit Type</u>	<u>Lessee</u>	<u>Monthly Lease Amount</u>	<u>Lease Term Per Rent Roll Beg</u>	<u>End</u>
2/13/2009	\$ 1,610.00	Feb 09	10-205	A1	Katie Weather	\$ 1,610.00	5/1/08	5/31/09
2/23/2009	\$ 3,081.00	Feb 09	04-303	C3	Tommy Alvaric	\$ 1,541.00	1/1/09	1/31/10
<b>2</b>						<b>Totals</b>	<b>\$3,151.00</b>	

The examples above relate to the sale of homes and condos. Stepping forward, we can also be involved in the community HOA if requested or required. We have personnel that will serve on the HOA board if desired, and have models that will automatically calculate unit level dues based on the requirements set forth in the legal documents. We have the ability to track delinquent HOA dues, and follow up with the attorneys to ensure demand letters are sent out, liens are filed, and foreclosure process is done in accordance with established timelines and state laws. An example of the HOA delinquency tracking report is shown below.

<u>Unit #</u>	<u>No. of Delinquent Mo</u>	<u>Dues</u>	<u>Demand Letter Sent</u>	<u>Lien Filed</u>	<u>Status</u>	<u>Foreclosure Began by Bank</u>	<u>Date of Foreclosure by Bank</u>	<u>Foreclosure Began by HOA</u>	<u>Comments</u>
01-201	0	\$ 41.67	3/18/2009		Reminder Sent				
01-202	3	\$ 1,098.35	1/26/2009		In Foreclosure by Bank	4/14/2008	10/30/2008		(1/26/09) Cert of Title sent to Assoc.
04-201	23	\$ 8,812.47	2/24/2009		In Foreclosure by Bank	7/16/2007	5/6/2008		(2/9/09) First Mortgagee has completed foreclosure & Cert of Title issued. (3/2/09) Rcvd partial pymnt of \$6,224.51
04-305	14	\$ 5,245.60	6/13/2008	6/25/2008	In Foreclosure by Bank	7/3/2008			(2/9/09) First mortgagee foreclosure sales is scheduled for 2/22/09
05-103	20	\$ 4,590.09	9/29/2008	2/9/2009	In Foreclosure by HOA			3/24/2009	(3/2/09) Verification of debt sent to owner as requested
05-106	4	\$ 843.61	4/7/2009		Demand Sent				
05-201	22	\$ 4,974.38	3/31/2009		In Foreclosure by Bank	2/29/2008	11/5/2008		
05-205	2	\$ 524.39	3/17/2009		In Foreclosure by Bank	7/16/2008			
05-208	7	\$ 1,540.80	12/23/2008	1/29/2009	In Foreclosure by HOA	10/3/2008		3/18/2009	
05-304	10	\$ 2,316.72	8/25/2008	6/25/2008	In Foreclosure by HOA			3/18/2009	
05-305	19	\$ 4,238.23	2/27/2009		Demand Sent				

In relation to general reporting of rental operations, whether for apartments or commercial, we have automated project level budget vs. actual reporting capabilities which are individually tailored to each specific project. This enables us to monitor costs closely and cut costs where necessary. Project level goals are established and monitored to maximize cash flows and focus on exit strategies. The "Budget vs. Actual Report" compares information for the current month and the year to date period and variances are then explained. Other reports compare current year linked months for a monthly analysis of current year results, and we also have reports reflecting current year actual vs. prior year actual, for the current month, current quarter, or current year to date period. An example of one of our "Budget vs. Actual Reports" is shown below:

**Mountain Funding, LLC**  
**Sample Borrower, Inc. Leasing Mgmt Income/Exp Actual vs. MF Budget**  
**3/31/2009**

	Current Month Ending March 31, 2009			YTD Period Ending March 31, 2009			
	Total Actual	MF Budget	Variance	Total Actual	MF Budget	Variance	
<b>Revenue</b>							
Gross Rental Income	\$ 204,464	\$ 193,905	\$ 10,559	\$ 604,062	\$ 581,715	\$ 22,347	3.8%
Less: Concessions	(20,061)	(14,465)	(5,596)	(56,991)	(43,395)	(13,596)	31.3%
Net Rent Income	\$ 184,403	\$ 179,440	\$ 4,963	\$ 547,071	\$ 538,320	\$ 8,751	1.6%
Other Income	3,710	5,350	(1,640)	13,160	16,050	(2,890)	-18.0%
Net Revenues	\$ 188,113	\$ 184,790	\$ 3,323	\$ 560,231	\$ 554,370	\$ 5,861	1.1%
<b>Expenses</b>							
Turnover Costs	\$ 6,614	\$ 10,962	\$ (4,348)	\$ 19,877	\$ 32,886	\$ (13,009)	-39.6%
Contracts	8,921	8,399	522	27,008	25,197	1,811	7.2%
Payroll	11,439	10,428	1,011	33,624	31,284	2,340	7.5%
Insurance	-	2,700	(2,700)	5,076	8,100	(3,024)	-37.3%
Total expenses	\$ 26,974	\$ 32,489	\$ (5,515)	\$ 85,585	\$ 97,467	\$ (11,882)	-12.2%
Net Operating Income	\$ 161,139	\$ 152,301	\$ 8,838	\$ 474,646	\$ 456,903	\$ 17,743	3.9%

The reports can be more detailed for a particular project, as per above, or they can be in a more summary format with multiple projects relating to one borrower shown, as per the example shown below:



Mountain Funding, LLC  
Sample Borrower, Inc.  
3/31/2009

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Property	State	Actual YTD Financial Information			Budgeted YTD Financial Information			Variance
		Revenues	Operating Expenses	Net Operating Income	Revenues	Operating Expenses	Net Operating Income	
Twelve Mile	VA	\$ 139,360	\$ 38,397	\$ 100,963	\$ 145,515	\$ 51,468	\$ 94,046	\$ 6,917
Grand Lake	IL	\$ 40,480	\$ 47,335	\$ (6,856)	\$ 41,612	\$ 46,900	\$ (5,288)	\$ (1,568)
Peak Tower	KY	\$ 278,012	\$ 46,199	\$ 231,813	\$ 263,471	\$ 62,775	\$ 200,697	\$ 31,117
Leverstone	KY	\$ 47,314	\$ 49,497	\$ (2,183)	\$ 70,907	\$ 49,487	\$ 21,420	\$ (23,603)
Grey Mtn	MI	\$ 355,036	\$ 112,831	\$ 242,205	\$ 385,322	\$ 113,453	\$ 271,869	\$ (29,664)
Cessars	NY	\$ 31,507	\$ 48,824	\$ (17,318)	\$ 31,160	\$ 56,456	\$ (25,296)	\$ 7,979
Boardwalk	KY	\$ 121,746	\$ 49,761	\$ 71,985	\$ 128,097	\$ 59,192	\$ 68,905	\$ 3,080
<b>Total</b>		<b>1,013,456</b>	<b>392,845</b>	<b>620,611</b>	<b>1,066,083</b>	<b>439,730</b>	<b>626,353</b>	<b>(5,742)</b>

Leasing Information							
Property	State	Total			Currently Occupied	Occupancy %	Month End Cash
		Rentable Area	Currently Leased	Lease %			
Twelve Mile	VA	160,713	147,473	92%	147,473	92%	\$ 627,916
Grand Lake	IL	48,570	17,790	37%	17,790	37%	\$ 67,846
Peak Tower	KY	175,347	162,936	93%	162,936	93%	\$ 862,277
Leverstone	KY	113,483	48,568	43%	48,568	43%	\$ 393,291
Grey Mtn	MI	201,311	189,063	94%	189,063	94%	\$ 1,428,754
Cessars	NY	32,800	12,400	38%	12,400	38%	\$ 80,125
Boardwalk	KY	120,670	49,256	41%	49,256	41%	\$ 200,540
<b>Total</b>		<b>852,894</b>	<b>627,486</b>	<b>74%</b>	<b>627,486</b>	<b>74%</b>	<b>\$ 3,660,748</b>

With for-sale projects, we have a paperless environment for filing and retrieval of all sales HUD statements. All HUD's relating to unit sales are scanned in pdf format (if not already received from the title company in pdf format) and saved on the shared drive. The folder is organized by deal, with a separate folder for each deal. Each HUD is saved referencing the Unit Number/Lot Number, so HUD statements are easily accessible for any unit for any deal. Our electronic document library allows easy reference and retrieval for all critical documents. We know the importance of being able to quickly reference document materials and agreements. Our electronic deal information folder on the shared drive provides an efficient, paperless environment.

In addition to reporting on project-level results, we offer a customized investor reporting system which summarizes all activity each month for cash receipts and disbursements for each project. Project-specific cash escrow accounts are reconciled to bank statements each month, with a complete detail of transaction activity provided. An example of the Investor Loan and Escrow Roll-forward report is shown below:



Loan and Escrow Cash Rollforward Report  
 Project Name: Sample Borrower, Inc.  
 For Month Ending 3/31/2009

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Date	Description	Borrower Activity			Investor Activity	Escrow
		Cash Receipts	Cash Disbursements	Note Balance	Receipts (Distributions)	Cash Balance
03/01/09	Beginning Balances Outstanding			\$ 36,548,421.03		\$ 110,498.32
03/05/09	HOA Funding - March 2009	\$ -	\$ 47,082.03		\$ -	
03/05/09	Leasing Mgmt Funding - March 2009	\$ -	\$ 36,594.00		\$ -	
03/05/09	Insurance	\$ -	\$ 47,262.94		\$ -	
03/05/09	Rent Income	\$ 92,000.00	\$ -		\$ -	
03/06/09	Rent Income	\$ 51,000.00	\$ -		\$ -	
03/11/09	Property Tax - Unit 02-207	\$ -	\$ 7,463.53		\$ -	
03/11/09	Rent Income	\$ 60,527.01	\$ -		\$ -	
03/17/09	Corp Expense - Annual Filing - FL	\$ -	\$ 138.75		\$ -	
03/20/09	Rent Income	\$ 38,000.00	\$ -		\$ -	
03/26/09	HOA Funding - Tree Replenishment	\$ -	\$ 1,400.00		\$ -	
03/27/09	Distribution of Investor Cash				\$ (135,000.00)	
03/31/09	Pmt of Sr. lender interest	\$ -	\$ 45,607.57		\$ -	
03/31/09	Rent Income	\$ 4,000.00	\$ -		\$ -	
<b>Totals</b>		<b>\$ 245,527.01</b>	<b>\$ 185,548.82</b>	<b>\$ 36,488,442.84</b>	<b>\$ (135,000.00)</b>	<b>\$ 35,476.51</b>

	Current Period		
	Actual	Budget	Variance
Project Receipts	\$ 245,527.01	\$ 184,440.00	\$ 61,087.01
Project Disbursements	\$ 185,548.82	\$ 179,732.00	\$ 5,816.82
Net Activity	\$ 59,978.19	\$ 4,708.00	\$ 55,270.19

	Year to Date Period		
	Actual	Budget	Variance
Project Receipts	\$ 614,527.01	\$ 553,320.00	\$ 61,207.01
Project Disbursements	\$ 471,397.20	\$ 539,196.00	\$ (67,798.80)
Net Activity	\$ 143,129.81	\$ 14,124.00	\$ 129,005.81

Our system also generates automated monthly or annual recap reports showing summary monthly or yearly cash flows for the project level or for the investor level to easily calculate investor or project IRR's and profits. An example of this report is shown below:



Mountain Funding, LLC  
Co-Lender Annual Recap - MF Participation Co-Lenders  
Sample Borrower, Inc.  
As of 4/20/2009

IRR  
18.44%

	<u>Principal (Advances) Repayments</u>	<u>Interest Paid</u>	<u>Other Earnings</u>	<u>Net Cash Flow</u>
2005	\$ (4,708,610.35)	\$ 463,377.83	\$ 34,000.00	\$ (4,211,232.52)
2006	\$ 822,118.91	\$ 483,960.58	\$ 34,000.00	\$ 1,340,079.49
2007	\$ 3,886,491.44	\$ 399,419.41	\$ 34,000.00	\$ 4,319,910.85
	\$ -	\$ 1,346,757.82	\$ 102,000.00	\$ 1,448,757.82

We also can produce numerous detailed transaction report and daily tracking of investor balances. We can also handle any 1099 reporting that may be required if the underlying project manager is not equipped.

The reports shown above are just some examples of what we produce for our investors, all of which is designed by in-house programming. We don't believe in "canned" reporting to our investors, as we would not be satisfied with it ourselves, as an investor. Our reporting to our investors is flexible and constantly changing to match the dynamic nature of the industry.