NatEquity, Inc.
National Equity Access for Senior Homeowners

Option Product Term Sheet 5/1/19

1 DESIGN PREMISE

A NatEquity® Agreement is an option interest in real estate that allows senior citizens to use the equity built up in their homes, along with expected future appreciation to pay living and care expenses while they continue to live at home. Based on the amount of equity, NatEquity will pay the homeowner up to several thousand dollars each month of tax-deferred income, for a term of 10 years, and will ensure a settlement payment out of sale proceeds at Agreement maturity. In exchange, when the home is sold, NatEquity will receive half of its appreciated value. NatEquity will partner with each senior client to make sure that the home is well-maintained and in good repair, so that it continues to appreciate and to be a sound place to live, and will make sure that the balance of the value of the home goes to the heirs. This unique partnership guarantees income certainty and inheritance certainty, and is expected to yield a very attractive ROI for investors.

In order to make the product commercial, NatEquity has balanced downside protections for investors with attractive upside potential for coastal California senior homeowners. The payment balance starts small and grows over time, while the share of appreciation compounds on the larger value of half the home. This leverage is in effect homeowner financing of their income stream from future appreciation. NatEquity will select homes in consistently high appreciation areas that have averaged 6% compounded home appreciation for 30-years. NatEquity has the tools to mortality underwrite each homeowner, thereby targeting an average portfolio life of between 7 to 8 years. **Although home price appreciation in the target market has averaged 6% annually for the last 30 years, NatEquity will cap its share of future appreciation at 5%.** Any appreciation above 5% will go to the homeowner. **In exchange NatEquity has created some contractual downside protection for investors:**

1. **Any actual adjustment to the maturity payment is determined based upon the home's sales price. If actual value at sale is less than the target 5% HPA, one half of the HPA shortfall is deducted from the maturity payment, but this payment never falls below zero. For homes in target zip codes, historic HPA cycles show a surplus due the homeowner. Only homes sold during a continuous downturn experience an HPA shortfall which reduced their maturity payment at sale.**
2. **If need be the contract re-establishes the floor value of the home for the first five contract years as the lesser of FMV or the appraised value at contract origination. During this period and after five years, if the home's value has declined, a new "floor value can be reset.**
3. **The homeowner subordinates their interest in the home to the lender so that in the event of a catastrophe the funder receives first monies at sale or foreclosure.**

Below is a list of general Contract Underwriting Requirements:

1. Requirements for participants include:
    a. Homeowner(s) must be at least 72 years old
    b. Home must be detached, single-family
    c. One homeowner must live in the home as a principal residence
    d. Home must be in one of NatEquity's target high-appreciation primary zip codes in California
    e. Home must have a fair market value (FMV) of at least $1,000,000 and not more than $2,500,000.

    f. Home must have no more than 20% debt against its FMV
    g. Home must pass or be able to meet NatEquity home inspection criteria
    h. Homeowner(s) must meet NatEquity's health guidelines
    i. Homeowner(s) must meet NatEquity modified credit check requirements
    j. The above items are part of NatEquity's prequalification assessment algorithms, scores from which are stored in CRM.
2. Rather than charging and accruing compound interest, a NatEquity Agreement relies upon home appreciation. To the extent compound accrued appreciation, at future sale of the home, is less than 5%, NatEquity will reduce the maturity payment due the homeowner by one half of that shortfall amount. This reduction cannot reduce the maturity payment below zero.
3. Only homes within target areas with the most reliable compound home appreciation rates will be selected for inclusion in the first phase of the program. These targeted communities are all in eleven coastal counties in California. See graphics on pages 7-10.
4. Because a NatEquity Agreement is structured as an option to purchase, and not a loan, it is not subject to the rules and regulations imposed on credit/lending products at the federal or state levels.
5. Mortgage brokers who have California real estate licenses can and will sell NatEquity Agreements. NatEquity has a legal opinion letter to substantiate this distribution channel arrangement.
6. Homeowners and their spouses must be at least 72 years of age to obtain a NatEquity Agreement. The average age is anticipated to be 78.
7. It is anticipated that the ownership of each home will be placed in an irrevocable trust, with NatEquity as co-trustee. In addition to avoiding probate, this will allow NatEquity to exercise its option and commence the sales process in a timely manner after death of the homeowner(s).
8. NatEquity Agreements will be recorded as a property interest lien on each home title policy at time of Agreement origination.
9. Because the inseparable unit of measure is a whole house, some assumptions and the recorded interest and deed of trust will be against the whole house at Agreement origination.
10. Monthly payments to the homeowner will be for 10 years or until a maturity event as described below.
11. For homeowners still living in their home at nine and one-half years, NatEquity anticipates that it may re-appraise the home and possibly offer the homeowners a revised contract that provides a continued flow of monthly payments, preferably at the same level subject to the changed actuarial data and home value.
    a. The security for the second contract is an option for NatEquity for additional home equity at time of sale.
    b. The homeowner is not required to accept the continued payments, if offered, or, if the offer is accepted, to move at the end of the 10-year payment period. S/he can continue to live in the house until a maturity event occurs.
    c. Allowing senior homeowners extensions of their 10-year payment terms may slightly delay portfolio returns, but is financially reasonable, is socially responsible, and meets NatEquity's mission of allowing seniors to age in place.
12. Maturity events include:
    a. Breach of contract.
    b. Homeowner moves out with no intention of returning, has been out of the residence for 90 of any consecutive 120 days, or does not live in home as principal residence.
    c. Death of homeowner(s).
    d. Homeowner adds another person or entity to the property title.

- e. Homeowner decides to sell the property before the end of the Agreement. This is allowed, so long as:
    1. NatEquity is provided advance written notice, no later than the date the home is listed for sale, or 30 days prior to actual sale or transfer
    2. The home is appraised by an independent appraiser to establish Fair Market Value (FMV),
    3. NatEquity, as a co-trustee, approves the process of the sale and the sales price
    4. Upon sale, NatEquity is paid a sum equal to 50% of the gross sales price, OR 50% of FMV, minus the settlement payment to homeowner.
    5. NatEquity will stop making monthly payments to homeowner at close of escrow.
- f. Heirs choose to buy out the NatEquity Agreement.
    1. NatEquity is provided advance written notice, 30 days prior to the date of sale or transfer,
    2. The home is appraised by two independent appraisers to establish Fair Market Value (FMV),
    3. NatEquity, as a co-trustee, approves the process of the sale and the sales price,
    4. Upon sale, NatEquity is paid a sum equal to 50% of the gross sales price, OR 50% of the average of the two appraisals, minus the settlement payment,
    5. NatEquity stopped making monthly payments when the homeowner(s) died.
- g. Home is co-habited by relatives for more than 6 consecutive months in a 9-month period without NatEquity's written consent.
- h. Home is rented in whole or part without NatEquity's prior written approval.
- i. Home is used for a commercial purpose.
- j. Lien is placed on the property (e.g., from new mortgage, home equity line of credit, tax or (unless promptly removed) mechanics lien).
- k. Foreclosure by any lender.
- l. Bankruptcy of homeowner.
- m. Home is not insured for full replacement value or is underinsured for property, liability, casualty, and flood.
- n. Property taxes and assessments are not paid within 60 days of date due.
- o. Destruction or Condemnation of the home
- p. Homeowner does not participate fully in NatEquity quarterly property evaluations and assessments.
- q. Homeowner does not permit unimpeded annual home inspection.
- r. Homeowner does not begin repairs required by home inspections within 30 days, unless participating in NatEquity appeals process.

13. NatEquity Agreements will include a mandatory Arbitration clause, as long as it is legally permitted.
    - a. An Arbitration Agreement will be provided with each NatEquity Agreement
    - b. Arbitrations will be scheduled as soon as possible after claims are received, hopefully within 30 days of claim.
    - c. If a homeowner files a claim, monthly payments will cease until the Arbitrator's award is issued, and will be placed in a trust account

1. If the award is in NatEquity's favor, the monthly payments will not be paid to homeowner, and will be applied pursuant to a liquidated damages clause
2. If the opinion is in the homeowner's favor, NatEquity will pay all suspended payments within 10 business days

14. NatEquity may allow some amount of initial draw-down of monies to pay homeowner debts or for other non-home-repair reasons. This will give homeowners the ability to have a "fresh start financially," and help cement the partnership NatEquity hopes to form with them.
    a. Homeowner(s) may request this initial "fresh start" draw-down, and NatEquity, at its discretion, may agree or not agree.
    b. Homeowner(s) may choose to take less than the total allowed draw-down. The balance will be earmarked as part of the settlement payment.
    c. Once a year, homeowners can elect to adjust up if they have not taken their maximum allowed draw-down; they can adjust down at any time.
    d. This draw-down balance cannot be used as a line of credit, as NatEquity is not a lender.
    e. The pricing model will take this draw-down, plus initial home repair advances, into consideration by adjusting monthly advances downward.
15. NatEquity may elect, with the homeowners' permission, to directly pay homeowners' mortgage payments to lender of record out of gross homeowner monthly advances. Homeowner will retain the mortgage interest deduction.
16. As part of the Agreement origination process, NatEquity's trained staff will conduct an inspection each home to determine if the property meets NatEquity's standards. If it is determined that immediate repairs are necessary and/or that repairs are likely during the ten-year payment term of the Agreement, NatEquity may require the establishment of a Repair Reserve out of the homeowner's share of home equity. The amount of Repair Reserve will be based on each inspection report: It will be sufficient to pay for immediate repairs at time of the origination of the Agreement plus estimates of repair costs for items identified in the inspection report likely to be needed in the succeeding ten years, and tenure of the senior in the home. How this Repair Reserve affects equity sharing depends upon when and if the Repair Reserve is drawn down.
    a. The total amount of the Repair Reserve is added as an increase to the contract price equity-sharing percentage, and commits NatEquity to paying the monies for identified repairs. The amount of future equity-sharing due NatEquity will depend upon when draws to the Reserve occur.
    b. If no Reserve draws occur between the time of origination escrow and the date of Agreement exercise and subsequent sale of the home, then any home appreciation attributable to the Repair Reserve share is returned to the homeowner or his/her estate at the time of final home sale.
    c. The dollar amount of Repair Reserve draws for immediate repairs contracted for at the time of origination escrow are added to the contract advances, and result in full equity-sharing by NatEquity for that incremental amount.
    d. The dollar amounts of future Repair Reserve draws are considered option advances from the date the funds are drawn down. The equivalent equity percentage attributable to that additional advance participates in appreciation from that date forward. No re-appraisal is required.
17. NatEquity's prequalification questionnaire asks homeowners about home repairs and improvements homeowners would like to do for their own benefit while they continue to live in the home, such as kitchen or bathroom remodels. These later remodels, in the correct circumstances, return full value or add value at later resale. In addition, statistics show that

these remodels are sought after by younger buyers and expedite resales. NatEquity's funder will benefit from these additional upfront cash outlays provided the contract sharing percentages are moves from 50/50 to an appropriate level.

NatEquity is both selective in homes it agrees to enter into a contract on and homes where remodeling advances will add value at resale. The cost estimates above suggest that NatEquity must budget and consider contract revisions at inception to cover the cost of two categories of improvements:

a. Roof replacement, kitchen and one bath remodel $ 75,000
b. Roof replacement, kitchen and two bath remodel $100,000

NatEquity's home improvement division will work with homeowners to evaluate and design improvements. NatEquity will utilize recognized and approved contractors and suppliers under NatEquity's supervision.

NatEquity contract modeling assumes a home equity sharing of 50% of a $1.25 million fair market value home in a coastal California community that enjoys historic and projected future annual home price appreciation of 5%. In example 2 above, this would modify the total contract origination option amount from $625,000 to $725,000. To maintain the same contract unit economic profits this will require raising the equity sharing ration from 50/50 to 60/40. The support for this and other adjustments are in the Unit Economics Excel Model.

These modifications do not consider any later required home improvements notes on the original home inspection report.

18. Each homeowner will be required to maintain a full replacement cost homeowner's insurance policy
    a. The home inspection company will present NatEquity with a full value replacement cost analysis.
    b. This replacement cost analysis will be used as the basis to purchase each homeowner' policy.
    c. City ordinances will be checked to determine, in the event of the loss of a home, if that home may, and under what conditions, be rebuilt.
        1. In the event City ordinances do not allow a home to be rebuilt, for any reason, that will be cause to not offer the homeowner a NatEquity contract.
        2. If the homeowner cannot meet City ordinances to rebuild because they lack or cannot reproduce "as built" plans or engineering, that will be cause to not offer the homeowner a NatEquity contract.
19. At the incapacity of a senior homeowner and in exchange for allowing NatEquity to exercise its option and commence sale of the property, NatEquity can agree to advance to legal representatives of the homeowner(s) up to two years' worth of contract payments to be used for care, funeral expenses, moving and storage of the senior's household goods and other reasonable end-of-life expenses.
    a. Allowing senior homeowners to get advances from their portion of home equity may slightly delay portfolio returns, but is financially reasonable, is socially responsible, and meets NatEquity's mission of allowing seniors to age in place.
    b. Such agreement will be records as an extension of the existing note and option agreement.

2 ORIGINATION

20. A NatEquity Agreement is a contract to obtain half of the appreciated value of single-family residential properties. Inherent in this product is the maintenance and upkeep of whole residential properties to ensure continued appreciation. For this reason, NatEquity will contact each homeowner quarterly to determine his or her well-being and to be advised of any property maintenance issues. Homeowners will agree in the Agreement to cooperate with this quarterly survey. The following steps will be contractually agreed to in each NatEquity Agreement.

2.1 AT APPLICATION

20. The origination documents will clearly state that NatEquity or a contracted third party will contact each homeowner by telephone or by direct in-residence appointment once per calendar quarter to determine his or her well-being and to be advised of any property maintenance issues. The interview may or may not include a Longevity Cost Calculator assessment.
21. In consideration of the homeowner(s) cooperating with this quarterly interview, NatEquity usually may provide the homeowner with a gift of a prepaid debit card or equivalent.
22. NatEquity will contract with a licensed residential real estate appraiser, chosen from an approved list, to conduct an appraisal of the home value. The appraisal value will be stipulated to in writing by NatEquity and the homeowner(s).
    a. If homeowner does not agree with the first appraisal and no errors are found, the homeowner may choose a second appraiser from the approved list and obtain a second appraisal, at homeowner expense.
23. NatEquity's trained staff will conduct a residential home inspection, to NatEquity's standards, and provide the homeowner(s) with a written report of its findings and recommendations.
    a. This report will include a full inspection review of the grounds, exterior, interior, appliances, electrical, plumbing, heating, cooling and other elements of the property.
    b. This report is to include a list of home improvement items that the inspectors believes may need to be addressed in the following ten years. Best estimate current pricing for each item will be included, subject to adjustment at time of independent third-party bids to conduct the work by contractors on NatEquity's approved list.
    c. All immediate remediation items identified by NatEquity's home inspectors:
        1. Must be contracted for or completed before the NatEquity Agreement escrow will close.
        2. Must be paid for by the homeowner or advanced from the homeowner's home repair reserve against the homeowner's share of contractual homeownership.
        3. Must meet NatEquity's quality standards.
        4. Must be performed by contractors from NatEquity's approved list.
    d. NatEquity's home inspection division, working with respected national homeowner's insurance general agencies, will provide NatEquity with a replacement cost estimate to assure NatEquity and funders that the home has adequate replacement cost insurance to replace the structures and bring them up to current code.
    e. NatEquity's inspection division will determine if there are any original or "as built" plans and engineering for the home. If so, those documents will be taken temporarily to duplication and added to NatEquity's servicing files for that residence.

f. Each homeowner will provide NatEquity with a valid HIPAA release form (different if specific to Kaiser or UCSF, etc.) to allow NatEquity or a third party to obtain the homeowner's medical records, which will be used to secure two or more independent commercial life expectancy reports.

g. Other documents required on the application checklist include:

1. Copy of application
2. Blank copy of contract
3. Copy of driver's license and or passport
4. Underwriting materials and documents
5. Authorization for credit reports
6. Authorization to secure income tax returns
7. List of personal contacts NatEquity may contact to determine homeowner's safety and well being
8. Verification of social security or pension
9. Copy of homeowner's social security card or recent social security statement
10. Completed and signed Senior Resource Planning Guide
11. Verification of bank accounts
12. Verification of IRA, 401(k), brokerage accounts
13. Copy of homeowner's property insurance policy
14. Copy of property tax statement
15. Copy of any loan agreements and recorded deeds of trust
16. Signed verification of disclosures provided to homeowner at time of application
17. Signed verification that disclosures were provided to family members at time of application by homeowner
18. Form about where to receive home equity/refinance counseling
19. Confirmation that home is not in flood zone or purchase of flood insurance
20. Copy of documentation that home is in a Firewise USA certified community.
21. Copy of last local Fire Marshall inspection report or letter to your homeowner's insurance carrier.
22. Any summary or information from last time home replacement cost insurance review was conducted.
23. Written summary of any additions to your home or local inspections of your home or insurance coverage, including items below:
    a. Original sq. footage, # bdrms, baths, date purchased and date built.
    b. Structural additions, type, sq footage, Year.
    c. Year roof last replaced.
    d. Year kitchen last updated.
    e. Year bathroom(s) last updated.
    f. Year heating system last replaced/installed.
    g. Year water heater last replaced/installed.
    h. List any improvements you would like to do in the near future.
        i. Roof repair or replacement.
        ii. Appliance repair or replacement.
        iii. Kitchen remodel

iv. Bathroom(s) remodel
v. Termite, carpenter ants, etc.
vi. Heating system, water heater repair / replace.
vii. Sewer lateral clean or replace.
viii. Major yard cleaning/tree work to create defensible space per City code / property insurer requirement.
ix. Replace soffit and other home vents with non-combustible venting.
x. Bring any building code violations up to standard.

24. At time of application NatEquity or its representative will provide homeowner the following:
    a. A duplicate scanned copy of the signed Senior Resource Planning Guide
    b. A duplicate scanned copy of the competed Application Checklist
    c. A blank of the NatEquity Contract
    d. A copy of the NatEquity booklet that describes the contract and the homeowner's obligations under the contract
    e. NatEquity's disclosures at time of application.
    f. An estimated disclosure of origination costs to be incurred and charged by NatEquity against the Contract Advance Schedule.

2.2 Contract Closing

26. Each contract closing will be uniform and take place at a title company of NatEquity's closing.
    a. Documents executed at the closing will include:
        1. Mortgage
        2. Deed of Trust
        3. Option Contract
        4. Signed notice of disclosures at closing
        5. Payment schedule
        6. Notice of repairs reserve, if required
        7. Notice of anticipated futures repairs, as noted by home inspection company
        8. Signed agreement to conduct home modernization after close
        9. A best efforts example of how the contract amounts should conform for each year.
        10. Trust Agreement
        11. Notarize consent of each living child
        12. Acknowledgement of fees paid at closing
        13. Binder for replacement cost homeowner's insurance
        14. Rescission period notice
        15. Notarized Consent of spouse, if required
        16. Escrowed repair / remodel account if required
        17. Repair / remodel supervision / management Agreement if required

2.3 Servicing

27. If repairs or remodel, this aspect supervised by remodel group and remodel accounting. Upon job completion and sign off, relationship is transferred to servicing, except for recalls within 12 months, then handled by remodel group.
28. Homeowner(s) agree that once each calendar quarter, NatEquity or a contracted third party will contact each homeowner by telephone or by direct in-residence appointment to determine his

or her well-being and to be advised of any property maintenance issues. The interview may or may not include a Longevity Cost Calculator assessment.

   a. Homeowner(s) must cooperate fully

29. Once per year, NatEquity, or a home inspection company, has the contractual right to perform a house assessment visit to view and possibly to photograph the condition of the home.
30. In the event conditions are observed in the home or on the property that are or may be dangerous for the homeowner(s), or which could adversely affect the future value of the home, NatEquity has the obligation to inform the homeowner(s) of the need to take specific actions to mitigate the problems.
31. In the event NatEquity observes and reports conditions that may adversely affect the value of the home, and the homeowner(s) do not take remedial action, NatEquity has the contractual right to draw upon the home repair reserve and/or hire contractors to complete such work from advances against the homeowner's share of contractual homeownership.

3 DATA VISUALIZATIONS

3.1 NATEQUITY AGREEMENT EXAMPLE

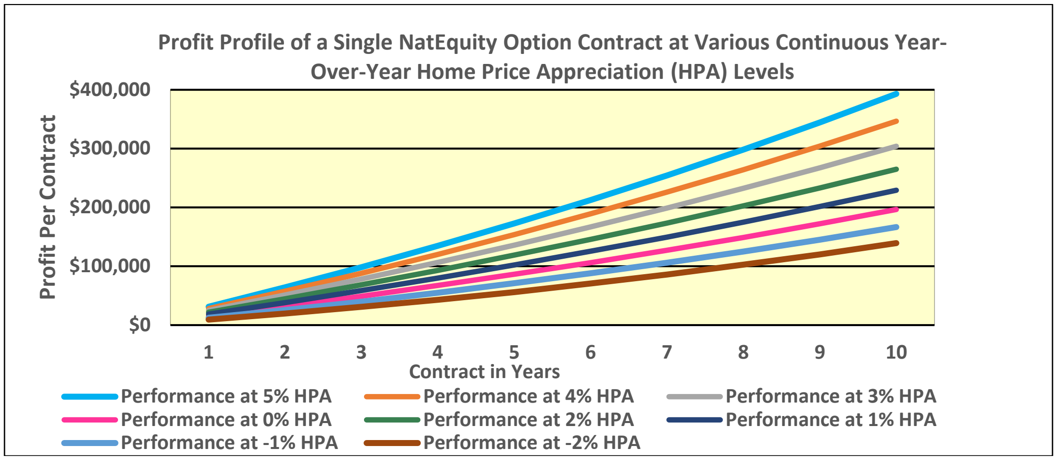
Our example below assumes a home FMV at contract origination of $1,250,000, payments to a 78-year old client of $2,500/month, and a full 10-year contract term. Assuming a 10-year maturity and sale of the home, NatEquity would pay the client or client's estate a $295,605 maturity payment, which is half of the origination value of the home ($625,000) less the $300,000 in monthly payments and the $27,395 in closing costs. The home is assumed to appreciate at 5% compounded interest annually for 10-years, and sell at the 10-year maturity for $2,036,118. In addition to the $625,000 already paid to the client, the client or client's estate would receive $916,253 in home sale proceeds (after deduction of the $101,806 sales commission), for a total of $1,513,858 paid to the homeowner. The pre-tax profit to NatEquity would be $393,059.

NatEquity Contract Cash Flows at 5% HPA, NatEquity Cap at 5%, Y/E 10 Sale

	NatEquity	Homeowner	External Costs	Total
Gross Home Sales Price	**$1,018,059**	**$1,018,059**		**$2,036,118**
Maturity Payment to Homeowner	**-$297,605**	**$297,605**		**$0**
Total Annual Payments to Homeowner	**-$300,000**	**$300,000**		**$0**
5% Sales Comission Paid By Homeowner		**-$101,806**	**$101,806**	**$0**
Initial Costs Advanced to Homeowner	**-$27,395**		**$27,395**	**$0**
Total	**$393,059**	**$1,513,858**	**$129,201**	**$2,036,118**

NatEquity Contract Cash Flows at 5% HPA, NatEquity Cap at 5%, Y/E 3 Sale

	NatEquity	Homeowner	External Costs	Total
Gross Home Sales Price	**$723,516**	**$723,516**		**$1,447,031**
Maturity Payment to Homeowner	**-$507,605**	**$507,605**		**$0**
Total Annual Payments to Homeowner	**-$90,000**	**$90,000**		**$0**
5% Sales Comission Paid By Homeowner		**-$72,352**	**$72,352**	**$0**
Initial Costs Advanced to Homeowner	**-$27,395**		**$27,395**	**$0**
Total	**$98,516**	**$1,248,769**	**$99,747**	**$1,447,032**

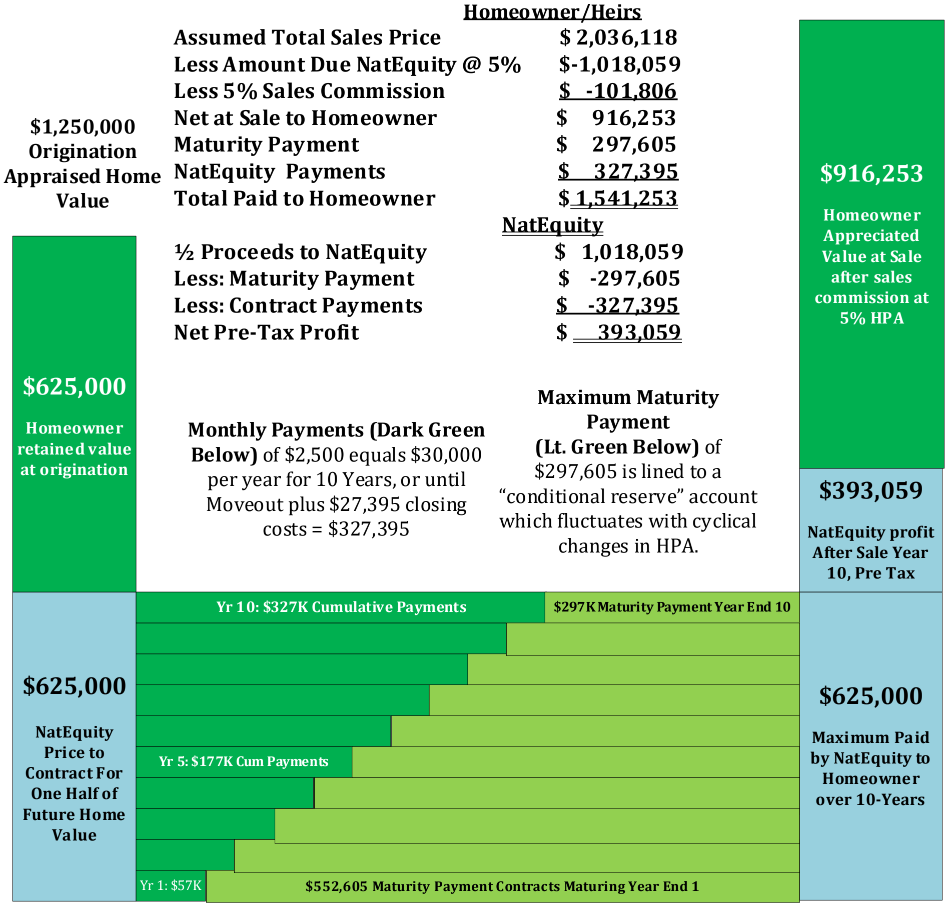


Example of a NatEquity Shared Appreciation Home Equity Option Contract

Assumes Maturity in year-10, 5% Annual Home Appreciation (HPA)
Female Age 78 at Contract Origination
$1.25 Million Origination Home Value

Summary at Sale, 5% Home Price Appreciation (HPA) Sharing, Sale Year-End 10

	Homeowner/Heirs
Assumed Total Sales Price	$ 2,036,118
Less Amount Due NatEquity @ 5%	$-1,018,059
Less 5% Sales Commission	$ -101,806
Net at Sale to Homeowner	$ 916,253
Maturity Payment	$ 297,605
NatEquity Payments	$ 327,395
Total Paid to Homeowner	$ 1,541,253
	NatEquity
½ Proceeds to NatEquity	$ 1,018,059
Less: Maturity Payment	$ -297,605
Less: Contract Payments	$ -327,395
Net Pre-Tax Profit	$ 393,059



3.2 NatEquity Contract Settlement Payment in Maturity Year

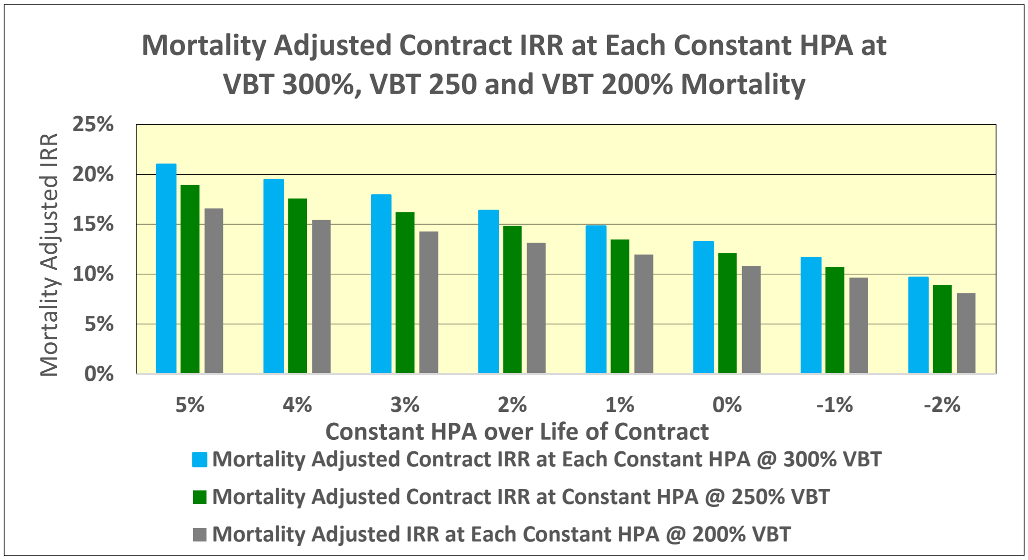
Although home price appreciation in the target market has averaged 6% annually for the last 30 years, NatEquity will cap its share of future appreciation at 5%. Any appreciation above 5% will go to the homeowner. In exchange NatEquity has created some contractual downside protection for investors:
Any actual adjustment to the maturity payment is determined based upon the home's sales price. If actual value at sale is less than the target 5% HPA, one half of the HPA shortfall is deducted from the maturity payment, but this payment never falls below zero. For homes in target zip codes, historic HPA cycles show a surplus due the homeowner. Only homes sold during a continuous downturn experience an HPA shortfall which reduced their maturity payment at sale.

Single Contract Unit Economics Full Early Maturity Payment						
		5% HPA Scenario				
Year-End	Cumulative Option Advances Homeowner	Unadjusted Full Option Exercise Payment	HPA Shortfall Adjustment at 5% HPA	Total Payments to Client	1/2 Sales Price Net of Commission	Total Received by Homeowner
Origination	$27,395					
1	$57,395	$567,605	$0	$625,000	$590,625	$1,215,625
2	$87,395	$537,605	$0	$625,000	$620,156	$1,245,156
3	$117,395	$507,605	$0	$625,000	$651,164	$1,276,164
4	$147,395	$477,605	$0	$625,000	$683,722	$1,308,722
5	$177,395	$447,605	$0	$625,000	$717,908	$1,342,908
6	$207,395	$417,605	$0	$625,000	$753,804	$1,378,804
7	$237,395	$387,605	$0	$625,000	$791,494	$1,416,494
8	$267,395	$357,605	$0	$625,000	$831,069	$1,456,069
9	$297,395	$327,605	$0	$625,000	$872,622	$1,497,622
10	$327,395	$297,605	$0	$625,000	$916,253	$1,541,253

Single Contract Unit Economics with HPA Shortfall Adjusted Maturity Payments at 3% and 0% Constant HPA											
		3% HPA Scenario					0% HPA Scenario				
Year-End	Cumulative Option Advances Homeowner	Unadjusted Full Option Exercise Payment	HPA Shortfall Adjustment at 3% HPA	Total Payments to Client	1/2 Sales Price Net of Commission	Total Received by Homeowner	Unadjusted Full Option Exercise Payment	HPA Shortfall Adjustment at 0% HPA	Total Payments to Client	1/2 Sales Price Net of Commission	Total Received by Homeowner
Origination	$27,395										
1	$57,395	$567,605	-$6,250	$618,750	$579,375	$1,198,125	$567,605	-$15,625	$609,375	$562,500	$1,171,875
2	$87,395	$537,605	-$13,000	$612,000	$596,756	$1,208,756	$537,605	-$32,031	$592,969	$562,500	$1,155,469
3	$117,395	$507,605	-$20,281	$604,719	$614,659	$1,219,378	$507,605	-$49,258	$575,742	$562,500	$1,138,242
4	$147,395	$477,605	-$28,124	$596,876	$633,099	$1,229,975	$477,605	-$67,346	$557,654	$562,500	$1,120,154
5	$177,395	$447,605	-$36,565	$588,435	$652,092	$1,240,527	$447,605	-$86,338	$538,662	$562,500	$1,101,162
6	$207,395	$417,605	-$45,639	$579,361	$671,654	$1,251,016	$417,605	-$106,280	$518,720	$562,500	$1,081,220
7	$237,395	$387,605	-$55,383	$569,617	$691,804	$1,261,421	$387,605	-$127,219	$497,781	$562,500	$1,060,281
8	$267,395	$357,605	-$65,839	$559,161	$712,558	$1,271,719	$357,605	-$149,205	$475,795	$562,500	$1,038,295
9	$297,395	$327,605	-$77,048	$547,952	$733,935	$1,281,886	$327,605	-$172,290	$452,710	$562,500	$1,015,210
10	$327,395	$297,605	-$89,056	$535,944	$755,953	$1,291,897	$297,605	-$196,530	$428,470	$562,500	$990,970

Single Contract Unit Economics with HPA Shortfall Adjusted Maturity Payments at -1% and -2% Constant HPA													
		-1% HPA Scenario (Constant Negative HPA)						-2% HPA Scenario (Constant Negative HPA)					
Year-End	ve Option Advances Homeow	d Full Option Exercise Payment	HPA Shortfall Adjustment at -1% HPA	Total Payments to Client	1/2 Sales Price Net of Comm	Total Received Homeowne r	Total Profit to NatEquity	d Full Option Exercise Payment	HPA Shortfall Adjustment at -2% HPA	Total Payments to Client	1/2 Sales Price Net of Comm	Total Received Homeowner	Total Profit to NatEquity
Originatio	$27,395												
1	$57,395	$567,605	-$18,750	$606,250	$556,875	$1,163,125	$12,500	$567,605	-$21,875	$603,125	$551,250	$1,154,375	$9,375
2	$87,395	$537,605	-$38,250	$586,750	$551,306	$1,138,056	$25,813	$537,605	-$44,406	$580,594	$540,225	$1,120,819	$19,656
3	$117,395	$507,605	-$58,539	$566,461	$545,793	$1,112,254	$39,976	$507,605	-$67,635	$557,365	$529,421	$1,086,785	$30,880
4	$147,395	$477,605	-$79,659	$545,341	$540,335	$1,085,676	$55,032	$477,605	-$91,606	$533,394	$518,832	$1,052,226	$43,086
5	$177,395	$447,605	-$101,654	$523,346	$534,932	$1,058,278	$71,022	$447,605	-$116,363	$508,637	$508,455	$1,017,093	$56,313
6	$207,395	$417,605	-$124,567	$500,433	$529,583	$1,030,015	$87,992	$417,605	-$141,954	$483,046	$498,286	$981,332	$70,606
7	$237,395	$387,605	-$148,448	$476,552	$524,287	$1,000,838	$105,989	$387,605	-$168,430	$456,570	$488,321	$944,891	$86,008
8	$267,395	$357,605	-$173,347	$451,653	$519,044	$970,697	$125,063	$357,605	-$195,841	$429,159	$478,554	$907,713	$102,568
9	$297,395	$327,605	-$199,316	$425,684	$513,853	$939,538	$145,264	$327,605	-$224,244	$400,756	$468,983	$869,739	$120,336
10	$327,395	$297,605	-$226,410	$398,590	$508,715	$907,305	$166,649	$297,605	-$253,694	$371,306	$459,603	$830,909	$139,365

3.3 Components of NatEquity Profits per Contract



NatEquity Single Contract IRRs with HPA Index for Various Durations and Maturity Weighted

Constant HPA	Y/E 1	Y/E 2	Y/E 3	Y/E 4	Y/E 5	Y/E 6	Y/E 7	Y/E 8	Y/E 9	Y/E 10	Mortality Adjusted Expected Return
5%	54%	38%	30%	25%	21%	19%	17%	15%	14%	13%	21%
4%	49%	35%	27%	23%	20%	17%	15%	14%	13%	12%	19%
3%	44%	31%	25%	21%	18%	16%	14%	13%	12%	11%	18%
2%	38%	28%	22%	18%	16%	14%	13%	12%	11%	10%	16%
1%	33%	24%	19%	16%	14%	12%	11%	10%	10%	9%	15%
0%	27%	20%	17%	14%	12%	11%	10%	9%	8%	8%	13%
-1%	22%	17%	14%	12%	10%	9%	8%	8%	7%	7%	12%
-2%	16%	13%	11%	9%	8%	8%	7%	7%	6%	0%	10%

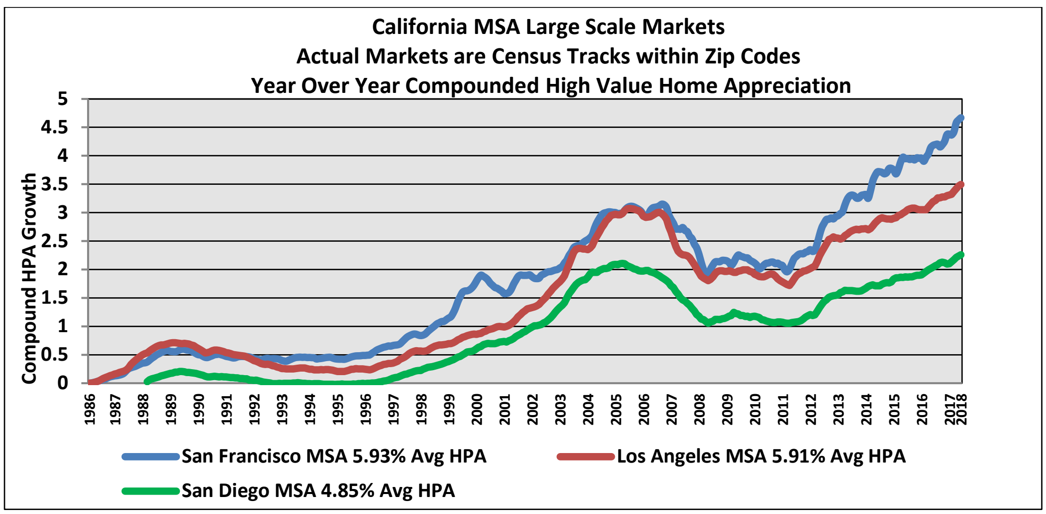
3.4 NatEquity Target California MSA Markets

Although home price compounded annual appreciation has been significant in the three coastal California Metropolitan Statistical Areas (MSAs), there have been strong periodic downturns. In this last downturn, the San Francisco MSA dropped 38%, Los Angeles and Orange County dropped 41%, and the San Diego MSA dropped 48%. Eastern Alameda and Contra Costa Counties in the San Francisco MSA and northern and eastern Los Angeles county suffered serious statistical downturns. Such of these downturns were caused by short sales and foreclosures in marginal areas in the radius from 30-75 miles from major job centers. Individual markets in NatEquity's target zip code cities exhibited downturn patterns that were very different from the larger MSA data. NatEquity's target zip codes either stayed flat or home prices (based mostly upon forced sales) declines modestly, but jumped back up. The chart below shows Larkspur in Marin County, Palo Alto in Santa Clara County and Brentwood in Los Angeles County. These cities are typical of the census tracts NatEquity will target.

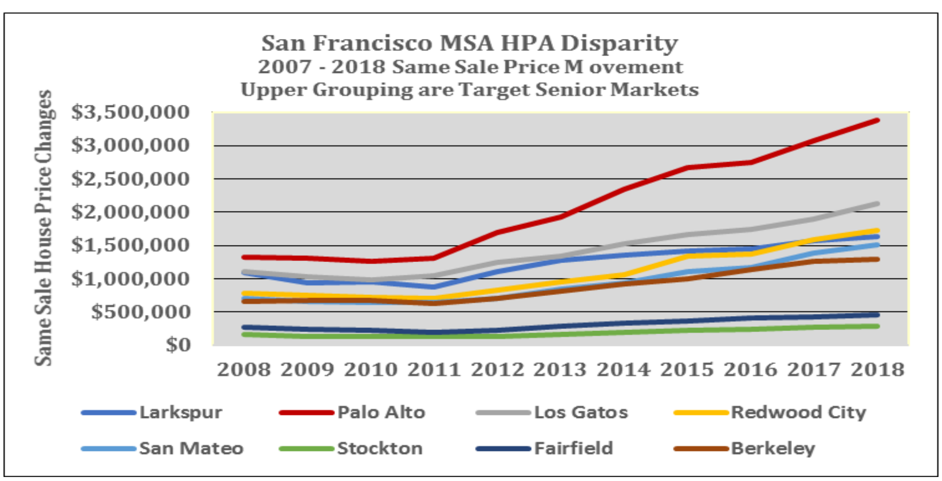
A factor not often taken into consideration when discussing NatEquity's target markets is that many of these homes have not been on the market and do not have recorded resales for 35-45 years. Until reappraised many of these homes do not show accurate valuations. CoreLogic and other data services materially under value these homes. Same home or like-kind resales that makeup much of the statistical data consistently account for homes with frequent turnover. The below chart uses 2016 data. Core area target zip codes have appreciated as much as 25% since then.

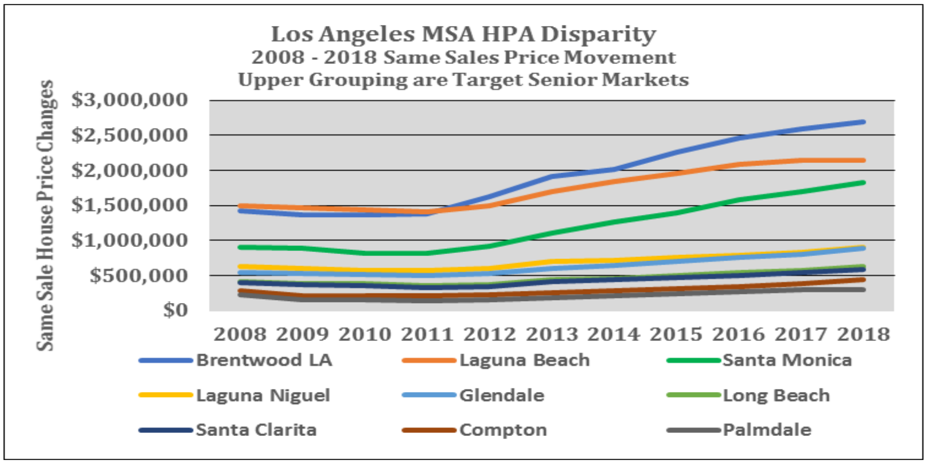
NatEquity's Opportunity in Targeted California Counties					
Households Age 75+ Where Median Home Value is Greater Than $600,000 - 2016 Data					
County	Total Population by County (thousands)	Population Age 75 + (thousands)	Top-Tier Households Age 75 + (thousands)	Median Home Value	Potential NatEquity Housing Market (thousands)
Alameda	1,648	170	136	$700,000	$95,200,000
Contra Costa	1,135	134	108	$600,000	$64,800,000
Los Angeles	10,138	1,032	826	$600,000	$495,600,000
Marin	260	42	34	$1,100,000	$37,400,000
Orange	3,173	351	281	$700,000	$196,700,000
San Diego	3,318	351	280	$650,000	$182,000,000
San Francisco	871	92	73	$1,000,000	$73,000,000
San Mateo	765	100	73	$950,000	$69,350,000
Santa Barbara	446	51	46	$650,000	$29,900,000
Santa Clara	1,919	194	155	$850,000	$131,750,000
Ventura	850	98	78	$600,000	$46,800,000
Totals	24,523	2,615	2,090		$1,422,500,000
Source: Census Bureau Quick Facts, Top Tier Housing and Age data by cities and counties					

3.5 Home Price Fluctuation Sample NatEquity Target Markets

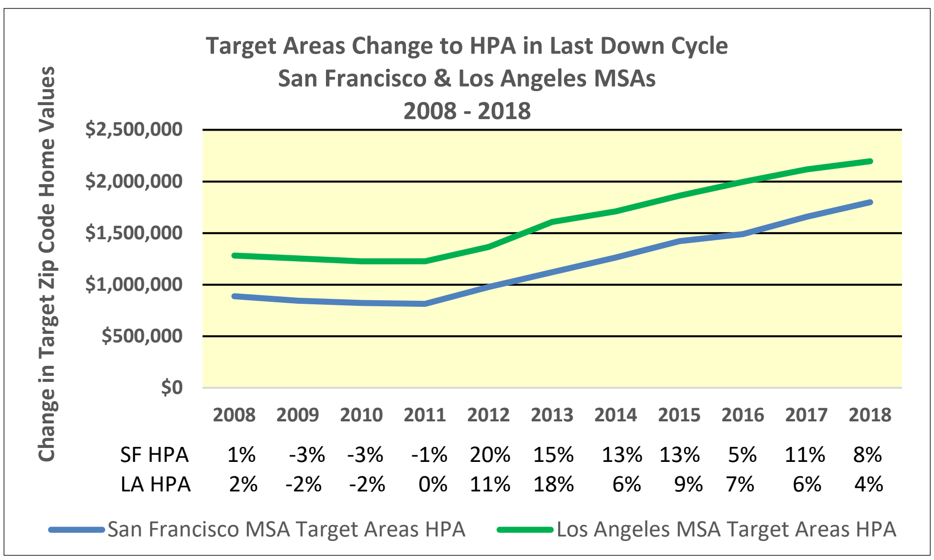


The below graphs are 10-year detail for communities in the San Francisco and Los Angeles MSAs.





The largest HPA downturn in the last 40 years occurred in 2008 and is shown on the charts above and below. Target zip codes went nearly flat in 2008 before HPA accelerated in 2012. The graph and table below emphasize the need to have HPA shortfall protection adjusted quarterly for valuation purposes. These shortfalls are more than offset by the upswings in home values after a downturn. Although the table below started with no positive "conditional reserve" balance, even a two-year period of negative HPA can deplete the cumulative HPA conditional reserve of HPA in excess of 5%.



10-Year House Price Appreciation of Targeted Bay Area and Los Angeles Zip Codes

SF Bay Area Targeted Zip Codes	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Actual Year-end Home Value	$888,143	$860,143	$835,714	$830,587	$976,000	$1,120,571	$1,261,429	$1,422,000	$1,490,714	$1,658,429	$1,798,571
Actual Composit HPA this Year	1%	-3%	-3%	-1%	18%	15%	13%	13%	5%	11%	8%
1/2 Cumulative Actual HPA		-$14,000	-$26,214	-$28,778	$43,929	$116,214	$186,643	$266,929	$301,286	$385,143	$455,214
Cumulative Due NatEquity a 5%		$22,204	$45,517	$69,997	$95,700	$122,689	$151,027	$180,782	$212,024	$244,829	$279,274
Surplus (Deficit) HPA Carried Over		-$36,204	-$71,732	-$98,775	-$51,772	-$6,474	$35,616	$86,147	$89,261	$140,314	$175,940
Los Angeles Targeted Zip Codes	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Actual Year-end Home Value	$1,281,000	$1,253,714	$1,226,429	$1,226,000	$1,366,143	$1,608,143	$1,709,429	$1,863,143	$1,996,571	$2,117,143	$2,195,571
Actual Composit HPA this Year	2%	-2%	-2%	0%	11%	18%	6%	9%	7%	6%	4%
1/2 Cumulative Actual HPA		-$13,643	-$27,286	-$27,500	$42,571	$163,571	$214,214	$291,071	$357,786	$418,071	$457,286
Cumulative Due NatEquity a 5%		$32,025	$65,651	$100,959	$138,032	$176,958	$217,831	$260,748	$305,810	$353,126	$402,807
Surplus (Deficit) HPA Carried Over		-$45,668	-$92,937	-$128,459	-$95,460	-$13,387	-$3,617	$30,324	$51,976	$64,946	$54,479

4 CONTACT

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