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MEGASTAR
FINANCIAL CORP.

America's Most Trusted Mortgage Company

FINANCIAL STABILITY IS OUR KEY TO SUCCESS!

- ***Strong Focus on Branch and Corporate Profitability***
  - We have been profitable every single year of our twenty-five years in business; including 2023, one of the toughest years ever in the mortgage industry.

- ***Strong Balance Sheet***
  - Our strong balance sheet allows us easy access to warehouse banking resources at favorable interest rates.
    - Current average utilization of **32**% across our multiple warehouse lenders.
    - Always in compliance with our warehouse bank covenants, with significant runway before we would ever be out of compliance:
      - Our liquid assets are **360**% of the required minimum.
      - Our net worth is **153**% of the required minimum.
      - Our debt/net worth is **7**% of the required maximum.
    - No other debt, so no expensive debt service to overcome.

- ***Servicing Portfolio***
  - Building daily by retaining agency products.
  - **11,700** loans totaling $**3.3** billion.
  - An extremely high quality portfolio of performing loans due to our high underwriting standards.
  - Delinquency rate of 0.**9**%, well below industry averages.
  - Prepayment rate of less than **5**% annually, again well below industry averages.
  - No MSR financing, owned 100% free and clear.
  - Current valuation multiple of **4.9**.

Certified True and Correct for the month ended **April 30, 2024**:

Scott Pieper

Scott Pieper, Chief Operating Officer

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WHY IS LIQUIDITY AND NET WORTH SO IMPORTANT?

LIQUIDITY TEST

What is it?
A liquid asset test is a financial evaluation used to determine the liquidity of an asset. Liquidity refers to the ease with which an asset can be converted into cash without significantly affecting its market price. The test typically involves analyzing the proportion of liquid assets within a portfolio or balance sheet compared to illiquid assets.

Why is it important?
The importance of a liquid asset test lies in several key aspects:

- Cash Flow Management: It helps assess an entity's ability to meet its short-term financial obligations. Liquid assets can be quickly converted into cash to cover expenses such as bills, payroll, or debt payments.
- Risk Management: Liquidity is crucial for managing financial risk. Having a sufficient portion of liquid assets ensures that an organization can navigate unexpected expenses or market downturns without having to resort to fire sales of illiquid assets at discounted prices.
- Financial Stability: A healthy level of liquidity contributes to financial stability. It provides a buffer against economic uncertainties and can prevent a liquidity crisis where an entity struggles to meet its immediate financial needs.
- Creditworthiness: Lenders and investors often assess an entity's liquidity position as part of their decision-making process. A strong liquidity position enhances creditworthiness and can result in favorable lending terms or investment opportunities.
- Strategic Planning: Understanding the liquidity profile of assets helps in strategic decision-making. It informs asset allocation strategies, investment choices, and capital expenditure planning.
- Regulatory Compliance: For certain industries or financial institutions, regulatory bodies may impose liquidity requirements to ensure stability and safeguard against systemic risks. A liquid asset test helps ensure compliance with such regulations.

Overall, conducting a liquid asset test provides valuable insights into an entity's financial health, resiliency to market fluctuations, and capacity to seize opportunities or weather financial challenges.

NET WORTH

What is it?
Net worth is the value of the assets a corporation owns, minus the liabilities they owe. It is an important metric to gauge a company's health, providing a useful snapshot of its current financial position.

Why is it important?
Banks have a minimum net worth requirement to enforce a minimum level of financial stability. A minimum net worth requirement helps ensure that the company has a sufficient capital buffer to absorb losses and remain solvent during adverse economic conditions or unexpected financial shocks.

DEBT TO NET WORTH RATIO

What is it?
The debt to net worth ratio, also known as the leverage ratio, is a financial metric used to assess the level of debt relative to a company's equity or net worth. It is calculated by dividing the total debt of a company by its net worth.

Why is it important?
The debt to net worth ratio provides insights into a company's financial structure and risk profile. The ratio helps assess the company's financial health by indicating the extent to which it relies on debt financing. A high debt to net worth ratio suggests that the company has a significant amount of debt relative to its equity, which may raise concerns about its ability to manage debt payments and withstand financial downturns.

Overall, the debt to net worth ratio serves as a key indicator of financial risk and stability, influencing decision-making processes for investors, lenders, and company management.