Single Family Residence
9726 Autumn Valley
Converse, Texas 78109

Relevant Dates
Date of Inspection: March 22, 2007
Effective Date of Value Opinion: March 22, 2007
Date of Report: March 26, 2007

Prepared for:
Joseph & Melissa Hoffer
9726 Autumn Valley
Converse, Texas 78109

Prepared by:
Paul Lorenzen
CCIM, CPM, CSM
8151 Easy Meadow Drive
Converse, Texas 78109
March 26, 2007

Joseph & Melissa Hoffer
9726 Autumn Valley
Converse, Texas 78109

RE: Appraisal Report - 9726 Autumn Valley, Converse, Texas

Dear Mr. & Mrs. Hoffer:

As per your authorization, I have prepared an appraisal of the Single Family Residence located at 9726 Autumn Valley, Converse, Texas. The Legal Description of the property is:

Lot 20, Block 4, Autumn Run, Unit 1A, City of Converse, Bexar County, Texas.

The purpose of this appraisal is to determine the "As Is" Market Value of the Fee Simple Estate. The intended use of the appraisal is to assist the Client in determining the price at which they should offer the property for sale. The Intended Users of the report are Joseph & Melissa Hoffer.

In the process of preparing this appraisal, I have inspected the property and the surrounding neighborhood, researched the residential property market, selected, researched, and analyzed appropriate comparable properties, and prepared all three approaches (Cost Approach, Sales Comparison Approach, and Income Approach) for estimating value. The full Scope of Work is described in the appropriate section of the accompanying report.

The Appraisal Report which accompanies this Transmittal Letter is a Summary Report and contains a brief description of the data and a summary of the analysis and reasoning used to reach my final opinion of value. Please be aware that this Transmittal Letter is not an appraisal report and the accompanying Appraisal Report must be read to fully understand my analysis and conclusions. Please also give special attention to the Assumptions and Limiting Conditions as outlined in the Addenda to the Report.
The relevant dates in the appraisal are:

- **Effective Date** of Value Opinion: March 22, 2007
- **Date of On-Site Visit** to the property: March 22, 2007
- **Appraisal Report Date**: March 26, 2007

The analyses and results of the investigation presented in the attached appraisal report are intended to comply with the *Code of Ethics and Standards of Professional Practice* of the Appraisal Institute and the requirements of the current edition of the *Uniform Standards of Professional Appraisal Practice* (USPAP) as adopted by the Appraisal Standard Board of the Appraisal Foundation.

Because this Transmittal Letter is not the actual Appraisal Report, I have not indicated my opinion of value in this letter. Please refer to the **Summary of Salient Facts** following the Table of Contents and the **Reconciliation & Final Value Opinion** in the appropriate section of the accompanying Report.

Thank you for permitting me to serve you by preparing this appraisal report. Should you have any questions on the report or my conclusions, please feel free to give me a call.

Sincerely,

Paul Lorenzen
CCIM, CPM, CSM
Certified General Appraiser
TX- 1336071-G
NV-A.0006527-CG
TABLE OF CONTENTS

Title Page
Letter of Transmittal
Table of Contents
Summary of Salient Facts
Location Maps of Subject Property
Photographs of Subject Property

Uniform Residential Appraisal Report - Fannie Mae form 1004

ADDENDA

A. Narrative Addendum

B. General Appraisal Support
   1) Appraiser Certification
   2) Assumptions and Limiting Conditions
   3) Qualifications of the Appraiser
   4) Email Engagement Letter

C. Other Schedules and Exhibits
   1) Survey of Subject
   2) Building Sketch
   3) New Subdivision Map
   4) Sale Comparables Location Map
   5) Sale Comparables Photos
   6) Rent Comparables Photos
   7) Flood Zone Map
SUMMARY OF SALIENT FACTS

<table>
<thead>
<tr>
<th>Property Type</th>
<th>Single Family Residence</th>
</tr>
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<tbody>
<tr>
<td>Property Location</td>
<td>9726 Autumn Valley, Converse, Texas 78109</td>
</tr>
<tr>
<td>Legal Description</td>
<td>Lot 20, Block 4, Autumn Run, Unit 1A, City of Converse, Bexar County, Texas.</td>
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<tr>
<td>Property Rights Appraised</td>
<td>Fee Simple Estate</td>
</tr>
<tr>
<td>Purpose of Appraisal</td>
<td>Determine the &quot;As Is&quot; Market Value of the unencumbered Fee Simple Estate in the Subject property</td>
</tr>
<tr>
<td>Client/Intended Use/User</td>
<td>Joseph &amp; Melissa Hoffa - The intended use of the appraisal is to assist the Client in determining the price at which they should offer the property for sale.</td>
</tr>
<tr>
<td>Land</td>
<td>4,590 square foot, roughly rectangular, interior residential subdivision lot.</td>
</tr>
<tr>
<td>Improvements</td>
<td>A traditional 1,153 square foot Single Family Residence, containing 3 bedrooms, 2 bathrooms, living room, kitchen and dining room. It has an attached 2-car garage. Site improvements include fencing around the back yard, a concrete patio on the side, concrete driveway and front sidewalks, and typical landscaping.</td>
</tr>
<tr>
<td>Zoning</td>
<td>R-6 - Single Family Small Lot</td>
</tr>
<tr>
<td>Flood Zone</td>
<td>Flood Zone &quot;X&quot; - Map 48029C0481 E, February 16, 1996</td>
</tr>
<tr>
<td>Highest &amp; Best Use</td>
<td>Single Family Residential use</td>
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<tr>
<td>Relevant Dates</td>
<td>Date of On-Site Visit -- March 22, 2007</td>
</tr>
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<td></td>
<td>Date of Opinion -- March 22, 2007</td>
</tr>
<tr>
<td></td>
<td>Date of Report -- March 26, 2007</td>
</tr>
<tr>
<td>Land Value</td>
<td>$14,000</td>
</tr>
<tr>
<td>Cost Approach</td>
<td>$101,500</td>
</tr>
<tr>
<td>Sales Comparison Approach</td>
<td>$103,000</td>
</tr>
<tr>
<td>Income Approach</td>
<td>$106,250</td>
</tr>
<tr>
<td>Final Opinion of Value</td>
<td>$104,000</td>
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</tbody>
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SUBJECT LOCATION MAPS
9726 Autumn Valley, Converse, Texas 78109

Location Maps
Subject Subdivision. Since this photo was taken, a new subdivision has been developed adjacent to the North of the subject.

Immediate surrounding properties. Subject is the 7th parcel from the intersection with Autumn Flower to the West.

Aerial Photos
SUBJECT PHOTOGRAPH ADDENDUM
Borrower/Client: Joseph & Melissa Hoffer
Property: 9726 Autumn Valley, Converse, Texas 78109

1) Street View Looking East
   - Subject is on Left

2) Street View Looking West
   -- Subject is on Right

3) Front View Looking at Front Entrance from across the street

4) Front View Looking at Garage and East Side of Home from across the street

5) Front Entrance to Home Showing Exterior of Dining Room

6) View of Front Door and Gate To Fenced Backyard

Subject Photographs, Page 1 of 3
Subject Photographs, Page 2 of 3
13) View of Main Bathroom Looking From Hallway

14) View of Backyard Looking From Northeast Corner of Lot

15) Back Yard Looking From Northeast Corner of Home

16) Concrete Patio and West Side of Home Looking From Northwest Corner of Lot

17) View of Rear of Home Showing Additional GLA with Closets (White Frame Protrusion)

18) View of Concrete Patio Outside the Back Door
The purpose of this summary appraisal report is to provide the lender/client with an accurate, and adequately supported, opinion of the market value of the subject property.

Property Address: 9726 Autumn Valley
City: Converse
State: TX
Zip Code: 78109

Neighborhood Name: Autumn Run
Neighborhood Boundaries: Highway 1604 to the East; Autumn Arbor to the South; Autumn Ledger to the West; and Autumn Place to the North.

The subject property has been well maintained and several upgrades have been installed by the current ownership. No deferred maintenance was noted.

Are there any physical deficiencies or adverse conditions that affect the livability, soundness, or structural integrity of the property? Yes No

Does the property generally conform to the neighborhood (functional utility, style, condition, use, construction, etc.)? Yes No
<table>
<thead>
<tr>
<th>FEATURE</th>
<th>SUBJECT</th>
<th>COMPARABLE SALE # 1</th>
<th>COMPARABLE SALE # 2</th>
<th>COMPARABLE SALE # 3</th>
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<tbody>
<tr>
<td>Address</td>
<td>9726 Autumn Valley</td>
<td>9730 Autumn Valley</td>
<td>7218 Autumn Acres</td>
<td>9823 Autumn Place</td>
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<tr>
<td>Proximity to Subject</td>
<td>Converse</td>
<td>Converse</td>
<td>Converse</td>
<td>Converse</td>
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<tr>
<td>Sale Price</td>
<td>$ 101,500</td>
<td>$ 102,510</td>
<td>$ 114,060</td>
<td>$ 113,210</td>
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<td>Sale Price/Gross Liv. Area</td>
<td>$ 0 sq. ft.</td>
<td>$ 87.70 sq. ft.</td>
<td>$ 90.24 sq. ft.</td>
<td>$ 89.56 sq. ft.</td>
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<td>Data Source(s)</td>
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<td>MLS #599384</td>
<td>MLS #612956</td>
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<tr>
<td>Verification Source(s)</td>
<td>Listing agent conversation</td>
<td>Conversation w/Seller-builder</td>
<td>Conversation w/Seller-builder</td>
<td>Conversation w/Seller-builder</td>
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<td>VALUE ADJUSTMENTS</td>
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<tr>
<td>DESCRIPTION</td>
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<td></td>
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<tr>
<td>Adjusted Sale Price</td>
<td>$106,250</td>
<td>$102,510</td>
<td>$103,262</td>
<td>$103,000</td>
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<td>Adjusted Sale Price/1,264 sq. ft</td>
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<tr>
<td>Adjusted Sale Price %</td>
<td>-3.81 %</td>
<td>-10.13 %</td>
<td>-10.13 %</td>
<td>-10.03 %</td>
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<tr>
<td>Adjusted Sale Price/Gross Adj</td>
<td>Gross Adj: 5.48 %</td>
<td>Gross Adj: 11 %</td>
<td>Gross Adj: 11 %</td>
<td>Gross Adj: 10.91 %</td>
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<tr>
<td>Net Adj.</td>
<td>-4,088</td>
<td>-11,550</td>
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<td>-10,350</td>
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<td>Cost of Prior Sale/Transfer</td>
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<td>Date of Prior Sale/Transfer</td>
<td>11/7/2006</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
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<tr>
<td>Price of Prior Sale/Transfer</td>
<td>$70,505</td>
<td>New Subdivision</td>
<td>New Subdivision</td>
<td>New Subdivision</td>
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<tr>
<td>Data Source(s)</td>
<td>See Addendum</td>
<td>Interview w/builder</td>
<td>Interview w/builder</td>
<td>Interview w/builder</td>
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<td>Effective Date of Data Source</td>
<td>11/7/2006</td>
<td>1/24/06</td>
<td>1/24/06</td>
<td>1/24/06</td>
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<tr>
<td>Analysis of prior sale or transfer history of the subject property and comparable sales</td>
<td>See Narrative Addendum -- Comps #2 &amp; #3 are first time sales of new homes in new subdivision. Comp #1 was sold in foreclosure sale in November 2006.</td>
<td></td>
<td></td>
<td></td>
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</table>

Summary of Sales Comparison Approach

See Narrative Addendum for full discussion of Sales Comparison Approach.

Indicated Value by: Sales Comparison Approach $100,000

Indicated Value by: Cost Approach (if developed) $106,250

See Narrative Addendum for full discussion of reconciliation and reasoning.

Based on a complete visual inspection of the interior and exterior areas of the subject property, defined scope of work, statement of assumptions and limitations, conditions, and appraiser's certification, my opinion of the market value, as defined, of the real property that is the subject of this report is $104,000 as of 3/22/2007, which is the date of inspection and the effective date of this appraisal.
See Narrative Addendum for full discussion of the reasoning in this appraisal.

COST APPROACH TO VALUE (not required by Fannie Mae)

Provide adequate information for the lender/client to replicate your cost figures and calculations. See Narrative Addendum for full analysis of data and reasoning for the site value.

| Source of cost data | Marshall Swift Valuation Service | Quality rating from cost service | D-Avg
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Effective date of cost data</td>
<td>9/1/2006</td>
</tr>
</tbody>
</table>

Comment on Cost Approach (gross living area calculations, depreciation, etc.)

See Narrative Addendum for full discussion of cost approach data and reasoning.

| Source of cost data | Marshall Swift Valuation Service | Quality rating from cost service | D-Avg
<table>
<thead>
<tr>
<th></th>
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<tbody>
<tr>
<td></td>
<td></td>
<td>Effective date of cost data</td>
<td>9/1/2006</td>
</tr>
</tbody>
</table>

COST APPROACH TO VALUE

OPINION OF SITE VALUE .............................................. = $ 14,000

DEPRECIATION

Depreciation 16,210.79 .............................................. = $ 16,210.79

Depricated Cost of Improvements .............................................. = $ 72,948.63

"As is" Value of Site Improvements .............................................. = $ 14,521

INDICATED VALUE BY COST APPROACH .............................................. = $ 101,500

INCOME APPROACH TO VALUE (not required by Fannie Mae)

Estimated Monthly Market Rent 850 X Gross Rent Multiplier 125 = $ 106,250

INCOME APPROACH TO VALUE

INDICATED VALUE BY INCOME APPROACH .............................................. = $ 101,500

PROJECT INFORMATION FOR PUDs (if applicable)

Is the developer/builder in control of the Homeowners' Association (HOA)? Yes X No

Unit type(s) Detached Attached

Is the developer/builder in control of the Homeowners' Association (HOA)? Yes X No

Unit type(s) Detached Attached

Was the project created by the conversion of existing building(s) into a PUD? Yes X No

If Yes, date of conversion

Does the project contain any multi-dwelling units? Yes X No

If Yes, data source(s)

Are the units, common elements, and recreation facilities complete? Yes X No

If Yes, data source(s)

Are the common elements leased to or by the Homeowners' Association? Yes X No

If Yes, data source(s)

Describe common elements and recreational facilities.

Legal Name of project

Total number of phases

Total number of units

Total number of units rented

Total number of units sold

Data Source(s)

Project Information for PUDs (if applicable)

INCOME APPROACH TO VALUE

INDICATED VALUE BY INCOME APPROACH .............................................. = $ 101,500

PROJECT INFORMATION FOR PUDs (if applicable)

Is the developer/builder in control of the Homeowners' Association (HOA)? Yes X No

Unit type(s) Detached Attached

Is the developer/builder in control of the Homeowners' Association (HOA)? Yes X No

Unit type(s) Detached Attached

Was the project created by the conversion of existing building(s) into a PUD? Yes X No

If Yes, date of conversion

Does the project contain any multi-dwelling units? Yes X No

If Yes, data source(s)

Are the units, common elements, and recreation facilities complete? Yes X No

If Yes, data source(s)

Are the common elements leased to or by the Homeowners' Association? Yes X No

If Yes, data source(s)

Describe common elements and recreational facilities.
This report form is designed to report an appraisal of a one-unit property or a one-unit property with an accessory unit; including a unit in a planned unit development (PUD). This report form is not designed to report an appraisal of a manufactured home or a unit in a condominium or cooperative project.

This appraisal report is subject to the following scope of work, intended use, intended user, definition of market value, statement of assumptions and limiting conditions, and certifications. The appraiser must, at a minimum: (1) perform a complete visual inspection of the interior and exterior areas of the subject property, (2) inspect the neighborhood, (3) inspect each of the comparable sales from at least the street, (4) research, verify, and analyze data from reliable public and/or private sources, and (5) report his or her analysis, opinions, and conclusions in this appraisal report.

SCOPE OF WORK: The scope of work for this appraisal is defined by the complexity of this appraisal assignment and the reporting requirements of this appraisal report form, including the following definition of market value, statement of assumptions and limiting conditions, and certifications. The appraiser must, at a minimum: (1) perform a complete visual inspection of the interior and exterior areas of the subject property, (2) inspect the neighborhood, (3) inspect each of the comparable sales from at least the street, (4) research, verify, and analyze data from reliable public and/or private sources, and (5) report his or her analysis, opinions, and conclusions in this appraisal report.

INTENDED USE: The intended use of this appraisal report is for the lender/client to evaluate the property that is the subject of this appraisal for a mortgage finance transaction.

INTENDED USER: The intended user of this appraisal report is the lender/client.

DEFINITION OF MARKET VALUE: The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller, each acting prudently, knowledgeably and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby: (1) buyer and seller are typically motivated; (2) both parties are well informed or well advised, and each acting in what he or she considers his or her own best interest; (3) a reasonable time is allowed for exposure in the open market; (4) payment is made in terms of cash in U. S. dollars or in terms of financial arrangements comparable thereto; and (5) the price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions* granted by anyone associated with the sale.

* Adjustments to the comparables must be made for special or creative financing or sales concessions* granted by anyone associated with the sale. Special or creative financing adjustments can be made to the comparable property by comparisons to financing terms offered by a third party institutional lender that is not already involved in the property or transaction. Any adjustment should not be calculated on a mechanical dollar for dollar cost of the financing or concession but the dollar amount of any adjustment should approximate the market’s reaction to the financing or concessions based on the appraiser’s judgment.

STATEMENT OF ASSUMPTIONS AND LIMITING CONDITIONS: The appraiser’s certification in this report is subject to the following assumptions and limiting conditions:

1. The appraiser will not be responsible for matters of a legal nature that affect either the property being appraised or the title to it, except for information that he or she became aware of during the research involved in performing this appraisal. The appraiser assumes that the title is good and marketable and will not render any opinions about the title.

2. The appraiser has provided a sketch in this appraisal report to show the approximate dimensions of the improvements. The sketch is included only to assist the reader in visualizing the property and understanding the appraiser’s determination of its size.

3. The appraiser has examined the available flood maps that are provided by the Federal Emergency Management Agency (or other data sources) and has noted in this appraisal report whether any portion of the subject site is located in an identified Special Flood Hazard Area. Because the appraiser is not a surveyor, he or she makes no guarantees, express or implied, regarding this determination.

4. The appraiser will not give testimony or appear in court because he or she made an appraisal of the property in question, unless specific arrangements to do so have been made beforehand, or as otherwise required by law.

5. The appraiser has noted in this appraisal report any adverse conditions (such as needed repairs, deterioration, the presence of hazardous wastes, toxic substances, etc.) observed during the inspection of the subject property or that he or she became aware of during the research involved in performing this appraisal. Unless otherwise stated in this appraisal report, the appraiser has no knowledge of any hidden or unapparent physical deficiencies or adverse conditions of the property (such as, but not limited to, needed repairs, deterioration, the presence of hazardous wastes, toxic substances, adverse environmental conditions, etc.) that would make the property less valuable, and has assumed that there are no such conditions and makes no guarantees or warranties, express or implied. The appraiser will not be responsible for any such conditions that do exist or for any engineering or testing that might be required to discover whether such conditions exist. Because the appraiser is not an expert in the field of environmental hazards, this appraisal report must not be considered as an environmental assessment of the property.

6. The appraiser has based his or her appraisal report and valuation conclusion for an appraisal that is subject to satisfactory completion, repairs, or alterations on the assumption that the completion, repairs, or alterations of the subject property will be performed in a professional manner.
APPRAISER'S CERTIFICATION: The Appraiser certifies and agrees that:

1. I have, at a minimum, developed and reported this appraisal in accordance with the scope of work requirements stated in
this appraisal report.

2. I performed a complete visual inspection of the interior and exterior areas of the subject property. I reported the condition
of the improvements in factual, specific terms. I identified and reported the physical deficiencies that could affect the
livability, soundness, or structural integrity of the property.

3. I performed this appraisal in accordance with the requirements of the Uniform Standards of Professional Appraisal
Practice that were adopted and promulgated by the Appraisal Standards Board of The Appraisal Foundation and that were in
place at the time this appraisal report was prepared.

4. I developed my opinion of the market value of the real property that is the subject of this report based on the sales
comparison approach to value. I have adequate comparable market data to develop a reliable sales comparison approach
for this appraisal assignment. I further certify that I considered the cost and income approaches to value but did not develop
them, unless otherwise indicated in this report.

5. I researched, verified, analyzed, and reported on any current agreement for sale for the subject property, any offering for
sale of the subject property in the twelve months prior to the effective date of this appraisal, and the prior sales of the subject
property for a minimum of three years prior to the effective date of this appraisal, unless otherwise indicated in this report.

6. I researched, verified, analyzed, and reported on the prior sales of the comparable sales for a minimum of one year prior
to the date of sale of the comparable sale, unless otherwise indicated in this report.

7. I selected and used comparable sales that are locationally, physically, and functionally the most similar to the subject property.

8. I have not used comparable sales that were the result of combining a land sale with the contract purchase price of a home that
has been built or will be built on the land.

9. I have reported adjustments to the comparable sales that reflect the market's reaction to the differences between the subject
property and the comparable sales.

10. I verified, from a disinterested source, all information in this report that was provided by parties who have a financial interest in
the sale or financing of the subject property.

11. I have knowledge and experience in appraising this type of property in this market area.

12. I am aware of, and have access to, the necessary and appropriate public and private data sources, such as multiple listing
services, tax assessment records, public land records and other such data sources for the area in which the property is located.

13. I obtained the information, estimates, and opinions furnished by other parties and expressed in this appraisal report from
reliable sources that I believe to be true and correct.

14. I have taken into consideration the factors that have an impact on value with respect to the subject neighborhood, subject
property, and the proximity of the subject property to adverse influences in the development of my opinion of market value. I
have noted in this appraisal report any adverse conditions (such as, but not limited to, needed repairs, deterioration, the
presence of hazardous wastes, toxic substances, adverse environmental conditions, etc.) observed during the inspection of the
subject property or that I became aware of during the research involved in performing this appraisal. I have considered these
adverse conditions in my analysis of the property value, and have reported on the effect of the conditions on the value and
marketability of the subject property.

15. I have not knowingly withheld any significant information from this appraisal report and, to the best of my knowledge, all
statements and information in this appraisal report are true and correct.

16. I stated in this appraisal report my own personal, unbiased, and professional analysis, opinions, and conclusions, which
are subject only to the assumptions and limiting conditions in this appraisal report.

17. I have no present or prospective interest in the property that is the subject of this report, and I have no present or
prospective personal interest or bias with respect to the participants in the transaction. I did not base, either partially or
completely, my analysis and/or opinion of market value in this appraisal report on the race, color, religion, sex, age, marital
status, handicap, familial status, or national origin of either the prospective owners or occupants of the subject property or of the
present owners or occupants of the properties in the vicinity of the subject property or on any other basis prohibited by law.

18. My employment and/or compensation for performing this appraisal or any future or anticipated appraisals was not
conditioned on any agreement or understanding, written or otherwise, that I would report (or present analysis supporting) a
predetermined specific value, a predetermined minimum value, a range or direction in value, a value that favors the cause of
any party, or the attainment of a specific result or occurrence of a specific subsequent event (such as approval of a pending
mortgage loan application).

19. I personally prepared all conclusions and opinions about the real estate that were set forth in this appraisal report. If I
relied on significant real property appraisal assistance from any individual or individuals in the performance of this appraisal
or the preparation of this appraisal report, I have named such individual(s) and disclosed the specific tasks performed in this
appraisal report. I certify that any individual so named is qualified to perform the tasks. I have not authorized anyone to make
a change to any item in this appraisal report; therefore, any change made to this appraisal is unauthorized and I will take no
responsibility for it.

20. I identified the lender/client in this appraisal report who is the individual, organization, or agent for the organization that
ordered and will receive this appraisal report.
21. The lender/client may disclose or distribute this appraisal report to: the borrower; another lender at the request of the borrower; the mortgagee or its successors and assigns; mortgage insurers; government sponsored enterprises; other secondary market participants; data collection or reporting services; professional appraisal organizations; any department agency, or instrumentality of the United States; and any state, the District of Columbia, or other jurisdictions, without having to obtain the appraiser's or supervisory appraiser's (if applicable) consent. Such consent must be obtained before this appraisal report may be disclosed or distributed to any other party (including, but not limited to, the public through advertising, public relations, news, sales, or other media).

22. I am aware that any disclosure or distribution of this appraisal report by me or the lender/client may be subject to certain laws and regulations. Further, I am also subject to the provisions of the Uniform Standards of Professional Appraisal Practice that pertain to disclosure or distribution by me.

23. The borrower, another lender at the request of the borrower, the mortgagee or its successors and assigns, mortgage insurers, government sponsored enterprises, and other secondary market participants may rely on this appraisal report as part of any mortgage finance transaction that involves any one or more of these parties.

24. If this appraisal report was transmitted as an "electronic record" containing my "electronic signature," as those terms are defined in applicable federal and/or state laws (excluding audio and video recordings), or a facsimile transmission of this appraisal report containing a copy or representation of my signature, the appraisal report shall be as effective, enforceable and valid as if a paper version of this appraisal report were delivered containing my original hand written signature.

25. Any intentional or negligent misrepresentation(s) contained in this appraisal report may result in civil liability and/or criminal penalties including, but not limited to, fine or imprisonment or both under the provisions of Title 18, United States Code, Section 1001, et seq, or similar state laws.

SUPERVISORY APPRAISER'S CERTIFICATION: The Supervisory Appraiser certifies and agrees that:

1. I directly supervised the appraiser for this appraisal assignment, have read the appraisal report, and agree with the appraiser's analysis, opinions, statements, conclusions, and the appraiser's certification.

2. I accept full responsibility for the contents of this appraisal report including, but not limited to, the appraiser's analysis, opinions, statements, conclusions, and the appraiser's certification.

3. The appraiser identified in this appraisal report is either a sub-contractor or an employee of the supervisory appraiser (or the appraisal firm), is qualified to perform this appraisal, and is acceptable to perform this appraisal under the applicable state law.

4. This appraisal report complies with the Uniform Standards of Professional Appraisal Practice that were adopted and promulgated by the Appraisal Standards Board of the Appraisal Foundation and that were in place at the time this appraisal report was prepared.

5. If this appraisal report was transmitted as an "electronic record" containing my "electronic signature," as those terms are defined in applicable federal and/or state laws (excluding audio and video recordings), or a facsimile transmission of this appraisal report containing a copy or representation of my signature, the appraisal report shall be as effective, enforceable and valid as if a paper version of this appraisal report were delivered containing my original hand written signature.

<table>
<thead>
<tr>
<th>APPRAISER</th>
<th>SUPERVISORY APPRAISER (ONLY IF REQUIRED)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Signature</td>
<td></td>
</tr>
<tr>
<td>Name</td>
<td>Paul Lorenzen</td>
</tr>
<tr>
<td>Company Name</td>
<td>Paul Lorenzen, CCIM, CPM, CSM</td>
</tr>
<tr>
<td>Company Address</td>
<td>8151 Easy Meadow Drive, Converse, TX 78109</td>
</tr>
<tr>
<td>Telephone Number</td>
<td>210-662-2857</td>
</tr>
<tr>
<td>Email Address</td>
<td><a href="mailto:Lorenzenpm@yahoo.com">Lorenzenpm@yahoo.com</a></td>
</tr>
<tr>
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<tr>
<td>Effective Date of Appraisal</td>
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<tr>
<td>State Certification or License</td>
<td>Expiration Date of Certification or License</td>
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<tr>
<td>ADDRESS OF PROPERTY APPRAISED</td>
<td>9726 Autumn Valley, Converse, TX 78109</td>
</tr>
<tr>
<td>APRAISED VALUE OF THE SUBJECT PROPERTY $</td>
<td>104,000</td>
</tr>
<tr>
<td>LENDER/CLIENT</td>
<td>Joseph &amp; Melissa Hoffer</td>
</tr>
<tr>
<td>Company Name</td>
<td></td>
</tr>
<tr>
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<td>9726 Autumn Valley, Converse, TX 78109</td>
</tr>
<tr>
<td>Email Address</td>
<td></td>
</tr>
<tr>
<td>SUBJECT PROPERTY</td>
<td></td>
</tr>
<tr>
<td>Did inspect subject property</td>
<td></td>
</tr>
<tr>
<td>Did inspect exterior of subject property from street</td>
<td></td>
</tr>
<tr>
<td>Date of Inspection</td>
<td></td>
</tr>
<tr>
<td>Did inspect interior and exterior of subject property</td>
<td></td>
</tr>
<tr>
<td>Date of Inspection</td>
<td></td>
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<tr>
<td>COMPARABLE SALES</td>
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<tr>
<td>Did not inspect comparable sales from street</td>
<td></td>
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<tr>
<td>Did inspect comparable sales both from</td>
<td></td>
</tr>
<tr>
<td>Date of Inspection</td>
<td></td>
</tr>
</tbody>
</table>
Borrower/Client: Joseph & Melissa Hoffer  
Property: 9726 Autumn Valley, Converse, Texas 78109

NARRATIVE ADDENDUM

Scope of Work. USPAP requires an appraiser to describe the scope of work used to develop the appraisal.¹ Below I have outlined, in a brief bullet format, the research and analysis I performed in the preparation of this appraisal report.

Research. I performed the following research activity:

a. Drove the neighborhood surrounding the Subject, taking note of "for sale" and "for lease" signs on properties similar to the Subject; observing the dynamics of the real estate property types, level of development, traffic patterns, and property condition; and making other relevant observations that may affect a valuation decision.

b. Made a personal visit to the Subject and performed a visual observation of the land and improvements, including interior improvements, took numerous photographs, and measured the improvements.

c. Researched the economic, geographic, and demographic information of the community and the neighborhood.

d. Contacted local real estate brokers to determine rental rates, absorption rates, and other relevant marketing information for properties similar to the Subject.

e. Took numerous photographs of the Subject, comparable sales and rentals, and other relevant features of the immediate market, some of which are contained in this report.

f. Investigated the real estate tax assessment information with the local Appraisal District.

g. Investigated the local zoning ordinances and zoning of the Subject and surrounding property.

h. Researched the history of ownership of the Subject over the past several years, including any listings, sales, leases, and offers to sell or lease.

i. Obtained a flood map of the area surrounding the Subject, and identified the relevant flood zone.

Analysis. I performed the following analysis:

a. Compared the features of the comparable land sales, and reached an opinion of land value for the Subject.

b. Researched the construction replacement cost for the Subject using the Marshall Valuation Service resources.

c. Reached a conclusion of Highest and Best Use of the site.

d. Reached an opinion of value of the land as though vacant.

e. Reached an opinion of value using the Cost Approach.

f. Reached an opinion of value using the Sales Comparison Approach.

g. Reached an opinion of value using the Income Approach.

h. Reached a final opinion of value after reconciling the results of the individual approaches.

¹ Uniform Standards of Professional Appraisal Practice, 2006 Edition, July 1, 2006. Standard 2-2(a)(vii) comment states that "Sufficient information includes disclosure of research and analysis performed and might also include disclosure of research and analysis not performed."
Composition. I prepared a Summary Appraisal Report, including a summarized discussion of the data, analysis, and reasoning, used to reach my final opinion of value.

Purpose of the Appraisal. The purpose of this appraisal is to provide an opinion of the Market Value (as defined below) of the Fee Simple Estate of the Subject Property as of the Effective Date of the appraisal in its "As Is" condition on the date of my on-site visit to the property.

Identification of the Client. The Client in this assignment is the owner of the Subject, Joseph & Melissa Hoffer, who reside in the Subject.

Intended Use of Appraisal and Intended User. The intended use of this appraisal report is to assist the Client in determining the price at which they should offer the property for sale. The client has purchased a new home in the newer area of the Autumn Run subdivision and need to sell the Subject. The Intended Users of this report are Joseph & Melissa Hoffer. No other use by any other user is permitted without prior written authorization of the appraiser signing this report.

SUBJECT PROPERTY COMMENTS

Ownership History. The Subject was purchase by Joseph & Melissa Hoffer from Stacy M. Hart (aka Stacy M. Walker) by Warranty Deed with Vendor' Lien, recorded on July 22, 2003. The property is currently offered for sale by the Hoffer's by means of a "For Sale By Owner" listing in www.Zillow.com, at a price of $96,000. Based on the conclusion in this appraisal report, the asking price is below the current market value. There have been no offers from this listing and there have been no other offers, listings, options, or other potential transfers of title during Hoffer's ownership.

Neighborhood Description. The neighborhood is a very homogeneous community that is comprised of two segments. The older segment, comprising a majority of the neighborhood, was developed in the early to mid 1990's. The new segment, currently under development by Main Street Homes, is on the North side of the community. The neighborhood is accessible from Highway 1604 approaching from either Interstate 10 from the South, or from Interstate 35 to the North. It is situated about half way between Interstate 10 and Randolph Air Force Base and is easily accessible from Randolph Air Force Base or from downtown San Antonio via Interstate 10. It was originally a small isolated subdivision in the rural area of the East side of greater San Antonio. Recently, however, residential development has begun to surround the Subject neighborhood, and it will likely be absorbed into the suburban community of greater San Antonio.

Marketing Conditions. The real estate market is very strong in the San Antonio area and the Subject neighborhood is experiencing much activity in residential sales. The neighborhood is a balanced mix of investor-owned rental homes and owner-occupied homes. Because of the proximity to Randolph Air Force Base, there is a constant supply of new renters or buyers. Time on the market is relatively short with an average of 55 days and homes priced right will sell quickly. Financing is readily available, with as high as 100% financing to qualified buyers with conventional as well as FHA and VA financing.

Zoning. The zoning is R-6 - Single Family Small Lot. The definition of this zoning is as follows:
DESCRIPTION AND PURPOSE  The " R-6" district is composed mainly of areas containing one-family dwellings and open areas where similar residential development seems likely to occur. The district regulations are designed to protect the residential character of the areas by prohibiting commercial and industrial activities and apartments while at the same time encouraging a suitable neighborhood environment for family life and preserving the openness of the area by requiring that certain minimum yard and area standards be met.¹

SITE VALUE IN COST APPROACH

To determine the site value, I have assembled sales of residential lots in the San Antonio Board of Realtors Multiple Listing Service area 17 which covers Converse and some parts of Eastern San Antonio. Below is a table with these lot sales.

<table>
<thead>
<tr>
<th>Address</th>
<th>Price</th>
<th>LAND SALES TABLE</th>
<th>Date</th>
<th>S/F</th>
<th>$$ $/F</th>
<th>General Location</th>
</tr>
</thead>
<tbody>
<tr>
<td>9227 Shadow Creek Ln</td>
<td>$12,000</td>
<td>0.17</td>
<td>04/28/05</td>
<td>7,405</td>
<td>$1.62</td>
<td>North of Judson High</td>
</tr>
<tr>
<td>5202 Fountain Lake Dr</td>
<td>$18,000</td>
<td>0.17</td>
<td>11/07/06</td>
<td>7,405</td>
<td>$2.43</td>
<td>Foster &amp; FM78</td>
</tr>
<tr>
<td>5806 Sun Canyon Dr</td>
<td>$15,000</td>
<td>0.20</td>
<td>09/12/05</td>
<td>8,712</td>
<td>$1.72</td>
<td>Foster &amp; FM78</td>
</tr>
<tr>
<td>9227 Lincolnwood</td>
<td>$6,000</td>
<td>0.20</td>
<td>08/31/05</td>
<td>8,712</td>
<td>$0.69</td>
<td>I-10 &amp; 1604</td>
</tr>
<tr>
<td>9233 Lincolnwood</td>
<td>$6,500</td>
<td>0.20</td>
<td>08/18/05</td>
<td>8,712</td>
<td>$0.75</td>
<td>I-10 &amp; 1604</td>
</tr>
<tr>
<td>4200 Diversey Dr</td>
<td>$7,800</td>
<td>0.21</td>
<td>09/01/06</td>
<td>9,148</td>
<td>$0.85</td>
<td>I-10 &amp; 1604</td>
</tr>
<tr>
<td>4020 Diversey Dr</td>
<td>$8,000</td>
<td>0.21</td>
<td>09/05/06</td>
<td>9,148</td>
<td>$0.87</td>
<td>I-10 &amp; 1604</td>
</tr>
<tr>
<td>9250 Rhode Dr</td>
<td>$8,000</td>
<td>0.21</td>
<td>10/03/06</td>
<td>9,148</td>
<td>$0.87</td>
<td>I-10 &amp; 1604</td>
</tr>
<tr>
<td>00 Minnie St</td>
<td>$20,000</td>
<td>0.36</td>
<td>10/09/06</td>
<td>15,682</td>
<td>$1.28</td>
<td>I-10 W of 1516</td>
</tr>
<tr>
<td>7410 Ben Crenshaw Ct</td>
<td>$14,000</td>
<td>0.12</td>
<td>04/01/05</td>
<td>5,227</td>
<td>$2.68</td>
<td>Walzem &amp; FM78</td>
</tr>
<tr>
<td>6438 Firestone Parkway</td>
<td>$21,000</td>
<td>0.12</td>
<td>05/31/06</td>
<td>5,227</td>
<td>$4.02</td>
<td>Walzem &amp; FM78</td>
</tr>
<tr>
<td>6438 Firestone Parkway</td>
<td>$25,900</td>
<td>0.12</td>
<td>11/09/06</td>
<td>5,227</td>
<td>$4.95</td>
<td>Walzem &amp; FM78</td>
</tr>
<tr>
<td>7410 Ben Crenshaw Ct</td>
<td>$17,500</td>
<td>0.17</td>
<td>03/20/06</td>
<td>7,405</td>
<td>$2.36</td>
<td>Walzem &amp; FM78</td>
</tr>
<tr>
<td>6307 Southern Hills</td>
<td>$26,000</td>
<td>0.23</td>
<td>11/13/06</td>
<td>10,019</td>
<td>$2.60</td>
<td>Walzem &amp; FM78</td>
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<tr>
<td>6306 Southern Hills</td>
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<td>0.23</td>
<td>11/13/06</td>
<td>10,019</td>
<td>$2.60</td>
<td>Walzem &amp; FM78</td>
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<tr>
<td>7107 Hidden Hills</td>
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<td>0.26</td>
<td>12/20/06</td>
<td>11,326</td>
<td>$4.33</td>
<td>Walzem &amp; FM78</td>
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<tr>
<td>6310 Southern Hills</td>
<td>$29,000</td>
<td>0.36</td>
<td>11/13/06</td>
<td>15,682</td>
<td>$1.85</td>
<td>Walzem &amp; FM78</td>
</tr>
</tbody>
</table>

These lots sales are in three general locations within Area 17. The first area is around Walzem & FM 78. These lots are near a golf course and the Ben Crenshaw Court lots are inside a gated community. They are similar in size and other features to the Subject but the neighborhood location is much superior. The second area is around Interstate 10 at the junction with Highway 1604. These lots are in very low end residential subdivisions in which the homes are a mix of manufactured housing, mobile homes, and site-built homes. The

¹ Zoning. This definition is taken from the City of Converse website at http://www.conversetx.net/. It is important to note here that the Subject lot does not appear to meet the current zoning size regulation which states "5. Width of Lot: The minimum width of the lot shall be fifty (50) feet. 6. Minimum Depth of Lot: The minimum depth of the lot shall be one hundred ten (110) feet. Since the Subject depth is about 103 feet and the frontage is about 45 feet, the Subject does not conform to these width and depth requirements. It may be that the zoning regulations were changed after the Subject was developed in 1994, which might explain the larger lot sizes in the newer part of the development to the North. I am not an attorney and cannot give legal advice, however, the difference between the current zoning regulations and the Subject lot configuration is worth noting.
subdivisions are old and the quality of the improvements is very low end. The streets are asphalt paved but there are no gutters, storm drains, or sidewalks. These lots are substantially inferior to the Subject.

The first three sales in the table above are from two different physical locations but are very similar so are discussed together. The Shadow Creek Lane lot is just North of Judson High School on the Southeast side of FM 78. The lot has had a new single family residence constructed since the sale and the streets are asphalt with curbs, gutters, and sidewalks. This lot, and the two lots near Foster & FM 78 are in very similar neighborhoods to the Subject and are the most comparable except that they are somewhat larger than the Subject. Smaller lots generally sell for somewhat higher per square foot than larger lots of similar characteristics. These three lots range from $1.73 to $2.43 per square foot and two of the sales are over two years old. The most recent sale closed in November 2006 and has a substantially higher price than the two older sales. Based on these comparisons, I conclude that the value of the Subject site is $3.00 per square foot, or $13,770, which I have rounded to $14,000.

**COST APPROACH ANALYSIS**

On page 3 of the Uniform Residential Appraisal Report (URAR) form, the Cost Approach tabulations are very abbreviated. To explain the process in more detail, I have included the table on the next page. I have used the Marshall Swift Valuation Service data to determine the replacement value, expected useful life and the other data in this analysis.

The Subject is 13 years old with construction in 1994 by Brookshire Homes of San Antonio. However, I have estimated the effective age of the Subject at 10 years, as it has been very well maintained and several improvements by the current ownership, including the installation of a Jacuzzi tub, have been completed to the interior. Using the Age/Life method for depreciation results in a depreciation on the primary improvement of $16,242. The depreciated value of the site improvements is $14,521.

Taking the depreciation from the replacement cost of the improvement results in an improvement cost of $87,483. Adding the land value of $14,000 to this results in a total replacement cost of $101,473, which I have rounded to $101,500.

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1 I did not personally inspect the Foster & FM 78 lots but viewed them online on Google.com. However, I am very familiar with the neighborhood and believe that they are very similar in features and amenities to the Shadow Creek Lane lot.
2 Brookshire Homes of San Antonio was the builder according to an email from the current ownership. Construction year of 1994 was taken from the Bexar County Appraisal District website.
**Contributory Value of Existing Improvements**
*(Based on Marshall Valuation Service)*

<table>
<thead>
<tr>
<th>Class: D</th>
<th>Marshall &amp; Swift</th>
<th>Section</th>
<th>Page</th>
<th>Unit Cost</th>
<th>Section 99</th>
<th>Local</th>
<th>Adjusted Unit Cost</th>
</tr>
</thead>
</table>

**Building Improvements**

- **House - Class D Masonry Veneer, Fair:**
  - **Multipliers:**
    - Number of Stories Multiplier: 12 21 1.000
    - Floor Area / Perimeter Multiplier: 12 21 1.030
    - Story Height Multiplier: 12 21 1.000
  - **Net Size & Height Multipliers:**
    - Area Estimated 1.030
  - **Refigured Building Cost:**
    - 55.88 $ 1,153 64,432

- **Other Building Improvements**

- **Attached Garage - Class D Masonry Veneer - Average:**
  - **Multipliers:**
    - Number of Stories Multiplier: 12 30 1.000
    - Floor Area / Perimeter Multiplier: 12 30 1.000
    - Story Height Multiplier: 12 30 1.000
  - **Net Size & Height Multipliers:**
    - Area Estimated 1.000
  - **Refigured Building Cost:**
    - 25.88 419 10,843

**Total Building Improvements:**

**Site Improvements**

- **Wood Fence:**
  - 66 5 16.70 1.02 0.86 13.77 $ 1,322
- **Concrete Patio:**
  - 66 2 3.45 1.02 0.86 3.03 490
- **Concrete Drive & Sidewalk:**
  - 66 2 3.45 1.02 0.86 3.03 1,634
- **Landscaping:**
  - 66 8 4.90 1.02 0.86 4.30 2,703 11,618

**Total Site Improvements:**

**Total Direct Costs:**

- **GLA:** 1,153 $ 78.28 S/F
- **GBA:** 1,572 S/F 57.42 $ 90,258
- **Indirect Costs:**
  - 3.00% 2,708
- **Total Direct & Indirect Costs:**
  - 92,966

**Entrepreneurial Profit:**

- 15.00% 13,945
- **Reproduction/Replacement Cost New:**
  - 108,911

**Less Accrued Depreciation**

<table>
<thead>
<tr>
<th>Eff Age</th>
<th>Exp Life</th>
<th>Physical Curable</th>
<th>Functional Curable</th>
<th>Total Accrued Depreciation</th>
</tr>
</thead>
<tbody>
<tr>
<td>97</td>
<td>5</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Depreciated Cost:**

- 87,473

**Add Land Value:**

- 14,000

**Excess/Surplus Land:**

- 0

**Other Adjustments:**

- 0

**Indicated Value:**

- 101,473

**Rounded To:**

- 101,500

**Price per Square Foot:**

- 64.57

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**Borrower/Client:** Joseph & Melissa Hoffer  
**Property:** 9726 Autumn Valley, Converse, Texas 78109

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**Narrative Addendum - Page 5 of 11**
INCOME APPROACH - RENTAL RATE

Although the Income Approach is seldom used for appraising single family residential property, there is sufficient data in this neighborhood to produce a credible analysis using this approach. During my drives through the neighborhood, I observed numerous for rent signs as well as for sale signs. Conversations with a few owners and property managers indicate that the Autumn Run subdivision is a very active investor market so the Income Approach has some relevance.

The first step in this approach is to determine the fair market rental value of the Subject. To do so, I have assembled and confirmed the current rents on six homes in Autumn Run as well as one additional one in the Dover subdivision in Converse.¹ These seven rental homes are shown in the table below.

<table>
<thead>
<tr>
<th>Rentals</th>
<th>Size</th>
<th>Br/Ba</th>
<th>Rents</th>
<th>Sold</th>
<th>Date Sold</th>
<th>GRM</th>
<th>Rent S/F</th>
</tr>
</thead>
<tbody>
<tr>
<td>7218 Autumn Acres</td>
<td>1,264</td>
<td>3/2</td>
<td>$850</td>
<td>$114,060</td>
<td>10/19/2006</td>
<td>134.19</td>
<td>$0.67</td>
</tr>
<tr>
<td>8147 Easy Meadow</td>
<td>1,328</td>
<td>3/2</td>
<td>$800</td>
<td>$82,500</td>
<td>5/27/2005</td>
<td>103.13</td>
<td>$0.60</td>
</tr>
<tr>
<td>6912 Autumn View</td>
<td>1,526</td>
<td>4/2</td>
<td>$975</td>
<td>$115,675</td>
<td>8/31/2005</td>
<td>118.64</td>
<td>$0.64</td>
</tr>
<tr>
<td>9732 Autumn Arbor</td>
<td>1,746</td>
<td>3/2.1</td>
<td>$895</td>
<td>N/A</td>
<td>2004</td>
<td>N/A</td>
<td>$0.51</td>
</tr>
<tr>
<td>7319 Autumn Brook</td>
<td>1,899</td>
<td>3/2</td>
<td>$925</td>
<td>$76,500</td>
<td>11/25/2002</td>
<td>82.70</td>
<td>$0.49</td>
</tr>
<tr>
<td>9834 Autumn Hollow</td>
<td>2,373</td>
<td>4/2.5</td>
<td>$1,300</td>
<td>N/A</td>
<td>Before 2002</td>
<td>N/A</td>
<td>$0.55</td>
</tr>
<tr>
<td>9830 Autumn Hollow</td>
<td>2,572</td>
<td>4/2.5</td>
<td>$1,200</td>
<td>N/A</td>
<td>1999</td>
<td>N/A</td>
<td>$0.47</td>
</tr>
<tr>
<td><strong>Averages</strong></td>
<td>1,815</td>
<td></td>
<td>$992</td>
<td></td>
<td></td>
<td>109.66</td>
<td>$0.56</td>
</tr>
<tr>
<td><strong>High</strong></td>
<td>2,572</td>
<td></td>
<td>$1,300</td>
<td></td>
<td></td>
<td>134.19</td>
<td>$0.67</td>
</tr>
<tr>
<td><strong>Low</strong></td>
<td>1,264</td>
<td></td>
<td>$800</td>
<td></td>
<td></td>
<td>82.70</td>
<td>$0.47</td>
</tr>
</tbody>
</table>

The homes are sorted by their size in square feet. The first two are most similar to the Subject in size and in number of bedrooms and baths. It is clear from the scatter chart below that there is a direct relationship between the rental rate per square foot and the size of the home in square feet. Although a sample of seven homes is not sufficient to make absolute statistical conclusions, the visual image in the chart does indicate a fairly reliable trend. The $R^2$ (coefficient of correlation) in the equation shows 0.6119. The closer this is to either +1.0 or -1.0 the stronger the correlation between the two variables. This correlation is strong enough that we can predict the rental rate for the Subject using this data.

The Subject is 1,153 square feet in Gross Living Area. That is smaller than any of the comparables in the table. The highest rent on the scatter chart is $.67 per square foot per month. The trend line on the scatter chart project the rent out for an additional 5% variation beyond the smallest home². That trend line indicates that the Subject rental rate would be just about $.75 per square foot per month. I have concluded that this is the market rent for the Subject. Applied to the size of the subject, the rental rate per month would be $865 per month. I have rounded this down to $850 per month.

¹ The Dover subdivision is 4.4 miles driving distance to the Northwest of the Subject. I have selected this because I have confirmed the sale and rental value for the property and have used it in determining the Gross Rent Multiplier. I have given it secondary weight in the market rent conclusion.

² The subject is actually 8% smaller than the smallest rent comparable. 5% is a more conservative projection.
INCOME APPROACH - GROSS RENT MULTIPLIER

The next step is to determine the Gross Rent Multiplier (GRM) to establish the value of the Subject by the Income Approach. There are four rent comparables in the above table that have sale information. Three of the four are sales within the last two years and one is within the last six months. The fourth sale is five years old so, its information is not reliable\(^1\).

The GRM is determined by dividing the sale price by the monthly market rental rate. This results in a factor that can then be applied to the market rental rate for the Subject to determine the sale value of the Subject.

The Easy Meadow sale is not in the same neighborhood as the Subject and should be discounted because of location. The other two sales are good comparables and should be given significant weight. The GRM's of these two are 118.64 and 134.19. Since the larger GRM is for the smaller property, and the Subject is smaller still, I have selected a GRM of 125 to use for the Subject. This results in a value by the Income Approach of $106,250.

Below is a table that illustrates these calculations.

\(^1\) The GRM extracted is using current rents with a very old sale, which means that this data should be given very little weight in the evaluation because of this discrepancy.
**RENT Comparison & GRM Grid**

<table>
<thead>
<tr>
<th>Property</th>
<th>Subject</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>Averages</th>
</tr>
</thead>
<tbody>
<tr>
<td>Price</td>
<td>106,250</td>
<td>$114,060</td>
<td>$82,500</td>
<td>$115,675</td>
<td>$1</td>
<td>$78,059</td>
</tr>
<tr>
<td>Size</td>
<td>1,153</td>
<td>1,264</td>
<td>1,328</td>
<td>1,526</td>
<td>1</td>
<td>$1,030</td>
</tr>
<tr>
<td>PPSF</td>
<td>92.15</td>
<td>90.24</td>
<td>62.12</td>
<td>75.80</td>
<td>$1.00</td>
<td>$57</td>
</tr>
<tr>
<td>Gross Rental/Mo</td>
<td>$850</td>
<td>$850</td>
<td>$800</td>
<td>$975</td>
<td>-</td>
<td>$875</td>
</tr>
<tr>
<td>Rent S/F</td>
<td>0.74</td>
<td>0.67</td>
<td>0.60</td>
<td>0.64</td>
<td>-</td>
<td>$0.48</td>
</tr>
<tr>
<td>Adjustments</td>
<td></td>
<td>0.00%</td>
<td>0.00%</td>
<td>0.00%</td>
<td>0.00%</td>
<td>0.00%</td>
</tr>
<tr>
<td>Adjusted Rent S/F</td>
<td>$0.67</td>
<td>$0.60</td>
<td>$0.64</td>
<td>-</td>
<td>$0.48</td>
<td></td>
</tr>
<tr>
<td>Adjusted Mo Rent</td>
<td>$850.00</td>
<td>$850.00</td>
<td>$800.00</td>
<td>$975.00</td>
<td>-</td>
<td>$656</td>
</tr>
<tr>
<td>GRM</td>
<td>$125.00</td>
<td>$134.19</td>
<td>$103.13</td>
<td>$118.64</td>
<td>-</td>
<td>$118.65</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>GRM</th>
<th>RENTS</th>
</tr>
</thead>
<tbody>
<tr>
<td>$103.13</td>
<td>$134.19</td>
</tr>
<tr>
<td>$118.65</td>
<td>$975</td>
</tr>
<tr>
<td>$656</td>
<td>$850</td>
</tr>
</tbody>
</table>

| Adjusted Range | $103.13 | $134.19 |
| Adjusted Mean  | $118.65 | $656    |

**SALES COMPARISON APPROACH - COMMENTS**

**Comparable Sale #1 - 9730 Autumn Valley**. This property is the home next door to the East of the Subject. The sale was confirmed by conversation with the listing agent who indicated that the sale was pending and not yet to the point where he could reveal confidential information. However, he said that the listing price was $107,500 and an offer came in "less than 2% below" that price. The buyer wanted the closing costs to be paid by the seller so they countered back with a price high enough to cover the buyer's closing costs. These costs are estimated at about $2,000 so, pending closing when the actual price can be revealed, I am using a sale price of 107,350 and using $2,000 as a seller concession. Scheduled closing is 4/9/07.

The seller, PED, LLC, acquired the property by Trustee's Deed in foreclosure on 11/7/2006. The Trustee's Deed indicates a price of $70,505. The previous owner, Eduardo Martinez, had owned the property since May 4, 2000, when he purchased it from Kevin Parish for an undisclosed price. According to the broker, PED, LLC, refurbished the property and everything in the home is like new. I visually inspected the comparable through the windows. The property was on the market 14 days before the pending contract was accepted.

The adjustments necessary for this comparable are (1) a negative adjustment of $2,000 for buyer's cost paid by the seller; (2) a negative $1,000 for condition because the home was just

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1. The Warranty Deed with Vendor's Lien indicated a loan amount of $74,868.

2. **Adjustments.** In the Sales Comparison Approach, the appraiser makes adjustments to make the "comparable" property more like the Subject. Thus, if the comparable property has a feature that is not present in the Subject, the appraiser must "adjust" the comparable **down** to equate to the Subject. If the comparable does not have a feature present in the Subject, the appraiser needs to adjust the comparable **up** for that feature so that the comparable will be similar to the Subject in that aspect. Thus a negative adjustment takes away something **in the comparable** that is not present in the Subject. A positive adjustment to a comparable **adds a feature from the Subject** to the comparable property. When adjustments are done, the comparables are, in theory, **equal to the Subject** in features and attributes and the adjusted price should indicate the value of the Subject.
totally renovated by the speculator who purchased it from the foreclosure sale; (3) a negative adjustment of $1,988 for the larger size (based on 50% of the cost per square foot for replacement value of the home taken from the Cost Approach calculations); (4) a positive adjustment of $400 based on added value of about $100 per ceiling fan; and (5) a positive adjustment of $500 for the absence of a Jacuzzi tub\(^1\) in the comparable.

**Comparable Sale #2 - 7218 Autumn Acres.** This is a new home in the new subdivision adjacent to the Subject subdivision to the North. It has a larger lot and has 1,264 square feet of GLA as compared to the Subject's 1,153 square feet. The transaction was all cash and the buyer was an investor from Lavernia, Texas, just South of San Antonio. According to the representative of the builder/seller, there were no concessions in the sale price. The property was rented after the sale and is held as an investment property. I was able to confirm with the tenant the rental rate paid so used this comparable as a rent comparable in the Income Approach also. It was built "on spec" by the builder and was listed on the MLS for 93 days before the sale.

The adjustments on this comparable are as follows. (1) An adjustment for lot size is based on one half of the land value per square foot, or $1.50 per square foot of difference. (2) The adjustment for age is based on 1/2% per year for the difference the effective age of 10 years of the Subject compared to new for the comparable. (3) The difference in condition is adjusted by $1,000 as no depreciation has occurred in the comparable. (4) A positive adjustment of $400 is based on added value of about $100 per ceiling fan and (5) a positive adjustment of $500 is made for the absence of a Jacuzzi tub in the comparable.

**Comparable Sale #3 - 9823 Autumn Place.** This is a new home in the new subdivision adjacent to the Subject subdivision to the North. It has a larger lot and has 1,264 square feet of GLA as compared to the Subject's 1,153 square feet. The transaction was all cash and the buyer was the same investor from Lavernia, Texas, who purchased comparable #2. According to the representative of the builder/seller, there were no concessions in the sale price. The property was rented after the sale and is held as an investment property but I was unable to determine the rental rate. It was built "on spec" by the builder and was listed on the MLS for 19 days before the sale. The contract date was one day after the contract on comparable #2 but the closing was over a month later.

Adjustments for this comparable similar to those for Comparable #2. (1) The adjustment for lot size is based on one half of the land value per square foot, or $1.50 per square foot of difference. (2) The adjustment for age is based on 1/5% per year for the difference the effective age of 10 years of the Subject compared to new for the comparable. (3) The difference in condition is adjusted by $1,000 as no depreciation has occurred in the comparable. (4) A positive adjustment of $400 based on added value of about $100 per ceiling fan and (5) a positive adjustment of $500 is made for the absence of a Jacuzzi tub in the comparable.

**Value Conclusion by the Sales Comparison Approach.** The adjusted prices of the comparable sales range from $101,860 to $103,262. Comparable #1 is the most reliable as it is immediately adjacent to the Subject and is the same age. Comparables #2 and #3 were new homes and the adjustment for age and condition is more subjective and difficult to quantify; therefore, the least weight should be given to these two comparables. Relying on Comparable #1, I have concluded that the value with the Sales Comparison Approach is $103,000.

\(^1\) Jacuzzi Tub. This adjustment is based on about half of the cost for materials to replace the Jacuzzi tub - priced at http://www.homeclick.com/ [search Jacuzzi tub]
RECONCILIATION OF FINAL VALUE OPINION.

The three approaches to value have produced a range of values. The final conclusion must weigh the merits of each approach and the data available. The Cost Approach is most reliable when a property is new. With a 13 year old property, this conclusion will be less helpful than it would be for a new property. The cost data was taken from a reliable source (Marshall Swift Valuation Service) but I was unable to confirm the cost from an additional source. The land value was taken from sales a distance from the Subject because there have been no developed residential lots sold near the Subject. Therefore, the land value is less reliable than it would be had there been lot sales in or near the Subject subdivision.

The Income Approach, though not typically very helpful with single family residential property, is more applicable in this case as there is adequate rental data and evidence that investors are active in this market. Two of the three comparables used were purchased by one investor with a view to generating rental income and appreciation profits. Driving the neighborhood resulted in finding a significant quantity of rental properties, and there is adequate date to establish a rental value for the Subject. Because the neighborhood is of interest to investors, and the data is plentiful, I have given significant consideration to the Income Approach conclusion.

The Sales Comparison Approach is the approach used most commonly, and almost exclusively, for older single family residential properties. The data is plentiful with many sales taking place in the Subject neighborhood. The adjustments necessary were quite minor, especially in the case of Comparable #1, with a gross adjustment of only about 5.5%. Therefore, I have given the most weight to this approach.

Below is a table in which I illustrate the application of the relative weights described above. The value conclusion of each approach is distributed based on the relative weight to reach a final value of $103,750, which I have rounded to $104,000.

<table>
<thead>
<tr>
<th>RECONCILIATION</th>
<th>Cost</th>
<th>Sales</th>
<th>Income</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value Conclusion</td>
<td>$101,500</td>
<td>$103,000</td>
<td>$106,250</td>
</tr>
<tr>
<td>Allocated Weight</td>
<td>15.00%</td>
<td>55.00%</td>
<td>30.00%</td>
</tr>
<tr>
<td>Allocated Value</td>
<td>$15,225</td>
<td>$56,650</td>
<td>$31,875</td>
</tr>
<tr>
<td>Final Value</td>
<td></td>
<td></td>
<td>$103,750</td>
</tr>
<tr>
<td>Rounded Value</td>
<td></td>
<td></td>
<td>$104,000</td>
</tr>
</tbody>
</table>

EXPOSURE TIME.

USPAP requires that, "when developing an opinion of market value, the appraiser must also develop an opinion of reasonable exposure time linked to the value opinion."\(^1\)

Exposure time is defined as: "The estimated length of time the property would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal; a retrospective estimate based on an analysis of past events assuming a competitive and open market. Exposure time is always presumed to occur prior to the effective date of the appraisal. . . ."\(^2\)

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2. **The Dictionary of Real Estate Appraisal,** pg 105.
A review of the closed listing on the multiple listing service indicated average "days on market" of about 55 days. Following marketing, the typical transaction needs additional time to process the terms of the contract, obtain financing, etc. This time varied from 30 to 90 days. The market has remained strong and as the Spring and Summer are typically the best times to sell single family residential property, I would expect that that trend should continue or improve. Based on that, my opinion of Exposure Time, assuming a hypothetical sale that closed on March 22, 2007, is three months.
CERTIFICATION

I certify that, to the best of my knowledge and belief:

1. The statements of fact contained in this report are true and correct.

2. The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, unbiased professional analyses, opinions, and conclusions.

3. I have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved.

4. I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.

5. My engagement in this assignment was not contingent upon developing or reporting predetermined results.

6. My compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.

7. The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics & Standards of Professional Appraisal Practice of the Appraisal Institute, which include the Uniform Standards of Professional Appraisal Practice.

8. I have made a personal inspection of the property that is the subject of this report.

9. No one provided significant real property appraisal assistance to the person signing this certification.

10. The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.

11. As of the date of this report, I am not subject to continuing education requirements of the Appraisal Institute but am subject to continuing education requirements of the states in which I hold appraisal licenses or certifications. I am current on all continuing education requirements of such jurisdictions.

Paul Lorenzen
CCIM, CPM, CSM
TX-1336071-G
NV-A-0006527-CG
ASSUMPTIONS & LIMITING CONDITIONS

Unless otherwise specifically stated within this report, this appraisal and report are subject to the following assumptions and limiting conditions. Acceptance and use of this report by the client and intended user(s) shall be deemed to be acceptance of these Assumptions and Limiting Conditions.

LEGAL ASPECTS

Legal Description. Legal description(s) furnished is/are assumed to be correct. No responsibility is assumed for matters legal in nature, nor is any opinion rendered with respect to title, which is assumed to be good and marketable.

Liens & Encumbrances. All existing liens and encumbrances, if any, have been disregarded and the property has been considered as though free and clear of liens and encumbrances.

Encroachments. Unless otherwise stated in this report, there were no encroachments observed by the appraiser during the appraiser’s visit. The opinion of value is rendered without regard to other possible encroachments.

Ownership/Management. It is assumed that the property is under responsible ownership and competent management.

PROPERTY DESCRIPTIONS

Drawings, Engineering, Plans & Measurements. Any sketches, maps or other exhibits included have been prepared to assist the reader in visualizing and understanding the subject property. Basic measurements and calculations of the boundaries and dimensions of the site(s) and of the improvements, if any, are based upon information supplied by others are not guaranteed and no responsibility for accuracy is assumed. Unless otherwise stated in the report, the appraiser was not provided with a survey, parcel map, architectural drawings, or other documents relative to the location, boundaries, or dimensions of the property. The appraiser is not an architect or civil engineer and cannot guarantee the accuracy of measurements taken by the appraiser.

Proposed Improvements/Renovations. Any proposed improvements, renovations, or remodeling of the property are assumed to be completed in a good workmanlike manner in accordance with the submitted plans and specifications. Deviation from these plans and specifications may require a revision to this report and its value conclusions.

Structural/Mechanical Items. Descriptions and conclusions regarding structural items, if any, have been based on observed condition at the time of appraiser’s visit to the property. No responsibility is assumed for any deficiencies not visible by external observation. Unless otherwise indicated, all structural components, plumbing, electrical, and mechanical items are assumed to be operative, but no warranty is made as to their condition or future life. No responsibility is assumed as to the structural soundness of the improvements. It is assumed that there are no hidden or unapparent conditions of the property, subsoil or structures that render it more or less valuable. No liability is assumed by the appraiser for any engineering-related issues.

Hazardous Substances. Unless otherwise stated in this report, the appraiser has not been informed of the existence of hazardous substances, including but not limited to asbestos, polychlorinated biphenyl, petroleum leakage, agricultural chemicals, toxic waste or hazardous materials which might affect the subject property. The existence of potentially hazardous materials used in construction, operation, or maintenance of the property, such as the presence of asbestos,
urea formaldehyde foam insulation, and/or existence of toxic waste which may or may not be present in the property, has not been considered. The appraiser is not qualified to detect such substances or conditions. The concluded value is predicated on the assumption that there is no such condition on, in or near the property that would cause a loss in value. The valuation is subject to modification if any such potentially hazardous materials were detected by a qualified expert in these areas. The appraiser reserves the right to modify this valuation if so warranted.

Soil Conditions. The appraiser has not performed soil or drainage tests. Nor has the appraiser been provided with soil or drainage tests results. Therefore, the appraiser assumed that there are no subsoil or drainage conditions which would adversely affect the subject or its final valuation. No known waste hazards affecting the subject site were evident upon site inspection. The appraiser has not been provided with information concerning soil conditions. An expert in this field should be consulted for an opinion on this matter, if so desired.

Americans with Disability Act (ADA). The “Americans with Disability Act of 1990” (ADA) is intended to provide full access and participation for disabled Americans and contains areas of coverage including employment, public services, public accommodations, and telecommunications. Subchapter III of the ADA addresses architectural and procedural barriers to disabled individuals in connection with the public accommodations. The appraiser has not been afforded a survey with regard to the subject property to indicate whether or not it conforms to the ADA requirements. Should such a survey be provided, this appraiser reserves the right to adjust and/or modify the value conclusion, if warranted.

Compliance with Laws/Regulations. It is assumed that the property is in full compliance with all applicable zoning, building, use, environmental, and other regulations and laws imposed by federal, state, local, or other jurisdictions unless non-compliance is specifically identified, described, and considered in this report. It is assumed that all required licenses, certificate of occupancy, consents, or other legislative or administrative requirements either have been or can be obtained or renewed for any use on which the value estimated is based.

OTHER ITEMS

Information Provided by Others. The various data reported herein, as supplied by others, have been obtained from sources deemed reliable, but no responsibility is assumed for accuracy. It is assumed that all information known to the client and relative to the valuation has been accurately furnished and that there are no undisclosed leases, agreements, liens, or other encumbrances affecting the use of the property. Some information and data was obtained from public records and, where possible and feasible, was checked and verified, and deemed to be correct.

Subsequent Testimony. The appraiser, by reason of this report, is not required to give testimony in court, litigation deposition, or any other hearing with reference to the property in question. If the appraiser is requested to appear in any such court, deposition, or hearing, the appraiser shall have the right to bill the client or other person(s) requesting such testimony at the appraiser’s normal and customary hourly fee then in effect.

Distribution of Value. The distribution of the total valuation in this report between land and improvements applies only under the existing program of utilization. The separate valuations for land and improvements should not be used in conjunction with any other appraisal and are invalid if so used.

Confidentiality of Report. This report was obtained from Paul Lorenzen, CCIM, CPM, CSM, and consists of “trade secrets and commercial or financial information” which is protected, privileged and confidential and exempted from public disclosure under 5USC552(b)(4). Possession of this report, or a copy, does not carry with it the right of publication. It may not be used for any purpose or any person other than the client and intended users identified in the report, without the prior written
consent of the appraiser. If consent is given, the entire report shall be used without deleting or omitting any portions of the report. Under the Bylaws and Regulations of the Appraisal Institute, each designated or general member is required to control the use and distribution of each appraisal report signed by such member. No third parties may rely upon this appraisal report for any purpose whatsoever, including the provision of financing for the acquisition or improvement of the subject property. This appraisal was prepared specifically for our client, as addressed in this report. Third parties who desire us to prepare an appraisal of the subject property for their use should contact the addressee of this report to obtain approval for Paul Lorenzen, CCIM, CPM, CSM, to prepare an additional appraisal report for their specific needs.

**Publication / Distribution of Report.** The contents of this report, in whole or in part, shall not be given to third parties without prior written consent of the person signing this appraisal report. Further, neither all nor any part of this appraisal report shall be disseminated to the general public by the use of advertising media, public relations media, news media, sales media, or other media for public communication without the prior written consent of the person signing this appraisal report. Nor shall any reference be made to the Appraisal Institute, the MAI designation, the CCIM Institute, or the CCIM designation, the Institute of Real Estate Management, the CPM designation, the International Council of Shopping Centers, the CSM designation, in any reference to the contents of this report or the value conclusions reported, without prior written approval of the person signing this report.

**National/Local Economy.** This appraisal report is based on the condition of local and national economies, purchasing power of money, and finance rates prevailing at the effective date of value. Any change in these conditions subsequent to the date of this report may affect the value conclusions.

**Real Estate Taxes.** All taxes are assumed to be current. Actual taxes have not been verified and may be owed. If they are owed, no deduction has been made from the reported value conclusions. In instances, when the client specifically requires information on outstanding balances, the data has been presented in the **Real Estate Taxes and Assessed Value** section of this report.
QUALIFICATIONS OF APPRAISER

Paul Lorenzen
CCIM, CPM, CSM

Since 1976 I have been involved professionally in some aspect of real estate. Beginning in residential sales, I quickly determined that selling houses was not my destiny. In 1978 I transitioned to commercial / investment real estate and have been active in that discipline since then.

During the years since 1976, I have held real estate broker's licenses and worked in California (1976-80, 2000-2002), Colorado (1980-85, 86-87), Arizona (1985-86), Nevada (1987-2002), Oregon (2001 - 2005), and Texas (2005 - Present). During this time I have been involved in virtually every phase of commercial / investment real estate including Sales, Real Estate Leasing, Property Management, Real Estate Appraisal, Real Estate Development, Real Estate Financing, and Real Estate Consulting.

In 1992 I obtained a Certified General Appraiser license in Nevada and in 2005, the same license in Texas.

Below I have listed my certifications, education (both academic and professional), teaching and writing experience applicable to commercial real estate.

Pasadena College / Point Loma Nazarene University, San Diego, California. 1967-70: Completed B.A. degree with major in Psychology and minor in New Testament Greek.

CCIM - Certified Commercial Investment Member awarded in 1979 by the Commercial Investment Real Estate Institute of the National Association of Realtors

CPM - Certified Property Manager awarded in 1985 by the Institute of Real Estate Management of the National Association of Realtors

CSM - Certified Shopping Center Manager awarded in 1987 by the International Council of Shopping Centers, in New York, New York

Real Estate Broker License - Currently, Texas (#0542412) - Formerly, Oregon, California, Colorado, Arizona, Nevada.

Certified General Appraiser License - Nevada (NV-A.0006527-CG) and Texas (TX-1336071-G).
REAL ESTATE COURSES & SEMINARS

REAL ESTATE APPRAISAL COURSES
Nevada Appraisal Law, Western Nevada Community College (1992 - 3 classroom hours)
Nevada Appraisal Law, McKissock Data Systems (2005 - 3 classroom hours)
Real Estate Appraisal, Lumbleau Real Estate School (3 semester hours)
Fundamentals of Appraisal, Allied Appraisal School (90 classroom hours)
RE 206 Real Estate Appraisal, Truckee Meadows Community College (3 semester hours)
RE 207B Income Valuation Appraising, Truckee Meadows Community College (3 semester hours)
RE 198B Special Topics in Real Estate - Analysis of TMCC Appraisal Curriculum, Truckee Meadows Community College (6 semester hours)
Standards of Professional Practice: Part A - Standards, Appraisal Institute, (2 days)
Standards of Professional Practice: Part B - Ethics, Appraisal Institute, (2 days)
Introduction to Appraising Real Property, Appraisal Institute (10 days)
Litigation Valuation, Appraisal Institute (6 days)
Writing Narrative Appraisal Report, Lincoln Graduate Center (2 day seminar)
Residential Market Analysis & Highest & Best Use, Appraisal Institute (2 day seminar)
Business Practice & Ethics, Appraisal Institute (1 day seminar)
Uniform Standards of Professional Practice (USPAP) Course, Appraisal Institute (2 day seminar - multiple times from 1992 - 2005)
Principles of Appraisal Review, Lincoln Graduate Center (2 day seminar)
Course 510 - Advanced Income Capitalization, Appraisal Institute (Self-Study and Challenge Exam)
Course 520 - Highest & Best Use and Market Analysis, Appraisal Institute (Self-Study and Challenge Exam)
Course 530 - Advanced Sales Comparison and Cost Approaches, Appraisal Institute (40 classroom hours)
Course 540 - Report Writing & Valuation Analysis, Appraisal Institute (40 classroom hours)
Course 550 - Advanced Applications, Appraisal Institute (Self-Study and Challenge Exam)

REAL ESTATE MARKETING COURSES
CI-101 Fundamentals of Real Estate Investment and Taxation, Realtors National Marketing Institute (6 days)
CI-102 Fundamentals of Creating a Real Estate Investment, Realtors National Marketing Institute (6 days)
CI-103 Advanced Real Estate Taxation and Marketing Tools for Investment Real Estate, Realtors National Marketing Institute (6 days)
CI-104 Impact of Human Behavior on Commercial Investment decision-Making, Realtors National Marketing Institute (6 days)
CI-105 Case Studies in Commercial Investment Real Estate Brokerage, Realtors National Marketing Institute (6 days)
REO Super Session, Dallas Texas, September, 1988, Realtors National Marketing Institute (3 days)
The Art of Real Estate Counseling - 500, Charles Chatham (5 days) Trade Secrets of Exchanging Warren Harding (6 days)
Lowery/Nickerson Real Estate Investment Seminar, Education Advancement Institute (3 days)
Developing, Syndicating and Big Money Brokerage, Chet Allen (3 days)
Money Making Formulas for Creative Real Estate, Barney Zick (3 days)
Course 501 - Fundamentals of Syndication, Real Estate Securities & Syndication Institute (5 days)
Real Estate Practice, Lumbleau Real Estate School (3 semester hours)
Marketing Real Estate In An Automated Office, Arnold Information Institute, Inc. (2 days)
Leasing Commercial Real Estate, Northwest Center for Professional Education (2 days)
Leasing Commercial Real Estate, Institute of Real Estate Management, Ron Simpson, CPM, RPA, Instructor (1 day)
**Real Estate Investments**, Truckee Meadows Community College, Reno, Nv, (3 semester hours) - creator and instructor for the course

**REAL ESTATE MANAGEMENT COURSES**
*IREM 302 - Leasing and Management of Office Buildings*, Institute of Real Estate Management (6 days)
*IREM 400 - Managing Real Estate As An Investment*, Institute of Real Estate Management (6 days)
*IREM 502 - Long Range Management Plan for Office Buildings*, Institute of Real Estate Management (6 days)
*IREM 503 - Long Range Management Plan for Shopping Centers*, Institute of Real Estate Management (6 days)
*IREM 800 - Ethics in Real Estate Management*, Institute of Real Estate Management (1 day) - Also taught this course for IREM National numerous times
*Design, Operation & Maintenance of Building Systems, Part I*, Building Owners & Managers Institute, Course 1 of **Real Property Administrator (RPA)** program, 3 semester hours college level equivalent
*Preparing for Disaster*, Nevada IREM Chapter, (1 day)
*Real Estate Management*, Truckee Meadows Community College, Reno, Nv (3 semester hours) - creator and instructor for the course

**OTHER REAL ESTATE RELATED TOPICS**
*Income Tax Aspects of Real Estate Transactions*, Charles Considine (4 days)
*Business Opportunities*, Art Hammel (3 days)
*Real Estate Economics*, Long Beach Community College (3 semester hours)
*Real Estate Finance*, Lumbleau Real Estate School (3 semester hours)
*Real Estate Law*, Lumbleau Real Estate School (3 semester hours)
*Basic Arbitrator Training*, American Arbitration Association (1 day)
*Series 7 Securities License Training*, Merrill Lynch (4 months training program - passed federal license exam with score of 96%)
*Measuring Commercial Real Estate*, Northern Nevada CCIM Chapter, Reno, Nv - 1 day
*Principles of Real Estate*, Midwestern State University (30 classroom hours)
*Texas Principles of Real Estate II*, University of Texas, Arlington (30 classroom hours)
*Texas Law of Agency* - TREC 1111, University of Texas, Arlington (30 classroom hours)
*Law of Contracts* - TREC 1200, University of Texas, Arlington (30 classroom hours)
TEACHING

I first began teaching for the Coastline Community College in Costa Mesa, California, in 1979. I have taught both regular college classes and professional continuing education classes under the sponsorship of community colleges, universities, the Nevada State Real Estate Division, local Realtor Associations, the National Association of Realtors, and numerous smaller real estate educational organizations over the last 28 years. Below is a listing of the courses I have taught.

**Real Estate Investments**, Coastline Community College, Costa Mesa, California 1979-80, developed and taught a 3 semester hour course in real estate investments, 2 semesters.

**RE 199, Real Estate Investments**, Truckee Meadows Community College, Reno, Nevada 1988 - 1994, 3 semester hour course in real estate investments, 1 semester each year.

**RE 205B & REM 201, Real Estate Management**, Truckee Meadows Community College, Reno, Nevada 1990 - 1994, 3 semester hour property management course developed by the Institute of Real Estate Management in Chicago, giving credit toward the CERTIFIED PROPERTY MANAGER (CPM) designation as well as college credit toward an Associates or Bachelors degree, 1 semester each year.

**IREM 800 - Ethics in Real Estate Management**, Facilitator for local IREM Chapter of course which is required for the CERTIFIED PROPERTY MANAGER (CPM) designation from the Institute of Real Estate Management, Chicago, Illinois. Offered periodically from 1992 - 1998 in Reno, Nevada.

**Commercial Property Management**, University of Nevada - Reno, Continuing Education Department, developed and taught one day course, three times in 1988 and two times in 1991.

**Measuring Commercial Real Estate**, Northern Nevada CCIM Chapter, developed and taught 1/2 day seminar on methods of measuring commercial and industrial real estate, including BOMA and IREM methods as well as AIA methodology. Taught 2 times in 1988 in Nevada and at National Association of Realtors national convention, November 1990.

**Real Estate Strategies - Business Opportunities Section**, GRI Course, Nevada Association of Realtors, 1/2 day session in GRI program, developed and taught 2 times in 1988.

**Real Estate Strategies - Real Estate Investments Section**, GRI Course, Nevada Association of Realtors, 1/2 day session in GRI program, developed and taught in 1989 and 1990.

**BROKERS RECORDS: How To Survive A Real Estate Division Audit**, Real Estate Research Institute, 4 hour seminar developed with the Nevada Real Estate Division -- offered periodically beginning in 1990.

**Strategic Marketing of Commercial Real Estate: How to Sell 100% of your Listings**, National Association of Realtors Convention, Las Vegas, Nevada, Education Session, 1991; University of Nevada, Reno, Continuing Education Department, 1994, 6 hrs Nevada Continuing Education Credits.


How To Negotiate The Best Lease For Your Business, Small Business Development Center, University of Nevada, Reno, one day seminar, 1992.

PUBLISHED ARTICLES

Listed below are articles published in professional newsletters, magazines and journals.

Programs For The HP-38E Calculator, 25 page booklet published in 1979 with creative real estate programs to be used in the first programmable Hewlett Packard hand-held calculator for commercial/investment real estate brokers.


Trust Fund Accounting and Record Keeping for Nevada Brokers, A Reference Manual published by the Education Section of the Real Estate Division, Nevada Department of Commerce, 1990, 28 pages. Although no author is listed, I am acknowledged in the inside cover of the book as having assisted by drafting about 50% of the book and critically reviewing the entire book for the Real Estate Division.


"Reno Shopping Center Survey" Published 1989 and 1991.

"Reno/Sparks Industrial Property Survey" Published 1990.

TEXAS APPRAISER LICENSING AND CERTIFICATION BOARD

BE IT KNOWN THAT

PAUL THOMAS LORENZEN

HAVING PROVIDED SATISFACTORY EVIDENCE OF THE QUALIFICATIONS REQUIRED
BY THE TEXAS APPRAISER LICENSING AND CERTIFICATION ACT,
TEXAS OCCUPATIONS CODE, CHAPTER 1103,
IS AUTHORIZED TO USE THE TITLE

STATE CERTIFIED
GENERAL REAL ESTATE APPRAISER

Number: TX-1336071-G
Date of Issue: April 11, 2006
Date of Expiration: April 30, 2008

In Witness Thereof

Shirley J. Ward, Chair
Larry D. Kokel, Vice-Chair
Dona S. Scurry, Secretary
Elroy Carson
Malcolm J. Deason
William A. Faulk, Jr.
L.W. (Wayne) Mayo
Paul E. Moore
Clinton P. Sayers
APPRAISER CERTIFICATE

STATE OF NEVADA DEPARTMENT OF BUSINESS AND INDUSTRY

NOT TRANSFERABLE

REAL ESTATE DIVISION

NOT TRANSFERABLE

This is to Certify That: PAUL T LORENZEN Certificate Number: A 0006527-CG

Is duly authorized to act as a CERTIFIED GENERAL APPRAISER from the issue date to the expiration date at the business address stated here in, unless the certificate is sooner revoked, cancelled, withdrawn, or invalidated.

Issue Date: February 23, 2006 Expire Date: February 29, 2008

In witness whereof, THE DEPARTMENT OF BUSINESS AND INDUSTRY, REAL ESTATE DIVISION, by virtue of the authority vested in Chapter 645C of the Nevada Revised Statues, has caused this Certificate to be issued with its Seal printed thereon. This certificate must be conspicuously displayed in place of business.

FOR: PAUL LORENZEN

8151 EASY MEADOW DR

CONVERSE, TX  78109

REAL ESTATE DIVISION

GAIL J. ANDERSON

Administrator
Joe Hoffer wrote:

Lets go ahead and do the appraisal. It would be nice to know if I am pricing the house accurately.

Joe

-----Original Message-----
From: Paul Lorenzen [mailto:lorenzencpm@yahoo.com]
Sent: Tuesday, March 20, 2007 6:22 AM
To: Joe Hoffer
Subject: Proposal for appraisal --> 9726 Autumn, Converse, Tx -- Re: Residential Appraisal

Mr. Hoffer

RE: Appraisal Proposal -- 9726 Autumn, Converse, Tx

Thanks for the detailed information.

I can prepare a standard residential form report (on the approved Uniform Residential Appraisal Report - URAR - form) for a fee of $225. I can deliver the completed report within five (5) business days from the date on which you authorize me to proceed with the assignment. The fee will be payable upon delivery of the appraisal report.

I look forward to working with you on this assignment.

Thanks
Paul Lorenzen
CCIM, CPM, CSM
Certified General Appraiser

PS - attached for your review is a .pdf file with my appraiser qualifications.

Joe Hoffer wrote:

Mr. Lorenzen,

The house is 1143 Sq. Ft. It is 3 Bedroom, 2 Bath. Neighborhood is Autumn Run. Here is a link to my ad on zillow.com that has more details of the house, legal description, etc.

http://www.zillow.com/HomeDetails.htm?zprop=26184929

Joe Hoffer
ENGAGEMENT EMAIL
Borrower/Client: Joseph & Melissa Hoffer
Property: 9726 Autumn Valley, Converse, Texas 78109

Mr. Hoffer,

I can do a residential appraisal in Converse. Would love to give you a bid.

What is the address of the home? What is the size in square feet and bedrooms/baths?

With this info, I can give you a price and time.

Thanks
Paul Lorenzen
CCIM, CPM, CSM
Certified General Appraiser

Joe Hoffer wrote:

Do you do residential Appraisals? I am selling my home FSBO in Converse and looking for an appraiser. I found your name through TALCB.

Joe Hoffer
SUBJECT BUILDING SKETCH

Borrower/Client: Joseph & Melissa Hoffer
Property: 9726 Autumn Valley, Converse, Texas 78109

AREA CALCULATIONS SUMMARY

<table>
<thead>
<tr>
<th>Code</th>
<th>Description</th>
<th>Size</th>
<th>Totals</th>
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<tbody>
<tr>
<td>GEA1</td>
<td>First Floor</td>
<td>1572.37</td>
<td>1591.36</td>
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<tr>
<td></td>
<td>Garage</td>
<td>459.55</td>
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Gross Living Area (GBA - Garage) 1,153

TOTAL BUILDING (rounded) 1,572

BUILDING AREA BREAKDOWN

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<thead>
<tr>
<th>Breakdown</th>
<th>Subtotals</th>
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<tbody>
<tr>
<td>First Floor</td>
<td>22.40</td>
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<tr>
<td>2.0 x 11.2</td>
<td>22.40</td>
</tr>
<tr>
<td>0.5 x 0.0 x 0.1</td>
<td>0.72</td>
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<tr>
<td>0.5 x 3.9 x 3.9</td>
<td>7.49</td>
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<tr>
<td>3.9 x 5.5</td>
<td>21.29</td>
</tr>
<tr>
<td>0.5 x 3.9 x 3.9</td>
<td>7.49</td>
</tr>
<tr>
<td>0.5 x 3.5 x 3.5</td>
<td>6.23</td>
</tr>
<tr>
<td>0.5 x 0.2 x 0.2</td>
<td>0.03</td>
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<tr>
<td>0.2 x 5.0</td>
<td>1.00</td>
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<tr>
<td>16.0 x 26.0</td>
<td>436.02</td>
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<td>26.6 x 29.9</td>
<td>795.34</td>
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<td>13.3 x 20.5</td>
<td>273.66</td>
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<tr>
<td>Garage</td>
<td>70.99</td>
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<tr>
<td>3.1 x 22.9</td>
<td>70.99</td>
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<tr>
<td>17.4 x 20.0</td>
<td>348.00</td>
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<tr>
<td>13 Areas Total</td>
<td>1,572</td>
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<tr>
<td>(rounded)</td>
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</table>
New Subdivision Map
Borrower/Client: Joseph & Melissa Hoffer
Property: 9726 Autumn Valley, Converse, Texas 78109

MAP OF NEW SUBDIVISION ADJACENT
NORTH OF THE SUBJECT SUBDIVISION

Map of New Subdivision
COMPARABLE SALES MAP
Borrower/Client: Joseph & Melissa Hoffer
Property: 9726 Autumn Valley, Converse, Texas 78109

Comparable Sales Map
<table>
<thead>
<tr>
<th>Property: 9726 Autumn Valley, Converse, Texas 78109</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Comparable Sales Photos</strong></td>
</tr>
<tr>
<td><strong>Borrower/Client:</strong> Joseph &amp; Melissa Hoffer</td>
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<table>
<thead>
<tr>
<th>Property Address</th>
<th>Details</th>
<th>Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>9730 Autumn Valley</td>
<td>3 bedroom, 2 bath, 1,224 square feet</td>
<td>$107,350</td>
</tr>
<tr>
<td>7218 Autumn Acres</td>
<td>3 bedroom, 2 bath, 1,264 square feet</td>
<td>$114,060</td>
</tr>
<tr>
<td>9823 Autumn Place</td>
<td>3 bedroom, 2 bath, 1,264 square feet</td>
<td>$113,210</td>
</tr>
</tbody>
</table>
RENT COMPARABLES PHOTOGRAPHS

Borrower/Client: Joseph & Melissa Hoffer
Property: 9726 Autumn Valley, Converse, Texas 78109

7218 Autumn Acres
8147 Easy Meadow Drive
6912 Autumn View
9732 Autumn Arbor
7319 Autumn Brook
9834 Autumn Hollow
9830 Autumn Hollow

Rent Comparable Photos