

LAND APPRAISAL REPORT

File No. 12-06-07Lnd//Villa

IDENTIFICATION	Borrower <u>Mattaei</u>	Census Tract <u>13.07</u>	Map Reference _____	
	Property Address <u>S. 2nd Street*</u>			
	City <u>Austin</u>	County <u>Travis</u>	State <u>Tx</u>	Zip Code <u>78704</u>
	Legal Description <u>N 75 X 301 Ft., Lot 2, Blk 5, Freewater Addn & 131 X 301 Ft., Lot 2, Blk 5, Freewater Addn</u>			
	Sale Price \$ <u>N/A</u>	Date of Sale <u>NA</u>	Loan Term _____ yrs.	Property Rights Appraised <input checked="" type="checkbox"/> Fee <input type="checkbox"/> Leasehold <input type="checkbox"/> De Minimis PUD
	Actual Real Estate Taxes \$ _____ (yr)	Loan charges to be paid by seller \$ <u>-0-</u>	Other sales concessions _____	
Lender/Client <u>Stallion Funding</u>		Address <u>13492 Research Blvd. Ste 120-472, Austin, Texas 78750</u>		
Occupant <u>Vacant</u>		Appraiser <u>David Heaps</u>	Instructions to Appraiser <u>Est. market value</u>	

NEIGHBORHOOD	Location	<input type="checkbox"/> Urban	<input checked="" type="checkbox"/> Suburban	<input type="checkbox"/> Rural	<table style="width: 100%; border-collapse: collapse;"> <tr> <td>Employment Stability</td> <td><input type="checkbox"/> Good</td> <td><input checked="" type="checkbox"/> Avg.</td> <td><input type="checkbox"/> Fair</td> <td><input type="checkbox"/> Poor</td> </tr> <tr> <td>Convenience to Employment</td> <td><input type="checkbox"/></td> <td><input checked="" type="checkbox"/></td> <td><input type="checkbox"/></td> <td><input type="checkbox"/></td> </tr> <tr> <td>Convenience to Shopping</td> <td><input type="checkbox"/></td> <td><input checked="" type="checkbox"/></td> <td><input type="checkbox"/></td> <td><input type="checkbox"/></td> </tr> <tr> <td>Convenience to Schools</td> <td><input type="checkbox"/></td> <td><input checked="" type="checkbox"/></td> <td><input type="checkbox"/></td> <td><input type="checkbox"/></td> </tr> <tr> <td>Adequacy of Public Transportation</td> <td><input type="checkbox"/></td> <td><input checked="" type="checkbox"/></td> <td><input type="checkbox"/></td> <td><input type="checkbox"/></td> </tr> <tr> <td>Recreational Facilities</td> <td><input type="checkbox"/></td> <td><input checked="" type="checkbox"/></td> <td><input type="checkbox"/></td> <td><input type="checkbox"/></td> </tr> <tr> <td>Adequacy of Utilities</td> <td><input type="checkbox"/></td> <td><input checked="" type="checkbox"/></td> <td><input type="checkbox"/></td> <td><input type="checkbox"/></td> </tr> <tr> <td>Property Compatibility</td> <td><input type="checkbox"/></td> <td><input checked="" type="checkbox"/></td> <td><input type="checkbox"/></td> <td><input type="checkbox"/></td> </tr> <tr> <td>Protection from Detrimental Conditions</td> <td><input type="checkbox"/></td> <td><input checked="" type="checkbox"/></td> <td><input type="checkbox"/></td> <td><input type="checkbox"/></td> </tr> <tr> <td>Police and Fire Protection</td> <td><input type="checkbox"/></td> <td><input checked="" type="checkbox"/></td> <td><input type="checkbox"/></td> <td><input type="checkbox"/></td> </tr> <tr> <td>General Appearance of Properties</td> <td><input type="checkbox"/></td> <td><input checked="" type="checkbox"/></td> <td><input type="checkbox"/></td> <td><input type="checkbox"/></td> </tr> <tr> <td>Appeal to Market</td> <td><input type="checkbox"/></td> <td><input checked="" type="checkbox"/></td> <td><input type="checkbox"/></td> <td><input type="checkbox"/></td> </tr> </table>	Employment Stability	<input type="checkbox"/> Good	<input checked="" type="checkbox"/> Avg.	<input type="checkbox"/> Fair	<input type="checkbox"/> Poor	Convenience to Employment	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Convenience to Shopping	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Convenience to Schools	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Adequacy of Public Transportation	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Recreational Facilities	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Adequacy of Utilities	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Property Compatibility	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Protection from Detrimental Conditions	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Police and Fire Protection	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	General Appearance of Properties	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Appeal to Market	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Employment Stability	<input type="checkbox"/> Good	<input checked="" type="checkbox"/> Avg.	<input type="checkbox"/> Fair		<input type="checkbox"/> Poor																																																											
	Convenience to Employment	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>																																																											
	Convenience to Shopping	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>																																																											
	Convenience to Schools	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>																																																											
	Adequacy of Public Transportation	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>																																																											
	Recreational Facilities	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>																																																											
	Adequacy of Utilities	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>																																																											
	Property Compatibility	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>																																																											
	Protection from Detrimental Conditions	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>																																																											
Police and Fire Protection	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>																																																													
General Appearance of Properties	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>																																																													
Appeal to Market	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>																																																													
Built Up	<input type="checkbox"/> Over 75%	<input checked="" type="checkbox"/> 25% to 75%	<input type="checkbox"/> Under 25%																																																														
Growth Rate	<input type="checkbox"/> Fully Dev.	<input checked="" type="checkbox"/> Rapid	<input type="checkbox"/> Steady	<input type="checkbox"/> Slow																																																													
Property Values	<input type="checkbox"/> Increasing	<input checked="" type="checkbox"/> Stable	<input type="checkbox"/> Declining																																																														
Demand/Supply	<input type="checkbox"/> Shortage	<input checked="" type="checkbox"/> In Balance	<input type="checkbox"/> Oversupply																																																														
Marketing Time	<input type="checkbox"/> Under 3 Mos.	<input checked="" type="checkbox"/> 4-6 Mos.	<input checked="" type="checkbox"/> Over 6 Mos.																																																														
Present Land Use	<u>65%</u> 1 Family	<u>10%</u> 2-4 Family	<u>7%</u> Apts.	<u>6%</u> Condo	<u>7%</u> Commercial																																																												
Change in Present Land Use	<input type="checkbox"/> Not Likely	<input type="checkbox"/> Likely (*)	<input checked="" type="checkbox"/> Taking Place (*)																																																														
Predominant Occupancy	(*) From <u>Vacant</u> To <u>Residential</u>																																																																
Single Family Price Range	\$ <u>135,000</u> to \$ <u>800</u>		Predominant Value \$ <u>175</u>																																																														
Single Family Age	New yrs. to <u>100</u> yrs.		Predominant Age <u>30</u> yrs.																																																														

Comments including those factors, favorable or unfavorable, affecting marketability (e.g. public parks, schools, view, noise): The subject neighborhood is proximate to the Austin CBD (employment), St. Edward's University, and traffic arteries (for access). The neighborhood was primarily developed in the 1930's through the 1950's with single family homes in the +/- 1,000 SF to 1,500 SF range. In the past 5-6 years however, the area has enjoyed increasing property values & new construction, as young professionals seek housing close to the CBD & Austin's Downtown live music scene.

SITE	Dimensions <u>Two separate tracts combined - see plat</u> = <u>1.424</u> Sq. Ft. or Acres <input type="checkbox"/> Corner Lot									
	Zoning classification <u>SF-3</u> Present Improvements <input checked="" type="checkbox"/> do <input type="checkbox"/> do not conform to zoning regulations									
	Highest and best use <input type="checkbox"/> Present use <input checked="" type="checkbox"/> Other (specify) <u>Divided into multiple residential lots from the larger +/- 1.424 acre current configuration.</u>									
	Elec. <input checked="" type="checkbox"/> Public <input type="checkbox"/> Other (Describe) _____									
	Gas <input checked="" type="checkbox"/> _____									
	Water <input checked="" type="checkbox"/> _____									
	San. Sewer <input checked="" type="checkbox"/> _____									
	<input type="checkbox"/> Underground Elect. & Tel.									
	OFF SITE IMPROVEMENTS									
	<table style="width: 100%; border-collapse: collapse;"> <tr> <td>Street Access <input checked="" type="checkbox"/> Public <input type="checkbox"/> Private</td> <td>Topo <u>Rolling</u></td> </tr> <tr> <td>Surface <u>Asphalt</u></td> <td>Size <u>+/- 1.424 Acres - Two parcels combined - see plat</u></td> </tr> <tr> <td>Maintenance <input checked="" type="checkbox"/> Public <input type="checkbox"/> Private</td> <td>Shape <u>Rectangular</u></td> </tr> <tr> <td><input type="checkbox"/> Storm Sewer <input checked="" type="checkbox"/> Curb/Gutter</td> <td>View <u>Residential</u></td> </tr> <tr> <td><input type="checkbox"/> Sidewalk <input checked="" type="checkbox"/> Street Lights</td> <td>Drainage <u>Appears adequate.</u></td> </tr> </table>	Street Access <input checked="" type="checkbox"/> Public <input type="checkbox"/> Private	Topo <u>Rolling</u>	Surface <u>Asphalt</u>	Size <u>+/- 1.424 Acres - Two parcels combined - see plat</u>	Maintenance <input checked="" type="checkbox"/> Public <input type="checkbox"/> Private	Shape <u>Rectangular</u>	<input type="checkbox"/> Storm Sewer <input checked="" type="checkbox"/> Curb/Gutter	View <u>Residential</u>	<input type="checkbox"/> Sidewalk <input checked="" type="checkbox"/> Street Lights
Street Access <input checked="" type="checkbox"/> Public <input type="checkbox"/> Private	Topo <u>Rolling</u>									
Surface <u>Asphalt</u>	Size <u>+/- 1.424 Acres - Two parcels combined - see plat</u>									
Maintenance <input checked="" type="checkbox"/> Public <input type="checkbox"/> Private	Shape <u>Rectangular</u>									
<input type="checkbox"/> Storm Sewer <input checked="" type="checkbox"/> Curb/Gutter	View <u>Residential</u>									
<input type="checkbox"/> Sidewalk <input checked="" type="checkbox"/> Street Lights	Drainage <u>Appears adequate.</u>									

Comments (favorable or unfavorable including any apparent adverse easements, encroachments, or other adverse conditions): NO SURVEY WAS AVAILABLE TO THE APPRAISER. No adverse encroachments or easements were noted on inspection. Subject site is composed of two separate parcels combined here as one. NOTE: Subject has frontage on Villa Court, a cul-de-sac. Subject does NOT appear to have frontage on So. 2nd Street, though the Travis Central Appraisal District lists these as So.2nd Street properties. Please verify with surveyor or engineer.

The undersigned has recited three recent sales of properties most similar and proximate to subject and has considered these in the market analysis. The description includes a dollar adjustment reflecting market reaction to those items of significant variation between the subject and comparable properties. If a significant item in the comparable property is superior to or more favorable than the subject property, a minus (-) adjustment is made thus reducing the indicated value of subject; if a significant item in the comparable is inferior to or less favorable than the subject property, a plus (+) adjustment is made thus increasing the indicated value of the subject.

	ITEM	SUBJECT PROPERTY	COMPARABLE NO. 1	COMPARABLE NO. 2	COMPARABLE NO. 3	
MARKET DATA ANALYSIS	Address	<u>S. 2nd Street* Austin</u>	<u>133 Frederick</u>	<u>2417 Euclid</u>	<u>3809 Wilson</u>	
	Proximity to Subject		<u>1.5 Miles</u>	<u>1Mile</u>	<u>1.5 Miles</u>	
	Sales Price	\$ <u>NA</u>	\$ <u>300,000</u>	\$ <u>174,600</u>	\$ <u>169,000</u>	
	Price	\$ _____	\$ _____	\$ _____	\$ _____	
	Data Source	<u>Inspection/TCAD</u>	<u>MLS#5774084/TCAD</u>	<u>MLS#6982907/TCAD</u>	<u>MLS#2670616/TCAD</u>	
	Date of Sale and Time Adjustment	DESCRIPTION <u>ApprDate 12/07</u>	DESCRIPTION <u>08/07 - DOM 120</u>	+(-)\$ Adjust. <u>08/07 - DOM 6</u>	DESCRIPTION <u>08/07 - DOM 44</u>	+(-)\$ Adjust.
	Location	<u>So. Austin -</u>	<u>So. Austin</u>	<u>So. Austin</u>	<u>So. Austin</u>	
	Site/View	<u>Residential</u>	<u>Bouldin Creek</u>	<u>-50,000</u>	<u>Backs commercial</u>	<u>+25,000</u>
	Tract Size	<u>Duplex Lot</u>	<u>Duplex lot 11700 SF</u>	<u>Duplex lot 7405 SF</u>	<u>Duplex lot 9644 SF</u>	
	Access	<u>Good</u>	<u>Good</u>	<u>Good</u>	<u>Good</u>	
	Utility Access	<u>Assumed at street</u>	<u>Similar</u>	<u>Similar</u>	<u>Similar</u>	
	Extras	<u>None</u>	<u>Plans & Permits</u>	<u>-25,000</u>		
	Sales or Financing Concessions	<u>-0-</u>		<u>-0-</u>		
	Net Adj. (Total)		<input type="checkbox"/> + <input checked="" type="checkbox"/> -	\$ <u>75,000</u>	<input checked="" type="checkbox"/> + <input type="checkbox"/> -	\$ <u>25,000</u>
	Indicated Value of Subject		\$ <u>225,000</u>	\$ <u>199,600</u>	\$ <u>184,000</u>	

Comments on Market Data: Please see the discussion on the following page. See attached proposed re-plat showing six salable Duplex lots. As shown each proposed lot will have the required size and SF-3 zoning for a duplex on each lot. Sales #1 through #3 (nearby duplex lot sales) indicate a subject value range of \$184,000 to \$225,000. #3 required the least gross adj. & points to a subject value of \$184,000, (\$92K per door)

Comments and Conditions of Appraisal: This is a summary report. The appraiser was not provided a current survey of the subject property - only a preliminary design for a re-plat from the current +/- 1.424 acres to seven lots, six of which may be built upon. Should, at a later date, a survey or engineering report indicate some limitations on developability at the subject, our value estimate may change. The current owner reportedly purchased the subject tract for \$535,000 in February of 2007.

Final Reconciliation: Please see the discussion on the following pages. As sales of neighborhood tracts that were purchased to be further divided into residential lots, and duplex approved lots, were available for study, a final value via the Sales Comparison Approach is concluded.

I ESTIMATE THE MARKET VALUE, AS DEFINED, OF SUBJECT PROPERTY AS OF December 10 2007 to be \$ 750,000

David Heaps
 David Heaps Did Did Not Physically Inspect Property
 Appraiser(s) Review Appraiser (if applicable)

LAND APPRAISAL REPORT MARKET DATA ANALYSIS

File No. 12-06-07Lnd//Villa

	ITEM	SUBJECT PROPERTY	COMPARABLE NO. 4	COMPARABLE NO. 5	COMPARABLE NO. 6	
MARKET DATA ANALYSIS	Address	S. 2nd Street* Austin	3504 Clawson	1204 Woodland Ave. S 2	715 W. Mary	
	Proximity to Subject		1 Mile	1.5 Miles	1.5 Miles	
	Sales Price	\$ NA	\$ 90,625	\$ 96,875	\$ 152,500	
	Price	\$	\$	\$	\$	
	Data Source	Inspection/TCAD	MLS#2703444/TCAD	MLS#474618/TCAD	MLS#8326768/TCAD	
	Date of sale and Time Adjustment	DESCRIPTION	DESCRIPTION	+(-)\$ Adjust.	DESCRIPTION	+(-)\$ Adjust.
		ApprDate 12/07	09/07 - DOM 310		05/07 - DOM 135	10/07 - DOM 7
	Location	So. Austin -	Theodore Low		Woodland Grove II	James E Bouldin A
	Site/View	Residential	Residential		Residential	-5,000
	Tract Size	Duplex Lot	Zoned for 8 units		Zoned for 8 units	Zoned for 4 units
	Access	Good	Good		Good	Good
	Utility Access	Assumed at street	Similar		Similar	Similar
	Extras	None	Sale price \$725,000		Sale price \$775,000	Sale price \$610,00
	Sales or Financing Concessions	-0-				
	Net Adj. (Total)		<input type="checkbox"/> + <input type="checkbox"/> -	\$	<input type="checkbox"/> + <input checked="" type="checkbox"/> -	\$ 5,000
Indicated Value of Subject			\$ 90,625	\$ 91,875	\$ 127,500	

COMMENTS	<p>Comments: Numerous lot sales in the subject's neighborhood that have occurred over the past year were examined in our study of the subject. Also, current lot offerings were observed and PENDING sales were relied upon. Of particular interest were the sales that involved land tracts that could be subdivided into multiple buildable lots - similar to the subject. Land characteristics that appeared applicable to these tracts included: lot size, city views (or hill country or creek views), exact location within the neighborhood (as lots closer to the city & the shops along So. Congress - SOCO, or in Travis Heights having premiums), legal lot status compared to "raw" tracts that required City approvals, utility availability, and street frontage, the development density that could be achieved, as well as other factors. For example, in this area, it is popular to build a duplex (2 unit) structure & then to use a State law permitting the separation of the two units via a "Condo" regime & then selling the two resulting living units. Generally, to be developed with a duplex in this area, the lot must be 7,000 SF and the lot must have SF 3- zoning. Other zoning classifications may in fact permit even denser development but the SF -3 zoning is common. The data indicated that the Duplex lots typically commanded more than lots only allowing one residence - all other things being equal.</p>
	<p>Also - generally, lot sales south of Oltorf Street sell for less than those lots located north of Oltorf, say, between, Oltorf and Riverside Drive - all other things being equal. Lot sales #1 through #3 are all located south of Oltorf, similar to the subject.</p>
	<p>As previously stated, the subject neighborhood was developed primarily from the 1930's to the 1950's, There are some homes built in the early 1900's but major development did not take place until bridges and dams lessened the impact of the flooding of the Colorado River (that separates the Austin CBD and this neighborhood). As it is a mature neighborhood, much development that is taking place today now involves in-fill lots that were not developed in the initial development period, the "raising" of older/inferior homes for replacement by new product, and the development of a few small acreage tracts some long-time owners chose to hold undeveloped for their own reasons. As it is generally easier to build on lots that already have legal lot status from the city, street frontage, and utility access at the lot, these lots typically sell for more than land tracts that must be further subdivided into buildable lots, then requiring street access, utilities, etc. This appraisal is subject to a hypothetical condition in that the proposed cul-de-sac upon which the new lots will front is not yet built. For this value estimate we assume that all lots have full utility service and frontage on a publicly maintained city street. Sale #1 required a negative adjustment because it reportedly sold with all city approvals and an approved set of building floorplans for immediate construction to begin.</p>
	<p>Please find the attached engineer's plan for re-platting the subject into seven lots. Of the seven lots six lots reportedly will be buildable as the seventh lot will be used for required city drainage issues. Based upon our experience in this market, the proposed density for the subject appears reasonable. According to the engineers' plan each of the buildable six lots will have the city required 7,000 SF of lot area, and SF-3 zoning, for duplex development.</p>
	<p>The indicated subject lot value, AS IF the subject lots have been successfully re-plated with all City of Austin approvals, and, utilities are available to each lot, based upon our study (weighting Sales #1 through #3 above) is concluded to be \$184,000 per lot</p>

Supplemental Addendum

File No. 12-06-07Lnd/Villa Ct.

Borrower/Client	Mattaiei						
Property Address	S. 2nd Street*						
City	Austin	County	Travis	State	Tx	Zip Code	78704
Lender	Stallion Funding						

Based upon these factors the indicated gross value of the lot sell-off of the subject is as follows:

6 lots X 2 units per lot = 12 units

12 units X \$92,000 per unit = \$1,104,000

Say \$1,100,000

The above described scenario (and value estimate) is based upon a hypothetical condition (in that it does NOT exist today) and assumes the successful re-plat of the subject 1.424.acres into six salable lots. As stated, the lots will have over 7,000 SF of area, SF-3 zoning (permitting duplex development on each lot), frontage on a city maintained street, and full city utilities to each lot.

No construction cost estimates for the construction of the proposed cul-de-sac, extension of utilities to the proposed lots, nor engineering and city costs to complete the replatting process (that it is reportedly currently underway at the City) have been provided to the appraiser. However, within a Subdivision Approach it is necessary to subtract the costs associated with street and utility infrastructure construction to bring the new lots to a salable state.

Again, the appraiser has not been furnished a cost estimate by the project engineer for this project and will estimate these development costs relying on the Marshall Valuation Service, a construction cost estimating service that tracks building costs throughout the US, supplementing these estimates with information from local building contractors and suppliers.

The Marshall Valuation Service reports that for Subdivision development, " the cost of complete double -loaded street improvements with ...(streets, curbs, and utilities)... totals \$285.00 to \$340.00 per linear foot of street, on ordinary level subdivisions, or, from \$180.00 to \$235.00 per front foot of lot, including side street allowance. Costs may run twice as much for extreme hillside conditions." Typically Marshall is referring to a 40' wide street.

So, if the cul-de-sac constructed to service the proposed subject lots is +/-100 across, this is +/- 2.5 times the "typical" 40' width used in the Marshall estimates for their "typical " street. $40' \times 2.50 = 100$. Taking the the \$340 per linear foot of 40' street estimate, multiplied times 2.50 produces a per linear foot cost estimate of \$850 per linear foot. Multiplying this per linear foot estimate times the 100' diameter of the cul-de-sac produces a cost estimate of \$85,000 (\$850 per foot X 100 feet = \$85,000).

In an interview (retained in the appraiser's files) conducted in the late 1990's with a local homebuilder, the costs to provide streets and utilities to 800 lots was reportedly costing the builder \$8,000 per lot. A project of this size (800 lots) would enjoy some economies of scale and a smaller project would likely have a higher cost. The terrain at the builder's subdivision was relatively level and the soil was not particularly rocky but the costs are likely higher today due to generally higher building costs today. Multiplying the seven lots (only six are assumed to be buildable due to city of Austin water detention and drainage requirements) times the previously reported \$8,000 per lot infrastructure cost estimate indicates a street and utility cost estimate of \$56,000 ($\$8000 \text{ per lot} \times 7 \text{ lots} = \$56,000$). Costs today at the subject are estimated to be higher than this cost figure the builder experienced some ten to twelve years ago.

The Marshall Valuation service also gives a "per front foot of lot" estimate of \$180.00 /FF to \$235.00/ FF. Assuming the circumference of the cul-de-sac is approximately 314.5 feet ($100' \times 3.14159 = 314.59'$), and the lots front on +/- 275' of that area (assuming that Villa Court is +/- 45' in width, we subtract the estimated 45' of Villa Court that intersects the new cul-de-sac from the circumference of the cul-de-sac). Then, multiplying $275' \times \$235/\text{FF}$ produces an infrastructure estimate of \$64,625.

The three methods produce a relatively wide range of \$56,000 to \$85,000. The low end of the range is based upon costs reported ten years ago and considered the least reliable today. The two remaining indicators point to a range of +/- \$65,000 to \$85,000. The appraiser concludes on \$85,000.

The \$85,000 represents hard costs and does not include the fact that developers and entrepreneurs charge for their efforts. Assuming a developer profit of 25% produces the following cost estimate to create the cul-de-sac and extend utility lines to each lot. $\$85,000 \times 125\% = \$106,250$, rounded to \$110,000.

Deducting the cost estimate for required infrastructure from the gross sales from the lot sell-off indicates a subject "gross" value of the proposed subdivision of \$990,000 ($\$1,100,000 - \$110,000 = \$990,000$). It does not reflect sales costs a developer will incur in marketing the lots, and, this estimate does not reflect a "bulk" sale, ie. a discount given if the lots are sold at one time - "in bulk".

Typically, a "bulk" sale estimate is required when developing the Subdivision Approach.

In projects involving many lots an absorption period (frequently over years) is estimated and a discounted cash flow program is developed giving an income stream, net of a developer's sales costs to hold, market , and sell the lots, discounted at some "market" rate in order to estimate the value a developer/ investor would likely pay for the entire project - this discounted scenario represents a "bulk" sale value.

In the subject's case the subject neighborhood has been "quite" active with renovation, remodeling, and new construction efforts. Sales #1 through #3 on the grid (representing single duplex lot sales) reportedly were exposed to the market for between 6 days and 120 days giving an "average days on the market" of 56.7 days on the market.

Supplemental Addendum

File No. 12-06-07Lnd/Villa Ct.

Borrower/Client Mattaei			
Property Address S. 2nd Street*			
City Austin	County Travis	State Tx	Zip Code 78704
Lender Stallion Funding			

Sales #4 through #6 were "on the market" for between 7 days and 310 days, for an average of +/- 151 days on the market, however, Sales #4 through #6 represent "bulk" sales of from between 4 to 8 possible units. This indicates there is an "active" market of builders/ investors buying several lots at one time.

Based upon the small number of lots at the subject development, and the purchase activity seen in the market where builders/investors are purchasing several lots at one time, it seems "likely" that the subject could be marketed in a reasonably short period of time to several local builders. In that case, there would NOT be an extended marketing period.

Still, some "bulk" sale discount is typical and prudent.

Previous studies have indicated that when a property seller requires a "quick sale" of some type, in this market the property generally is discounted 20% to 30% off its actual Market Value.

$$\$990,000 \times 75\% = \$742,500$$

$$\$990,000 \times 80\% = \$792,000$$

$$\text{Say } \$750,000$$

As a result, the estimated Market Value of the subject proposed subdivision, as if, successfully through the City of Austin subdivision process, with full utility service to each lot, and frontage on a city maintained street, as of December 10, 2007, is as follows:

$$\$750,000$$

Note: As previously stated, the appraisers are not State licensed engineers, State licensed surveyor, State licensed lawyers, title experts, or environmental experts. The appraisers were NOT supplied a current survey, complete engineering drawings of the proposed subdivision, infrastructure cost estimates from either an engineer or contractor, or preliminary approval letters from the City of Austin. Based upon previous experience and general discussions with City of Austin planning department personal a subdivision similar to that proposed at the subject should likely be supported by City staff. The appraisers have estimated infrastructure costs based upon cost data in the appraisers files and national cost estimating services. The task of estimating construction costs without engineering drawings in this manner provides only the most general estimate. The appraisers had to make a number of assumptions in this effort. Should, at a later date, new information becomes available on the subject and the proposed subdivision, and it is found the information upon which these assumptions were based has changed, our value estimate may change.