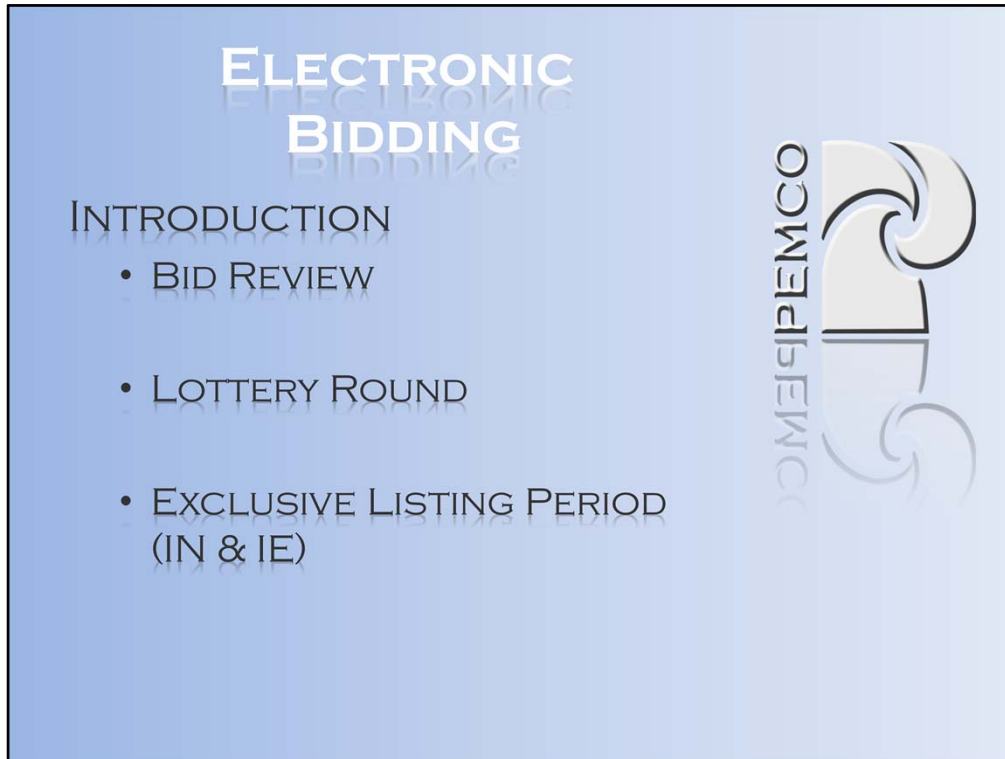


**EFFECTIVE BIDDING
AND HUDHOMESTORE**





Bid Review

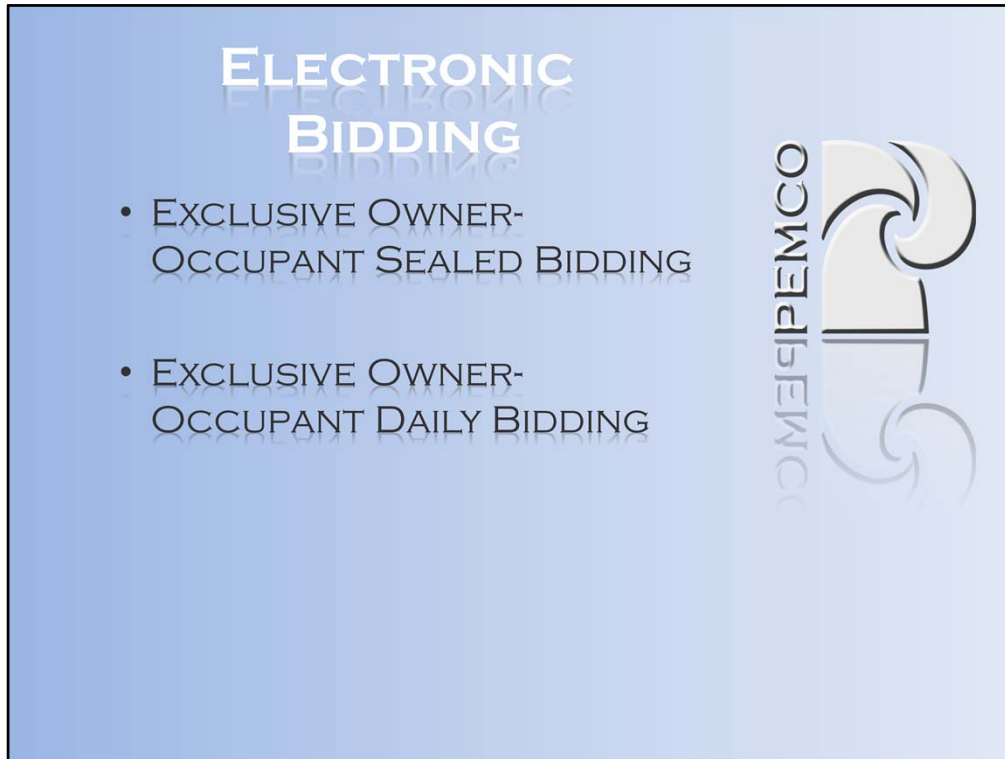
For qualified bidders the only determining factor for winning a bid is the submission of an acceptable offer that yields the highest net to HUD. In the case of an exact tie, an award will be made in order of date/time the bids were submitted, with priority given to the earliest tied bid received.

Lottery Round

All HUD properties located designated to be within revitalization and all uninsurable properties will initial list in the Lottery Round. The Lottery Round is for a period of six (6) days and will be awarded the morning of the 7th day. Successful Lottery awards are selected by random process by HUD's bid system. All remaining qualifying bids will be placed in back up status in random order as determined by HUD's bid system.

Exclusive Listing Period (Insurable & Insurable with Escrow)

Properties identified as Insurable (IN) or Insurable with Escrow (IE) that is located in areas other than Revitalization zones shall list initial in a 30-day Owner-Occupant Exclusive Listing Period. During this time, bids can be submitted by Owner-Occupant buyers only.



Exclusive Owner Occupant Sealed Bidding (Insurable & Insurable with Escrow)

The first 10 days of 30-day Owner-Occupant Exclusive Listing Period is considered the sealed bidding period. Bids will accumulate for these 10 days and will only be revealed by the system for review on the morning of the 11th day. (Properties in this period are indicated on www.hudhomestore.com by a bid deadline of “month/day/year 11:59 p.m.” and with Eligible Bidders as Owner Occupants, Nonprofits, and Government Agencies only).

On the 11th day of listing, PEMCO opens and reviews all bids submitted during the 10-day Sealed Bid Period to determine if there are any acceptable offers. If an acceptable offer from an Owner-Occupant bidder is received, PEMCO will accept the bid and proceed with the process of moving the property under contract with the buyer. If more than one acceptable offer exists, the bid is to be awarded to the buyer whose offer resulted in the highest net to HUD.

Exclusive Owner Occupant Daily Bidding

In the case were no acceptable offers have been received within the within the 10-days Sealed Period, the property will move into a Daily Bid review for the remaining 20 days of the 30-day Owner-Occupant Exclusive Listing Period. (Properties in this period are indicated on www.hudhomestore.com by a bid deadline of “Daily 11:59 p.m.” and with Eligible Bidders as Owner Occupants, Nonprofits, and Government

Agencies only). During Daily Bidding Period, offers submitted are to be reviewed on a daily basis until an acceptable bid is received. The property will transition to the Extended Listing Period on day 31 of listing, at which time bidding will be open to all bidders, to include investors, and reviewed on a daily basis.

ELECTRONIC BIDDING

- EXCLUSIVE LISTING PERIOD
(UNINSURABLE)
- EXTENDED LISTING PERIOD
(UNINSURABLE)

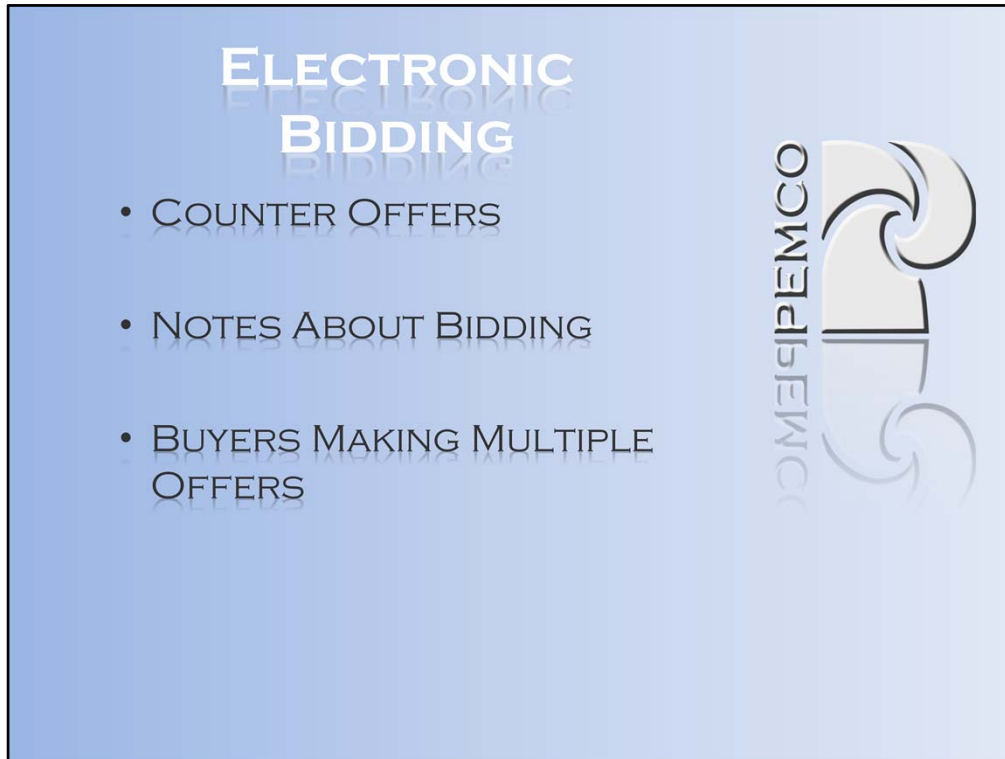


Exclusive Listing Period (Uninsurable)

After the Lottery Period (reference Lottery Round) uninsurable properties will transition into a 6-day Owner-Occupant Exclusive Listing Period which consists of a 6-day Sealed Bidding Period. (Properties in this are indicated www.hudhomestore.com by a bid deadline of “month/day/year 11:59 p.m.” and with Eligible Bidders as Owner Occupants, Nonprofits, and Government Agencies only).

Extended Listing Period (Uninsurable)

In a case where a property is not awarded after the 6-day Owner-Occupant Listing Period, it will transition into the Extended Listing period, at which time bidding will be open to all bidders to, include investors. Bids in the Extended Listing Period are reviewed on a daily basis (Properties in this period are indicated in the listing site by a bid deadline of “Daily 11:59 p.m.” and with Eligible Bidders as Owner Occupants, Investors, Nonprofits, and Government Agencies).

A presentation slide with a light blue background. At the top center, the words "ELECTRONIC BIDDING" are written in a large, white, sans-serif font. Below this title, there is a bulleted list of three items: "• COUNTER OFFERS", "• NOTES ABOUT BIDDING", and "• BUYERS MAKING MULTIPLE OFFERS". To the right of the text, there is a vertical logo for PEMCO. The logo consists of the word "PEMCO" written vertically in a white, sans-serif font, next to a stylized white graphic that resembles a wave or a stylized letter 'P'.

ELECTRONIC BIDDING

- COUNTER OFFERS
- NOTES ABOUT BIDDING
- BUYERS MAKING MULTIPLE OFFERS

Counter Offers

In the event where all submitted bids fail to meet the acceptable minimum net to HUD, at our discretion, PEMCO may present a counter offer to allow the bidder to meet the acceptable net to HUD.

Receipt of a counter offer from PEMCO does not hold the property exclusively for the bidder, nor does it exclude other bidders from submitting bids. In the case where a counter offer has been presented and another bidder submits a bid resulting in a higher than acceptable minimum net to HUD the higher bid will be awarded.

What is an Acceptable Offer?

PEMCO awards the bid to the buyer who has submitted an offer which meets HUD's standards of an "acceptable offer." Where more than one offer meets the criteria of an acceptable offer, PEMCO awards the bid to the buyer whose bid results in the highest net return to HUD. PEMCO, Ltd does not disclose what makes an acceptable offer on any property.

Important Notes about Bidding

Electronic bidding is the only method to submit offers to purchase HUD homes. Buyers cannot submit bids. A HUD-registered agent must do so on their behalf.

Agents are able to submit electronic bids to purchase HUD homes 24 hours a day, 7 days a week through www.HUDhomestore.com.

Bids are not reviewed weekends or holidays, although we will delineate bids by days received during Daily Bidding periods.

There is no time preference in bidding during the Sealed Bid period (i.e.: someone who submits a bid on day 1 of the 10-day Sealed Bid period has no preference over someone who submitted on day 10), with the exception only in the case of an exact tie of the resulting net to HUD, in which case the system will award the earliest tied bid received.

If you submit a bid that you wish to withdraw, you may cancel the bid prior to the day's bid deadline.

Buyers Making Multiple Offers

Owner-Occupant buyers are only permitted to purchase one HUD property in any two-year time period. If an Owner-Occupant buyer has submitted bids on multiple properties only one Earnest Money deposit is required. Investors, however, can buy several properties at once and must have separate Earnest Money deposits for each property.

Multiple offers and bids will be considered in the following manner:

If the owner-occupant is the sole acceptable bidder on a single property, the bid will be selected without consideration to other offers.

Non-Profit Organization (NPO) bids from HUD's approved NP list will be considered before Owner-Occupant bids in the First Look or Lottery Periods.

If the Owner-Occupant is one of several acceptable bidders on a single property, the offer that is in the best interest of HUD or that provides the greatest net return to HUD will be selected as the acceptable bidder.

If more than one bid is submitted on behalf of the same purchaser, the highest bid will be the one considered.



Register for Bidding

A user's Principle Broker must be registered on www.HUDhomestore.com as a bidder prior to submission of bid. Once the Principle Broker is registered both the Associate Broker and Agent can register to bid on behalf of the Principle Broker utilizing their NAID.

Go to www.HUDhomestore.com and Select the Bidder hyperlink

Complete Sections 1 & 2

User Name and Password
Security Questions

These will help for future login and referencing of bids.

Register as a User (Cont'd)

Complete Sections 3 & 4

NAID Information
Identify NAID Type

Identify Role (Principle Broker first, Associate Broker, then Agent)

Note: Each registrant can be set up in as many as three states

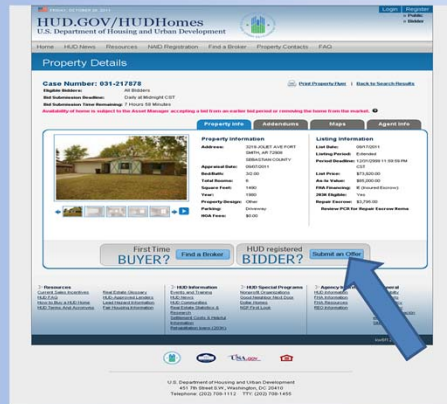
Insert NAID #

Complete License information

Contact information

Complete Acceptance of Terms and Condition and Security Code.

SUBMITTING A BID



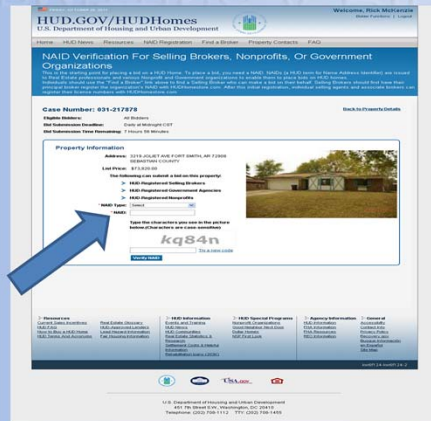
- SUBMIT A BID

Submitting a Bid

HUD homes are sold via an online bidding process where bids can only be made via the www.HUDhomestore.com web site.

Go to www.HUDhomestore.com and insert the information for the search of properties.

SUBMITTING A BID



- INSERT BIDDER INFORMATION

Submitting a Bid (Cont'd)

Click the "Submit an Offer" button.

The NAID Verification for Selling Brokers, Non-Profits or Government Organizations screen appears. Confirm that your purchaser is eligible to place a bid on this property by checking the Eligible Bidders information. Select NAID Type.

Insert NAID.

Selling Brokers or Selling Agent - insert Real Estate license number.

Complete security code Section.

Click the "Verify NAID" button.

SUBMITTING A BID

- COMPLETE BID FIELDS



Filling in the Bid Screen

Complete all sections within the Bid Submission Screen with special attention to the following:

*Closing Cost – Line 5

HUD will allow up to 3% of the purchase price of the property to go toward closing costs. Enter this numeric figure in line 5 of the bid submission. Be sure to only utilize the amount your buyer actually needs (i.e. if on a \$100,000 offer, your buyer only needs \$2500 in closing costs, there is no need to enter the full 3% - \$3000, thus reducing the net to HUD).

*Sales Commission – Line 6a

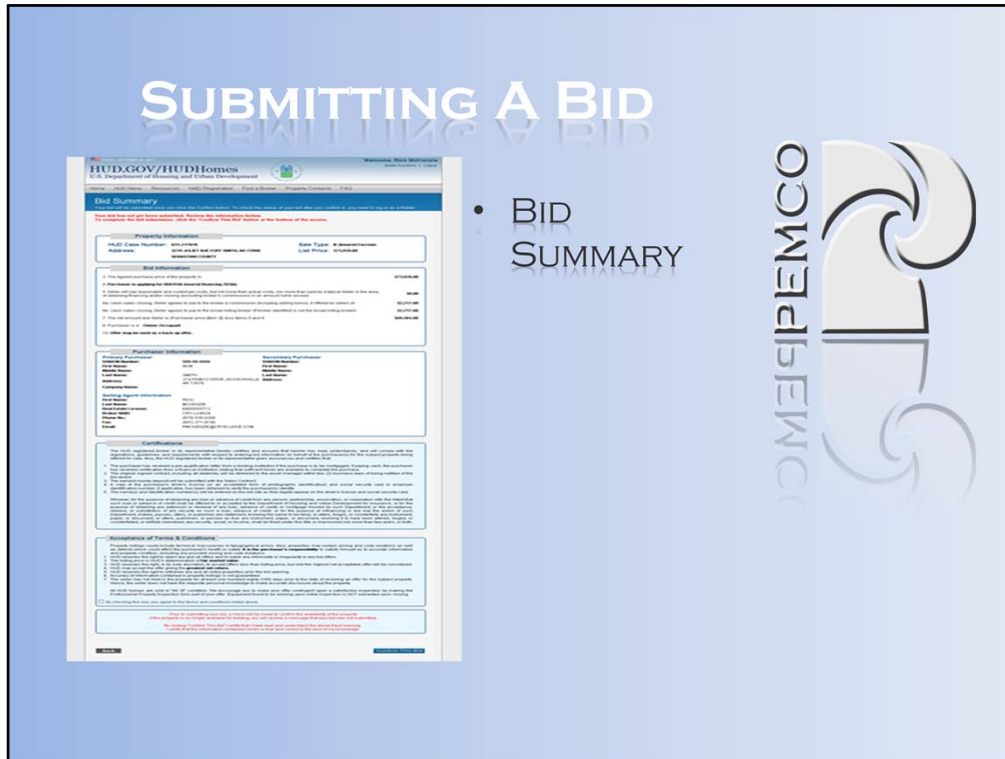
HUD will allow up to 3% of the purchase price to go to the Selling Broker commission. Enter this numeric figure in line 6 of the bid submission. Again, remember that the amount you enter will affect the net to HUD.

Listing Broker Commission – Line 6b

HUD will pay 3% of the purchase price to the Listing Broker.

Buyer Names must appear as they are on the contract. The bid will be compared to the contract at the time of the contract submission.

Click the "Submit" Button and the Summary Page will appear.



Filling in the Bid Screen (Cont'd)

Check the Accept Terms and Conditions and check the box if all information is correct on the bid.

Click the “Back” button if corrections are needed.

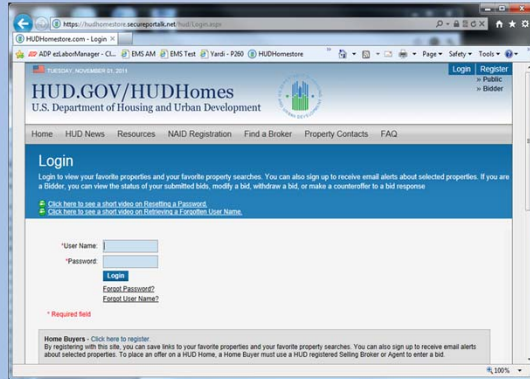
Click “Confirm this Bid” button if everything appears correctly. A Bid Confirmation Number will appear.

NOTE: It is important to keep the Bid Confirmation Number. This is the number that is used to track the bid.

Users can click the “Print the Sales Contract” hyperlink to print the Sales Contract. This creates a PDF that can be saved for future reference.

It is important to note that PEMCO requires the user to utilize PEMCO’s contract package, which can be found at http://HUDpemco.com/choose_forms.htm.

CHECKING BID STATUS



- INSERT USER NAME AND PASSWORD

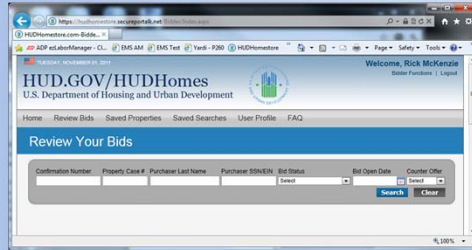
Checking Bid Status

After a bid has been acknowledged on a property, you will be able to view the bid status. Bid results are posted under Bidder Account on the www.HUDhomestore.com web site in the Review Your Bid screen.

Logging into Bidder Functions

In order to review bid status, click the Login button located in the top right corner of the Home Page screen.

CHECKING BID STATUS



- CONDUCT SEARCH OF BIDS
- BLANK SEARCH PRODUCES ALL BIDS

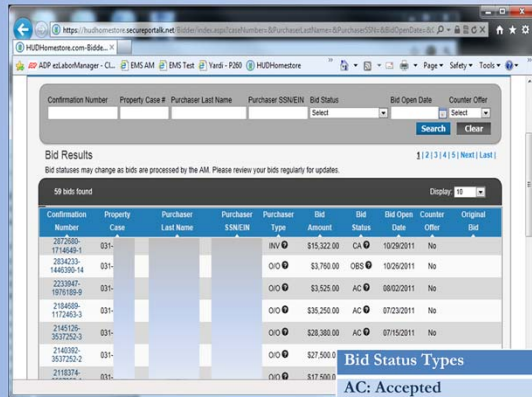
Checking Bid Status (Cont'd)

Insert the search criteria for a particular property, or for all bids, leave the search blank and click the Search button

Note: Principle Brokers can see all bids submitted under their NAID. Associate Brokers and Agents can only see bids that they submitted.

CHECKING BID STATUS

- KNOWING YOUR BID STATUS



Bid Status Types	
AC: Accepted	PR: Pending Review
CA: Canceled	SB: Sealed Bid
OBC: Other Bid under Contract	UR: Under Review
OBS Other Bid Selected	WI: Withdrawn

The Bid Results screen will appear. Click on the Confirmation Number to review the property information or to print out any needed addendums.

BID DETAILS AND ADDENDUM

Property Information	Bid Information	Purchase Information
Address: 2885 GREENE RD S14 PARAGOULD, AR 72453	List Date: 10/15/2010	Primary Purchaser
Address: GREENE COUNTY	List Price: \$112,000.00	SSN/EIN:
Asks Value: \$112,000.00	Bid Amount: \$112,000.00	List Name:
PKA Financing: (E-Statement Expires)	Closing Cost: \$3,300.00	First Name:
303K Eligible: Yes	Selling Broker Commission: \$3,300.00	Middle Name:
Appraisal Date: 10/02/2010	Lending Broker Commission: \$2,300.00	Company Name:
Bed/Bath: 4/2	Net Bid Amount: \$103,000.00	Address:
Total Rooms: 8	Buyer Type: Owner Occupant	City:
Square Feet: 2328	Financing Option: HDS/Plus Insured Financing (203K)	State / Zip Code: AR 72453
Year: 2008	Backup Offer: Yes	Secondary Purchaser
Property Range:		SSN/EIN:
Parking: Onstreet		List Name:
MCA Fees: \$0		First Name:
Repair Expense: Review PCR for Repair Expense Items		Middle Name:
		Address:
		City:
		State / Zip Code:



- CHECK BID INFORMATION
- PRINT ADDENDUMS POST BID AWARD

Bid Details and Addendums

The Bid Details screen shows all relevant information to the bid. This includes the Addendums and Agent Info tabs at the top.

EFFECTIVE BIDDING AND HHS

QUESTIONS?

