EXHIBIT 2

EXHIBIT 2

BEFORE THE

NEVADA REAL ESTATE COMMISSION

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NEVADA REAL ESTATE DIVISION

Complainant,

vs. Case No. 2014-3324

JASON ALLEN LOCOCO,

Respondent.

NEVADA REAL ESTATE DIVISION

Complainant,

vs. Case No. REN 14-05-02-042

STEVEN P. O'BRIEN

Respondent.

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TRANSCRIPT OF PROCEEDINGS FROM AUDIOTAPE
HEARING

January 7, 2015

Henderson City Hall
Council Chambers Conference Room
240 Water Street
Henderson, Nevada

Transcribed By: MARIAN S. BROWN PAVA, CCR #169, RPR
CALIFORNIA CSR #4525

-oOo- APPEARANCES -oOo-

COMMISSIONERS IN ATTENDANCE:

DEVIN REISS, Clark County
NEIL SCHWARTZ, Clark County
SHERRIE CARTINELLA, Washoe County
RICHARD JOHNSON, Washoe County
NORMA JEAN OPATIK, Nye County

STAFF IN ATTENDANCE:

Administration Section:	Rebecca Hardin
	Teralyn Thompson
Education Section:	Ingrid Trillo
	Safia Anwari
	VaNessa Finona
Enforcement Section	Jan Holle
	Daryl McCloskey
	Linda Chavez
	Carolyn Washington
Licensing Section	Susan Clark
Attorney General	Kimberly Arguello
	Keith Kizer
	Chris Eccles

FOR THE PETITIONER:

KEITH KIZER, ESQ.
Deputy Attorney General
555 East Washington Avenue
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FOR THE RESPONDENTS:

WALSH, BAKER, ROSEVEAR & LOOMIS
By: JAMES MIKE WALSH, ESQ.
9468 Double R Boulevard, Suite A
Reno, Nevada 89521

I N D E X

RESPONDENT WITNESS:	DIRECT	CROSS	REDIRECT	RECROSS
PAULA BRUMMER	22	33		
JASON LOCOCO	47	51		
STEVE O'BRIEN	62	66	70	
PAUL JAMESON	73	88		
JAMES KIRK HANKLA	98			

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HENDERSON, NEVADA; JANUARY 7, 2015
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PRESIDENT JOHNSON: You look like you're stacking up stuff there. Do we have a case that I need to know about?

MR. KIZER: Hopefully the case will be the Jason Lococo case.

PRESIDENT JOHNSON: Hmm?

MR. KIZER: -- (inaudible) take the case of the Jason Lococo case.

PRESIDENT JOHNSON: Take whatever you want.

On this case and also on the case of Mr. O'Brien which we'll be hearing, due to the fact that I have other knowledge, I am going to recuse myself and have the vice president take over.

Why don't you come sit over here.

CHAIRPERSON OPATIK: Okay. Now is the time and place for the hearing of the Nevada Real Estate Division vs. Jason Allen Lococo, Case No. 2014-2324 [sic] with the license -- the license number is S -- the real estate license number is S0140529, currently in an active status.

Is the respondent's broker present?

MR. WALSH: Yes. This is Jason Lococo. I'm James

Walsh as counsel.

CHAIRPERSON OPATIK: And -- okay. And the broker?

MR. WALSH: The broker is present, also.

CHAIRPERSON OPATIK: And Ms. Simons is present. And the broker is -- and the counsel is --

MR. WALSH: Brian is present also.

CHAIRPERSON OPATIK: Okay. Does the State have any preliminary matters?

MR. KIZER: We have no preliminary matters, but we do have a stipulation to the exhibits, if you're ready.

CHAIRPERSON OPATIK: Okay. You have a stipulation. So do we have that?

MR. KIZER: We have -- we both have sets of documents to provide, and we've stipulated the acceptance on both sides -- both sides to have those admitted.

CHAIRPERSON OPATIK: So there will be no testimony?

THE ATTORNEY: No.

MR. KIZER: Well, there will be testimony, it's just not going to be (inaudible) --

THE ATTORNEY: They're just dealing with the exhibits.

CHAIRPERSON OPATIK: Oh, okay. Sorry. Okay. Thank you.

MR. WALSH: May I ask for a clarification, Commissioner --

CHAIRPERSON OPATIK: Certainly.

MR. WALSH: -- tied to your various -- are we calling you chairman, president? Or we can call you Madam President or Madam Chair.

CHAIRPERSON OPATIK: Surprise me.

PRESIDENT JOHNSON: And push your button so we can hear you.

CHAIRPERSON OPATIK: Yes, but do push your button when you speak.

PRESIDENT JOHNSON: No matter what you call her.

CHAIRPERSON OPATIK: Yeah. Careful, there are limits.

A VOICE: (Inaudible).

CHAIRPERSON OPATIK: So, counsel, you have stipulated to the admission of the two documents?

MR. WALSH: The two packets, respondent's and petitioner's, yes.

CHAIRPERSON OPATIK: Okay. The documents are then so admitted. Okay.

(Exhibits No. 1 and 2 admitted.)

THE ATTORNEY: The State has no preliminary matters and now it's --

CHAIRPERSON OPATIK: Does counsel have any preliminary matters?

MR. WALSH: No, Your Honor.

THE ATTORNEY: Okay. How many -- how many witnesses do you guys have? And can we have them all sworn in at the same time?

MR. KIZER: Keith Kizer, Deputy Attorney General on behalf of the Division. We have no witnesses, just the documents.

MR. WALSH: And I believe we have one, two, three, four, five.

CHAIRPERSON OPATIK: Okay. Could we have them all stand and do this all at one time?

Would you raise your right hand.

(The oath was administered to five witnesses by the Chairperson.)

CHAIRPERSON OPATIK: Would you like to have the witnesses excused --

MR. WALSH: No.

THE ATTORNEY: Excluded.

CHAIRPERSON OPATIK: -- excluded at this time?

MR. KIZER: No.

CHAIRPERSON OPATIK: Okay. All right. A Complaint has been filed with the Commission, and I would like to have you enter that Complaint into the record.

A VOICE: Yes. We may for -- for the record (inaudible).

CHAIRPERSON OPATIK: All right. Mr. Kizer, would

you please give us your opening statement.

MR. KIZER: Yes, Madam Chair, Commissioners. Again, Keith Kizer.

This matter is perhaps one best described as a first impression. Not only are you as the Commission the ultimate decider of the -- of whether to grant the relief in the Complaint by the plaintiff in violation, but you also find the facts and make conclusions of law. And this is a unique situation in the sense that it involves a short sale of property. So it's not your traditional sale of property.

And the concern that the Division is raising before you for your determination is whether the way this was marketed and sold and then resold rises to the level of a violation. And that violation would be not dealing fairly with the -- with the sellers, not representing the sellers with absolute fidelity and not dealing fairly with the sellers' mortgage lender.

What the Division is alleging is that when the seller -- in this case, Mr. and Mrs. Brubber. Hopefully I'm not saying that one incorrectly -- were in a desperate situation. They needed to sell their house. You know, they were basically about to lose it and they were in a situation where they would be able to -- early termination on sale.

They went to the brokerage involved here, Mr. Lococo's brokerage, Harcourts NV1, to get the house unloaded. The brokerage here and Mr. Lococo actually represented the seller in this matter, which I have that right here. Yes. And what he had -- or the allegations are, he had the sellers sign an MLS Waiver and also did not enter this into the MLS until approximately two months later. Actually, a little over two months later he put it into the MLS and listed the property and then it was sold.

And we're alleging that the reason for this is so that a specific buyer, in this case the Northern Nevada Capital, LLC, who is relating it was represented by Mr. O'Brien, would be the buyer of the property and this would result in a multiple representation on behalf of the brokerage itself. So they would receive additional commission on behalf of this and that that was the motivation here.

The motivation and the reason for this set up was to make sure that this house was sold to somebody that the brokerage also represented -- again, the Northern Nevada Capital, LLC -- and resulted in a benefit to both the brokerage.

And then also -- and the licensee as part of the brokerage. And then, also, the fact that this property

was then sold not too long thereafter. It was resold -- it was actually sold on May 10th, and it was resold September 6th for $55,000 and five -- $55,500, more than its first price, which we allege is a significant increase in the property.

And in that situation, as well, one of the brokerage agents, in this case Mr. O'Brien, was the agent for NNCL, the original buyer and then the seller, and that also resulted in benefit to the brokerage.

So because of this, the ability for the house to be sold at the highest possible price was -- certainly, at the very least, was limited. We'll never know what it could have sold for had the MLS not been waived, had it not been entered into the MLS after it was sold and, therefore, the seller may not have received what the going rate would have been.

And the seller themselves may not have been financially harmed by this, in the sense that it was a short sale. They're walking away without getting paid. But the lender would have received more money, of course, on behalf of this.

And the lender has to give the final say in this matter. So we're alleging, of course, that they were a party to this agreement. Again, this isn't a traditional sale, this isn't -- so we're not seeing a traditional

party. But we're saying they were a party to the short sale because of the nature of what the lender has to do, in other words, give approval to the matter in the short sale.

And then the lender in the end was financially harmed by this. If they would have received more money had it been marketed or sold in the normal course of business -- and, in fact, the documents show that they actually had to pay -- this lender had to pay off a second mortgage with some of the proceeds they received. So had they received more money, not only would they have been able to pay that second mortgage without reducing their take from the short sale any further than they already did, they would have had a net gain in that.

And so in a nutshell, again, we understand this is a rather unique situation, but we're very concerned and, therefore, wanted to get a determination from the four of you on whether this was done with respect to the NRS 645.633(1)(h) and (1)(i) pursuant to NAC 645.605(6) and/or NRS 645.252(2). Thank you.

CHAIRPERSON OPATIK: Mr. Walsh, do you have an opening statement at this time?

MR. WALSH: Not at this time.

CHAIRPERSON OPATIK: Okay.

MR. WALSH: I would like to reserve until the start

of our case.

CHAIRPERSON OPATIK: Okay, sir. So noted.

You have no witnesses? The Division has no witnesses; correct?

MR. KIZER: We do not, Madam Chair. We're relying on the evidence that's been presented through the exhibits which back up the allegations set forth in the Complaint.

CHAIRPERSON OPATIK: Okay, then. Do we have testimony, then, from your witnesses?

MR. WALSH: First I would like to ask as -- as a normal position is, is the Division resting its case?

CHAIRPERSON OPATIK: Do you rest at this time?

MR. KIZER: Yes. Yes, we do.

CHAIRPERSON OPATIK: Okay.

MR. WALSH: Then I would like to give an opening statement, but first I would like to, I guess, make a motion.

If this was a normal contested proceeding or judicial proceeding we would make a motion --

COMMISSIONER CARTINELLA: We can't hear you.

CHAIRPERSON OPATIK: You need to push -- that's better.

MR. WALSH: -- make a motion, what would be called a 41(b) motion for failure of proof. The Division has

rested its case solely on the documents. So counsel's statements to you are not evidence. They cannot be considered by this Board as facts.

There is nothing in this record that indicates, number one, that there's any duty by the agents here to the lender. The lender is solely a lienholder who tells the parties in this case under what circumstances were these complete, and that's exactly what happened.

Wells Fargo sent their approval letters, which are in the package, saying they required $269,000 and some change to release their lien. That's what they received. There is nothing in this record that indicates they would have gotten anymore money had this property been marketed as the Division requests. It's just pure speculation.

You can only decide this case based upon the facts before you. And the Division has rested without calling any witnesses. There's no testimony from the lender. There's no testimony from the seller that they were in fact harmed in any way by this.

You narrow this -- your focus has to be the facts of this case. And based on what you have before you right now, there's total failure of proof on behalf of the petition, to prove up any violation. And just from that standpoint alone we would ask that the matter be dismissed. If not, we are prepared to provide a defense

and I would then give an opening statement.

CHAIRPERSON OPATIK: So you're asking for a ruling on your motion to dismiss?

MR. WALSH: Yes.

MR. KIZER: Madam Chair, Commissioners, again our position is one of, the way this was set up and done by the brokerage involved here, Harcourts NV1, we're not claiming that there was proof of actual damage. The problem is, we'll never know that.

Here you had a desperate seller, you had a desperate mortgage lender on behalf of the seller, who were all, quite frankly, under the gun. In desperate times sometimes you do things you may not otherwise agree to.

But that doesn't change the fact that there was a duty here on behalf of Mr. Lococo to his client, the Brummers. And because, again -- and this is a legal question for the four of you to decide in your duties as Real Estate Commissioners -- because of the nature of this sale, as Mr. Walsh freely admits here or agrees, there was requirements on behalf of the lender that aren't normal -- aren't involved in normal transactions with sales.

And because of that, we are arguing that the position of the lender rose to the level that they are

covered by the statutes' phrase, "other parties to the real estate transaction."

And that's a matter for the four of you to decide. This isn't a matter for a witness to come and testify to. Witnesses don't testify to ultimate questions of fact and they certainly don't make legal determinations. That's the purview of the four of you, and that's why we are here today. So we ask that the motion be denied.

COMMISSIONER REISS: Madam President -- Vice President?

CHAIRPERSON OPATIK: Yes.

COMMISSIONER REISS: I would move to deny the request to dismiss.

COMMISSIONER CARTINELLA: I'll second that.

CHAIRPERSON OPATIK: We have a motion and a second. I'll call for the vote. All in favor of the motion?

COMMISSIONER CARTINELLA: Is there any discussion at this point?

CHAIRPERSON OPATIK: Pardon?

COMMISSIONER CARTINELLA: May we have discussion at this point?

CHAIRPERSON OPATIK: Yes. Do you have some discussion --

COMMISSIONER CARTINELLA: Yes. I just -- I would just like to clarify that I'm not an attorney, and I'm

here to be an impartial adjudicator to protect the public, and I just wanted to make that clear.

Also, at this time I would like to know what page -- I was just handed a big chunk of thing. Could you tell me the page that the NRS waiver is on, please?

MR. KIZER: Yes.

CHAIRPERSON OPATIK: I was wondering that, too.

COMMISSIONER CARTINELLA: Thank you, Madam Acting President.

CHAIRPERSON OPATIK: What page was that? I was looking for that, as well.

MR. KIZER: These are the -- 28.

COMMISSIONER REISS: Of the Division's documents?

MR. KIZER: Yes, Document 28.

CHAIRPERSON OPATIK: Okay. Thank you.

Any other comments? Discussion? Then I think we're ready for a vote.

All in favor of the motion?

COMMISSIONER REISS: Aye.

COMMISSIONER CARTINELLA: Aye.

CHAIRPERSON OPATIK: All oppose?

COMMISSIONER SCHWARTZ: Aye.

CHAIRPERSON OPATIK: The Chair votes in favor of, so we'll continue.

MR. WALSH: May I proceed with opening statement?

CHAIRPERSON OPATIK: Pardon?

MR. WALSH: May I proceed with an opening statement?

CHAIRPERSON OPATIK: Of course.

MR. WALSH: Thank you. What -- I guess I have two initial comments. Number one is, is what the Division seeks here is basically an advisory opinion from this Commission as to the appropriateness of how some of these short sales and MLS listings are handled.

While we don't object to that in the abstract, if they want to make rules that deal with these issues -- these issues, we'll deal with that. That's a different procedure. You have rule-making authority. You have hearings, take testimony, and I would be happy to participate in that proceeding and come and testify.

But that's not what we're here for. What they've chosen to do is assert violations against Mr. O'Brien and Mr. Lococo saying that they were grossly negligent, that they violated their duty of fidelity and they violated their duty of due care, and they want to say that the method of -- the way MLS was handled, that they violated a duty to the lender.

The testimony that will be presented today is that, number one, this matter was investigated previously by the Division. This file on -- I'm sorry, I don't want to

lose track -- was investigated by the Division in October of 2013. And the Division took it over and then they sent a letter to Mr. O'Brien of Harcourts in January of '14 -- and that's in our documents -- stating that, "After a thorough investigation there is no violation and the case is closed."

And the only intervening thing is an article in the Nevada -- the Reno Gazette-Journal espousing conspiracies and schemes being perpetrated on unwitting sellers by various realtors in Northern Nevada. Then the matter gets reopened and these complaints are filed. That's what we object to.

And the testimony, in essence, was -- it was a HAFA short sale, it was a normal short sale and it accomplished exactly what short sales were intended to do. The seller, Ms. Brummer, is a real estate agent. She knows what's going on in these transactions.

So she had gone to a different agent before coming to Harcourts and had an approved short sale in place. The property had been marketed on the MLS for a significant period of time. There were no offers. She gets an offer for a short sale from an unrelated third party through the mail. She has -- takes that offer, gets the bank to approve, and then it falls out. The guy can't perform.

She has a foreclosure that's imminent. This is her personal residence. She has a second deed of trust in place. She is faced with foreclosure, she is faced with liability under the second.

She then comes to Harcourts and Mr. Lococo and says, "I know you guys are out there and I know you guys do short sales. I know you guys have buyers that may be able to perform on short notice with cash and get this deal done." Bang. That's the whole thing. "They want $269,000 net to make this deal fly. Can you do that?"

And they go, "Yes."

And she goes, "There's one other thing. I don't want this in the MLS." That's her instruction to her agent, as another real estate agent. She wants the anonymity. She's tired of the stress and the embarrassment of the pending foreclosure.

And Mr. Lococo says, "Yeah, I think we can do that." He takes it to Mr. O'Brien.

Mr. O'Brien says, "I think we've got somebody who can do this." They go to Northern Nevada Capital and they do it. They do the deal.

The testimony is -- and the bank comes back and says, "Oh, by the way, we want this listed on MLS." It goes on the MLS. No offers come in through the MLS.

That's the transaction we have here. There is no

gross negligence, there is no failure of a duty of fidelity to Ms. Brummer. As I said, Ms. Brummer is a licensed real estate agent. And beyond that she now -- she went to work for Harcourts after all this, she thinks that much of them. They did not violate any duty to her. They helped her.

That's -- and we also have the issue that has been raised by the Division, this question of the agent owing some duty to the lender. I don't know how familiar all of you are with the short-sale process, but in the case of a short sale, the -- Ms. Brummer gets it approved, the lender has told her how much they will accept to -- there's a second that has to be paid off.

And the lender in this case, not -- doesn't do just a windshield appraisal, they hired -- and Ms. Brummer takes the bank's appraiser through the property. They don't disclose to her what that appraisal reveals. But they do their own independent appraisal. They do their own independent analysis of the transaction and they approve it, and the deal closes.

You will have testimony from an actual lender that will tell you the concept of the -- they would never rely on the real estate agents for information to base their internal decisions on. That's just, in their opinion, just an uncertainty.

And beyond the fact that you say that the agent of the seller and the buyer, the agent owes a duty to the lender, now you -- if you interpret the statute that way you create an inherent conflict between Mr. Lococo acting on behalf of Ms. Brummer, and that -- there's just no way to resolve that conflict if you interpret the statute that way.

The final -- I think the final thing that troubles me about this is the statements in the Complaint that Mr. Lococo and Mr. O'Brien violated a duty to Ms. Brummer. As will be testified, Ms. Brummer is thankful with the way the short-sale transaction went down.

And they make these allegations against Mr. Lococo and Mr. O'Brien saying that they violated this. Nobody ever talked to Ms. Brummer. There was absolutely no investigation prior to the filing of this Complaint. And that's after the Division had sent Mr. O'Brien a letter saying, "After a thorough investigation, we're closing our file. There is no" -- "there is no violation."

That's all I would have at this time and we would call our first witness. We call Ms. Brummer.

PAULA BRUMER,

being first duly sworn by the chairperson

was examined and testified as follows:

DIRECT EXAMINATION

BY MR. WALSH:

Q State your name, please.

A Paula Brummer.

Q Paula, what's your profession or occupation?

A I'm a real estate agent.

Q How long have you been a real estate agent?

A Since June of 2005.

Q And who were you previously employed by?

A By Realty Executives in Carson City.

Q And who are you employed by now?

A Harcourts.

Q And when did you go to work for Harcourts?

A January 2014.

Q And are you the -- you and your husband the owners of 11 Woodstock?

A Yes, we were.

Q And how long had you owned that?

A We owned that home -- (inaudible) in here somewhere.

Q And that was your prior residence?

A Um-hum.

Q And then at some point did you experience difficulty, where you attempted to short sale the property?

A Um-hum.

THE ATTORNEY: Can I interrupt you for a second? The court reporter will have a difficult time having you answer --

THE WITNESS: Yes, yes. I'm sorry.

THE ATTORNEY: And nods of the head she can't record either. So please answer yes or no.

THE WITNESS: Okay.

BY MR. WALSH:

Q And, I'm sorry, what was -- you experienced some difficulty with regard to your property?

A Yes, we did, um-hum.

Q And did you attempt to short sale it?

A Yes. I had attempted modification prior to that. And when that happened, it closed. The bank gave us the option of the short sale. And I -- I, in working with the bank, went for the HAFA short sale, since we had been (inaudible) modification, which is a government-backed program to help assist homeowners.

And I also was dealing with someone who wanted to buy the house. And they put in an offer through another agent in Carson City, Alex Zujovich, with Trans-Action Realty. And so we had that offer going to the bank and it was in escrow. And we had it active pending short sale. And in the last -- for 60 days, I believe.

When the bank came back with a counteroffer, then the buyer thought that was too much and he didn't perform and he backed out, and --

Q When approximately was this?

A It was approximately the middle of January. January 15th, I believe.

Q 2000 and --

A 2013.

Q -- '13?

A Yeah. We started this process in 2012, the end of 2012.

Q And was -- at that time was there a pending foreclosure? Had there been a notice of default?

A Yes, um-hum. And then --

Q And just for reference, it's in evidence, but this Notice of Default and Election to Sell --

A Um-hum.

Q -- is Respondent's Document 105.

In January when your short sale fell out, what did you do?

A I was talking to the listing agent, Alex. And we were still sending documents to the bank to fulfill their -- the agreement to have a short sale, and getting all the documents to them.

And then Alex said, "I may have someone who wants

to buy the property."

And I said: Well, can we just take it off the MLS right now? That letter is gone. And let me think what, you know, we're going to do. We can pursue -- you can have the listing until the end of the month and we'll pursue -- even pursue your avenue of a buyer, but I just want time to think.

And so he did. And no buyers came up. He didn't find anybody, and -- I'm sorry. That was done in -- January 31st of 2013, his listing was over.

Q All right. And what -- did you subsequently go to Harcourts?

A Yes. I called Jason. I knew Jason from a previous transaction that I had, where I had -- I listed a home and he brought me the buyer on that transaction, and it closed in January, and we had had a very good relationship with that transaction.

And so I called Jason. I knew that Harcourts was active in the area and doing successful transactions. And so I asked him if he or Harcourts could find a buyer for the property.

Q And did he?

A And he called and -- called me back. He says, "I think I" -- someone -- "I think we" -- "I can get you an offer." And so I listed -- I listed with

them.

Q Did you sign a listing agreement with Mr. --

A Yes, um-hum, with Jason, um-hum.

Q And then that's contained in the petitioner's documents, I assume, somewhere.

A I know about this.

Q I believe that's 22 of the petitioner's documents.

A Um-hum.

Q And did you give Mr. Lococo any instructions with regard to the Multiple Listing Service?

A Yes. I asked him to not put it on the MLS right away, that -- if he could bring me an offer and bring it to the bank. And at that time the negotiations were real tenuous, because they -- we had one buyer falling out. They had only given me until May to get the house sold; this was already the first of February.

And he -- you know, I asked him to keep it off the MLS, that I had -- maybe had to pursue another avenue that I didn't know at that time. I just wanted to keep it personal.

Q What other avenues were you considering?

A Well, I had spoken to an attorney, you know. I mean, I could protect it some other ways, but, you know.

Q And are you referring to bankruptcy?
A Um-hum.
Q You have to answer -- I'm sorry --
A I'm sorry.
Q -- you have to answer yes or no.
A Yes, yes.
Q And that's not something you wanted to do?
A No.
Q Was there an advantage to you for completing the short sale, as to your liability under the second deed of trust?
A Oh, absolutely. A HAFA short sale is so beneficial to a seller. They -- they require that all liens are released with no personal liability to the seller. When the transaction is closed, it's closed, and you can move on.
Q And just as a part of this transaction, were you to receive a release of your liability under the second note and deed of trust?
A Yes. It requires both, any second or extended transaction.
Q In a HAFA transaction?
A In a HAFA transaction, um-hum.
Q And had you in January received any communications that indicated how much the bank needed to

net (inaudible) --

A Yes, that's also in the program terms and conditions. They wrote it up that they wanted to net $269,000, and that made a selling price of $300,000.

Q Was that in the short-sale approval letter that you received?

A It was in the program terms and conditions for the HAFA short sale. In this terms and conditions, I make an agreement -- I'm making an agreement with the bank as the seller, the homeowner, to fulfill all these conditions, the program terms and conditions of this HAFA short sale.

Q And I'm looking at a document that's March 29, 2013, Respondent's Document No. 32. Does that contain the program terms and conditions, or the conditions of your HAFA short sale?

A Um-hum, um-hum.

Q And again you have to --

A This -- this -- this would have been after they approved the buyer for our property. And that is what they want on the HUD, and to show all of the conditions and the monetary amounts.

Q Okay. I will also show you what -- Respondent's Document 148, which is an e-mail. Does that also set forth in January what -- the net amount the bank

needs?

A Yes. That's what Alex Zujovich and I were first (inaudible) to the bank and -- um-hum.

Q All right. And that also indicates you had a deadline of May 5, 2013 to submit --

A Absolutely.

Q -- an offer?

And did you submit -- you submitted the bank an offer that met those terms and conditions, to the bank prior to May 5th?

A In my -- in my terms and conditions, "that this agreement will terminate on May 5th." So, yeah.

Q And you received an offer from Northern Nevada Capital?

A Um-hum, yes.

Q And did you accept that offer?

A Yes.

Q And did that offer generate new terms and conditions that were satisfactory to Wells Fargo?

A Yes.

Q Did it provide also for the extinguishment of your liability on your deed -- second?

A Yes.

Q Okay. And was there any advantage to you as far as rehabilitating your credit and your future ability

to buy a home in completing the short sale?

A Oh, absolutely.

Q What was that?

A Well, it's -- it's a sale, basically. And you have a short income (inaudible). You avoid a liability. You have a stigma that (inaudible) mortgage and you can obtain a mortgage in two to three years.

Q All right. Versus what would happen if you had been compelled to go through with the foreclosure?

A Yeah. I've heard seven. I don't know.

Q And had the bank filed a notice of sale?

A They -- yeah, they were paralleling the -- they were paralleling -- the negotiations with the bank, they were paralleling this foreclosure, yes.

Q All right. I'm going to show you --

A So we were getting --

Q -- Respondent's Document 111. Is that the Notice of Sale that had been recorded by the lender, the bank?

A Yes, um-hum.

Q And that provided a sale date of June 6th.

A So we were getting it postponed as these negotiations were going on, yes.

Q As of May you had a sale date of June 6th?

A Um-hum, yes.

Q During the short-sale-approval process did the bank perform any appraisals of your property?
A Yes. After the March letter you were referring to, where they set out the conditions on the HUD, they brought an appraiser inside and did a final appraisal, um-hum.
Q Okay. A physical walk-through?
A A physical walk-through.
Q That was an appraiser retained by the bank?
A Yes.
Q Did that appraiser give you access to the appraisal opinion?
A No.
Q Have you ever seen the appraisal opinion?
A No.
Q Was that solely for the bank?
A Yes.
Q The Division in this matter -- have you ever seen the Complaint?
A No.
Q The Division alleges there's violations, that Mr. Lococo and Mr. O'Brien violated NRS 645.633(1)(h), which was gross negligence and 645.605(6) of the Nevada Administrative Code, which, of course, would be fidelity to the principal.

Are you aware that -- was Mr. -- were you Mr. Lococo's principal in this matter?

A I mean, I've -- I hired him.

Q Was he -- he was your agent?

A Yes.

Q All right. And NRS 645.252(2), said they did not deal fairly.

How do you feel you were dealt with in this transaction?

A Well, short sales are unusual situations, and I felt like I was dealt fairly with from Harcourts. Well, I went to work for them after. But, no, they completed everything that we had, the bank and I had, in this agreement asked of them.

Q And was the closing of this short sale to your benefit?

A Absolutely.

Q And the -- has anybody from the Nevada Real Estate Commission ever contacted you about this matter and asked you what the facts were surrounding this transaction?

A No, no.

Q That's a "no"? I'm sorry.

A "No."

MR. WALSH: That's all we would have of this

witness, Madam Chair.

CHAIRPERSON OPATIK: Thank you.

Mr. Kizer, do you have cross -- I'm sorry.

Mr. Kizer, do you have cross?

MR. KIZER: Just a couple of questions, and thank you (inaudible) moving on.

CHAIRPERSON OPATIK: Okay.

CROSS-EXAMINATION

BY MR. KIZER:

Q I am going to bring your attention to (inaudible), a copy of Mr. Walsh's documents. Do you have that --

A Yeah.

Q -- in front of you?

A Probably.

Q And I think it's the second (inaudible).

A Okay.

Q First off, before we get to that, you talked earlier about being contacted or contacting Mr. Lococo and talking to him, and he had mentioned that he probably had a buyer for you; is that correct? Is that what you testified to earlier? (Inaudible) -- you may have had -- (inaudible) -- step?

A I called him and asked him if there would be -- did his company represent any buyers that would be

interested in my property.

Q And what was his response?

A He said, "I will call and check."

Q And do you recall when he got back with you to say that he either believed that he had a buyer or he actually had a buyer to (inaudible) the property?

A He --

Q How soon after that conversation?

A It was a couple days.

Q Do you recall whether that phone call occurred before or after you signed the MLS Waiver?

A Oh, definitely before.

Q All right. So you signed the waiver after you discussed with him a potential buyer?

A Yes.

Q Okay. I also want to go back to these documents. On page 33 --

A When we were going to do the listing agreement, that's when I signed it.

Q Okay.

A And I knew that he had someone before that.

Q Okay. Now, this is Respondent's 33. And I'm going to refer to paragraph 3. Do you recall reading -- receiving and reading this and, specifically, the matter where Wells Fargo talks about, they will notify the

creditor bureaus (inaudible) the loan as, quote, account paid in full with less than full balance?

A Yes.

Q And do you know whether that's been reported to your credit bureaus?

A Yes.

Q And have you had any situations where you've had to address that with respect to any subsequent transactions or situations where your credit report came into play?

A I don't know. I know where you are going with that. I had -- you know, I had missed payments and those are a negative reflection on that report, if that's what you are saying.

Q No, I was referring to this -- the fact that they had to report it to their credit bureaus, "account paid in full with less than full balance," whether that's come up subsequent to the short sale?

A Those are -- that's pretty common.

Q Right, understood.

A I don't recall -- I don't recall.

Q Okay. Fair enough.

And then on page 38 of respondent's documents, this is an affidavit that was, I believe, signed by you and by Mr. Steven Brummer, your husband. This one is not

executed. But do you recall -- are you familiar with this affidavit and specifically paragraph A which talks about, the last sentence, "The buyer agrees further not to sell the property within 90 calendar days of this sale for a price greater than 120 percent of the short-sale price"?

Are you familiar with that -- that requirement of the short sale?

A Yes.

Q Okay. And what's your -- what's your familiarity? What's your understanding of the purpose of that?

A I just made sure that they knew that they couldn't resale it, that this was -- that they knew that.

Q In your dealings -- in your knowledge of the real estate law and short sales and other issues (inaudible) and such, do you understand or can you explain your understanding of why that requirement is in there? If you know. If you know.

A Well, I don't know. You would know as well as I do that it's -- it's something where they don't want someone to take advantage of -- as the bank, I guess -- I guess they're thinking that, I don't know, an investor or whatever, if they were going to flip the property, they wanted to make sure that they wait the 90 days.

Q Now, I want to just, the last thing, is talk about -- Mr. Walsh's last questions had to deal with the Division contacting you.

Are you aware that the Division did send you a letter, dated July 16th of 2014, a questionnaire, to your last-known address to ask you questions about --

A What address did you have?

Q -- your dealings --

Well, this is the South Carson address.

A Ah.

Q Are you familiar with that?

A That's Realty Executives.

Q Okay.

A And that's 2014, July of 2014?

Q July 16, 2014.

A Yes. I was no longer working there. I don't know why they wouldn't have forwarded it to me. And, no, I did not receive it and I'm not aware of it.

Q Okay. Do you know whether there was a forwarding address on file with the --

A There should have been.

Q All right.

A I mean...

Q I just want to --

A When a license goes from one brokerage to

another --

Q Okay.

A -- they should have known; right?

Q I don't know.

MR. KIZER: I just wanted, I guess, just to bring it to the attention of the Commission and Ms. Brummer that there was a questionnaire sent, and I would actually ask that it be put into a tab, Ms. Chairperson.

A VOICE: It would have (inaudible) -- you're good.

MR. KIZER: And, correct, just to show -- just to show there was an attempt made, not that it necessarily means anything. It's just a rebuttal situation here. So I've (inaudible) copies for -- and with that, that's all the questions I have on cross-exam.

CHAIRPERSON OPATIK: Mr. Walsh, do you have any objection to the acceptance of these documents?

MR WALSH: No.

CHAIRPERSON OPATIK: Then it's admitted.

(Exhibit No. A marked and admitted.)

THE WITNESS: Am I done?

MR. WALSH: You are done.

THE WITNESS: Sorry.

MR. WALSH: I'm sorry. I don't know if any of the Commissioners have questions.

THE ATTORNEY: Correct. That's the --

MR. WALSH: I'm sorry.

CHAIRPERSON OPATIK: Do any of the commissioners have questions for the witness?

COMMISSIONER CARTINELLA: I do.

CHAIRPERSON OPATIK: Okay.

COMMISSIONER CARTINELLA: Sherrie Cartinella.

I had a question in regard to the MLS Waiver.

THE WITNESS: Um-hum.

COMMISSIONER CARTINELLA: And I understand there was a reason you didn't want to have that out there.

Was there a sign on the property?

THE WITNESS: No.

COMMISSIONER CARTINELLA: No sign?

THE WITNESS: No, and that was by our request, also. I was selling property in the neighborhood.

COMMISSIONER CARTINELLA: I see. Okay. And also, could someone help me with the property history in my pile here? What page the property history report would be on? Because I believe someone mentioned that there's a time frame where it had gone into this pending, and then back out again. Do you have a Property History Report on the MLS?

THE WITNESS: We had a listing. I have one.

COMMISSIONER CARTINELLA: I have the listing. I'm interested in the actual property history report.

THE WITNESS: The property history detail? But, yeah, and it shows where I had it listed on MLS for 60 days with Alex Zujovich.

COMMISSIONER CARTINELLA: And could you tell me -- may I ask the price on it at that time?

THE WITNESS: It was 308,926.

COMMISSIONER CARTINELLA: 926.

THE WITNESS: Um-hum. And then when Jason listed it -- or when he was entering it in, he put in "300," saw he made his mistake and then put in the "308." But that's what we were asking, is the same amount, 308, and the buyers came in at 300.

COMMISSIONER CARTINELLA: Another question. On the -- then when the property went from, then, 300 to the 308, does it show as "reduced" or "back on market"? What -- how does that appear in the property history report? With the (inaudible).

THE WITNESS: Yeah, it just shows active pending short sale. It says, "New, 300." Then he put it in, "active pending short sale" at 300 after that, and then "Active pending short sale, 308" right after that. He had made a mistake, a typo.

COMMISSIONER CARTINELLA: Thank you.

THE WITNESS: But, also, that's what Wells Fargo offered us, 300.

COMMISSIONER CARTINELLA: Thank you.

COMMISSIONER REISS: Do you mind if I slide in a question?

CHAIRPERSON OPATIK: Yes.

COMMISSIONER REISS: So the previous listing, how much time was lapsed between the previous listing and then when your current company listed it?

THE WITNESS: Let's see. Alex had it until January 31, 2013, and I listed with Jason on -- I'm pretty sure it was February 4th. February 4th? Yeah, February 4th.

COMMISSIONER REISS: And with the previous company was it listed in the MLS?

THE WITNESS: Yes.

COMMISSIONER REISS: It was?

THE WITNESS: Yes.

COMMISSIONER REISS: Okay.

THE WITNESS: That wasn't why I didn't -- to answer Sherrie's question. It wasn't why I didn't want -- I signed the waiver with Jason for the MLS. It wasn't for the embarrassment, so to speak, because it had already been on. It was more that I was very confused as to what to do in that few weeks. I wanted to make sure I was going to get a viable buyer this time and not one that would fall out and, you know, I had another avenue I was going to have to pursue, and that's why.

COMMISSIONER REISS: So could I follow up? So was that your -- so that was your request, then?

THE WITNESS: It was my request, totally my request. Jason said he's hardly even done an MLS waiver ever before, but that's what I wanted.

COMMISSIONER REISS: Okay.

COMMISSIONER SCHWARTZ: Madam Chairperson, I have a question.

CHAIRPERSON OPATIK: Go ahead.

COMMISSIONER SCHWARTZ: Was the bank made aware that that waiver was signed and would not be in the MLS?

THE WITNESS: No.

COMMISSIONER SCHWARTZ: They were not made aware of that?

THE WITNESS: They never asked for that. I don't know -- later they wanted it in the MLS and he put it in. I think it was just a month later. It was March 11th. Which they wanted -- they were going to approve this -- or they were -- not approve it. They -- I guess they were just still perusing the buyer and so on and so forth, and they wanted an MLS listing.

COMMISSIONER SCHWARTZ: So the bank was unaware for almost a month that the property was not on the MLS? Was not aware.

THE WITNESS: I do not know if the bank was aware

of that. They wanted it on there when they become -- at a certain point that was one of their rules, they wanted it on there and we put it on. At that point, I guess, they were going to -- but it still had to be on for 60 days, MLS active, and it was.

COMMISSIONER SCHWARTZ: Okay. So they required, once they found out that it wasn't, that they still wanted it on the market --

THE WITNESS: That was, yeah --

COMMISSIONER SCHWARTZ: -- before they would approve the short sale?

THE WITNESS: -- part of the --

COMMISSIONER SCHWARTZ: Okay.

THE WITNESS: -- program that we were going through, yes.

COMMISSIONER CARTINELLA: Madam President, just to clarify again.

At that time was it showing active --

THE WITNESS: Active.

COMMISSIONER CARTINELLA: -- or active pending?

THE WITNESS: Active pending short sale.

COMMISSIONER CARTINELLA: Short sale. It was already -- because you already had a short-sale offer on the property; correct?

THE WITNESS: Yes.

COMMISSIONER CARTINELLA: Great. Thank you.

THE WITNESS: And it was my awareness that active pending short sale, you can take up -- take on numerous backup offers. Had I had a backup offer with my first escrow -- in my first escrow, I would have gone right to them, just for your information, you know, for -- I wouldn't have, you know, been scrambling trying to call someone and find a buyer to stay within this time frame.

But, yeah, if somebody else had been interested in the property and I could have come in and gotten an offer, I would have gone right to them.

CHAIRPERSON OPATIK: I have a question. You signed an authorization to negotiate directly with the seller.

THE WITNESS: Yeah, I didn't understand that either.

CHAIRPERSON OPATIK: That -- I have -- and so you signed it anyway? Because --

THE WITNESS: Well, I mean, I knew -- I knew what I was signing, but I guess -- I don't know. I didn't know by (inaudible), I guess that's it.

CHAIRPERSON OPATIK: Well, it's so that another agent can contact you directly --

THE WITNESS: Right.

CHAIRPERSON OPATIK: -- with a buyer.

THE WITNESS: Like I'm selling it myself; right?

CHAIRPERSON OPATIK: Well, kind of. That's somewhat the essence of this --

THE WITNESS: Yeah.

CHAIRPERSON OPATIK: -- is so that an agent can just list it on the MLS and tell them that, you know, any offers must go through the seller.

THE WITNESS: Um-hum.

CHAIRPERSON OPATIK: And directly they -- the other agent could have directly contacted you.

THE WITNESS: I'm not sure --

CHAIRPERSON OPATIK: I'm curious as to why --

THE WITNESS: -- why Jason did that. I don't know.

CHAIRPERSON OPATIK: -- this was included in the documentation.

Also, when you -- when you contacted Jason was your property listed at that time?

THE WITNESS: No.

CHAIRPERSON OPATIK: You didn't call him prior to your listing being expired?

THE WITNESS: No.

CHAIRPERSON OPATIK: Okay.

THE WITNESS: No, I had to terminate the listing with the other broker.

CHAIRPERSON OPATIK: In order to list it with Mr. Lococo?

THE WITNESS: No. I terminated it as of January 31st. The buyer fell out January 15th, but we were still negotiating with the bank. And the broker, as a courtesy, said he would keep negotiating, keep it open with the negotiations with the bank so that I could keep this HAFA short sale going. And in the meantime he would try and look for a buyer and that, too. He was calling out, you know, to some people, but -- you know, but it terminated January 31st and then I called Jason.

CHAIRPERSON OPATIK: Okay.

Any other questions by the Commission?

A FEMALE VOICE: Counsel, please.

CHAIRPERSON OPATIK: If there are no other questions then the witness is dismissed.

MR. WALSH: I don't.

CHAIRPERSON OPATIK: Your next witness, please.

MR. WALSH: We call Jason Lococo.

COMMISSIONER CARTINELLA: Madam President, can I request a quick restroom break, if we may?

MR. WALSH: Okay.

CHAIRPERSON OPATIK: I think it's called a recess. We will recess. We'll do a ten-minute -- we'll do a ten-minute break.

(Recess taken.)

CHAIRPERSON OPATIK: At this time we'll reconvene.

Thank you. (Inaudible.) We'll find it or not.
MR. WALSH: You've moved.
A VOICE: Yes, I did.
MR. WALSH: We call Mr. Lococo.
MR. LOCOCO: Good morning, Commissioners.

JASON ALLEN LOCOCO,
having been duly sworn by the chairperson
was examined and testified as follows:

DIRECT EXAMINATION

BY MR. WALSH:
Q Would you state your name.
A I'm Jason Lococo with Harcourts.
CHAIRPERSON OPATIK: And you have previously been sworn.
MR. LOCOCO: Yes.
BY MR. WALSH:
Q And, Mr. Lococo, what is your profession or occupation, sir?
A I'm a real estate agent for Harcourts.
Q And did you have occasion to represent Ms. Brummer and her husband in regard to the sale of 11 Woodstock?
A Yes.
Q All right. And you've heard Ms. Brummer's testimony, have you not?

A Yes.
Q And did she give -- when did she come in to solicit your involvement as -- in this transaction?
A February 1st.
Q And what did she ask you?
A She asked if I could help her short-sale her property, she had a pre-approved short-sale price because it fell out with the previous agent. And I said, "Let me check. My broker had buyers that could perform and close on time without falling out of escrow. And I asked him. A few days later I got the okay and we took a listing agreement on February 4th.
Q And who was your broker at that time?
A Steve O'Brien.
Q And did you subsequently enter -- you said you entered into a listing agreement with Ms. Brummer?
A Correct.
Q All right. And were you her seller's agent?
A Yes.
Q Okay. Was there any dual agency on your part?
A No.
Q Okay. And did Ms. Brummer give you any instructions with regard to Multiple Listing Service?
A That she did not want it in the MLS, and

that's why we did a waiver. I mean -- yeah. I can --

Q And was she familiar with the terms and conditions of the waiver?

A Yes.

Q And subsequently was the property listed with the Multiple Listing Service?

A It was listed on March 11th per the bank -- bank's instruction, which is a standard condition on short sales. So with them asking for a printout of an MLS -- active pending short sales is a standard admission. It's not something that they -- it's new to them, it's just something that the short sale processors need.

This one was being processed through Short Sale Solutions, which was a third party, through the title company. And that negotiator, directly with the Bank, asked for that condition. So I had to put it back on the MLS as a pending short sale at that time.

Q Okay. And this was after your principal had specifically instructed you that she did not want it on the MLS?

A Yeah. Yeah, and at that point I just said, "It's a condition from the bank," and she said, "Okay, fine." So we went ahead and put it on.

Q There had been some discussion or questions

earlier about a seller's consent document. Do you recall that? Consent to you.

A Yes, yeah.

Q Can you tell me how that document came about?

A The consent to us?

Q Yeah.

A Oh, it's just when you represent a -- a broker both parties (inaudible) assignment.

Q Hang on. And at this --

A (Inaudible) disclosure.

Q All right. And were you -- were there any time constraints that were important in this transaction?

A That she had a trust deed sale date scheduled for May 5th and, you know -- and basically we just picked up where the previous short sale was approved at. The bank did their due diligence, did an EPO, did an interior inspection and closed the deal.

Q Was this, from that standpoint, a fairly typical short-sale transaction?

A Very typical, yeah.

Q Did you at any time have any contractual arrangement with the bank, the lenders?

A Absolutely not.

Q Did you represent them in any fashion?

A No.

Q Do you ever represent the lenders in a short sale transaction?

A No.

Q And you have -- I believe you said that the lenders weren't in any way a party to this --

A No.

Q -- this short-sale transaction?

A No.

MR. WALSH: That's all we have of this witness.

CHAIRPERSON OPATIK: Do you have any cross-examination?

MR. KIZER: Yes, Madam Chair.

CROSS-EXAMINATION

BY MR. KIZER:

Q With respect to the MLS Waiver, the -- you mentioned that it is -- or you heard Ms. Brummer testify earlier that she had said you had made some comment to her about that you rarely use waivers; is that correct?

A Correct.

Q I am going to bring your attention to -- and just ask you what you meant by this -- Complainant's Exhibit 19. This is your response to the Real Estate Division in September of last year.

The first paragraph says: "Depending on the situation with my client and the sellers I represent I

will have an MLS Waiver signed."

What were you referring to in that sentence?

A Well, first of all, you never do them on a short sale because, number one, it's a book date on a bank, so this is a particular case.

These other properties that I've done them on previously is because I've -- I had this notion that, okay, if I can't -- if I do my listing agreement on a certain date and I can't get them in the MLS, it buys me some time to put it in the MLS. Now, because of this whole fiasco, I don't even deal with them.

You know, honestly, I take a ton of pride in my job and I have a huge reputation and I'm a busy agent. And this is embarrassing that I'm here for this, (inaudible), so --

Q And you just testified both in direct and just now that the banks, I guess for a little better term --

A Um-hum.

Q -- very much disfavor not having the MLS done on short sales. Did you discuss this prior to the MLS Waiver being signed by Ms. Brummer with her?

A I had no -- I had no idea the bank would -- from the client, whatsoever. I mean -- just other than that, I had no idea about that.

Q Who represented Northern Nevada Capital on this sale?
A I don't know.
Q Okay. Was that done --
A Oh, Steve O'Brien. I'm sorry.
Q I was going to say.
A My mistake.
Q And do you know whether he also represented them on the resale of the property?
A I believe so.
Q All right. And I asked Ms. Brummer earlier about the 120-day requirement, about not -- this is Respondent's 38. I'll show this to you, but I'm sure you're well-versed in this, at least more than I am --
A Um-hum.
Q -- but just for the record --
A The deed restriction? Is that what you're --
Q Yes.
A Yeah, they do that. Yeah, it's very typical. They're actually -- I would say 90 percent of short sales have a deed restriction which limit -- basically, you know, the seller cannot re-sell it for more than 120 percent to avoid, you know, flipping them --
Q (Inaudible)?
A Yeah. And -- yeah. So 90 percent of short

sales have a deed restriction. It's all in the approval.

Q And this one was, basically, he can't sell it for more than 120 percent within three months.

A Correct.

Q Now, this was resold between three months and four months and just under 120 percent on the resale. I know you weren't the agent for them but --

A Um-hum.

Q -- any idea of why that matched up so perfectly?

A You know, it's -- I have no idea at all. And quite frankly, you know, any of these buyers or investors that do these forced transactions -- it's a risk for all parties and it's just -- you know, quite frankly, I think they help the economy and help things get back on their feet. So I don't know -- yeah, but it's a restriction to help limit the control of flips, is why these banks have those restrictions on them.

MR. KIZER: Okay. That's all I have. Thank you.

THE WITNESS: Yeah, yeah, you're welcome.

CHAIRPERSON OPATIK: Does the Commission have any questions of the witness?

COMMISSIONER REISS: Yes, I do. Thank you.

When did you become aware of what the lender would accept in this short-sale payoff?

THE WITNESS: January 22nd, there was an e-mail that Sun Comp handed me from my client showing that -- what the bank needed in that, which was 269,450. So I knew, you know, the moment she contacted me in February that, "Hey, I need an offer of X, because the bank needs X to close." Otherwise, she's going to lose her home.

CHAIRPERSON OPATIK: And I have a question regarding that matter.

You were notified on or about the 22nd of January what this needed. Did you then try to find a buyer or did you wait until she listed with you?

THE WITNESS: I didn't -- I just found an e-mail from the 22nd. I wasn't -- I didn't know anything about this until February 1st. So I just found an e-mail from -- dated January 22nd from the bank to her previous agent that was representing her.

CHAIRPERSON OPATIK: And you received that e-mail how?

THE WITNESS: She forwarded it to me as part of just the documents to help get this thing going. Yeah. It's in there somewhere; right?

CHAIRPERSON OPATIK: So you knew what was required before you listed the property?

THE WITNESS: Right.

CHAIRPERSON OPATIK: You knew of the agreement?

THE WITNESS: Yeah, pre-approved short sale from the previous.

CHAIRPERSON OPATIK: And you didn't have a buyer at that time?

THE WITNESS: No.

CHAIRPERSON OPATIK: Okay. Yes, Commissioner Cartinella?

COMMISSIONER CARTINELLA: Earlier Mrs. Brummer mentioned that if you are putting it in as active pending short sale and putting it back on market virtually in the MLS, (inaudible). Does your office have a policy about backup offers?

I believe she said that you could have taken backup offers; is that correct? Or maybe I'm just --

THE WITNESS: Correct, yeah. When it's pending short sale and should I get contacted by an agent -- and I did get contacted by one agent while it was pending, and she just was more concerned about when it's going -- when, you know -- "Are they going to resale it?"

I said, "I don't know."

But at that point, no, there were -- I had no backup offers, no requests for backup offers. But it is open and on the MLS (inaudible) while it's pending short sale and --

COMMISSIONER REISS: Question.

CHAIRPERSON OPATIK: Yes, sir.

COMMISSIONER REISS: How long after you listed the property did you receive the offer from -- is that the offer you received from Nathern -- Northern, sorry, Nevada Capital?

THE WITNESS: No, I had a previous offer that fell through. And Northern Nevada Capital was on February 7th or -- yeah, March 7th it was signed.

COMMISSIONER REISS: I'm sorry?

THE WITNESS: March 7th.

COMMISSIONER REISS: March?

THE WITNESS: Um-hum.

COMMISSIONER REISS: So roughly a month after?

THE WITNESS: Um-hum.

COMMISSIONER REISS: Okay. And how did it come about that you received the offer from Northern Nevada Capital? Is it --

THE WITNESS: It was -- it's another buyer that my broker had available to perform.

COMMISSIONER REISS: So your broker gave out the listing just as a company broad (inaudible) housing?

THE WITNESS: He knew about it as of when I had it listed initially.

COMMISSIONER REISS: Okay.

THE WITNESS: Yeah.

COMMISSIONER SCHWARTZ: I have one more follow-up question.

Is it -- I'm looking through the paperwork. Is it your business practice to have your clients sign a consent to act at the same time they sign the duties owed, even though you don't have somebody in line?

You have an consent to act signed the same day as you have the duties owed signed, and typically we don't do that until we have somebody -- I just want to know if that's your business practice to have them sign that paperwork.

THE WITNESS: No, it's not?

COMMISSIONER SCHWARTZ: But it was signed?

THE WITNESS: Yeah, and that's because I was under the impression that my broker was going to bring the buyer for that property is -- that's why I had that signed. But, yeah, I wouldn't have that signed normally, just the duties owed.

CHAIRPERSON OPATIK: I then have a question. You also had the sellers sign an authorization to negotiate directly with the seller.

THE WITNESS: Yeah, you know, I think -- and I think when -- let me reference that.

I think that is a standard disclosure to the Short Sale Solutions needs to process the short sale. So I

think that disclosure is something that the third party short-sale negotiator needs to -- for them to communicate directly with the bank. So I don't know -- is that a disclosure that I had her sign.

CHAIRPERSON OPATIK: Yes.

A VOICE: Yeah.

THE WITNESS: It is?

CHAIRPERSON OPATIK: It's a disclosure that you had them sign so that --

THE WITNESS: Okay.

CHAIRPERSON OPATIK: -- and you signed it or you --

THE WITNESS: It may --

CHAIRPERSON OPATIK: -- probably were supposed to have signed it (inaudible).

THE WITNESS: Okay.

CHAIRPERSON OPATIK: Yes, you had them sign it. And basically it just states that the buyer's broker then has the right to negotiate directly with the seller and not negotiate with you.

THE WITNESS: Hmm, okay.

CHAIRPERSON OPATIK: That's what that form is all about.

THE WITNESS: Okay. I'm --

CHAIRPERSON OPATIK: And I'm just curious. Okay.

THE WITNESS: Yeah, it may have been a requirement

by the short-sale negotiator saying --

CHAIRPERSON OPATIK: No, I --

THE WITNESS: I don't know. It's not something I normally would sign.

CHAIRPERSON OPATIK: Okay. Are there any other questions? Yes?

COMMISSIONER REISS: Yeah. So going back to the time when you, again, you listed the property --

THE WITNESS: Um-hum.

COMMISSIONER REISS: -- you didn't put it in the MLS, obviously --

THE WITNESS: Correct.

COMMISSIONER REISS: -- because you have the waiver. So where did your first buyer come from?

THE WITNESS: From my broker.

COMMISSIONER REISS: So your first buyer came from your broker?

THE WITNESS: Um-hum, um-hum.

COMMISSIONER REISS: And the second buyer also came from your broker?

THE WITNESS: Correct.

COMMISSIONER REISS: Okay.

THE WITNESS: Yeah.

COMMISSIONER REISS: I assume you do a lot of -- you've done a lot of short sales. Is there -- what sort

of a percentage that you would say where your broker has the buyer for your short-sale listings?

THE WITNESS: I don't know.

COMMISSIONER REISS: Okay. Thanks.

CHAIRPERSON OPATIK: I also had a question -- and I've now lost the page. But I saw in here that there is a referral from Mr. O'Brien to you --

THE WITNESS: Um-hum.

CHAIRPERSON OPATIK: -- for Paula Brummer. And if she contacted you first -- I don't understand, unless I'm reading this wrong -- and I can't locate -- oh, here it is. It's on page 55. The referring broker is Mr. O'Brien and you are the recipient agent.

THE WITNESS: Um-hum.

CHAIRPERSON OPATIK: But you said that Ms. Brummer contacted you --

THE WITNESS: Right.

CHAIRPERSON OPATIK: -- not your broker. I don't understand that, as well. Can you put me (inaudible)?

THE WITNESS: I -- I believe it's -- let me take a look at what you're looking at.

Oh, okay. Basically it's just -- it's just a fee, a referral fee is what it is.

CHAIRPERSON OPATIK: So your broker is getting a referral fee?

THE WITNESS: Yeah, it -- my -- it's, yeah, basically a referral thing.

CHAIRPERSON OPATIK: Okay. But, again, I'm going to state that I don't understand. If she contacted you, how did he get the referral fee from you?

THE WITNESS: It's that my commission slope was different on this transaction.

CHAIRPERSON OPATIK: Okay.

THE WITNESS: Okay?

CHAIRPERSON OPATIK: Okay. Are there any other questions by the Commission?

If not, the witness is dismissed.

MR. WALSH: Call Steve O'Brien.

STEVE O'BRIEN,

having been duly sworn by the chairperson

was examined and testified as follows:

DIRECT EXAMINATION

BY MR. WALSH:

Q State your name for the record, please, sir.

A Steve O'Brien.

CHAIRPERSON OPATIK: And you've been previously --

THE WITNESS: Yes, ma'am.

CHAIRPERSON OPATIK: Thank you.

BY MR. WALSH:

Q Mr. O'Brien, are you the broker for Harcourts

at this time?

A Yes, sir.

Q All right. And were you the broker at the time of the transaction with Mr. Lococo and Ms. Brummer for 11 Woodstock?

A Yes, sir.

Q All right. And when did you first become aware of that transaction?

A When it was entered.

Q And did you -- were you requested or did you undertake any efforts to locate a buyer for that property?

A Yes, sir.

Q And what did you do, sir?

A Jason called me and asked me to -- he had a buyer -- I mean, he had a seller that was under the gun, had a foreclosure date and needed a cash buyer that could close quick. And he had -- Wells Fargo had already committed to a price. So I went and tried to find a buyer to (inaudible).

Q All right. And who did you find?

A Northern Nevada Capital. We ended up closing the deal.

Q And did you have any ties or interest in Northern Nevada Capital?

A No, sir.
Q And had you used Northern Nevada Capital on other transactions?
A Yes, sir.
Q And did you -- was there any agreement in place that Northern Nevada Capital would use you as a broker or agent in future transactions on this property?
A No, sir. I hoped so, though. I appreciate their business, so yes, yes. But no -- but to answer your question, no, no preconceived listing agreement with them, none of that happened.
Q All right. In fact, do you know if Northern Nevada Capital on occasion uses other brokers?
A Yes, I believe they -- they use other brokers.
Q Do you know who some of them might be?
A Yeah. I mean, he uses Re/Max, Dixon, Chase International. He's used a lot. He buys a lot of properties.
Q You as the -- were you the supervising broker in this particular transaction?
A Yes, sir.
Q And you were familiar with the transaction as it occurred?
A Yes, sir.

Q As -- in your position as broker did you observe anything inappropriate in this transaction?

A No, sir.

Q And other than the letter you got from the Division, you complied and gave them documents with regard to this transaction?

A Yes, I gave -- I gave the Division all the documents we had the first go-around, on this transaction. And the Division sent me a letter saying, "After a thorough investigation, we clear you of the Complaint." And so we went forward with it.

Q Now, you mentioned that -- I'm going to refer you to what is Respondent's Exhibit 1, R-1. Is that the letter from the Division you received on this particular transaction?

A Yes.

Q From the time you received that letter on January 28th until the time the Complaint was filed against you alleging gross negligence in September of 2014, are you aware of any changed facts or different facts regarding the transaction?

A No, sir, I am not (inaudible).

Q Were you ever contacted by any representatives of the Division who had asked you about the terms and conditions of this transaction?

A No, sir.

MR. WALSH: That's all I have at this time.

CHAIRPERSON OPATIK: Thank you.

Mr. Kizer?

MR. KIZER: Thank you.

CROSS-EXAMINATION

BY MR. KIZER:

Q Thank you, Mr. O'Brien, for being here. The first question I have for you, I guess more generally is, have you represented a seller before in transactions, in any transactions, let me just say, in the last six to eight months?

A Yes.

Q In this one you represented the buyer, but have you ever represented a seller who you would -- who was desperate to unload their property?

And I'm not even talking -- I'm not referring to short sales, but just generally, perhaps a member, a situation where a buyer -- or, excuse me, a seller is -- is basically desperate to sell their property?

A Have I took one of those listings personally?

Q Yes.

A I don't believe so.

Q Okay. Good for you. I'll save that question.

I am going to ask you on the Complaint -- I'm going to actually (inaudible) up here. I'm going to steal the Chairman's question.

In Complainant's Exhibit 55, which she had asked Mr. Lococo about this earlier, there's a referral fee agreement where you're listed as the referral broker to Mr. Lococo. Both Ms. Brummer and Mr. Lococo have testified that she had contacted him because she knew him.

Can you tell us why you are entitled to a referral fee based on the sale of the property at 11 Woodstock?

A I can't remember. I do over 600 transactions a year and I -- this was two years ago. I just don't remember.

Q This is also somewhere in the documents here. I refer you to the document that Mr. Walsh asked you -- or referred you to earlier, and that was the letter from Mr. Steel. This is Respondent No. 1.

The third paragraph here talks about: "The decision to close this matter is made without prejudice. The Division reserves the right to reopen this investigation should such action be warranted."

Can you tell us what your understanding of that clause or those sentences are when you received this letter with respect to this case?

A Yeah, I -- that letter gave me peace of mind. I mean, I -- a lot of sleepless nights waiting for this letter to tell, you know, me that I'm doing the right thing.

Q Okay. Did you understand the third paragraph here, that the Division may still file a complaint in this matter if they believed it warranted?

A Yeah, that's probably just -- right now I will just say yes (inaudible).

Q And then the last question I have -- it's a question I asked Mr. Lococo earlier -- you were actually -- I guess to set up a foundation here, you were the agent for Northern Nevada when they resold the property a little over three months later; correct? Or is that --

A Yes, sir, I was the listing.

Q And can you -- do you know why it was sold for the price it was and the time it was?

And the reason I ask this -- and I'm not trying to hide anything from you, I asked Mr. Lococo this, too -- it was sold between -- after the third month, between the fourth month, and it was sold for just under 120 percent. So it seemed to come right underneath the -- and it met -- no denial, it met the requirements set forth by Wells Fargo.

But nonetheless, can you explain? Was that just coincidence? Was that based on something else had occurred with the property? Or was it just the market got better? Was that -- just curious why that happened at a time frame and for that exact percentage above the original sales price.

A Can I answer your question?

Q I don't know. Can you answer that question? Madam Chair -- (inaudible).

A Coincidence, maybe. The way I read that is, this home sold in September. So that's May, June, July, August. So it's about five months. Would you agree? Five months?

Q Well, what we have in the records was actually that the sale on this, according to the records we have, was on May 10th was when it closed, and it was sold on September 6th. So a few -- a few days short of four months. So about three-and-three-quarters. And that it sold for $355,000, which is approximately $55,500 more than the purchase price.

A Okay. Yeah, coincidence. I know that they -- I know that we listed it for higher and it just didn't sell. That's -- we listed it for 379, I believe, 379,900, and it didn't sell and so we had to lower it, and we sold it for 355.

Q Okay. It wasn't that the seller, Northern Nevada Capital bought it (inaudible) at 120 percent?

A I believe that if he would have got an offer for 379,900, he would have took 379,900 and we would have been done.

MR. KIZER: Okay. Thank you very much.

CHAIRPERSON OPATIK: Is there any redirect?

MR. WALSH: Actually, yes.

REDIRECT EXAMINATION

BY MR. WALSH:

Q With regard to the resale of the property, at the time that it was sold to Northern Nevada Capital until the time that it was resold, that brief period of time, are you aware of any improvements they made to the property?

A Yes, sir.

Q Do you know what they did?

A Like I said, I've done so many deals I just can't remember what exactly they did. But my guess is, is a standard -- a standard re-up (inaudible).

Q So they actually put money into the property --

A Yes.

Q -- before it was relisted?

A Yes, sir.

Q Okay. And were there closing costs associated with the sale at 355?

A Yes, there was.

Q Okay. So would it be fair to say that the net to Northern Nevada Capital after the resale was significantly less than $55,000?

A Yes, nowhere near $55,000 (inaudible).

Q Do you have any idea what the net return on their investment might have been?

A I'm not -- I'm not 100 percent sure on what they made, but just the numbers off the top of my head, I'm guessing they made --

Q We have --

A It's hard to say (inaudible).

Q We have somebody that will testify to that.

A Okay.

MR. WALSH: That's all I have.

CHAIRPERSON OPATIK: Is there any recross examination --

MR. KIZER: No.

CHAIRPERSON OPATIK: -- Mr. Kizer?

MR. KIZER: No, ma'am.

CHAIRPERSON OPATIK: The witness is excused.

THE ATTORNEY: No, the commission.

CHAIRPERSON OPATIK: Oh, I'm sorry. I apologize.

We have commissioners here that may have a question.

COMMISSIONER REISS: Just one question. Maybe you can shed a little more light for me on Northern Nevada Capital. Is that -- do they typically buy properties to rehab and resell, or to hold properties?

THE WITNESS: I believe they do both. They rent. They buy them, they fix them up, they flip them. So both.

COMMISSIONER REISS: Both.

THE WITNESS: Yeah, he does real estate investment.

COMMISSIONER REISS: Okay. And he's listed numerous -- you've sold numerous properties to Northern Nevada Capital?

THE WITNESS: Do you mean for Northern Nevada Capital, listed --

COMMISSIONER REISS: Both, both.

THE WITNESS: Yeah. Yes, sir.

COMMISSIONER REISS: Okay, thanks.

CHAIRPERSON OPATIK: Any other questions by the Commission? Then the witness is excused. Thank you.

THE WITNESS: Thank you.

MR. WALSH: Call Paul Jameson.

PAUL JAMESON,

being first duly sworn by the chairperson

was examined and testified as follows:

DIRECT EXAMINATION

BY MR. WALSH:

Q Would you state your name for the record, please, sir.

A Paul Jameson.

Q And, Mr. Jameson, are you here on behalf of --

A Yes, I'm (inaudible) -- I'm sorry.

CHAIRPERSON OPATIK: You've previously been sworn. Thank you.

THE WITNESS: Yes. Sorry.

BY MR. WALSH:

Q And are you here on behalf of Northern Nevada Capital, sir?

A Yes, I am.

Q All right. And were you asked to conduct an examination of the transaction on 11 Woodstock?

A I was.

Q Okay. And can you tell us briefly, sir, what your education and professional background is?

A Sure. I previous to -- well, now, I'm (inaudible). I look at a lot of distressed real estate. But prior to this I was also looking at real property with appraisers and banks and the federal government in the energy space, appraising those and supporting their

value.

Q All right. And have you ever testified previously as an expert witness?

A I have provided my statements to the U.S. Treasurer.

Q In what context?

A In the context of obtaining federal grants for solar power plants. In 2009, or the Recovery Act, they were granting funds and this was in -- to demonstrate the underlying value of these power plants.

Q All right. And did you do any kind of financial analysis of the transactions of the purchase and sale of the 11 Woodstock Circle?

A I did.

Q All right. And as part of the packet we have submitted were -- we had hoped to be able to do some sort of a PowerPoint presentation, but I don't know if that's a possibility -- or do you want to take the time --

CHAIRPERSON OPATIK: Do we have that capability?

MR. WALSH: -- to set that up?

THE ATTORNEY: We don't have that capability.

CHAIRPERSON OPATIK: We don't have the capabilities at all?

THE ATTORNEY: No.

MR. WALSH: There are copies of slides as part of

our packet. Mr. Jameson has -- is actually going to clarify a couple of things in there.

MR. KIZER: Do I have a copy of that yet?

MR. WALSH: I don't believe so.

MR. KIZER: Okay. Thank you.

MR. WALSH: There's some (inaudible) -- significant has changed. He just cleaned it up a little bit.

CHAIRPERSON OPATIK: Are you offering this as a -- as exhibits?

MR. WALSH: We are.

CHAIRPERSON OPATIK: Okay. Mr. Kizer, do you have any objection?

MR. KIZER: Um, if I could just have a minute to look through this.

A VOICE: Hold on.

MR. WALSH: Yeah, there are portions of the slides already in our packet, at least. Mr. Jameson just added a couple more.

THE WITNESS: I modified a few slides.

MR. WALSH: Perhaps you can show us (inaudible).

THE WITNESS: Okay.

MR. WALSH: The conclusions didn't change, it's just the presentation became clearer is all.

MR. KIZER: I'll probably have some questions on cross-examination, but I have no objection to this being

(inaudible).

CHAIRPERSON OPATIK: Okay. Then so admit.

(Exhibit No. B marked and admitted.)

THE WITNESS: When you all are ready I can start explaining the background.

BY MR. WALSH:

Q Tell us what you are introducing here.

A Sure. So this is -- before jumping into any of the slides, this was an analysis that compared the initial purchase and the resale and what had changed and those things that support the value of the gain from those two principles.

The first slide is just a summary. The property was purchased for 300,000 and resold for approximately 355,000. That's an increase of about 17 percent.

And what I would like to walk through here is actually a discussion how market factors, capital improvements and other aspects of this property show that the increase in value of the property exceeds $55,000.

Okay. Before I go on to the next slide I'd note that a lot of this is around how the real estate market has seen a lot of appreciation ever since the, you know, downturn and the bottom. And with that, some of these properties that are distressed get resold for amounts, you know -- in examples like this, 17 percent more in

several months. So some of this today is to walk through an illustration of each aspect, starting with market appreciation.

The data on this first line under market appreciation comes from Zillow, and takes the median sale price of all three-bedroom homes in Carson City during the months surrounding these two transactions. This home is a three-bedroom home in Carson City.

When the offer was initially accepted in March of 2015, the median sale price was $151,400. When it was resold it's tempered median sale price in that same four-month time frame had increased to 164, $800,000 -- I'm sorry, $800, which is approximately 9 percent.

So just the market itself in that area, through its recovery, had appreciated about 9 percent. And just from holding this -- I've seen a lot of these, in distressed real estate, people talking about how if they had held property even longer it would have been even better because the market has just been recovering and recovering, and that just brings it near the value of the property today.

So for 11 Woodstock that 9 percent translates into a deed or appreciation of value of $27,400.

Q During the holding period?

A During the holding period, yeah.

After that, with the improvements and value added -- Northern Nevada Capital invested approximately $5400 into the property. And through an assessment I made informally with appraisers and other experts, they assessed those values to be about $12,000 of incremental value for making this move-in ready and something that someone, an owner/occupier, could just come right in and it wouldn't cause them to have to put more money into the property to make it something that was financeable by a lender.

Next is the relief of distress. The -- the discussions around Fanie Mae and FHA have gone so far today. You've talked about how FHA says there's this split rule of 90 days, 120 percent, which really recognizes that they will allow or understand a property appreciating from that relief of distress up to 20 percent in 90 days.

And, in fact, the letter that they actually submitted, release, does show that it would be allowed even at a greater amount of appreciation prior to 90 days, but you have to provide supporting documentation in excess of that. So say you made a massive remodel or did something that caused a lot of value, that would be acceptable to FHA providing that new addition.

So when you look at -- so three data points from

pretty large data suppliers in real estate. You have Fannie -- FHA who recognizes the 20 percent gain.

Without going through the math, if you work backwards from the sale price, the resale, that's a reduction on the first transaction of 16.7 percent.

So you take 120 percent number, to get down to 100, you multiply it by a reduction of 16.7 percent. That's the difference. That's the shortfall from the distress.

Separately, RealtyTrac is a company that does a -- provides a massive amount of analytics, since 1996, to the real estate industry. And they have stated that in their experience they see about a 15-percent reduction based on just distress alone.

And Zillow, who has the lowest number on the totem pole, indicates as much as 7.7 percent.

So averaging those three numbers you get to an amount of 13.1 percent. And for this property, a reduction of value of 13.1 percent translates into about $45,000.

Now, I'll talk to the reasons behind that relief of distress and why that's actually understandable and not just arbitrary. A distress is gone. It has a number of benefits to the property and to potential buyers.

So this next line it just says, "Value Increase Exceeds Price Appreciation." It walks through the

aggregate of those numbers.

You have the market appreciated about $28,000. The improvements created a value of about $12,000. And the relief added about $45,000. And you add all that together and the value is $85,000, which more than supports the gain of $55,000 in this same time.

Further, I would just note that even taking the lowest number that I found from one of these major sources, Zillow, being 7.7 percent, this would still exceed the $55,000 gain by about $10,000.

So that's -- that's really the summary of the numbers. I can try to speak more or less of this (inaudible) questions.

Q Explain the rest of your slides, please.

A Okay, okay.

MR. KIZER: Actually, if I could just -- not so much an objection, but I just want to clarify something. I see the next slide are the benefits of investor, cash buyers.

I just want to make sure that this is understood before the testimony goes any farther. The Division is not making any sort of claim that an investor purchase is somehow wrong in and of itself. We're not making any kind of claim that the short sale is wrong in and of itself. We're not making any claim that there's no

benefits to short sales to parties in the transaction, including the lender at times. We're dealing with these specific facts.

So just with that understanding, I have no objection to the witness continuing, but I just wanted to make sure we're not muddying the waters on what this complaint is about. Thank you.

MR. WALSH: And again, just so I'm clear, one of the contentions in the Complaint is the $55,000 gain appears to be inappropriate and improper, and they extrapolate that to be gross negligence on the part of the broker and the agent, and that's why Mr. Jameson is here.

THE WITNESS: What these numbers intended to show is that the decisions and recommendations made by the owners at the time of the initial purchase were in line with what would have been then market value. And again in September, the same thing, these were actually in line with the market value of a property that has changed in a market that has changed.

In fact, some of this even talks to why they were unable to find other offers on this property. Because when looking at the value (inaudible) of (inaudible) thousand dollars -- I believe there was an initial offer of 275 before it fell through, and that's more in line

with the total value being created.

So when the bank countered at 300, that buyer walked away and they found this other buyer that said they were willing to do this transaction and take on the risk of the market and the property to consult with.

BY MR. WALSH:

Q So it would appear under that analysis that the 300 -- at 300,000 Northern Nevada Capital overpaid for the property?

A Yes, I believe they did. They took on more risk than it was worth. But with the market -- looking backwards, hindsight is 20/20, the market appreciated so substantially in Carson in 2013 that it worked on the deal.

Q Were you able to determine what the total -- what the net return to Northern Nevada Capital was?

A I did. And I can jump to that. This is the great last page of the document.

Q Can you just tell us what that number is? I need to get a number --

A Sure. It's -- I'll go through it quickly. But in short, if you factor in financing costs from our money lenders, the closing costs, direct investments and his resources to run the property, it's about $10,000 in profit.

So at the end of a $355,000 sale, which sounds like he made $55,000, which is quite a large margin, in fact, it's less than three percent after accounting for all of the risk factors and costs.

So everyone has seen the papers. There is a lot of discussion of properties and how much money people make and, obviously, you're all aware of the fact that these businesses involve costs, but this -- I hope to articulate what those costs actually can be.

So the final two pieces, one is just walking through how a HAFA short sale works. We've covered that a bit. But one of the key factors here for the realtors was that the homeowner applies for a HAFA review, the lender then assesses the value independently and comes up with a price they are willing to take.

A VOICE: Comes up with a price?

THE WITNESS: Comes up with a price they are willing to accept.

A VOICE: Would you move closer to the microphone, please.

THE WITNESS: Sure.

If it's approved, which in this case it was, they send a letter to the short-seller. And given the time frame -- I wish I had more of those terms and the costs, (inaudible) foreclosed home.

If the owner finds a willing buyer to pay that price, the lender then, as in this case, goes through another appraisal. And Ms. Brummer walked that appraiser through the (inaudible) actual results. And then the owner has to comply with the lender requirements, like they did with the MLS being posted at the active pending short sale. The home is sold. The lender is paid and the seller receives their HAFA benefits, you know.

The only difference between that and other short sales without HAFA is that the short-seller first comes to the lender and says, "Here is an offer that someone has to my property." And the lender then looks at it and just asks yes or no if they want it. And many times they will counter that price or even reject it.

So I just wanted to raise that, in the comments that were talking about people being under the gun, previously in my expertise I would say that there is somebody under the gun, it's the seller; but the person who is holding the gun is the lender. So they are the one that sets all the terms when they take the house in a short amount of time. They are not somebody who is under any kind of gun (inaudible).

Lastly, the benefits of these investor -- I put in quotes, "cash buyers" -- eventually provide a lot of value. We talked about how Ms. Brummer was benefited,

but it provides value to lenders and the community, as well. So for both lenders and homeowners there is no contingencies to close.

And even in a traditional transaction, we'll see someone take not the highest offer, because it's all cash. If you look at the Bay Area market, people are taking lower prices because someone comes in with all cash and they don't want to deal with someone trying to finance the property or sell their other house, whatever that may be. That certainly provides value to sellers and lenders in this case that don't want to go through the process a second time.

For lenders, they are also willing to wait. So these people are not looking for a house to put their kids in. They're not trying to move right away. They don't have any pressure. They submit their offer, what they believe is the value, and they will wait even more than a year to hear back on these things; whereas a typical homeowner-occupier might say, you know, "Thanks, but I actually bought a house eight months ago, I'm way gone."

The lenders are ready to close. I saw a transaction -- or, I'm sorry, the buyers are ready to close quickly. I've seen letters where lenders are giving buyers as much time as 48 hours to fund the entire

purchase price of the property or they lose it. And I don't know of any owner/occupier with financing that could do that. At least these investors can do that and get the nonperforming asset off the lender's books.

For the homeowners it's obvious. There's the avoidance of foreclosure, the protection of financial privacy and even moving flexibility. But in many of these cases the lenders -- front lenders may allow for, say, 30 days' time limit where they can stay in the property.

Typically an owner-occupied buyer wants to get into that house right away. They don't want to be paying the mortgage while someone else is in their house. So these investors typically work with those people and help them with that transition, because they can be in limbo, too, (inaudible).

And last, but certainly not least, is the communities. There is a home value appreciation by avoiding a foreclosure. The short sale process is -- many studies are out there showing that foreclosures have depressed the neighborhood around the home. And avoiding that keeps that depression from pulling properties further and further down.

Separately, they make capital improvements in the property other owner-occupiers would not be able to make.