
**Appraisal
Professionals,
LLC**

MMN Builders, Inc.
Impairment Analysis for Goodwill
as of June 30, 2007

Draft
September 1, 2007

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Appraisal Professionals, LLC

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Dear Mr. Thompson:

Appraisal Professionals, LLC ("Appraisal Professionals" or "we") have performed a valuation engagement, as that term is defined in the Statement on Standards for Valuation Services ("SSVS") of the American Institute of Certified Public Accountants, related to MMN Builders Inc.'s ("MMN Builders") two reporting units to assist you with your compliance with Statement of Financial Accounting Standards No. 142, Goodwill and Intangible Assets ("SFAS 142") as of June 30, 2007 ("Valuation Date"). The resulting estimates of value should not be used for any other purpose or by any other party for any purpose. The estimates of value that result from a valuation engagement are expressed as conclusions of value. Our services were performed in accordance with SSVS.

Our estimates of value presented in this report are based on our analysis as described in this valuation report and the Statement of Assumptions and Limiting Conditions and the Valuation Practitioner's Representations set forth in this valuation report.

Observations and comments relating to accounting and tax matters contained in this valuation report should not be taken as any form of concurrence, conclusion, or opinion that we agree with or support your proposed accounting and tax treatment for matters subject to our services. You should consult with your independent auditors and tax advisors on the application of existing accounting principles and tax regulations.

The services were performed, and this valuation report prepared, in accordance with the terms and conditions of our engagement letter with MMN Builders, dated June 10, 2007, exclusively for MMN Builders' sole benefit and use. We accept no duty, obligation, liability or responsibility to any party, other than MMN Builders, with respect to the services and/or this valuation report and we have no obligation to update this valuation report or the estimates of value for information that comes to our attention after the date of this valuation report. The services and report are not intended for, nor may they be relied upon by any other party.

This valuation report and its contents may not be distributed to, discussed with, or otherwise disclosed to any third party without our prior written consent. This valuation report is not to be referred to or quoted, in whole or in part, in any offering memorandum, prospectus, registration statement, public filing, loan or other agreement or document without our express written approval, which may require that we perform additional work.

We appreciate the opportunity to assist you with this matter.

Very truly yours,

Appraisal Professionals, LLC

Section 1

Company Background

Company Background

Business Description

- MMN Builders, Inc. (“MMN Builders” or the “Company”) is a private company founded in 1985 and based in Houston, Texas.
- The Company is one the largest regional homebuilders in the Northeast and Southwest of the United States, and operates in 15 states overall.
- Homes typically range in size from 1,000 to 5,000 square feet, with prices from \$90,000 to \$900,000. MMN Builders builds both detached and attached homes, such as duplexes, condominiums and townhouses. The Company also acquires, develops and sells land and lots. For the fiscal year ended September 30, 2006, MMN Builders closed 14,000 homes, which sold for an average price of approximately \$274,000.

Reporting Units

- MMN Builders has 2 reporting units: Northeast and Southwest (collectively, the “Reporting Units”) representing the Company’s operations in these two geographical regions.

Triggering Event Background

Current Industry Events

- From 2001 to 2005, the US housing market experienced an increase in price appreciation, especially in populous areas such as California and New York. At the beginning of this period, falling interest rates initiated speculative purchases of homes, as did the flight of capital from the stock market to real estate in response to the crash of the dot-com sector in 2000. In addition, falling interest rates were accompanied by a relaxation of lending standards during this period.
- In recent months, however, rising house prices have led to a decrease in potential homebuyers' ability to afford housing and a decrease in demand from speculators and investors.
- Further, in March 2007, the sub-prime mortgage industry collapsed due to higher-than-expected home foreclosure rates, with more than 25 sub-prime lenders declaring bankruptcy, announcing significant losses, or putting themselves up for sale.
- Increased mortgage delinquency and the collapse in the sub-prime mortgage market has caused lenders to tighten their lending policies, further contributing to the decrease in new and existing home sales.

Effects on the Company

- All of these factors have significantly contributed to the decrease in the Company's net sales orders and to the decrease in gross margins on the homes it closed during the first six months of fiscal 2007.
- According to MMN Builders' most recent quarterly financial statements, results for the last recent twelve months were as follows as compared to the prior period one year ago:
 - Net sales orders decreased 37%;
 - Homebuilding revenue decreased 26%; and,
 - Net income decreased 85%.
- As a result of this decay in performance and overall market conditions, MMN Builders performed a valuation of its home inventories which resulted in a \$350 million pre-tax impairment charge. This charge was deemed to be a triggering event under Paragraph 28 of Statement of Financial Accounting Standards (SFAS) No.142 "Goodwill and Other Intangible Assets" ("SFAS 142") which requires a goodwill impairment test "if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying value."

Section 2

Industry Overview

Industry Overview

Introduction

- The residential construction industry provides construction and advisory services to purchasers of new and existing homes, which include investors and speculators.

Industry Overview

- Home price appreciation over the past several years has attracted real estate investors and speculators to the new and existing home markets, which has led to increases in home price appreciation extending into the first half of 2006.
- This increased price appreciation made it more difficult for potential homebuyers to afford housing. In order to circumvent this issue, homebuyers began utilizing non-traditional financing such as adjustable rate, interest only, or other mortgage products that initially had lower monthly payments than traditional fixed rate, amortizing products.
- A current example of the problems that have arisen from the aforementioned financing structures is what has occurred in the sub-prime mortgage market, which gives home loans to borrowers with weak credit. These sub-prime mortgages have experienced a sharp increase in defaults due to an over-extension of credit on behalf of banks. The results of these increased defaults have been seen through the rapid decline of two Bear Stearns hedge funds that made unsuccessful investments in securities backed by sub-prime loans when creditors demanded further collateral for increased defaults related to those sub-prime mortgages.

- Reacting to increased defaults, mortgage lenders have more recently been offering less non-traditional financing and have increased their underwriting standards to require higher qualifications in order to obtain a mortgage. This tightening in mortgage lending has inhibited many potential homebuyers from qualifying for mortgage financing.
- As price appreciation slowed during fiscal 2006, the demand from investors and speculators for new homes slowed, resulting in an increased supply of new homes. Concurrently, the supply of existing homes by investors and speculators increased, requiring an increase in the use of price concessions and sales incentives. As a result of the aforementioned events, there has been a decline in homebuyer consumer confidence and a reduced ability of prospective homebuyers to sell their existing homes.

Summary

- All of these factors have significantly contributed to the decrease in the industry's net sales, profit margins and market capitalization.

Section 3

Engagement Overview

Scope of Services

Purpose and Scope

- You have requested Appraisal Professionals, LLC (“Appraisal Professionals”) to provide valuation services in connection with MMN Builders' trigger-based goodwill impairment test related to SFAS 142.
- The goodwill impairment analysis was triggered by MMN Builders' SFAS 144 home inventory impairment charges, which are attributable to its recent decrease in market value and adverse events in the homebuilding and mortgage industry. This discussion is detailed in the previous Industry Overview and Company Background sections.
- We recognize that our estimates of value will be used to assist MMN Builders' management (“Management”) to comply with financial statement reporting requirements set forth in SFAS 142.
- In accordance with paragraphs 19-22 of SFAS 142, Appraisal Professionals assisted Management in conducting a two-phase goodwill impairment analysis referred to as “Step 1” and “Step 2”.
- The Step 1 analysis determined whether a goodwill impairment existed as of the valuation date for each reporting unit. Our work under Step 1 consisted of the following:
 - Assisted Management in determining the carrying value of each reporting unit;
 - Estimated the fair value of the individual reporting units;
 - Evaluated the potential for impairment under SFAS 142 for any of the individual reporting units; and,
 - Assisted management in determining if a Step 2 analysis was required for any of the reporting units.
- The Step 2 analysis determined the amount or value of the goodwill impairment. Our work under Step 2 consisted of the following:
 - Assisted Management in identifying the reporting unit’s tangible and intangible assets, including those assets that were not previously recognized;
 - Estimated the fair value of all intangible assets;
 - Estimated the implied fair value of goodwill based on information provided to us from Management; and,
 - Estimated the amount of goodwill impairment.

Fair Value Definition

- According to SFAS 142, paragraph 23, the standard of value to be used in the application of impairment testing is fair value and it is defined in SFAS 142 as “The amount at which that asset (or liability) could be bought (or incurred) or sold (or settled) in a current transaction between willing parties, that is, other than in a forced or liquidation sale.”

Procedures

Work Performed

- In general, the principal procedures in formulating our estimates of fair value of the Company included, but were not limited to, the following steps:
 - Conducted discussions with Management concerning the nature and business operation of the Company and its Reporting Units, including historical performance;
 - Read audited financial statements of the Company for the fiscal years ended September 30, 2004 through September 30, 2006;
 - Analyzed the competitive business environment in which MMN Builders operates;
 - Evaluated projected financial information as provided by Management;
 - Analyzed the financial and market performance of selected publicly-traded guideline companies;
 - Calculated a cost of capital for each reporting unit;
 - Estimated the fair value and market value of the Company and its Reporting Units using the Income Approach and Market Approach; and,
 - Assisted management in assessing the potential for goodwill impairment at each reporting unit by comparing the fair value to the carrying value of equity.
- For the reporting unit that failed Step 1, our procedures included, but were not limited to, the following steps:
 - Advised and assisted Management in its identification of tangible and intangible assets of the Step 2 reporting unit, including those assets that were not previously recognized;
 - Estimated the fair value of the agreed upon assets. The estimates of fair value for these assets were calculated by taking into consideration the following pertinent factors and circumstances:
 - Their nature and competitive position;
 - Management intention regarding future use;
 - The relative risk profile and uncertainty; and,
 - The remaining economic life.
 - The estimates of fair value for the assets considered by us under Step 2 were calculated using the income and cost approaches.

Principal Sources of information

Key Documents Received

- Forecasted operating performance for MMN Builders, including all of its Reporting Units;
- Management's representations regarding the potential market value of the Reporting Units, if applicable;
- Historical audited financial statements of MMN Builders for the three fiscal years ended September 30, 2006;
- The unaudited financial statements of MMN Builders and its Reporting Units for the nine months ended June 30, 2007;
- Financial forecasts for each Reporting Unit for the years ending September 30, 2007 through September 30, 2011;
- Descriptions of the Reporting Units; and
- Additional analysis conducted by Management.

Key Sources of Public Information Used

- FactSet
- Ibbotson
- Bloomberg
- Yahoo Finance
- Recent analyst reports covering the home building industry

Section 4

Executive Summary

Executive Summary

Step 1

- Although the Southwest reporting unit passed Step 1, the estimate of fair value of equity determined for the Northeast reporting unit was less than its respective carrying value of equity and accordingly a Step 2 test was performed.
- The carrying value of equity for the Reporting Units were provided by Management and include the home inventory impairment write off associated with SFAS 144.

	Northeast	Southwest
Estimated Enterprise Value	570	2,610
Less: Interest Bearing Debt ⁽¹⁾	<u>226</u>	<u>310</u>
Estimated Fair Value of Equity	344	2,300
<u>Carrying Value of Equity</u>	<u>405</u>	<u>1,757</u>
Excess / (Deficiency) of Fair Value vs. Carrying Value	(61)	543
Step 1 Test Result	Fail	Pass

(1) All interest-bearing debt is non-current.

Executive Summary (Continued)

Step 2

- Our Step 2 analysis for the Northeast reporting unit shows a goodwill impairment of \$121 million of goodwill.
- We note that the estimate of fair value adjustment or allocation process performed in Step 2 is used only for the purpose of goodwill impairment testing and is not used to adjust the carrying amount of the Reporting Unit's assets and liabilities, other than goodwill, or to recognize previously unrecognized assets and liabilities.

	<u>Northeast</u>
Estimated Fair Value of Equity (from Step 1)	344
Add: Estimated Fair Value of Liabilities	
Current Liabilities	11
Non Current Liabilities	<u>226</u>
Estimated Fair Value of Liabilities	236
Estimated Fair Value of Assets	581
Estimated Fair Value	
Cash	11
Inventory	459
Fixed Assets	13
Deferred Tax Assets	-
Trade Name	36
Customer Relationships	<u>27</u>
Estimated Fair Value of Assets other than Goodwill	544
Estimated Fair Value of Goodwill	36
Less: Carrying Value of Goodwill	<u>157</u>
Estimated Goodwill Impairment	\$ (121)
% of Goodwill Impaired	77%

Section 5

SFAS 142 Step 1 Valuation Analysis

SFAS 142 Step 1 Summary

- To estimate the fair value of the Company and its Reporting Units, three different approaches were considered for the Step 1 analysis: (i) the Income Approach, (ii) the Market Approach, and (iii) the Cost Approach.
- For the Step 1 analysis, we have selected the Income Approach and Market Approach for estimating the fair value of the Reporting Units.
- The Cost Approach was not used as it fails to adequately reflect the ongoing nature of the Reporting Units' operations.
- Where any of the Reporting Units fails the Step 1 analysis, Step 2 is required. Whereas Step 1 is used to determine if goodwill impairment may exist, Step 2 is used to measure the amount of goodwill impairment, if any.
- Inventory represents the majority of the assets of MMN Builders and its Reporting Units. Management tested inventory for impairment in accordance with SFAS 144.
- This SFAS 144 impairment testing resulted in approximately \$350 million of pre-tax inventory impairments. These impairments resulted in new inventory carrying values, which were used in both the Step 1 analysis and the Step 2 analysis to determine how much, if any, of each Reporting Unit's goodwill was impaired.

	Northeast	Southwest
Income Approach	570	2,640
Weighting	75%	75%
Market Approach	560	2,510
Weighting	25%	25%
Estimated Business Enterprise Value, Rounded	570	2,610

Accounting Considerations

Tax Basis

- Based on discussions with Management and our knowledge of the homebuilding industry, we have treated any hypothetical transaction of the Reporting Units as an asset sale, which is a taxable transaction in accordance with EITF 02-13.
- This conclusion was reached by considering previous acquisitions within the homebuilding industry, and the assumption that if part of MMN Builders were acquired (i.e., individual Reporting Units), the purchaser would acquire the assets instead of the shares of the Reporting Units that were sold.

Discounted Cash Flow Method (“DCF”)

Introduction

- We have relied on historical and projected financial information provided by Management for the fiscal years ended March 31, 2004 through March 31, 2011.
- We analyzed the projected financial information to ensure reasonableness, by comparing projected revenue growth rates, profit margins, and tax rates to historical performance, industry data, and selected guideline companies.
- Our interviews with Management suggested that the projections they provided had already been adjusted to omit optimism and address current and expected future market conditions, while avoiding excessive conservatism. This was evident in Management’s approach of using the standard 5 year plan for the Company as a base and then revising key assumptions downward to eliminate optimism built into the 5 year plan.

Primary Inputs and Key Assumptions

- We discussed with Management the methodology used to develop their forecasts. Given that the Company’s industry is undergoing stress, which is outlined in the Industry Overview and Company Background sections of this report, Management looked to industry projections, estimated the growth that could be achieved, and forecasted margins.

- MMN Builders' interest-bearing debt was allocated to the Reporting Units and was considered when determining the equity value from the recommended enterprise values.

Estimate of Fair Value

- We estimated the fair value of the Northeast and Southwest Reporting Units as \$570 and \$2,640 million respectively, based on the analysis described above. See Exhibits VI and VII for details.

Weighted Average Cost of Capital (“WACC”)

Introduction

- We computed a Weighted Average Cost of Capital (“WACC”) for the Company utilizing a group of guideline companies as outlined below.
- The WACC measures the returns required by both debt and equity investors, weighted by their respective contributions of capital.

Selection of Publicly Traded Guideline Companies

- We utilized FactSet to compile a list of publicly traded guideline companies with similar characteristics to that of MMN Builders.
- The public companies selected for the WACC analysis were:
 - Pulte Homes, Inc. (PHM);
 - Lennar Corp. (LEN);
 - Centex Corp. (CTX);
 - KB Home (KBH); and,
 - Toll Brothers, Inc. (TOL).

Primary Inputs and Key Assumptions

- Publicly traded guideline companies were used to obtain a proxy for the industry beta, as well as the indicated capital structure for the industry. The following factors were taken into consideration when determining the publicly traded guideline companies:

- Similar products/services (i.e., residential construction companies)
- Size and geography
- Key assumptions used in calculating MMN Builders' WACC were:
 - Risk-free rate of 5.2%;
 - Pre-tax cost of debt of 7.6%;
 - Represents Moody's Baa interest rate plus 100 basis points, based upon discussion with Management, as of the Valuation Date.
 - Equity risk premium of 5.0%,
 - Based on consideration given to studies of actual historical stock market returns (as published by Ibbotson Associates) and recent academic publications.
 - Company specific risk premium of 2% to account for additional risk related to the Company's new operating strategy put into place as a result of the changing market conditions;
 - Effective tax rate of 38%; and,
 - Relevered industry Barra beta of 1.53.
- Based on our discussion above, MMN Builders' estimated WACC was 10.3%. See Exhibit VIII for details.

Guideline Public Company Method

Primary Inputs and Key Assumptions

- Under the Market Approach, we identified publicly traded guideline companies using criteria such as similarity in products/services (i.e., residential construction companies), size, and geographic focus. We analyzed these selected guideline companies to generate valuation multiples.
- The comparable companies selected for this analysis were the same as those used in our WACC calculation.
- The valuation multiples utilized herein are based on the total invested capital ("TIC") of the guideline companies divided by various financial and/ or operational measures. The TIC is defined as the sum of the market values of the guideline company's common and preferred equity and interest bearing debt, less cash and cash equivalents. The denominator used in calculating valuation multiples include financial measures such as revenues, EBIT, and Net Asset Value.
- In selecting the appropriate multiples to apply to each of Reporting Units, we analyzed the guideline companies quantitatively and qualitatively. We performed a financial comparison to identify where each Reporting Unit stood in relation to the guideline companies, through the comparison of financial ratios and other financial factors. Quantitative factors included size, growth and profitability. Qualitative factors included market position and market segments served. Due to several important differences between the guideline companies and the Reporting Units, we did not focus on one particular multiple.

- Because our calculation of TIC for the guideline companies excludes cash and cash equivalents, the value of these assets were added to the value derived from the application of the market multiples.

Estimate of Fair Value

- We estimated the fair value of the Northeast and Southwest Reporting Units as \$560 and \$2,510 million respectively, based on the analysis described above. See Exhibit IV for details.

Section 6

SFAS 142 Step 2 Valuation Analysis

Valuation Summary for Intangible Assets

- We present the following table as our estimates of fair value for the identified intangible assets (collectively the “Subject Assets”) of the Northeast Reporting Unit, which has failed Step 1.
- We note that the value of the Reporting Unit’s tangible assets were determined by Management and have been taken as given for purposes of our analysis.
- The recommendations herein are provided for financial statement reporting in accordance with Statement of Financial Accounting Standards (“SFAS”) 142 *Goodwill and Other Intangible Assets*. Our analysis reflects assumptions that a market participant would use in making estimates of fair value and excludes any buyer specific strategic benefits or synergies.

<u>Northeast Reporting Unit</u>	<u>Fair Value</u>
Trade Name	36
Customer Relationship	27
Total	62

Intangible Asset Identification

Asset Considered	Valued by Appraisal Professionals	Rationale
<i>Trade Name</i>	Yes	The trade name of MMN Builders is well recognized in the marketplace and Management's intention is to continue to use this trade name in the foreseeable future.
<i>Customer Relationships</i>	Yes	As of the Valuation Date, MMN Builders has an established long-term relationship with one major developer which specializes in gated communities in the Northeast. This customer has been conducting business with MMN Builders for the past 7 years. Per discussions with Management, we have confirmed that it is likely this customer will continue to do business with MMN Builders in the foreseeable future.
<i>Developed Technology</i>	No	MMN Builders did not have any proprietary developed technology as of the Valuation Date.
<i>In Process Research & Development</i>	No	MMN Builders did not have any in-process technology as of the Valuation Date.
<i>Covenants Not to Compete</i>	No	MMN Builders did not have any signed non-competition agreements which would prevent key persons from competing for a specific period of time.

Trade Name

Recognition Criteria

- Trade names are marketing-related intangible assets that are primarily used in the marketing or promotion of products or services to indicate the origin of these products and services and to distinguish them from the products and services of others in the same line of business.
- In the United States and in certain other countries, trade names, service marks and any other marks may be protected legally through registration with government agencies, continuous use in commerce, or other means.
- If the assets are registered or otherwise provided legal protection, those assets meet the contractual-legal criterion for recognition apart from goodwill. Otherwise, a trade name or any other mark should be recognized apart from goodwill if the separability criterion is met.

Intangible Asset Description

- As part of a proposed transaction, a market participant would acquire MMN Builders' trade name as part of its purchase of the Company, which could be used in ongoing trade.
- This trade name is registered in the United States, is well known in the marketplace, and is valuable to the business operations of MMN Builders. According to Management, it is anticipated that this trade name will continue to be used in the current and future operations of MMN Builders.

Methodology

- We employed the relief from royalty approach to value the subject trade name. See Appendix 3 for details of this approach.

Primary Inputs and Key Assumptions

- The following assumptions were used when valuing the trade name:
 - 0.75 percent royalty rate;
 - 30 year life;
 - A discount rate of 13 percent, 270 basis points over the WACC.

Estimate of Fair Value

- Based on our analysis and assumptions described above, the reporting unit's estimated trade name fair value as of the Valuation Date is \$36 million. See Exhibit XI for details.

Customer Relationships

Recognition Criteria

- In general, customer relationships acquired in a business combination have value when they represent an identifiable and predictable source of future cash flow to the business enterprise.

Intangible Asset Description

- Based on discussions with Management, we understand that the Company has a non-contractual customer relationship with one major developer of gated communities in the Northeast region. This relationship meets the separability criteria of recognition and was valued for the Northeast Reporting Unit.

Methodology

- MMN Builders' customer relationship was valued using the multi-period excess-earnings method, a form of the Income Approach. See Appendix 3 for details of this approach.

Primary Inputs and Key Assumptions

- The revenue and EBIT margins on the expected business from the subject developer were provided by Management.
- It is estimated by Management that there is an annual 25 percent probability that the developer in question will find another homebuilder to perform its construction. We have, therefore, assumed a 75 percent annual probability of retention.

- Based on information received and discussions with Management, a 5.0 percent adjustment was made for the selling and marketing effort which is bypassed by the ongoing nature of the Company's relationships with this customer.
- The resulting after-tax income was adjusted by contributory asset charges to reflect the use of other assets to sustain the subject asset. We deducted contributory asset charges for inventory, fixed assets, trade name, and workforce.
- A discount rate of 13.0 percent was utilized in the analysis which corresponds to 270 basis point increase over the reporting unit's WACC.
- A tax amortization benefit was applied to the sum of the discounted after-tax cash flows to account for the tax shield provided by amortizing the customer relationships over a 15 year tax life in accordance with IRC Section 197.

Estimate of Fair Value

- Based on our analysis and the assumptions described above, our estimated fair value for the customer relationship as of the Valuation Date is \$27 million. See Exhibit XII for details.

Workforce

Recognition Criteria

- An assembled workforce is an important resource that contributes to the realization of expected future cash flows and growth of a business.
- According to SFAS 141, an assembled workforce should not be recognized as a separate identifiable intangible asset apart from goodwill even though arguments could be made for either a contractual basis (through employment agreements) or separability (through outsourcing). However, its fair value may still need to be measured so that fair returns from all contributory assets can be taken in the application of the multiple period excess earnings method to value intangible assets.

Intangible Asset Description

- We reviewed MMN Builders' Northeast workforce data in the following three groupings:
 - Executives: 2 employees
 - Managers: 11 employees
 - Construction Workers: 144 employees

Methodology

- The technique often used to estimate the fair value of an assembled workforce is the replacement cost method of the Cost Approach, that is, the cost to hire and train a comparable assembled workforce.

Primary Inputs and Key Assumptions

- Hiring costs are incurred to obtain a new employee who may be either trained or untrained (through employment agencies, advertising, or other hiring costs). Additional hiring costs include selection costs which are incurred to interview respective candidates and, if applicable, for moving and related expenses.
- Training costs are incurred to train employees and bring them to the level of performance normally expected from an individual in a given position. These costs include both direct training costs as well as costs related to lost productivity during the training period.
- All hiring, direct training, and lost productivity cost estimates were provided by Management.
- Income taxes were subtracted from the pre-tax costs at an effective tax rate of 38 percent.
- A tax amortization benefit was applied to the sum of the after-tax costs to account for the tax shield provided by amortizing the assembled workforce asset over a 15 year tax life in accordance with IRC Section 197.

Estimate of Fair Value

- Based on our analysis and assumptions described above, the estimated fair value for the total acquired assembled workforce of MMN Builders, as of the Valuation Date, is stated at \$3.3 million. See Exhibit XIII for details.

Appendix 1

Assumptions and Limiting Conditions

Assumptions and Limiting Conditions

- Our valuation analysis and recommendation of values were based on information and financial data provided by management of the Company and from third party sources. Information obtained from third party sources were obtained from sources considered reliable and believed to be true and correct. However, no representation, liability or warranty for the accuracy of such items is assumed by or imposed on us, and is subject to corrections, errors, omissions and withdrawal without notice.
- Our work was based primarily on information supplied by the management of the Company and was carried out on the basis that such information was accurate and complete. The Company represented and warranted to Appraisal Professionals that all such information was accurate and complete in all material respects. The Company agreed to bring to our attention any matters that may reasonably be expected to require further consideration to determine the proper treatment of any relevant item. Information was not subject to checking or verification procedures, except to the extent expressly stated to form part of the scope of our work.
- Either of us may request changes to the work we performed. Changes must be agreed between us and will be subject to reasonable adjustments to fees and timetable. Changes which amount to the provision of additional services, rather than adjustments to the services already agreed, must be agreed in writing.
- The valuation Deliverable may not be used in conjunction with any other appraisal or study. Our recommendation of value stated in our Deliverable will be based on the program of utilization described in the Deliverable, and may not be separated into parts. No change of any item in the valuation Deliverables is authorized by anyone other Appraisal Professionals and we shall have no responsibility for any such unauthorized change.
- Except as stated elsewhere in the engagement letter, our Deliverables or portions thereof including our oral comments, should not be communicated or distributed to any party nor should it be referred to or quoted, in whole or in part, in any prospectus, registration statement, public filing, loan, other agreement or document, without our express written consent. In the event that our Deliverable is to be distributed to another party or if you request that we participate in oral discussions with another party, a release letter to hold Appraisal Professionals, and any subcontractor we may use, harmless relative to their use of the Deliverable must be received from that party prior to the distribution. It was agreed that the terms of such release letter were to be determined exclusively by Appraisal Professionals .
- The scope of our valuation services is not intended to comply with the Uniform Standards of Professional Appraisal Practice of the Appraisal Foundation.

Assumptions and Limiting Conditions (Continued)

- Unless otherwise stated in our scope of work our recommendation of value did not consider the possible effect, if any, of (i) future federal, state or local legislation, (ii) environmental or ecological matters or (iii) potential economic gain or loss resulting from contingent assets, liabilities, or events existing as of the Valuation Date. We have no responsibility for any events, conditions or circumstances that take place subsequent to the date of our Deliverable.
- The fee estimate did not include any subsequent consultations after the issuance of the final Deliverable including, but not limited to, supporting our recommendations of value upon review by the Internal Revenue Service, the Securities and Exchange Commission and/or any other authorized third party recipients.
- In the performance of our valuation work, good and marketable title was assumed. No investigation of legal title or liens was made, and we render no opinion or any form of assurance as to ownership or condition.
- Unless otherwise stated in our scope of work our recommendation of value did not consider the possible effect, if any, of (i) future federal, state or local legislation, (ii) environmental or ecological matters or (iii) potential economic gain or loss resulting from contingent assets, liabilities, or events existing as of the Valuation Date. We have no responsibility for any events, conditions or circumstances that take place subsequent to the date of our Deliverable.
- In the performance of our work, the existence of potentially hazardous materials (i) used in the construction, maintenance or servicing of buildings and machinery and equipment of the business, such as the presence of urea-formaldehyde foam insulation, asbestos, lead paint, toxic waste, underground tanks, radon and/or any other prohibited material or chemical which may or may not be present on or in the subject real and/or tangible personal property or (ii) of which the business may be held accountable, was not, unless specifically indicated in the Deliverables, disclosed to us during the course of this engagement. We, however, are not qualified to detect such substances. The existence of these potentially hazardous materials could have a significant effect on our value recommendations. You are urged to retain an expert in this field, if desired. The recommendation of value assume the items being value is "clean" and free of any of these adverse conditions unless we have been notified to the contrary in writing.
- Because events and circumstances frequently do not occur as expected, there will usually be differences between predicted and actual results, and those differences may be material. We take no responsibility for the achievement of predicted results included in the prospective financial information.

Assumptions and Limiting Conditions (Continued)

- Our estimates of value should not be used as the basis of any decision to purchase, sell or transfer any interest in any assets. Such decisions are your sole responsibility alone, as are the structure to be utilized and the price to be accepted. The selection of the price to be accepted in any transaction requires consideration of factors beyond the information we provided. An actual transaction might be concluded at a significantly higher value or at a significantly lower value, depending upon the circumstances of the transaction and the knowledge and motivations of the buyers and sellers at that time.
- Neither our recommendation of value nor our valuation Deliverable is to be construed as a fairness opinion as to the fairness of an actual or proposed transaction, a solvency opinion, or an investment recommendation.
- The Company should consult with its external auditor on matters of how existing accounting principles have been applied and the effect, if any, on any financial information resulting from our services.

Appendix 2

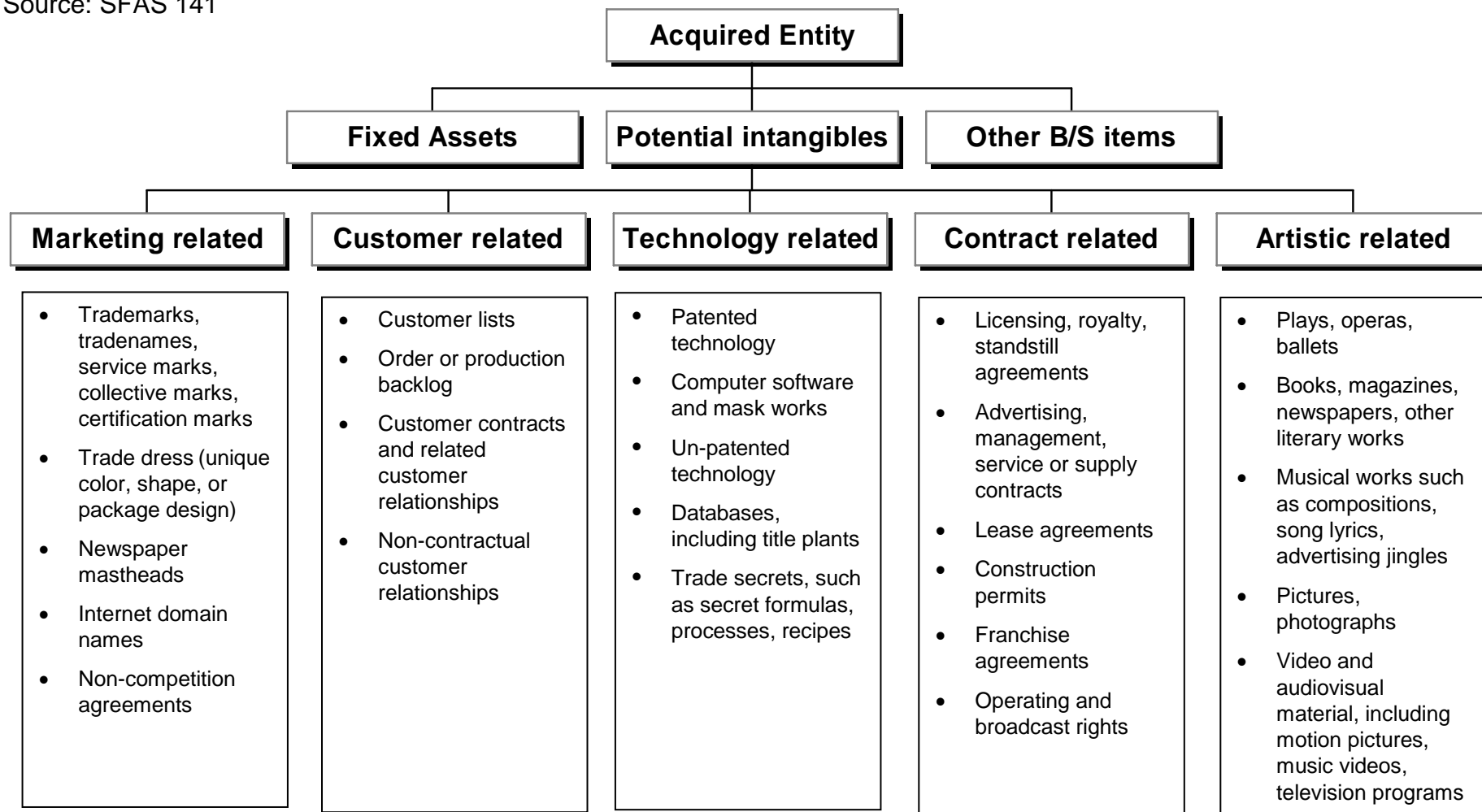
Accounting Guidance

SFAS 142 Step 2 Accounting Guidance

- The second step of the goodwill impairment test compares the implied fair Value of the Reporting Units' goodwill with the carrying amount of that goodwill. In accordance with SFAS 142, the fair value of goodwill can be measured only as a residual and cannot be measured directly. The implied fair value of goodwill shall be determined in the same manner as the amount of goodwill recognized in a business combination is determined under SFAS 141. That is, an entity shall allocate the fair value of the Reporting Units to all of the assets and liabilities of that unit (including any unrecognized intangible assets) as if the Reporting Unit had been acquired in a business combination and the fair value of the Reporting Units was the price paid to acquire the Reporting Unit. The excess of the fair value of the Reporting Units over the amounts assigned to its assets and liabilities is the implied fair value of goodwill.
- That allocation process shall be performed only for purposes of testing goodwill for impairment; an entity shall not write up or write down a recognized asset or liability, nor should it recognize a previously unrecognized intangible asset as a result of that allocation process. If the carrying amount of the Reporting Units' goodwill exceeds the implied fair value of that goodwill, the impairment loss is that excess. The loss recognized cannot exceed the carrying amount of goodwill. After a goodwill impairment loss is recognized, the new accounting basis of the goodwill is based on the implied fair value of the goodwill. Goodwill is not adjusted upward for any subsequent reversal of a previously recognized goodwill impairment loss.
- In identifying the potential intangible assets to be recognized apart from goodwill, we followed the guidance in SFAS 141, paragraph 39. Under SFAS 141, the fair value of intangible assets, including goodwill, should be recognized and measured. The statement defines intangible assets as including "current and non-current assets (not including financial instruments) that lack physical substance." SFAS 141 requires that an acquired intangible asset should be recognized as an asset apart from goodwill if "that asset arises from contractual or other legal rights regardless of whether those contractual or legal rights are separable or transferable from the acquired enterprise. If an intangible asset does not arise from contractual or other legal rights, it shall be recognized that it is an asset apart from goodwill only if it is capable of being separated and sold, transferred, licensed, rented or exchanged." Given this, we determined whether the intangible asset arose from contractual or other legal rights. Secondarily, we determined if any intangible assets that did not meet the criteria of being either contractual or based on legal rights were separable from the business.

Recognizable List of Intangible Assets

Source: SFAS 141



Appendix 3

General Valuation Methodology

General Valuation Methodology

Income Approach

- The term income as used in this approach is a general term that suggests future benefits that can be quantified in the form of expected future cash flows. It does not imply that the Income Approach should be used only with forecasts of net income in the financial reporting sense. Rather, the Income Approach involves two general steps. The first is establishing a forecast of the estimated future net cash flows expected to accrue directly or indirectly to an investor resulting from ownership of the asset or a group of assets. The second step involves discounting these estimated future net cash flows to their present value. The following sample methods are listed in the AICPA IPR&D Practice Aid:

1. *The Multi-Period Excess Earnings Method:* The principle behind this method is that the value of an intangible asset is equal to the present value of the incremental after-tax cash flows attributable only to the subject intangible asset. The incremental after-tax cash flows attributable to the subject intangible asset are then discounted to their present value (after accounting for charges on contributory assets) and are adjusted for the present value of the tax amortization benefit to arrive at the indication of the asset's fair value.

2. *The Relief from Royalty Method:* The underlying premise of the Relief from Royalty Method is that the economic value of the asset is directly related to the amount and timing of the future net cash flows resulting from the asset. A hypothetical construct is used to represent what a firm would be willing to pay to continue to use the asset in business operations if the firm no longer had legal ownership of the asset. Since ownership of the asset relieves the business from being required to make these payments, financial results are improved to the extent the royalty payments are avoided. The hypothetical royalties are discounted to present value and are adjusted for the present value of the tax amortization benefit to arrive at the indication of the asset's fair value.

Market Approach

- The Market Approach is used to estimate value through the analysis of recent sales of comparable assets. However, sales prices of intangible assets seldom are available because intangible assets typically are transferred only as part of the sale of a business, not in piecemeal transactions. Furthermore, because intangible assets are unique to a particular enterprise, comparison between enterprises is difficult. For these reasons, the Market Approach seldom is used and rarely is appropriate in the valuation of intangible assets, unless exchanges of individual assets comparable to the subject asset can be observed.

General Valuation Methodology

Market Approach (Continued)

- The value of a business entity may be estimated by comparing it to publicly-traded companies and/or to publicly-disclosed business mergers and acquisitions in similar lines of business. The value of the business entity is based on pricing multiples of certain financial parameters observed in the comparable companies.

Cost Approach

- The Cost Approach provides a systematic framework for estimating the value of tangible or intangible asset based upon the economic principle of substitution: meaning no prudent investor would purchase an existing asset for more than it would cost to create a comparable asset.
1. *Replacement Cost New*: Represents the current cost of a similar new intangible asset having the nearest equivalent utility as the intangible asset being valued. It generally represents the maximum amount that a prudent investor would pay for an intangible asset. The replacement cost could be derived through the following methods: *Detail, Cost-to-Capacity and Other Engineering Methods*. The Detail Method has been highlighted below as the other methods are less common and more complex.
 - a. *Detail, or Summation, Method*: Requires that a current new cost be assigned to each individual component of an asset. The asset is itemized, or *detailed*, so that the sum of the components reflects the replacement cost new of the asset as a whole.

2. *Replacement cost new less depreciation*: In the event that the intangible asset is less useful than an ideal replacement, as determined under the above methods, the value should be adjusted for depreciation; which includes physical deterioration and different forms of obsolescence, such as: functional, external (i.e. economic) and technological.
3. *Reproduction cost new*: As an alternative to replacement cost (proper starting point under the Cost Approach), reproduction cost would be used where circumstances permit, such as when quantifying the aforementioned forms of obsolescence. Reproduction cost new represents the current cost of reproducing a new replica of the intangible asset being valued using the same, or closely similar, materials, standards, design, layout and quality of workmanship.
 - a. *Trending Method*: Using an index, or trend factor, the asset's historical cost is converted to arrive at an estimated current cost to reflect the movement in price over time.

Weighted Average Cost of Capital (“WACC”) - Theory

- *The Weighted Average Cost of Capital (“WACC”)*: WACC reflects the returns required by both debt and equity investors, weighted by their respective contributions of capital. The conventional formula for deriving the WACC and the associated definitions are presented below:
 - $WACC = K_d * (1-t) * (\% \text{ Debt}) + K_e * (\% \text{ Equity})$
 - > K_d = Pre-tax cost of debt
 - > t = Effective tax rate
 - > % Debt = Debt capital as a percentage of total invested capital
 - > K_e = Cost of equity
 - > % Equity = Equity capital as a percentage of the total invested capital
- *Cost of Debt*: In estimating the cost of debt for use in a WACC estimate the objective is to arrive at an overall estimate of the weighted average cost of debt finance for the company of interest as if it were refinancing all of its debt at the valuation date, consistent with the gearing assumption being used in the WACC calculation. The pre-tax cost of debt is multiplied by the interest-tax shield $(1-t)$ to determine the after-tax cost of debt.
 - After tax cost of debt = $K_d * (1-t)$
- *Cost of Equity*: The cost of equity capital is estimated using the Capital Asset Pricing Model (“CAPM”), which assumes the cost of equity is equal to the return on risk-free securities plus the market risk premium (“MRP”) adjusted for the company’s systematic risk (Beta), plus additional premiums for the company’s size and asset-specific risks. The general formula for the cost of equity is:
 - $K_e = R_f + \text{Beta} * (R_m - R_f) + \text{SSP} + \text{ARP}$
 - > R_f = Risk-free rate of return
 - > Beta = Systematic risk for the company’s equity
 - > $R_m - R_f = \text{MRP}$ = The market’s return premium over the risk free return
 - > SSP = Size premium
 - > ARP = Additional risk premium (company specific)
- *Capitalization*: The assigned weights of each source of capital are estimated using a market-based target capital structure for the subject business enterprise.

Weighted Average Return on Assets (“WARA”)

Introduction

- The Weighted Average Return on Assets (“WARA”) is a measure of after-tax returns that can be performed as a reasonableness check to make sure the selected discount rates utilized in our analysis are supportable and make sense in the context of the overall business.

Selection of Discount Rates

- Concluded discount rates for the intangible assets were selected based on the risk profile of the assets relative to the overall business.
- The following after-tax discount rates were used for each of the assets:
 - Inventory: 9.3%, as it represents the majority of the Reporting Unit’s assets and business
 - Fixed Assets: 5.6%
 - Trade Name: 13.0%
 - Customer Relationship: 13.0%
 - Goodwill: 14%

WARA Indication

- Below is the indicated WARA for the Northeast Reporting Unit:

Assets	Fair Value (000s)	After-Tax Rate of Return	Total Return	Return as % Purchase Price	% Purchase Price
Net Working Capital (Excl. Inventory) ⁽¹⁾	-	4.3%	-	0.0%	0.0%
Inventory (excluding deferred tax asset) ⁽²⁾	459	9.3%	43	7.5%	80.5%
Fixed Assets ⁽³⁾	13	5.6%	1	0.1%	2.2%
Tradename	36	13.0%	5	0.8%	6.3%
Customer Relationship	27	13.0%	3	0.6%	4.7%
Goodwill, including Assembled Workforce ⁽⁴⁾	36	14.0%	5	0.9%	6.3%
Total Estimated Business Enterprise Value	570		57	9.9%	100.0%
Weighted Average Return on Assets				9.9%	
WACC				10.3%	

Value of Tax Savings due to Amortization

- Under Section 197 of the Omnibus Budget Reconciliation Act of 1993, intangible assets acquired in a business combination that result in a step-up in tax basis are amortized for tax purposes on a straight line basis over a 15-year period.
- The inclusion of tax amortization benefits in fair value for purchase price allocations is implicit in Statement of Financial Accounting Standards No. 109 (“SFAS 109”), “Accounting for Income Taxes”, which prohibits assets being stated on the balance sheet “net of tax” and requires assets acquired and liabilities assumed to be stated at their “gross” fair value.
- According to the AICPA Practice Aid on IPR&D, the value of tax amortization benefits associated with intangible assets should be recognized when the purpose of the valuation is to measure fair value for financial reporting purposes as that term is defined under U.S. Generally Accepted Accounting Practices (“GAAP”), including for transactions where the buyer will not be allowed to gross up and amortize the value of purchased intangible assets for income tax purposes (that is, nontaxable business combinations rather than asset purchases).
- The present value of tax savings due to amortization is a straightforward mathematical calculation once one determines the appropriate discount rate. The following formula provides a means by which the tax benefits are captured in the overall value of the amortizable intangible asset.

Section 197 Benefit calculation

$$V = PVC + [V(TR) * (PVF)] / RL$$

where:

- V** = value of the amortizable intangible asset
- PVC** = the present value of the future economic benefits derived from commercial exploitation
- TR** = the effective tax rate
- PVF** = the present value factor for an annuity for the amortization benefits over the remaining life
- RL** = remaining life period (15 years based on Section 197)

Appendix 4

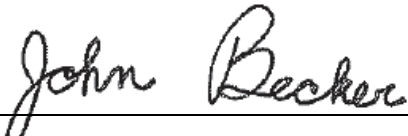
Valuation Certifications and Qualifications

Valuation Practitioners' Representation

- This valuation engagement was performed in accordance with the American Institute of Certified Public Accountants' Statements on Standards for Valuation Services.
- This valuation report and the information contained herein is for MMN Builders' sole benefit and use; this valuation report is not intended to be and should not be used by anyone other than MMN Builders.
- The analyses, opinions, and estimate of value included in this valuation report are subject to the Statement of Assumptions and Limiting Conditions attached hereto.
- The economic and industry data included in this valuation report has been obtained from sources considered reliable and we have not performed any corroborating procedures to substantiate such data.
- Appraisal Professionals' fees are based on the time required by our professionals to complete the engagement. No portion of our fees is contingent upon the consummation of a transaction or any aspects of the services and/or this valuation report.
- Appraisal Professionals has no responsibility or obligation to update this valuation report or the estimate of value contained herein for any information that comes to our attention after the date of the report.

Valuation Certification

I agree with the analyses, opinions, and estimate of value included in this valuation report.



John Becker

Principal

Appraisal Professionals, LLC

The following personnel provided significant professional judgment and conclusions on this engagement. Appraisal Professionals is responsible for the performance of the services.

Kevin Williams

Timothy Simons

Qualifications

John Becker

Biography

John is a principal in Appraisal Professionals' Financial Reporting Valuation business unit. John advises corporate clients on valuations issues related to mergers & acquisitions, impairment testing, and stock-based compensation. In addition, John is a leader in the firm's thought leadership efforts on the financial reporting rules surrounding business combinations and has formulated the key implications and strategic insights for deal principals and various industry participants to consider. In addition, he works closely with the firm's National Office and valuation professionals to understand, interpret and shape the rules, both from a financial reporting as well as a valuation perspective.

John has significant experience and expertise in the consumer products, health sciences, and residential construction industries.

Education

John holds the Chartered Financial Analyst designation and is a member of the American Society of Appraisers. He received his MBA in finance from the University of Maryland and his BA in finance from Columbia University.

Appendix 5

Exhibits

MMN Builders
SFAS 142 Goodwill Impairment Test
SFAS 142 Step 1 Summary

Exhibit I

30-Jun-2007
USD in millions

	Northeast	Southwest
Estimated Enterprise Value ⁽¹⁾	570	2,610
Less: Interest Bearing Debt ⁽²⁾	<u>226</u>	<u>310</u>
Estimated Fair Value of Equity ⁽¹⁾	344	2,300
Carrying Value of Equity ⁽³⁾	<u>405</u>	<u>1,757</u>
Excess / (Deficiency) of Fair Value vs. Carrying Value	(61)	543

Step 1 Test Result	Fail	Pass
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Note(s):

(1) Recommended enterprise value by Appraisal Professionals as of the Valuation date.

See Exhibit III for details.

(2) Provided by Management.

*(3) The carrying value has been provided by Management and is post
SFAS 144 impairments.*

MMN Builders
SFAS 142 Goodwill Impairment Test
SFAS 142 Step 2 Summary

Exhibit II

30-Jun-2007
 USD in millions

	Northeast	
Estimated Fair Value of Equity (from Step 1)	344	A
Add: Estimated Fair Value of Liabilities		
Current Liabilities ⁽¹⁾	11	
Non Current Liabilities ⁽¹⁾	226	
Estimated Fair Value of Liabilities	236	B
Estimated Fair Value of Assets	581	C = A + B
Estimated Fair Value		
Cash ⁽¹⁾	11	
Inventory ^{(2) (3)}	459	
Fixed Assets ^{(1) (4)}	13	
Deferred Tax Assets ⁽⁵⁾	-	
Trade Name ⁽⁶⁾	36	
Customer Relationships	27	
Estimated Fair Value of Assets other than Goodwill	544	D
Estimated Fair Value of Goodwill ⁽⁷⁾	36	E = C - D
Less: Carrying Value of Goodwill ⁽⁸⁾	157	
Estimated Goodwill Impairment	\$ (121)	
% of Goodwill Impaired	77%	

Note(s)

(1) These items were not fair valued as part of the scope of this report.

(2) Provided by Management.

(3) For purposes of this Step 2 analysis, carrying value of inventory (post SFAS 144 adjustments) has been used which was stepped-up by approximately \$60 million, as this market has remained strong among current housing market conditions. Management has performed various sensitivity and related analyses to suggest that the fair value of the inventory is at least equal to its carrying value within all other reporting units.

(4) Management deemed carrying value reasonably reflects fair value.

(5) In Step 2, deferred taxes are estimated to be zero given Management's assumption that a hypothetical sale of the reporting units would be on an asset rather than stock deal basis.

(6) Trade name was valued by Appraisal Professionals based upon information supplied by Management.

(7) Based on a combination of asset and liability values determined by Management and Appraisal Professionals as indicated in these footnotes.

(8) The carrying value of goodwill has been provided by Management.

MMN Builders
SFAS 142 Goodwill Impairment Test
Income and Market Approach Summary

Exhibit III

30-Jun-2007
USD in millions

	Northeast	Southwest
Income Approach ⁽¹⁾	570	2,640
Weighting	75%	75%
Market Approach ⁽²⁾	560	2,510
Weighting	25%	25%
Estimated Business Enterprise Value, Rounded	570	2,610

Note(s):

(1) See Exhibit VI and Exhibit VII for details.

(2) See Exhibit IV for details.

MMN Builders
SFAS 142 Goodwill Impairment Test
Income and Market Approach Summary

Exhibit IV

30-Jun-2007
 USD in millions

	Selected Multiples ⁽¹⁾	Northeast Reporting Unit		Southwest Reporting Unit																	
		Reporting Unit Data	Indicated FMV	Reporting Unit Data	Indicated FMV																
Based on Last Twelve Months																					
EV / Revenue	0.8	\$ 685	\$ 548	\$ 3,189	\$ 2,551																
EV / EBIT	9.0	18	158	305	2,741																
EV / NA	1.1	644	708	1,487	1,636																
Summary Data		<table border="1"> <tr><td>Mean:</td><td>\$ 471</td></tr> <tr><td>Median:</td><td>548</td></tr> <tr><td>High:</td><td>708</td></tr> <tr><td>Low:</td><td>158</td></tr> </table>		Mean:	\$ 471	Median:	548	High:	708	Low:	158	<table border="1"> <tr><td>Mean:</td><td>\$ 2,309</td></tr> <tr><td>Median:</td><td>2,551</td></tr> <tr><td>High:</td><td>2,741</td></tr> <tr><td>Low:</td><td>1,636</td></tr> </table>		Mean:	\$ 2,309	Median:	2,551	High:	2,741	Low:	1,636
Mean:	\$ 471																				
Median:	548																				
High:	708																				
Low:	158																				
Mean:	\$ 2,309																				
Median:	2,551																				
High:	2,741																				
Low:	1,636																				
Estimated Fair Value of Enterprise (Minority, Marketable)			\$ 550		\$ 2,500																
Add: Cash and Equivalents			11		11																
Estimated Fair Value of Total Invested Capital (Minority, Marketable)			561		2,511																
Estimated Fair Value of Total Invested Capital (Minority, Marketable), Rounded			\$ 560		\$ 2,510																

Note(s):

(1) See Exhibit V for details.

MMN Builders
SFAS 142 Goodwill Impairment Test
Market Multiples Summary

Exhibit V

30-Jun-2007

USD in millions

Comparable Company ^{(1) (2) (3)}	Debt and Preferred (less: Cash)	Market Capitalization	Enterprise Value	EV/ Revenue LTM	EV/ EBIT LTM	EV/NA LTM
Pulte Homes Inc.	\$4,633.0	\$5,746.5	\$10,379.5	0.7x	8.9x	1.1x
Lennar Corp.	3,762.7	5,859.5	9,622.2	0.6x	9.9x	1.0x
Centex Corp.	5,567.5	4,817.2	10,384.7	0.9x	N/M	1.3x
KB Home	3,125.8	3,524.0	6,649.8	0.6x	8.8x	1.1x
Toll Brothers Inc.	2,347.8	3,868.9	6,216.7	1.0x	5.8x	1.1x
Median	3,762.7	4,817.2	9,622.2	0.7x	8.8x	1.1x
Mean	3,887.4	4,763.2	8,650.6	0.8x	8.3x	1.1x
Minimum	2,347.8	3,524.0	6,216.7	0.6x	5.8x	1.0x
Maximum	5,567.5	5,859.5	10,384.7	1.0x	9.9x	1.3x
Selected Market Multiples				0.8x	9.0x	1.1x

Note(s):

(1) Financial and market information provided by FactSet.

(2) Companies in the Building Materials industry.

(3) Multiples <0 or >50 considered not meaningful.

MMN Builders
SFAS 142 Goodwill Impairment Test
Discounted Cash Flow (Northeast)

Exhibit VI

30-Jun-2007
 USD in millions ⁽¹⁾

	Fiscal Year Ending March 31,					Normalized Residual Year
	2007	2008	2009	2010	2011	
Revenue	685	548	548	575	604	628
Growth, Year-Over-Year	-24.7%	-20.0%	0.0%	5.0%	5.0%	4.0%
Gross Profit	137	121	121	121	133	138
Gross Profit Margin	20.0%	22.0%	22.0%	21.0%	22.0%	22.0%
Operating Income (EBIT)	18	58	58	56	64	67
EBIT Margin	2.6%	10.7%	10.7%	9.7%	10.7%	10.7%
Tax Expense	7	22	22	21	24	25
Operating Income, After-Tax	11	36	36	34	40	42
Plus: Depreciation and Amortization	6	5	4	4	4	4
Plus: Change in Deferred Taxes and Selected Non-Current Assets	-	-	-	-	-	-
Less: Capital Expenditures	(4)	(3)	(3)	(4)	(4)	(4)
Less: Changes in Net Working Capital	-	-	-	(1)	(1)	(1)
Unlevered Free Cash Flow	13	38	37	33	39	40
Free Cash Flow / Revenue	1.9%	6.9%	4.7%	5.8%	6.4%	6.4%
Partial Period Factor	0.2500	1.0000	1.0000	1.0000	1.0000	
Mid-Year Convention	0.1250	0.7500	1.7500	2.7500	3.7500	
Present Value Factor	0.9879	0.9294	0.8430	0.7646	0.6936	
Present Value of Cash Flow	3	35	31	25	27	
Net Present Value of Total Cash Flows	\$ 121					
Estimated Enterprise Value, Rounded	\$ 570					
Implied Multiple of 2007 EBITDA	4.2x					
Implied Multiple of 2008 EBITDA	4.7x					
Implied ROA (Terminal Year FCF)	7.1%					
Terminal Value Calculation						
Residual Cash Flow						40
Weighted-Avg Cost of Capital (WACC)					10.3%	
Long-Term Growth Rate (g)					4.0%	
Divided by Capitalization Rate (WACC - g)						6.3%
Equals Nominal Residual Value						646
Implied Multiple of 2011E Gross Profit						4.9x
Times PV factor						0.6936
Present Value of Residual Value						448

Note(s):

(1) Financial data based on Management projections.

MMN Builders
SFAS 142 Goodwill Impairment Test
Discounted Cash Flow (Southwest)

Exhibit VII

30-Jun-2007
 USD in millions ⁽¹⁾

	Fiscal Year Ending March 31,					Normalized Residual Year
	2007	2008	2009	2010	2011	
Revenue	3,189	2,551	2,551	2,679	2,813	2,925
Growth, Year-Over-Year	-22.9%	-20.0%	0.0%	5.0%	5.0%	4.0%
Gross Profit	494	421	459	509	534	556
Gross Profit Margin	15.5%	16.5%	18.0%	19.0%	19.0%	19.0%
Operating Income (EBIT)	305	208	247	286	300	312
EBIT Margin	9.6%	8.2%	9.7%	10.7%	10.7%	10.7%
Tax Expense						
	Tax rate					
	38.0%					
Operating Income, After-Tax	189	129	153	177	186	194
Plus: Depreciation and Amortization	20	15	12	12	13	12
Plus: Change in Deferred Taxes and Selected Non-Current Assets	-	-	-	-	-	-
Less: Capital Expenditures	(14)	(11)	(11)	(12)	(12)	(12)
Less: Changes in Net Working Capital	-	-	-	(6)	(7)	(6)
Unlevered Free Cash Flow	195	134	154	172	180	188
Free Cash Flow / Revenue	6.1%	5.2%	6.6%	6.4%	6.4%	6.4%
Partial Period Factor	0.2500	1.0000	1.0000	1.0000	1.0000	
Mid-Year Convention	0.1250	0.7500	1.7500	2.7500	3.7500	
Present Value Factor	0.9879	0.9294	0.8430	0.7646	0.6936	
Present Value of Cash Flow	48	124	130	131	125	

Net Present Value of Total Cash Flows \$ **558**

Estimated Enterprise Value, Rounded \$ **2,640**

Implied Multiple of 2007 EBITDA 5.3x
Implied Multiple of 2008 EBITDA 6.3x
Implied ROA (Terminal Year FCF) 7.1%

Terminal Value Calculation

Residual Cash Flow		188
Weighted-Avg Cost of Capital (WACC)	10.3%	
Long-Term Growth Rate (g)	4.0%	
Divided by Capitalization Rate (WACC - g)		6.3%
Equals Nominal Residual Value		3,006
<i>Implied Multiple of 2011E Gross Profit</i>		5.6x
Times PV factor		0.6936
Present Value of Residual Value		2,085

Note(s):

(1) Financial data based on Management projections.

MMN Builders
SFAS 142 Goodwill Impairment Test
Weighted-Average Cost of Capital
Industry Forward Beta

30-Jun-2007
 USD in millions

Assumptions

	Value	Source
Risk-Free Rate (Rf)	5.2%	20-Year U.S. Treasury Bond as of June 30, 2007
Pretax Cost of Debt (i)	7.6%	Moody's Baa Interest Rate plus 100 basis points, based upon discussion with Management, as of June 30, 2007
Equity Risk Premium (Rp)	5.0%	Based upon (i) work done by Ibbotson Associates, Inc. in the widely published Stocks, Bonds, Bills, and Inflation yearbooks; (ii) studies of academic financial economists; (iii) a survey of pension and endowment executives; and (iv) our informed judgment.
Company Specific Risk Premium (Ssp)	2.0%	Based on industry factors and discussions with Management
Effective Tax Rate (t)	38.0%	Effective tax rate provided by Management.
Relevered Beta (B)	1.53	Industry Barra Beta (see analysis below)
Target Industry Debt as % of Total Capital	45%	Industry Mean, Rounded
Target Industry Mkt. Cap. as % of Total Capital	55%	Industry Mean, Rounded
Target Industry Debt / Equity	82.0%	Industry Mean, Rounded

Company ⁽⁵⁾	Ticker	Debt and Preferred (ex Cash)	Market Capitalization	Total Capital	Debt / Mkt Cap	Debt / Capital	Tax Rate	Beta	Unlevered Beta ⁽¹⁾	Relevered Beta ⁽²⁾
Pulte Homes Inc.	PHM	4,633.0	5,746.5	10,379.5	80.6%	44.6%	41.5%	1.63	1.11	1.67
Lennar Corp.	LEN	3,762.7	5,859.5	9,622.2	64.2%	39.1%	38.3%	1.22	0.87	1.32
Centex Corp.	CTX	5,567.5	4,817.2	10,384.7	115.6%	53.6%	28.6%	1.79	0.98	1.48
KB Home	KBH	3,125.8	3,524.0	6,649.8	88.7%	47.0%	36.2%	1.27	0.81	1.22
Toll Brothers Inc.	TOL	2,347.8	3,868.9	6,216.7	60.7%	37.8%	36.4%	1.82	1.31	1.98
Average		3,887.4	4,763.2	8,650.6	82.0%	44.4%	36.2%	1.55	1.02	1.53

Weighted Average Cost of Capital

	Required Return	Weighting	WACC
Cost of Debt ⁽³⁾	4.7%	45%	2.1%
Cost of Equity ⁽⁴⁾	14.9%	55%	8.2%
			10.3%

Weighted Average Cost of Capital **10.3%**

Note(s):

(1) $Unlevered\ Beta = Beta\ (Observed) / [(1 + D/E) (1 - t)]$

(2) $Relevered\ Beta = Unlevered\ Beta * [1 + D/E (1 - t)]$

(3) $Cost\ of\ Debt = i * (1 - t)$

(4) $Cost\ of\ Equity = Rf + B (Rp) + Ssp$

(5) Market and financial data from FactSet, YahooFinance, Bloomberg

MMN Builders
SFAS 142 Goodwill Impairment Test
Weighted-Average Return on Assets (Northeast)

Exhibit IX

30-Jun-2007

USD in millions

Assets	Fair Value (000s)	After-Tax Rate of Return	Total Return	Return as % Purchase Price	% Purchase Price
Net Working Capital (Excl. Inventory) ⁽¹⁾	-	4.3%	-	0.0%	0.0%
Inventory (excluding deferred tax asset) ⁽²⁾	459	9.3%	43	7.5%	80.5%
Fixed Assets ⁽³⁾	13	5.6%	1	0.1%	2.2%
Tradename	36	13.0%	5	0.8%	6.3%
Customer Relationship	27	13.0%	3	0.6%	4.7%
Goodwill, including Assembled Workforce ⁽⁴⁾	36	14.0%	5	0.9%	6.3%
Total Estimated Business Enterprise Value	570		57	9.9%	100.0%
Weighted Average Return on Assets				9.9%	
WACC				10.3%	

Note(s):

(1) The rate of return on NWC is based on the 3 month LIBOR rate as of the Valuation Date.

(2) Carrying value of inventory (post SFAS 144 adjustments) has been provided by Management.

Inventory rate of return is based on a financing mix of 70% Equity and 30% Corporate Baa Debt at a rate of 7.6% as of the Valuation Date.

Deferred tax assets have been excluded as it is assumed that a hypothetical sale of the reporting

(3) Management deemed carrying value reasonably reflects fair value. The rate of return on Fixed Assets is based on the Corporate

Baa Debt rate as of the Valuation Date plus a 2% premium.

(4) Assembled Workforce is recognized as part of Goodwill.

MMN Builders
SFAS 142 Goodwill Impairment Test
Tax Amortization Benefit Calculation (Northeast)

Exhibit X

30-Jun-2007

USD in millions

Year	Period	Amortization	Tax Rate	Disc. Rate	PV Factor	Tax Benefit Factor
1	0.5	6.7%	38.0%	10.3%	0.95	0.0241
2	1.5	6.7%	38.0%	10.3%	0.86	0.0219
3	2.5	6.7%	38.0%	10.3%	0.78	0.0198
4	3.5	6.7%	38.0%	10.3%	0.71	0.0180
5	4.5	6.7%	38.0%	10.3%	0.64	0.0163
6	5.5	6.7%	38.0%	10.3%	0.58	0.0148
7	6.5	6.7%	38.0%	10.3%	0.53	0.0134
8	7.5	6.7%	38.0%	10.3%	0.48	0.0122
9	8.5	6.7%	38.0%	10.3%	0.44	0.0111
10	9.5	6.7%	38.0%	10.3%	0.40	0.0100
11	10.5	6.7%	38.0%	10.3%	0.36	0.0091
12	11.5	6.7%	38.0%	10.3%	0.33	0.0082
13	12.5	6.7%	38.0%	10.3%	0.30	0.0075
14	13.5	6.7%	38.0%	10.3%	0.27	0.0068
15	14.5	6.7%	38.0%	10.3%	0.24	0.0062
Total:		100.0%				0.1995

Step Up: 25%

30-Jun-2007
USD in millions ⁽¹⁾

		Fiscal Year Ending March 31,												
		2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Revenue		\$685	\$548	\$548	\$575	\$604	\$634	\$666	\$699	\$734	\$771	\$810	\$850	\$893
		-24.7%	-20.0%	0.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Royalty Rate		0.75%	0.75%	0.75%	0.75%	0.75%	0.75%	0.75%	0.75%	0.75%	0.75%	0.75%	0.75%	0.75%
Pre-Tax Royalties		5	4	4	4	5	5	5	5	6	6	6	6	7
Income Taxes	38.0%	2	2	2	2	2	2	2	2	2	2	2	2	3
After-Tax Royalties		3	3	3	3	3	3	3	3	3	4	4	4	4
Partial Period Factor		0.7500	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000
Mid-Year Convention	Discount Rate	0.3750	1.2500	2.2500	3.2500	4.2500	5.2500	6.2500	7.2500	8.2500	9.2500	10.2500	11.2500	12.2500
Present Value Factor	13.0%	0.9552	0.8583	0.7596	0.6722	0.5949	0.5264	0.4659	0.4123	0.3648	0.3229	0.2857	0.2529	0.2238
Present Value of Cash Flow		2	2	2	2	2	2	1	1	1	1	1	1	1
Sum of Present Values of Cash Flows		29												
Plus: Tax Amortization Benefit		7												
Indicated Fair Value of Trade Name		36												
Estimated Fair Value of Trade Name, Rounded		\$ 36												

Note(s):
(1) Financials based on Management projections.

30-Jun-2007
USD in millions ⁽¹⁾

		Fiscal Year Ending March 31,																	
		2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037
Revenue		\$937	\$984	\$1,033	\$1,085	\$1,139	\$1,196	\$1,256	\$1,319	\$1,385	\$1,454	\$1,527	\$1,603	\$1,683	\$1,767	\$1,856	\$1,948	\$2,046	\$2,148
	Growth	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Royalty Rate		0.75%	0.75%	0.75%	0.75%	0.75%	0.75%	0.75%	0.75%	0.75%	0.75%	0.75%	0.75%	0.75%	0.75%	0.75%	0.75%	0.75%	0.75%
Pre-Tax Royalties		7	7	8	8	9	9	9	10	10	11	11	12	13	13	14	15	15	16
Income Taxes	38.0%	3	3	3	3	3	3	4	4	4	4	4	5	5	5	5	6	6	6
After-Tax Royalties		4	5	5	5	5	6	6	6	6	7	7	7	8	8	9	9	10	10
Partial Period Factor		1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000
Mid-Year Convention	Discount Rate	13.2500	14.2500	15.2500	16.2500	17.2500	18.2500	19.2500	20.2500	21.2500	22.2500	23.2500	24.2500	25.2500	26.2500	27.2500	28.2500	29.2500	30.2500
Present Value Factor	13.0%	0.1980	0.1752	0.1551	0.1372	0.1214	0.1075	0.0951	0.0842	0.0745	0.0659	0.0583	0.0516	0.0457	0.0404	0.0358	0.0317	0.0280	0.0248
Present Value of Cash Flow		1	1	1	1	1	1	1	1	0	0	0	0	0	0	0	0	0	0

Note(s):
(1) Financials based on Management projections.

MMN Builders
SFAS 142 Goodwill Impairment Test
Customer Relationship (Northeast)

Exhibit XII

30-Jun-2007
 USD in millions ⁽¹⁾

		Fiscal Year Ending March 31,				
		2007	2008	2009	2010	2011
Revenue without attrition		205.5	211.6	218.0	224.5	231.3
Growth, Year-Over-Year			3.0%	3.0%	3.0%	3.0%
Annual Probability of Retention	75.0%	81.3%	60.9%	45.7%	34.3%	25.7%
Probability Adjusted Revenue		166.9	129.0	99.6	77.0	59.5
Gross Profit		42.2	33.7	25.9	20.2	15.7
Gross Profit Margin		25.3%	26.1%	26.0%	26.3%	26.4%
Operating Income (EBIT)		24.4	19.3	14.9	11.5	8.9
EBIT Margin		14.6%	15.0%	15.0%	15.0%	15.0%
Addback: SG&A related to capturing new customers	5.0%	8.3	6.4	5.0	3.8	3.0
Pre-tax Income		32.7	25.8	19.9	15.4	11.9
Tax Expense	38.0%	12.4	9.8	7.6	5.8	4.5
Operating Income, After-Tax		20.3	16.0	12.4	9.5	7.4
After-tax Capital Charges	<u>% of revenue</u>					
Inventory	6.23%	10.4	8.0	6.2	4.8	3.7
Fixed Assets	0.10%	0.2	0.1	0.1	0.1	0.1
Tradenname	0.47%	0.8	0.6	0.5	0.4	0.3
Workforce	0.07%	0.1	0.1	0.1	0.1	0.0
Unlevered Free Cash Flow		8.8	7.1	5.5	4.3	3.3
Free Cash Flow / Revenue		4.3%	3.4%	4.7%	1.9%	1.4%
Partial Period Factor		0.7500	1.0000	1.0000	1.0000	1.0000
Mid-Year Convention		0.3750	1.2500	2.2500	3.2500	4.2500
Present Value Factor	Discount Rate	0.9552	0.8583	0.7596	0.6722	0.5949
Present Value of Cash Flow	13.0%	6.3	6.1	4.2	2.9	2.0
Sum of Present Values of Cash Flows		21.5				
Plus: Tax Amortization Benefit		5.3				
Indicated Fair Value of Order Backlog		26.8				
Estimated Fair Value of Customer Relationship, Rounded		27				

Note(s):

(1) Financial data based on Management projections.

MMN Builders
SFAS 142 Goodwill Impairment Test
Workforce (Northeast)

Exhibit XIII

30-Jun-2007
 USD in thousands

Position (1)	Replacement Cost Per Worker (Pre-Tax)				Number of Employees	Total Replacement Cost	Employee Details		
	Hiring Costs	Training Expenses	Lost Productivity	Total Cost Per Worker			Yr. Burdened Compensation	Starting Productivity	Months to 100% Productivity
Executives	48	12	35	94	2	188	218.1	50%	6.0
Managers	19	6	28	53	11	580	82.0	25%	6.0
Construction Workers	10	4	10	25	144	3,528	32.6	10%	3.0
					157	4,296			
Tax Expense		38%				1,633			
Value of After-Tax Replacement Cost						2,664			
Plus: Tax Amortization Benefit						664			
Estimated Fair Value of Workforce, Rounded						3,327			

Note(s):

(1) Based on data provided by Management.

MMN Builders

Exhibit XIV

**SFAS 142 Goodwill Impairment Test
Contributory Asset Charges (Northeast)**

30-Jun-2007
USD in millions

Projected FY2007 Revenue \$ 685
Tax Rate 38.0%

Asset	Fair Value	Return On (after-tax)	Capt'l Charge (after-tax)	Charge, % Rev. (after-tax)	Royalty Rate Valuation	Royalty Rate (after-tax)	Capital Charge Selected
Inventory ⁽¹⁾	459	9.3%	43	6.23%			6.23%
Fixed Assets ⁽²⁾	13	5.6%	1	0.10%			0.10%
Trade name					0.75%	0.47%	0.47%
Workforce	3	14.0%	0	0.07%			0.07%
TOTAL	475		44	6.40%			6.87%

Note(s):

(1) Inventory fair value is reasonably approximated by carrying value, and its rate of return is based on a financing mix of 70% Equity and 30% Corporate Baa Debt at a rate of 7.6% as of the Valuation Date.

(2) Management deemed carrying value reasonably reflects fair value. The rate of return on Fixed Assets is based on the Corporate Baa Debt rate of 6.6% as of the Valuation Date plus a 2% premium.