



Zaio ends year on high note.

Attendees of the first annual Zaio Summit received a full briefing on some of the Company's latest initiatives. Held in Las Vegas in late November, the Summit followed the largest appraisal conference in the U.S., Valuation 2007. Presentations focused on Zone sales, photography and new Zaio technology along with an introduction to the national sales team and their presentation of a number of sales support tools.

We invite you to read more about Zaio Chief Executive Officer Thomas Inserra's address to Valuation 2007 delegates in "*Appraisers rally around Zaio solution*", learn more about Zaio's sales initiatives in "*Tuning up the marketing machine*," or choose from one of the other topics of interest from the menu on the right.

Issues, past or future?

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If you have questions, comments or suggestions for future newsletters, your input and ideas are always welcome. Please email newsletter@zaio.com.

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ON THE HORIZON

Appraiser Zone Sales Meetings

Our schedule is constantly being updated. To view our current program, please visit our website: <http://www.zaio.com/Events/>

Need more info?

For details on upcoming events, please email brad@zaio.com, johnr@zaio.com or Jeffvancamp@zaio.com.

ZAIO: A QUICK SNAPSHOT

No other company in the world can match Zaio's comprehensive, up-to-date database of real-estate appraisal data.

Because Zaio's appraisals are conducted in advance, and updated regularly by local experts, Zaio has solved the two biggest challenges facing the lending and mortgage-backed securities industries today: the need for instant access to information, and the need for accurate evaluations based on unbiased information and local, professional input.

In seconds, the GeoScore™ appraisal provides clients with a comprehensive, integrated analysis of any property in a given area. This includes a current exterior photograph, recent comparable sales with photos, site-verified property data, facts on relevant local market issues and trends, plus the opinions of local professionally licensed appraisers who have viewed the property, complete with their digitized signatures.

The potential is truly breathtaking. By tapping Zaio's technology, lenders, agents and appraisers can do their jobs far more efficiently and cost-effectively. For our expanding network of local photographers and appraisers, it's an opportunity to participate in a unique business venture through revenue sharing.

Zaio Corporation is a Canadian public company. Our shares trade on the TSX Venture Exchange under the symbol ZAO. Zaio Corporation stock is also available in the U.S. under the trading symbol ZAOFF.

APPRAISERS RALLY AROUND ZAIO SOLUTION

Valuation 2007 Conference spotlights need for unbiased approach

Zaio was the lead sponsor of the largest appraisal conference in the U.S – Valuation 2007 – held in Las Vegas, November 12 to 14, 2007. Zaio had a strong presence with a captivating display and numerous company representatives on hand to meet and greet the more than 400 appraisers and lenders attending the event.

The conference was topical, amid daily reports of turmoil in the industry and lender pressure biasing appraisals. In his presentation to conference delegates, Zaio Chief Executive Officer Thomas Inserra told appraisers, "We need to be part of the solution."

Inserra is uniquely qualified to speak to the current market crisis. As the former National Chief Appraiser of the FDIC, based in Washington DC, he was part of the team charged with the task of solving the last mortgage crisis from 1990 to 1995.

"Our industry requires objective, accurate, timely appraisals," Inserra says. "Right now, 160,000 licensed appraisers have a vested interest in going along with what the lender wants. But appraisers need to be impartial. This is the only way we're going to solve the current crisis. This is not a new idea. Companies like the Credit Bureau have already solved the problem. The Credit Bureau provides credit reports instantly – accurate, timely and without bias.

The recently introduced mark-to-market pricing underscores the need for a new system. Lenders must go to market and value assets based on the market in real time. Zaio's tools and technology are a perfect fit for this real-time approach.

In his presentation, Inserra reminded delegates: "At Zaio, we are using technology for the benefit of appraisers, in full compliance with Uniform Standards of Professional Appraisal Practice (USPAP). We give appraisers the tools to do more market research than they've ever dreamed of. This is what sets our appraisers apart. Each appraiser adds value; you review the property, whereas an AVM (Automated Valuation Module) does not. You can complete with AVMs using a lot more analysis than you've ever done before."

Following the conference, Zaio hosted its first-ever national Summit. Attended by 230 Zone appraisers, the event kicked off with a gala reception during which the Company introduced a number of sales support tools for Zone owners. The evening gala was followed the next day by an intensive day-long seminar.

Throughout the day, Zone appraisers were given an opportunity to share ideas and information with their counterparts from across the country. They also received a full briefing on the Company's technological advances, which will significantly enhance their ability to quickly and accurately carry out their valuation work in the Zones.

Zaio RECORDS STRONG FINANCIAL RESULTS

Multiple revenue streams take quarterly results to new heights

On November 19, 2007, Zaio reported third-quarter revenues of \$4.9 million. On a quarter-over-quarter basis, this represents an increase of 188% or \$3.2 million. Year over year, the increase is significant, as only \$51,000 was recorded in the same quarter in 2006.

"Revenues were up in the third quarter, and are expected to rise again this quarter, largely because we have more revenue streams," says Zaio Chief Financial Officer Rod Mitton. A number of transactions contributed to the notable increase. The third quarter marked the first time that deferred revenue from the sale of Zones migrated into the new revenue category. It was also the first quarter that reflected income from the purchase of Kirchmeyer & Associates, Inc., Real Info Inc. and Virtual Imaging Corporation.

To understand the impact on ongoing operations, let's quickly review how Zaio earns revenues. It is important to note that while the Company's revenues are reported in Canadian dollars, all revenues and most expenses are realized in U.S. dollars.

Zone License Fees

Zaio earns revenue from appraisal Zone license fees. Each Zone licensee pays a nominal administration fee when they purchase a Zone as compensation for recovery of the Company's costs incurred to initiate the contract. This fee – typically US\$500 – is recognized as revenue at the time the license agreement is signed. The balance is recorded as revenue once the licensee has been supplied with photographs and property data for their Zones. The current cost of an individual Zone is US\$9,800. The Zaio Zone license fee has gradually increased from US\$5,000 in 2005, with discounts available for multiple purchases.

In the third quarter, the Company concluded the photography and data-matching process and began handing Zones back to Zone appraisers, allowing them to begin their process of inspecting homes and preparing their appraisal reports. This important transition will continue to accelerate during 2007 and into next year until all Zones sold have been integrated and returned to the appraisers. As Zaio and its Zone appraisers populate the database with fully completed appraisals, interest in this database, by lenders throughout the nation, and the corresponding revenues generated from this database are expected to grow. During the quarter, Zaio handed over photographs and data for 127 Zones to appraisers for completion of the valuation process, representing \$713,000 in revenue. A further \$115,000 was included in revenue from deposits made on the sale of 204 Zones during the quarter.

Traditional Appraisal Products

Zaio's primary source of revenue – which is recurring – is generated through the sale of appraisals, photographs and other valuation products. Zaio generated revenues of \$4.1 million during the third quarter from its various business units. About 50% of these recurring revenues came from the acquisition of Kirchmeyer & Associates, which closed on July 16, 2007, with the balance coming from Realink, acquired in April 2007, as well as a month of revenue from Virtual Imaging, which was acquired in late August 2007.

According to Chief Executive Officer Thomas Inserra, "The strategic acquisitions made during the first nine months of this year have provided significantly more resources to accelerate our growth. Today, Zaio is able to deliver a full range of valuation services in all 50 states. These acquisitions have provided immediate relationships with over 400 institutional clients ordering a range of valuation services that are generating significant recurring revenues for the Company."

"The increase in revenues is significant only to the extent that investors value a company on the basis of revenues and not necessarily activity," added Mitton. The transfer of funds from deferred to earned revenue is just one of four tracking mechanisms; rate of photography, Zone sales and the rate at which Zones are appraised being the other three.

At the end of the quarter, Zaio had sold a total of 1,300 of the estimated 7,500 Zones available across the country; and there are currently in excess of 14 million photos in the database. Mitton says management would like to significantly increase the rate of photography. "It's the foundation upon which we've built our business model. Prior to the Christmas and New Year holidays we were at 100,000 photographs/day and we're looking to double that sometime next year." A substantial portion of the proceeds from the recently closed \$15 million private placement will be used to accelerate photography and data-gathering operations.

GETTING INTO THE ZONES

Multi-pronged marketing and communications program boosts Zone sales

Zaio continues to maintain a full schedule of on-site sales events and presentations to the appraisal community, as well as hosting an interactive appraiser sales webinar that allows a large number of individuals from around the country to participate in meetings and presentations via the Internet.

"Our marketing efforts, along with widespread media relating to industry conditions, have resulted in increased interest among appraisers and lenders and has in turn led to a significant increase in inquiries to our call center," says Thomas Inserra, Zaio's Chief Executive Officer.

According to Zaio Vice President, Sales and Strategy John Ross, "Most callers want to know how we're going to get this done because it's such a massive concept. Potential Zone appraisers like to talk to appraisers already signed onto the Zaio concept. They like to know what our plans are and the status of photography and data-matching. Often they want to get involved, but want timing to coincide with photography start-up."

Appraisers considering the purchase of a Zone are encouraged to check the Zaio website or to speak with one of our sales representatives. An early commitment allows you to become familiar with the Zone appraisal software and assures you access to the territory you know best.

In the past several months, Zaio has introduced a number of initiatives to support our sales team, supplying them with sales statistics, demographic information and local market knowledge to better demonstrate the power of our database in our presentations. "The depth of our database is impressive, and demonstrating its strength to potential appraisers gets their attention," says Ross.

Area Development Officer (ADO) Program

An ADO is a Zone owner who has responsibility for sales, support, and recruitment within a defined geographic area. Typically ADOs own 10+ Zones and often have a high profile in their markets. By virtue of their investment they have a vested interest in learning what is available and helping to sell Zones. According to Ross, "Typically, the ADO knows who is in the market and who should be involved, and helps us set up sales meetings."

The ADO is responsible for hiring photographers and working with area appraisers to ensure the concept is efficiently deployed in their market.

Own Your Home Zone

"By identifying appraisers who live or work in or near Zones available for sale, we've been able to increase our direct-mail response rate to 25 to 30%," says Ross. The Own Your Home Zone program has been mobilized in 15 to 20 markets so far. To date about 9,000 letters have been distributed, resulting in 2,200 to 2,300 responses. As a point of interest a typical addressed direct mail program can expect to receive a 2 – 5% response rate.

According to program coordinator Jeff Maciejko, by drawing on the power of our network we've been able to increase the response rate. "Using our database, we can match potential appraisers to Zones available for sale in their area and invite them to contact their local Area Development Officer (ADO) for more information," says Maciejko. All expressions of interest are followed up by the local ADO or a member of Zaio's Zone sales team.

Zone Owner Challenge

At the recent Zaio Summit, Ross put the challenge out to all Zone appraisers to refer individuals who would be a good fit as Zaio Zone appraisers. "Our incentive program offers Zone owners a gift certificate if someone they refer signs on as a Zone owner," Ross says. "So far, we've received a good response from appraisers."

Call Center

Staff members at the Zaio call center in Tempe, Arizona support our sales efforts by proactively contacting potential Zone appraisers and alerting them to Zone sales meetings in their area. The three-person call center is also instrumental in introducing appraisers to the Zaio concept; when appropriate, potential appraisers are invited to participate in a webinar or go online to learn more about Zaio.

In addition to serving as an information source, the call center is the point of contact when one of the executives is unavailable to take a call first-hand.

Direct Sales Team

Sales representatives are responsible for establishing and building the Zone appraisal relationship, drawing on their local knowledge to ensure that information is relevant to potential Zone owners in the area. Four of our six regional sales representatives are Zone owners themselves; the other two members of the team are employed by Zaio.

Large Zone Purchase Program

Headed by John Ross, the Large Zone Purchase Program is dedicated to acquainting large firms with the Zaio concept: who we are and what we can do for them. Ross has taken the lead on this initiative by capitalizing on his industry contacts and identifying the firms most qualified to join the Zaio network. From Tampa to Kansas City, several well-known and sizeable firms have recognized the value of the Zaio concept and have signed on in a big way.

We plan to continue our aggressive expansion program and are seeking first-class appraisers to work with us in dozens of Zones in several cities. If you're interested in exploring the opportunities in your region, please contact John Ross at jross@zaio.com or 1-815-861-2433.

TUNING UP THE MARKETING MACHINE

Zaio out to broaden its national client base

"The beauty of Zaio is that we have a current suite of services to sell," says Jim Kirchmeyer, Zaio's Chief Marketing Officer. "Through the acquisitions of Realink, Virtual Imaging Corporation, Kirchmeyer & Associates and Real Info, we have acquired an established client base and an existing range of traditional appraisal products. We are uniquely positioned to capture everything from photos, AVMs (Automated Valuation Models) to drive-bys to full appraisals. So as a national sales force we are out there now selling existing services to lender clients."

Since joining Zaio as part of the Kirchmeyer acquisition, Kirchmeyer has concentrated on building Zaio's national sales force. In November, the executive team met in Tempe, Arizona to develop the national sales and marketing strategy and identify focal points for Zaio's sales efforts. "As a result, we are currently working on establishing solid relationships with the top 25 lenders in the country," he says. "Collectively within Zaio, we have some kind of personal contact with each of them where we can start the process."

Zaio has reached a stage in its evolution where it is becoming a serious player in national markets. "We are increasingly being asked to compete in major national RFPs (Requests for Proposal) for valuation and appraisal work," says Kirchmeyer. "We've also received interest from several national lenders interested in trying Zaio's GeoScore™ appraisal. The challenge operationally is to deliver live Zones as quickly as possible. We need to get a program on the street so lenders can start trying it out."

At the first annual Zaio Summit in November, Zaio Chief Executive Officer Thomas Inserra told appraisers that the Company has sold 20% of the total available Zones, representing 50 to 65% of the lending volume in America. "In the next 12 to 18 months, we will have in place a huge geographic footprint," he says. "Collectively, we can penetrate a market that as individual appraisers, we'd never be able to access or address. In addition, by joining forces with Zaio, appraisers have a chance to fundamentally change the way appraisal services are provided to lenders around the country."

At the local level, Zaio has developed a series of news release templates and customizable product brochures that will allow appraisers to quickly and easily market and promote Zaio in their local markets.

MUNICIPALITIES STAND TO PROFIT FROM ZAIO DATABASE

Accuracy and speed help set county records straight

The considerable inaccuracy in existing municipal property databases has the potential to create yet another niche-marketing opportunity for Zaio and its network of local professional appraisers.

Before Zaio hands over photographs and property data to its Zone appraisers, the data is verified, checked and matched to the corresponding photos. The data is then site-verified by an experienced appraiser. It has become obvious through this process that a large number of municipal property records are incorrect.

In a test of over 12,000 parcels of data from a southwestern U.S. sample zip code, Zaio documented corrections to over 60% of the public records. Zaio Chief Executive Officer Thomas Inserra noted that these corrections were identified during the Zaio licensed appraiser site visits by comparing their documented field results with publicly available property data. Errors ranged from simple typographical corrections to differences that are material to the tax revenue base.

Much of the inaccuracy can be attributed to outdated material. County assessors typically visit properties on a cycle that can be as infrequent as once every five years.

The Zaio solution offers local municipalities a cost-effective alternative to their traditional valuation methods. For a reasonable fee, Zaio will provide local tax authorities with a photo of each home, in addition to site-verified (corrected) property data. The fee is, of course, shared with the local Zone owner per the revenue-sharing agreement. Using Zaio's accurate, up-to-date information, local authorities can better assess property taxes.

Zaio's GeoScore™ appraisal is available to both the local tax authority and to a homeowner who wishes to confirm their property value and ensure fair treatment. Additionally, if the property value is disputed, either party can purchase a comprehensive appraisal from Zaio.

THE LATEST ZAIO NEWS

Links to recent news releases

Zaio closes \$15 million private placement:

http://www.zaio.com/PDF/PressRelease/Zaio_Private_Placement_Close_Dec_18_2007.pdf

Zaio announces \$15 million private placement:

http://www.zaio.com/PDF/PressRelease/Zaio_PR_PP_Dec_6_2007.pdf

Zaio appraisal process and USPAP:

http://www.zaio.com/PDF/PressRelease/Zaio_and_USPAP_Final_Report_by_Danny_Wiley_10-23-07.pdf

Zaio releases third quarter 2007 financial results – revenues almost triple from prior quarter:

http://www.zaio.com/PDF/PressRelease/ZaioPressRelease11202007_1.pdf

Zaio Corporation announces third quarter results conference call details:

http://www.zaio.com/PDF/PressRelease/ZaioPressRelease11192007_1.pdf

Zaio announces Q3 conference call schedule – offers insights to current industry conditions:

http://www.zaio.com/PDF/PressRelease/ZaioPressRelease11122007_1.pdf

Zaio announces results of compliance evaluation:

http://www.zaio.com/PDF/PressRelease/ZaioPressRelease103007_1.pdf

Zaio surpasses photography goal:

http://www.zaio.com/PDF/PressRelease/ZaioPressRelease101807_1.pdf

ZAIO IN THE HEADLINES

A selection of third-party news articles featuring Zaio

We would like to thank Valuation Review and October Research Corporation Founder and Publisher Joe Casa for allowing us to reprint these stories:

CONSULTANT CONFIRMS ZAIO'S USPAP COMPLIANCE

Zaio recently retained Danny Wiley, a Tennessee appraiser and former chairman of the Appraisal Standards Board, to review the company's product and its USPAP compliance. Check out our special report for his conclusions.

(10/30/2007)

Zaio Corp. and its U.S.-based subsidiary, Zaio Inc., announced the conclusions of a leading national expert who recently conducted an independent compliance evaluation of Zaio appraisal products.

Zaio had retained **Danny Wiley**, former chairman of the Appraisal Standards Board (ASB), to review the company's product and its USPAP compliance.

Wiley completed six years of service as a Member of the ASB, including three years as chairman. He is no longer affiliated with the ASB and his Zaio assessment was conducted in his capacity as an independent consultant.

The objective of Wiley's assessment was to conduct an independent evaluation of the technology, processes, and appraisal report outputs to determine the overall USPAP compliance when Zaio technology is used by properly licensed and certified appraisers to develop and report appraisal results.

Since state licensed and certified real estate appraisers use Zaio's patent-pending technology and proprietary business processes to develop and report appraisal results to clients, Zaio thought it would be prudent to obtain third-party verification of USPAP compliance.

"After a thorough review conducted over the past several months, I confirm that, if used properly by the licensed appraiser, the work performed by the appraiser along with the information contained within the report will fully comply with all USPAP appraisal standards, including USPAP Standard 1 and Standard 2," Wiley said.

Wiley added that since Zaio appraisers inspect large volumes of homes, some have incorrectly assumed that that the reports should be classified as mass appraisals and be governed under Standard 6 of USPAP.

"However, that is not correct. My evaluation concluded that the objective is for Zaio appraisers to arrive at a defensible, independently supported USPAP compliant appraisal for each individual property, rather than valuing an entire universe of properties, and thus Standard 6 does not apply," he said.

Additionally, Wiley noted there had been some question about the scope of work performed by a Zaio appraiser and the "intended use" and "intended user" of the reporters. There also were concerns because inspection occurs prior to the transaction.

"In my opinion the Zaio process and resulting valuation products fully comply with the USPAP requirements for development and reporting of all of these items," he said.

"The favorable conclusions of this third-party review provides lenders, Realtors, loan securitizers, appraisers and other clients with the confirmation they need that the appraisals produced by licensed appraisers using Zaio technology do fully comply with USPAP appraisal standards," said Thomas J. Inserra, CEO of Zaio.

Zaio Clicks on Deal with PropertyShark.com

Under terms of the agreement, PropertyShark.com has the ability to access, utilize and sell Zaio photos to its subscribers. Read on to find out more about the deal and Zaio's latest efforts. (10/22/2007)

Zaio Corp. announced late last week it surpassed its goal of taking 100,000 property photos per day and took the wraps off a photo licensing deal with PropertyShark.com.

Over the past work week, Zaio took approximately 503,000 photos for an average of more than 100,000 photos per day. With new photographers being trained every week, the company said in a press release it anticipates continued growth in its property photo production.

Diane Nelligan, national director of business development for Zaio, announced the company's most recent photo licensing deal late last week.

"Although Zaio already has dozens of photography related agreements with Realtors and multi-listing services boards across the nation, Zaio's recently signed photo license agreement with PropertyShark.com represents a milestone in our business strategies to expand the usefulness of these photos into other business applications," she said. "PropertyShark.com is a Web-based company that provides real estate data and information to subscribers. Under this agreement, PropertyShark.com has the ability to access, utilize and sell Zaio photos to its subscribers."

"Our subscribers are interested in accessing the most current and up to date real estate information as possible through our Web site and we are pleased to offer our subscribers current photos supplied by Zaio," said Ryan Slack, CEO of PropertyShark.com.

Zaio is in the process of photographing, inspecting, and appraising nearly every property in the country's 250 largest metropolitan areas, which represents about 85 percent of the U.S. population.

To date, Zaio has accumulated a database of approximately 140 million property records and 10.5 million photos, according to the press release.

"Zaio's photo activities are different from companies that utilize vehicles or satellites as we are the only known firm that checks every photo to ensure the privacy of property owners is protected. We have a centralized photo quality control process that rejects photos containing people, license plate numbers, or other personal identifiers," said Thomas Beverly, vice president of national photography operations for the company. "Finally, Zaio's photos, property data, and official appraisals prepared by licensed appraisers are stored in a secure database accessible only by lenders, Realtors, insurance companies and others with a legitimate business need for that information."

Beverly added Zaio's photographers take an image of the home from the street and confirm the address.

"A second person, who is a licensed appraiser, also visits each photographed property to reconfirm the correct photo is matched to the correct address," he said. "The appraisers then collect updated property data regarding each building. Our photographers are also available to Realtors, multi-

listing services boards and others to conduct interior photos and virtual tours when needed to help market homes that are for sale.”

“It is important to have a business model that financially supports the periodic re-taking of photos every time a property changes to enable up-to-date appraisal information,” said Brad Stinson, founder of Zaio. “From the appraiser inspections, we find in excess of 50 percent of all property data is either outdated or inaccurate. Zaio is the only company that we know of in the United States that partners with licensed real estate appraisers to track all known changes that occur in their local markets on a daily basis.

Stinson said the company’s proprietary photography and data collection process allows it to possess corrected property data, verified address, a photograph, and the ability to constantly update this information as properties change.

FEEDBACK

We welcome your ideas!

Please send feedback or ideas for future topics to newsletter@zaio.com.

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