



...because time is money

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1. APPRAISAL USE LICENSE AGREEMENT - TERMS OF USE

Please review the following terms of use and conditions carefully. It is important that you read this document before using or relying upon the appraiser's opinion of value contained in the appraisal report. This agreement is a legally binding contract between the appraiser's Client and the appraiser(s) signing the report regarding the access to and use of information contained therein. You agree that the price paid by you or a third party for the appraisal report is a license fee granting you only the rights set forth in this License Agreement. By retaining physical or electronic delivery of this appraisal report, you agree to the terms and conditions as outlined in this contract.

By using, printing, downloading, viewing or communicating this opinion of value to others, you are consenting to be bound by this agreement, to bind all subsequent users to this agreement and that the no party's legal recourse will exceed the amount of the appraisal fee paid. This License Agreement conveys no ownership rights or any other interest in the appraiser's opinion of value contained in the written appraisal report to you or any other party. All rights are reserved by the appraiser.

You must agree to all the terms of this license and all the conditions noted in the appraisal or you agree to destroy the physical documents, delete the electronic report file you received and refrain from forwarding them to third parties. Selling the opinion of value contained in the appraisal to the end user is prohibited. The opinion of value remains the appraiser's intellectual property and the end user is merely granted a limited license to use and rely upon this information under strict conditions of authorization outlined in this license agreement.

A real estate appraisal is an opinion of value as of a specific date. The end user of this opinion of value is required to accept the conditions noted in this agreement in order to gain authorized use of this intellectual property - the appraiser's opinion of value. It is understood and agreed that the appraiser has been retained to provide an opinion of value regarding real property and that all work related to preparing this opinion is complete once the appraisal report is physically or electronically delivered to the client. Since all work will have been completed prior to delivery of the opinion, it is understood and agreed that appraisal fees are non-refundable.

It is understood and agreed that failure to pay for an appraisal constitutes theft of services either by the property owner or any agent of the property owner requesting appraisal services. In the event of nonpayment, it is understood and agreed that the appraiser will file an affidavit claiming lien against the real property in order to create a cloud on the title.

Such a claim will include charges for the appraisal fee and any legal or collection fees. The total claim may be several times the original unpaid appraisal fee. Criminal charges for theft of services will also be filed.

Client agrees that aspects of the licensed materials, including the specific design and structure of individual components constitute trade secrets of the appraiser and are copyrighted. Any copyright in and associated with all material, including without limitation all informational text, photographs, illustrations, artwork, graphics, documents, electronic data files or other materials whether publicly posted or privately transmitted, as well as all derivative works, is held by the appraiser as the original creator of the material and is protected by copyright, trademark and other intellectual property laws.

The opinion of value is understood to be a "snapshot" of the property value as of a particular effective date of appraisal. The opinion of value contains no guarantee of present or future value and is provided for informational purposes only. It is understood and agreed that the opinion of value will be one of many items of information considered by the customer in order to make a real estate and/or lending decision.

It is understood and agreed that all end users of this opinion of value rely on and utilize this opinion of value at their own risk and peril and only as part of the mortgage finance transaction contemplated as of the date of appraisal if a borrower is involved. Reliance involving mortgage finance transactions that close more than 90 days beyond the effective date of this appraisal is prohibited by this license agreement. Economic conditions may change and a foreclosure may take place. It must be understood that even borrowers with

excellent credit may default on a property loan and that this opinion of value contains no assurances of prospective value at time of foreclosure, no assurances as to property appreciation and no assurances as to future value, physical condition or marketability.

Use of this appraisal report and the opinion of value contained therein constitutes an agreement by the Client to hold the appraiser harmless for all subsequent events related to the Client's reliance on the opinion of value. It is also understood and agreed that in the event of errors or omissions on the part of the appraiser, the limit of the client's recourse is a refund of the appraisal fee paid to the appraiser.

It is further understood and agreed that any use of this opinion of value on the part of any end user includes all end users' agreements to waive the right to file suit or file a complaint against the appraiser and that a full refund of the appraisal fee will be the only compensation to the customer and the maximum recourse agreed upon as part of this intellectual property license agreement and a refund will only be made in the event of errors or omissions. The end user also agrees to provide the appraiser written notice by certified mail, return receipt, within 30 days of the date the appraisal report was signed, that terms of this agreement are rejected. Otherwise, it is agreed that the appraiser may conclude that all provisions of this APPRAISAL USE AGREEMENT have been agreed to by the Client.

The end user of this opinion of value will indemnify and hold harmless the appraiser from any and all claims, actions, and judgments, including all costs of defense and attorney's fees incurred in defending against same, arising from and related to the end user's use of this appraiser's opinion of value pertaining to the subject real estate appraisal property.

It is also specifically understood and agreed that any discovery of organic growths, septic system problems or any other unapparent condition or latent defect that might adversely affect the opinion of value as of the effective date of appraisal renders the appraisal voidable at the option of the appraiser and the opinion of value is subject to substantial reduction in dollar amount. It is also understood and agreed that use of this opinion of value includes the end user's agreement to hold the appraiser harmless for any unapparent condition on the property. It is further agreed that an appraisal is an economic opinion of value rather than a physical inspection report for the property. If the end user has any concerns as to the physical condition of a property, they agree to obtain a property inspection and report conditions to the appraiser so that the value can be revised.

It is further understood and agreed that use of this opinion of value by any end user contains no right to sell or transfer the appraisal - especially to unintended users for unintended uses. Use of this opinion of value by the Client also includes the agreement that the opinion of value shall be protected as a literary work under the Berne Convention (1971). It is further agreed that use of the opinion of value includes the agreement that compilations of data or other material, whether in machine readable or other form, which by reason of the selection or arrangement of their contents constitute intellectual creations and shall be protected as such. It is agreed that facts not subject to copyright protection have been refined and are protected.

Any use of this appraiser's written opinion of value for any purpose includes your acknowledgement that you have read this agreement, understand it, and agree to be bound by its terms and conditions. You further agree that it is the complete and exclusive statement of the agreement between you and the appraiser which supersedes any proposed or prior agreement, oral or written, any other communications between you and the appraiser relating to your use of the appraiser's written opinion of value. It is also understood and agreed that all appraisals become null & void if unpaid after 30 days.

It is agreed that this contract maximizes client/third party recourse for lost revenue, profit or data or for special, indirect, consequential, incidental or punitive damages however caused and regardless of the theory of liability arising out of the use of or inability to use this opinion of value even if the appraiser has been advised of the possibility of such damages.

Per this license, it is understood and agreed that the maximum recourse for the Client and/or third parties, whether in contract, tort (including negligence), or otherwise, is the amount of the appraisal fee paid to the appraiser. The foregoing limitations shall apply under all circumstances.

This license is effective until terminated. Client may terminate his license to use the appraiser's opinion of value by destroying all physical and/or electronic copies of the appraisal report, including any related documentation. This license will terminate immediately without notice from the appraiser if Client elects to breach any provisions of this license contract. Upon termination, Client must destroy all copies of the appraiser's intellectual property. If any portion of this agreement is found to be void or unenforceable, the remaining provisions of this License shall remain in full force and effect.

This agreement shall be deemed to have been made in and shall be construed pursuant to, the laws of the state wherein the real property is located.

The appraiser's opinion of value excludes all warranties, either express or implied, including among others, implied warranties of merchantability and fitness for a particular purpose. The use of this appraisal report and opinion of value contained therein by anyone other than the stated intended user, or for any other use than the stated intended use, is prohibited.

Even though the appraisal form says that the borrower, another lender at the request of the borrower, the mortgagee or its successors and assigns, mortgage insurers, government sponsored enterprises, and other secondary market participants may rely on this appraisal report as part of any mortgage finance transaction that involves any one or more of these parties, it is specifically understood and agreed that such customary and reasonable reliance by others is still governed by the hold harmless provisions of this appraisal use license agreement. The borrower is only allowed to rely on the appraisal as an indication of property value as part of the borrower's record keeping related to their mortgage finance transaction. This is the only reliance authorized by this license. All other restrictions noted in this Appraisal Use License Agreement still apply.

Borrowers, lenders and others noted in certification 23 must understand and agree that even though they may rely on the appraisal, they still do so at their own risk & peril and that this contract limits appraiser liability to the appraisal fee paid. It is understood and agreed by all parties reading this report that relying on this appraisal at their own risk and peril is still customary and reasonable given the reduced appraisal fee. It is further understood and agreed that holding the appraiser harmless for such reliance is the primary consideration exchanged for the reduced appraisal fee. It is understood and agreed that appraisal fees would be much higher if client/third party recourse was more than a simple refund of the license fee paid.

The URAR form states that "...modifications or deletions to the certifications are not permitted. However, additional certifications that do not constitute material alterations to this appraisal report, such as those required by law or those related to the appraiser's continuing education or membership in an appraisal organization, are permitted."

It is understood and agreed that this appraisal use license agreement complies with these provisions and in no way changes any pre-printed certifications on the URAR form. It is also understood and agreed that this license agreement is different from an "additional certification" or a "material alteration" to the URAR. It is further agreed and understood that the U.S. Constitution prohibits government agencies from impairing the obligation of contracts - such as this appraisal use license agreement.

The opinion of value is provided for informational purposes only and reliance upon such information is only authorized for a single mortgage finance transaction to be closed within 90 days from the effective date of this appraisal if a borrower is involved. Such reliance is only authorized with all users agreeing to hold the appraiser harmless for all subsequent events related to or resulting from such reliance on the appraiser's opinion of value.

After 90 days, if the original contemplated mortgage finance transaction is still in process for any reason, all parties agree that the appraiser must be contacted and given the opportunity to update the appraisal. It is agreed that an update fee equal to fifty percent of the original appraisal fee will apply. If the borrower, lender or any other party rejects any provision of this Appraisal Use License Agreement, at any time, then the license will terminate without further notice.

In that event, the appraisal should be considered null and void and it is agreed that all fees paid to the appraiser will be forfeited. The lender client agrees to accept full liability for the quality of the loan. This agreement specifically bars all appraiser responsibility and prohibits the use of any appraisal information for non-appraisal purposes.

If the client declines to provide the appraiser with a purchase agreement signed by both parties, the client hereby authorizes the appraiser to proceed without it. Client agrees to inform appraiser if subject site size is smaller than required per zoning for intended use.

Information reported in this appraisal about the condition of the property is based on a typical appraiser's visual inspection and what was disclosed to the appraiser or what the appraiser suspected or was aware of. This appraiser's inspection is understood and agreed to be different from a licensed home inspection. Client agrees to obtain a home inspection and to examine a seller's property disclosure. Client agrees to inform the appraiser regarding physical deficiencies or adverse conditions that might affect the livability, soundness or structural integrity of the property. Client understands and agrees that liability for unapparent conditions is beyond the scope of the appraisal process and this agreement. Client further agrees to hold the appraiser harmless for any such conditions that may be uncovered by others.

Throughout the report, there are several areas where the client agrees to inform the appraiser of specific conditions known or discovered as a result of other inspections. Acceptance of this report constitutes full agreement with all provisions of this appraisal use license agreement and with all contractual notices throughout the report. It is specifically understood and agreed that this contract requires the client to obtain a licensed home inspection & a professional

environmental inspection. If such required inspections are waived, it is agreed that the lender client assumes all liability for the quality of the loan.

Also, it is specifically understood and agreed by the client that if the appraiser is required to appear in court or make any other required appearance as a result of making the appraisal, the client will pay the appraiser one thousand dollars per day, or any part of a day, with a two day minimum, paid in advance for such expert witness services.

2. PAYMENT IS REQUIRED WITHIN 30 DAYS OR APPRAISAL IS NULL & VOID

Unless an appraisal has been prepaid, the appraised value is subject to receipt of payment within 30 days. Since payment for services is a contingency of the appraisal and valuation, non-payment within 30 days renders the appraisal null & void automatically. The client needs to read and understand the Conditions of Appraisal Addendum included in all reports where the appraiser is extending credit to the client by providing services and submitting an invoice to be paid within 15 to 30 days as agreed. If the appraisal report herein is more than 30 days old, the payment conditions of the appraisal may be unsatisfied. The reader of this report must, in order for this report to be utilized, obtain a separate confirmation, from this appraiser, that payment has been received. Such confirmation may be in the form of a FNMA form 1004-D noting that all conditions of appraisal have been satisfied or a revised report with contingency removed and invoice marked paid. Otherwise, the appraisal should be considered expired. Any appraisal that remains unpaid after 30 days is null & void and signatures are legally rescinded by this notice.

Any use of an expired appraisal is prohibited by the appraisal use license agreement of which this notice is part as incorporated by this reference.

3. CONFIDENTIALITY NOTICE

The information contained in this electronic report is provided only for the intended user/client noted on the appraisal report and FIRREA/USPAP Addendum contained herein. This report is provided under intellectual property license and contains private, confidential & legally privileged information. If the intended user is a lender, a courtesy copy of this report may be provided to the borrower for their record keeping purposes only. The borrower agrees to refrain from disclosing the contents of this confidential report to the seller, builder, Realtor or any other party for any purpose whatsoever. If you are not the intended user or borrower, be advised that you have received this report in error. Any review, retransmission, dissemination, disclosure, copying, printing, distribution or action taken in reliance on it is prohibited and is unlawful. If you have received this in error, please contact the appraiser and delete the material from any computer.

If you have received this report as a result of an unauthorized release of confidential information, you must not disclose, copy or take any action in reliance upon it as it may be a forgery and is certainly a bootleg, pirated and/or illegally copied report. As noted in the appraisal use agreement, the design, structure and components of this report constitute trade secrets of the appraiser and are strictly confidential and proprietary in nature. Per paragraph 21 of the attached Appraiser's Certification, the appraiser must provide his or her WRITTEN consent before the report can be distributed by the intended user to anyone other than the borrower or the mortgagee etc. and it must be understood that the borrower is NOT the appraiser's client no matter who pays for the appraisal, or when, or how. Any request for a transfer, retype or readdressing of this report will be considered as a new appraisal assignment per USPAP. The additional limiting conditions contained in this report may render this opinion of value unsuitable for some secondary mortgage market participants and authorized recipients of this report should confirm same before forwarding it to others. However, no modifications, additions or deletions have been made to pre-printed definitions, assumptions and limiting conditions noted on the attached report form. The additional certifications included in this report are felt not to constitute material alterations to this appraisal report and are felt to be permitted. Unauthorized release of this confidential information is a violation of federal laws and constitutes a security breach under the Computer Fraud and Abuse Act (CFAA 18 U.S.C. Sec. 1030) which has been amended to cover all computers used in interstate commerce. Since anyone authorized to receive this report will be made a licensee by agreement, unauthorized use by any licensee terminates the license and the appraiser will pursue a cause of action for misappropriation of confidential information. The non-disclosure period shall extend for a period of five (5) years from the effective date of the appraisal.

Since 1978, every appraisal report authored has copyright protection that endures for life plus seventy years. Since 1989, it is not necessary to put a copyright notice on appraisals. The intended user of an appraisal receives a limited use license only. The recipient at no time owns the appraisal report work product. The recipient only has a license to use the appraisal for the intended limited use.

4. ADVISORY TO BORROWER

If you are a borrower who has received a courtesy copy of this appraisal from our lender client, please be advised that you are not to make any use of this appraisal except to retain a copy for your records. You may rely on the appraisal only as part of a mortgage finance transaction - for record keeping purposes as noted. Such reliance is restricted according to the Appraisal Use License Agreement noted above. Every effort has been made to maintain the confidentiality and security of the information contained in the appraisal. The electronic PDF file has been secured with a password encryption security process to prevent alteration of the report. Forgery of appraisals is a big problem for appraisal firms and so is piracy and/or illegal copying of confidential appraisal reports. Borrowers are not intended users and are not the appraiser's client even if you paid for the appraisal report directly to the appraiser. No matter who pays for the appraisal, the lender is the appraiser's confidential client and intended user unless otherwise expressly stated. Borrowers are prohibited from providing any copies of this appraisal to other parties including other lenders without the prior written consent of the appraiser. If a borrower wants to consider the services of another lender, the new lender must contact the appraiser and order a new appraisal. Requests for transfers, re-addressing or retyping of a previously completed appraisal must be handled as a new assignment or update appraisal per USPAP regulations. Borrowers are strictly prohibited from providing any information contained in this report to builders, real estate agents, buyers, sellers, appraisal district personnel, insurance agents or anyone else without the appraiser's prior written consent. The borrower is not an intended user or client. This license bars lawsuits and borrower complaints by contract.

5. SUPPLEMENTAL CLARIFICATION AS TO WHICH PARTIES ARE INTENDED USERS

USPAP requires appraisers to clarify which parties are intended users. The appraisal report form states that the lender/client is the intended user. However, item #23 in the Appraiser's Certification confuses this matter by saying that other parties may rely on the appraisal as part of a mortgage finance transaction. The attached appraisal use license agreement states that ONLY the lender client stated on the report is the intended user. Others who might elect to rely on the appraisal do so at their own risk and peril with the understanding that they are NOT intended users and are not primary licensees under the appraiser's intellectual property license agreement contained within this report.

Reliance is NOT the same as use under this Appraisal Use Agreement. Since USPAP requires the appraiser to supplement an appraisal report form if it is not adequate and since the URAR prohibits supplementation of the certification regarding anything material, this report may need to be revised. The appraisal use license agreement gives the lender client 30 days to confirm acceptability of this report. Within such time frame, the appraiser may elect to modify the report or refund the fee paid. After 30 days, the fee is nonrefundable and no changes will be made. The lender client will have to seek out a different secondary mortgage market participant or discard the appraisal report as agreed.

6. LEGAL NOTICE TO CLIENTS AND BORROWERS

By law, a real estate appraisal must be an unbiased, impartial, neutral, independent, objective and professional opinion of market value.

It is a violation of federal law for an appraiser to accept an appraisal assignment where employment to perform the appraisal or the compensation for the work is made contingent upon reaching a predetermined value or any other contingency.

The standard appraiser's certification in every appraisal includes the appraiser's certification and agreement that each report is performed in accordance with USPAP, that the comparables included in the report are locationally, physically and functionally the most similar to the subject property and that significant information was not knowingly withheld.

The appraiser must also certify and agree that the appraiser has no interest in the property being appraised and no interest or bias regarding the participants to the transaction. Appraisers must also certify that employment and/or compensation for performing present or future appraisals was not conditioned on any agreement or understanding, written or otherwise, that the appraisal would report or support a predetermined, specific value, a predetermined minimum value, a range or direction in value, a value that favors the cause of any party or the attainment of a specific result or occurrence of a specific subsequent event such as approval of a pending mortgage loan application. The appraiser must also acknowledge that any intentional or negligent misrepresentation may result in civil and/or criminal penalties including, but not limited to, fine or imprisonment or both under the provisions of Title 18, United States Code, Section 1001, et seq, or similar state laws.

Please also be advised that it is a criminal violation of state law for a LENDER to pay or offer to pay appraisers where payment for an appraisal is made contingent on a minimum, maximum or pre-agreed estimate of value and where such contingent payment interferes with the appraiser's ability or obligation to provide an independent and impartial opinion of value. This violation by lenders is punishable by a fine not to exceed \$4,000 and a term of imprisonment not to exceed one year for each violation. Federal legislation is also pending that would make

it a federal offense for anyone to pressure a real estate appraiser. Please also note that if two or more people are involved in pressuring an appraiser, this conspiracy to commit a misdemeanor may be considered to be a felony involving larger fines and longer terms of imprisonment.

When any client requests our services, a staff research technician will perform some preliminary research and will advise the client regarding such research results. The technician will also seek to inspect the property to confirm such preliminary research regarding actual size and condition of the property. The technician will also advise the client following each inspection so that the client can make a decision whether or not to request an appraisal. Information about the subject property and raw MLS information will be provided so that the client can evaluate it. No analysis of this preliminary information will be provided. An opinion of value will not be rendered either in writing or verbally until the client requests an appraisal in writing. If the client decides not to order an appraisal after a property inspection has been made, the client will be billed for the research & inspection in an amount not to exceed half the applicable appraisal fee. It should be understood that research and property inspection functions are separate and distinct from the appraisal process.

If, after the research and inspection process is complete, the client makes a written request for an appraisal, our appraisal department will get involved. The requested appraisal will be completed and delivered to the client as soon as possible. Only after the report has been completed and delivered will the appraiser discuss value or the valuation process.

It should be understood that no one associated with this firm is authorized to discuss value on any appraisal except for the appraiser(s) signing the report. It should also be understood that all appraisal fees are nonrefundable and that the lender is the appraiser's client no matter who paid for the appraisal report.

It is the policy of this organization and all members of it to obey the law related to performing appraisals and to help clients avoid breaking laws applicable to non-appraisers who may attempt to influence the appraisal process.

7. ADDITIONAL ETHICS RULE - MANAGEMENT & SCOPE OF WORK DISCLOSURE

Referral fees, gifts or other things of value connected to the procurement of appraisal assignments (such as a coupon for a discounted appraisal fee) are routinely paid by the appraiser as part of marketing efforts. Also, the appraiser may have paid a fee to be included on an approved appraiser's list. This fee is usually nominal and helps defray client costs related to maintaining appraiser information and is not paid by the appraiser with the intention of favoring the interests of the client.

8. ENVIRONMENTAL LIMITING CONDITIONS

The value estimated is based on the assumption that the property is not negatively affected by the existence of hazardous substances or detrimental environmental conditions. The appraiser's routine inspection and inquiries about the subject property did not develop any information that indicated any apparent significant hazardous substances unless otherwise noted. It is possible that tests and inspections made by an expert environmental inspector might reveal some detrimental conditions. This is why an environmental inspection is part of the client's agreement to the appraiser within the appraisal use license agreement. See two page environmental addendum attached.

9. PRIVACY NOTICE

Appraisers, along with all providers of personal financial services, are now required by federal law to inform their clients of the policies of the firm with regard to the privacy of client non-public personal information. As professionals, we understand that the privacy of our clients and their clients (such as borrowers) is very important and we are pleased to provide you with this information. In the course of performing appraisals, we may collect what is known as non-public personal information about you or your borrowers. This information is often used to facilitate the services that we provide to you and may include the information provided to us by you directly or received by us from others with your authorization.

Please note that only the lender is the appraiser's client and the borrower is not our client, an intended user or an authorized licensee under our appraisal use license agreement. We do not disclose any non-public personal information obtained in the course of our engagement to non-affiliated third parties except as required by law. Anyone within our firm that has access to private information has been instructed that such information is to be maintained in strict confidence within the firm.

With regard to record keeping required by appraisal regulations, we will maintain appraisal work file information protected by physical and/or electronic safeguards that comply with our professional standards to insure the security and integrity of all private information. If this appraisal report has been electronically transmitted, some level of security has been utilized in

formatting the report. However, the appraiser assumes no responsibility for its accuracy and security once the report is outside the direct control of the appraiser.

10. CONTRIBUTIONS TO APPRAISAL REPORTS - COMPETENCY

If this appraisal report includes a trainee or apprentice name and signature, it is noted that such person assisted significantly with this report by performing several tasks under the direction of the appraiser and were qualified to do the tasks performed. Those tasks included but are not limited to considering the intended use and intended user, participating in the research of the subject property and/or comparable sale information, participating in the onsite inspection, developing the report, reconciling using the three approaches to value, offering a final opinion of value and otherwise assisting the supervisory appraiser substantially. Only those persons who sign the report certification provided significant appraisal assistance unless otherwise noted. I certify that anyone providing significant assistance was qualified to do the tasks performed, that I carefully scrutinized all details of such contributions and that I take full responsibility for all work done on this appraisal by all parties involved. The appraiser and supervisory appraiser, both signers of this report (when applicable) believe that they are competent to make this appraisal based on their experience and educational background. This applies to geographic competency as well.

11. EXPANDED SCOPE OF WORK COMMENTS

The following steps were employed in arriving at the final estimate of value included in the appraisal report of the subject property: An investigation was made to determine market trends, influences and other significant factors pertinent to the subject property. A request was made of the client for any available documents related to the subject property. The neighborhood was inspected. A superficial inspection of the property was performed which includes a visual inspection of the interior & exterior areas of the subject and exterior measurements for the floorplan as needed. Although due diligence was exercised while at the subject property, the appraiser is not an expert in such matters as building codes, land use codes, structural engineering, hazardous waste or construction etc. and no warranty is given or implied as to these or other elements outside of analysis of market data. Inspections by various professionals within these fields may be recommended or required with the final estimate of market value made subject to their findings. A more detailed review of the collected data was then performed with the most relevant factors extracted and considered. Sales were researched, verified, analyzed, examined and confirmed closed from material provided by one or more service(s) that obtain information from public records as well as sales offices of the subject and comparables. The source of each comparable is noted in the grid along with a verification source such as a principal to the transaction. Market factors were weighed and their influence on the subject property was determined. Only reliable information was given consideration. Each of the comparable sales was inspected from at least the street. The sales used were the most similar to the subject in terms of location, age, style, living area and features. Adjustments in the appraisal grid were derived from market data such as past sales, paired sales analysis and/or third party studies.

A highest and best use analysis was performed for the subject property. The summary appraisal report was then completed in accordance with the standards dictated by The Appraisal Foundation in the Uniform Standards of Professional Appraisal Practice aka USPAP. The report includes sufficient data and information needed to lead the intended user to a similar conclusion of market value. Three approaches to value (sales comparison, cost & income) were considered and one or more approaches were utilized and reconciled as noted. The appraisal report was then delivered to the intended user (client) which constituted completion of the assignment. The intended use of the appraisal is the basis for measuring whether a selected scope of work produces credible assignment results. Two measures are provided for an acceptable scope of work. First, does it meet or exceed what regular intended users of that type of assignment would it expect? Second, does it meet or exceed the level of work that an appraiser's peers would typically perform for that type of assignment.

The following was NOT included in the Scope of Work: Documents that pertain to title, soils, environmental, hazardous wastes, geology, construction or structural factors. None of these items are warranted by the appraiser. This is not an inspection report. A termite inspection was not performed by the appraiser. The information contained herein is not to be considered an inspection of the property under appraisal nor is it an approval or any mechanical system or structural condition of the subject property. If other inspections reveal problems, client agrees to inform the appraiser so the valuation can be modified. This specifically includes when subject site size is too small to conform to zoning minimums. We will also decline assignments when there is insufficient market evidence with which to prepare a credible, defensible appraisal.

12. MARKET CONDITION ADDENDUM

In the last few years, many popular metro area neighborhoods have enjoyed significant property value appreciation. Less popular areas have still experienced stable to improving values.

Even commercial and multi-family properties have enjoyed better supply/demand equilibrium recently. Fortunately, foreclosures are now a smaller percentage of market activity than was the case in the late 1980's, though an increase has been noted in the last few years. Foreclosures are on the rise, especially in newer developments consisting of average quality tract homes built by volume builders. These homes often resale for 70-80% of the new home purchase price which often causes entire developments to be sold under short sale or foreclosure conditions. Buyers prefer new and often price themselves out of the resale market with builder options, upgrades and hidden incentives.

Once tested in the resale market, options and upgrades may increase marketability, though they typically do not contribute to an increased value on a dollar for dollar basis. It normally takes several years of property appreciation before a resale price exceeds the original new home price which includes builder blue sky and profit margins. Lenders should obtain professional market studies if they are concerned about a particular untested and unestablished development. It is beyond the scope of this appraisal to evaluate entire subdivisions for foreclosure potential.

Traditionally styled, single family detached homes on low to medium density lots have retained more of their value and have demonstrated a quicker return to stability and appreciation when compared to other less popular, higher density land uses. Low interest rates, improving property values and the outlook for more of the same in the years ahead (especially with a balanced federal budget and low inflation) may help real estate prices surpass peak levels in the next few years. Buyers might still be cautious in neighborhoods where current mortgages exceed property values. Short term investments in this market may still not be advisable since appreciation may not be sufficient to overcome real estate commissions or new home builder profit margins in some cases. Recently, the number of local sales of new and existing homes have increased even though the national economy has sluggish areas. Also, local consumer confidence appears to reflect greater optimism as lower interest rates, better housing affordability and overall employment conditions favorably impact most market participants.

General conditions favor property transfer. Appropriate adjustments for market area and financing concessions will be made as warranted. Conventional financing is prevalent in the area with reasonable interest rates readily available for both 15 and 30 year loans. The typical marketing period for a realistically priced property in this area is considered to be less than 60 to 120 days. Supply and demand appear to be in balance.

13. FORECLOSURE PROPERTY RESALES VS. RETAIL FAIR MARKET VALUE

Virtually every subdivision in America has some bank owned properties listed for sale. In most cases, these foreclosure listings are at the extreme low end of the value range for homes the size of the subject property and are NOT fair market value indicators. Appraisers and lenders are becoming more concerned about foreclosures throughout our area - but it must be remembered that such foreclosure listings are simply NOT within the scope of the definition of fair market value.

When appraisers estimate the retail fair market value of a property, it is proper appraisal practice to place primary emphasis on retail sales and pending sales since they are the next sales to close and will be the most recent value indicators. It is also proper appraisal practice to give little consideration to foreclosure listings since they are NOT being offered under conditions identified within the definition of market value which is pre-printed on page 4 of the URAR appraisal form.

This value definition calls for conditions requisite to a fair sale, the consummation of a sale, the buyer and seller, each acting prudently, and assuming the price is not affected by undue stimulus. This definition of value also calls for the buyer and seller to be typically motivated and for a reasonable exposure time in the open market to be allowed where the price represents normal consideration for the property.

With foreclosure listings, lenders are dumping properties at below market prices, often in rough condition or in less than completed new construction condition and typical buyers don't want such properties since they prefer homes in move-in condition. Lenders marketing foreclosures often list properties at prices reflecting loan balances on the properties - not retail prices.

Lenders marketing foreclosures are clearly affected by undue stimulus and real pressure to sell quickly since a home is not an asset to a lender - it is a liability. Lenders marketing foreclosures don't consider a reasonable marketing time - they price properties for quick sale to investors.

Foreclosure listings don't reflect closed sales at fair market value retail prices to typical buyers. Lenders marketing such foreclosures are not acting prudently in most cases since they are not typically motivated and the resulting selling price to the small investor segment of the market simply does not represent normal consideration for the property.

Since lenders are not in the business of owning real estate, they are only interested in performing loans since those are the lenders' real assets. Lenders want to unload non-performing loans as quickly as possible and (unfortunately) foreclosure listings only attract about 15 percent of all buyers. This small percentage of all home buyers are known as entrepreneurs or investors and they demand a very low price usually about 60% of retail price.

Without question, everything pertaining to foreclosure offerings is alien to the appraisal process and outside the definition of fair market value. Since the subject market is NOT dominated by foreclosure sales and listings, foreclosure properties should not be given significant consideration when estimating the fair market value.

If any lender wants to know the future resale value of the subject property under foreclosure resale conditions, that information can be provided if requested.

Since an appraisal is an estimate of the subject property's "most probable" selling price within a reasonable marketing time, it is appropriate to look at all recent sales in the subject size & age range then to focus on the statistical "area of central tendency" formed by a reasonable dispersion of all sample variables. The appraised value of the subject property noted on our report is clearly representative of the subject's fair market value and most probable selling price under current market conditions. There can be no question that foreclosures must be put on the back burner in our search for the subject's retail fair market value since the subject market is not dominated by foreclosures and the definition of market value excludes distress transactions.

A below market listing price or a recent sale at a below market price does not necessarily represent the retail fair market value of a property based on the definition of market value utilized by real estate appraisers. A below market asking price may influence the most likely selling price in a short period of time and should be seen as an equity opportunity for the buyer. However, the other components of the market value definition must also be given appropriate consideration and it should be remembered that most below market listings are indicative of a lender selling at loan balance, physical condition problems or both.

Just as a below market asking price doesn't necessarily correlate to market value, excessive asking prices don't necessarily equate to higher selling prices. Every home should sell in a reasonable marketing time, but only if listed at a realistic price. Overpriced properties quickly become "shop worn" and real estate agents often show buyers other more competitively priced homes.

The eventual selling prices for these overpriced homes are often lower than they would have been if they had been properly priced from the start. As such, appraisers should avoid value indicators at the low end of the value range and listings at the high end of the value range. The result will be data helpful in formulating the fair market value of the appraisal property.

14. EXPOSURE TIME AND MARKETING TIME

Even though the FIRREA/USPAP addendum has some commentary regarding exposure time and marketing time, they are not the same. USPAP Statement 6 (SMT-6) defines exposure time as follows: "The estimated length of time the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of appraisal; a retrospective opinion based on an analysis of past events assuming a competitive and open market." Appraisers are obligated to develop an opinion of reasonable exposure time linked to the value opinion when the purpose of an assignment is to develop an opinion of market value. Appraisers are also required to communicate or report exposure time in an appropriate section of the appraisal report, one that presents the discussion and analysis of market conditions, and also be referenced at the statement of the value definition and at the value conclusion. Since the statement of the value definition is preprinted above the appraiser's certification and statement of limiting conditions and includes the comment that "implicit in this definition is the consummation of a sale as of a specified date... under conditions whereby...a reasonable time is allowed for exposure in the open market..." then it is proper to reference the definition here, incorporate the definition of value into this commentary by way of this reference (so that exposure time can thus be referenced at the statement of value definition as required), to reference exposure time at the value conclusion as noted in the conditions of appraisal and to have this discussion appear in a section of the report that presents the discussion and analysis of market conditions. It is also proper to identify what is considered a reasonable exposure time for this particular assignment. The intended user of this report should note that in order for the subject property of this appraisal to have the indicated market value as of the identified effective date of this appraisal, it would have been exposed for up to several months on the open market. It is important for the intended user to be informed of the exposure period inherent within the concluded market value opinion. Exposure time is different for various types of properties and under various market conditions.

The above noted exposure time was based on statistical information about days on market, information gathered through sales verification and interviews of market participants so as to ascertain total days on market over more than one listing if applicable and the underlying motivations to the sale. In contrast to exposure time, an opinion of marketing time is not required by USPAP though it is often required by supplemental standards.

For example, Fannie Mae's underwriting guidelines indicate that when marketing time is greater than six months, the appraiser must comment on the reason for the extended marketing period and its effect on the value of the property. Advisory Opinion 7 (AO-7) defines marketing time as follows: "An opinion of the amount of time it might take to sell a real or personal property interest at the concluded market value level during the period immediately after the effective date of an appraisal."

As noted on the FIRREA/USPAP addendum, typical marketing time for the subject area is usually less than 60 to 120 days provided properties are realistically priced. Though not required by USPAP, this marketing time opinion is included for those cases when such an opinion is required by supplemental standards.

This marketing time estimate is based on one or more of the same elements used in determining the opinion of exposure time with the addition of one component: anticipated changes in market conditions. These anticipated changes account for fluctuations in the cost and availability of funds, materials, labor, as well as other supply and demand characteristics. Marketing time is not intended to be a prediction of a date of sale but the noted marketing time is contingent upon market value stability during the marketing period.

15. NOTE TO THE CLIENT ABOUT COMPARABLE SALES

This appraisal firm completes appraisals of Real Estate with at least three comparables that have sold and closed. A closed sale is a transaction that has been completed with funding finalized and deed papers transferred/recorded.

Only "arm's length" and verifiable transactions are considered and distress sales are routinely excluded because of the potential for distortion. In the past, foreclosure resales were utilized only when they reflected subject property market conditions and there were no other retail sales available. The need to use such sales has substantially diminished as of late. All MLS sales (including those of new homes) are presumed to be "arm's length" but they may not be. Some builders may report custom build job sales to the MLS and while such sales would be publicly verifiable, they would not be "arm's length." This appraisal does NOT certify that any sales are "arm's length" and the intended user of this report agrees and understands that the opinion of value noted herein is subject to confirmation of same by the client.

The sales noted in the appraisal include closing funding dates, settlement dates and/or contract dates. Occasionally, it is necessary to use a loan approved "pending" comparable that is scheduled to close within 30 days (as part of a price-trend analysis). In such cases, at least three closed sales will be included in the appraisal along with one or more pending transactions and each will be clearly labeled. When the subject transaction involves a sale from one family member to another, such a non-arm's length situation will be disclosed when such information is discovered by the appraiser.

16. ADDITIONAL NOTE ABOUT SELLER COSTS

Seller's expenses in the closing of a real estate transaction will vary. These costs include lawyer's fees, title insurance and (quite often) private mortgage insurance fees. Loan discount fees and mortgage subsidy fees have become less prevalent in the last few years as interest rates have moderated. Though FNMA has provided that financing addenda are no longer required unless concessions are uncovered, this appraiser still assumes the responsibility to investigate same. Since such costs are usually added to sales prices, appropriate adjustments will be made when such subsidies are higher than that which is typical of the subject market.

17. HIGHEST AND BEST USE SUMMARY, SUPPORT AND RATIONALE

As part of this appraisal, the subject neighborhood and subject property were carefully evaluated in order to determine the highest and best use of the subject property under appraisal. Zoning ordinances and deed restrictions (if applicable) were evaluated to determine legal uses. Economically feasible and physically possible uses of the subject property were considered as well. The subject property was evaluated "as improved" and "as if vacant" in order to determine uses that would produce some return and the one use (existing or alternative) that would produce the highest net return. Neighborhood development patterns and commercial potential were carefully considered in all unincorporated areas. The highest and best use conclusion noted on this report was consistent with all of the above considered factors. See 2006 USPAP Compliance Addendum.

The noted Highest and Best Use is thus considered reasonably probable, legal, physically possible, appropriately supported, financially feasible and results in the highest value. The

procedure utilized in this report to estimate highest and best use of the subject site was to consider, in sequence, the site's possible uses, its legal uses, its feasible uses and finally the maximally productive use. Data collected for use in the neighborhood analysis and the site analysis were helpful in arriving at a final conclusion regarding Highest and Best Use. After completing this analysis, the highest and best use of the subject, as if vacant, is for development into the type of residence noted in this report. As improved, the highest and best use is for continued use as a the type of residence noted in this report except for any noted physical, functional or external obsolescence described in the cost approach. In some cases, it may be financially feasible to renovate the existing structure or remove it and build a new one. The improvements are substantially the Highest and Best Use, except for those items of depreciation noted.

18. USE OF COST APPROACH FACTORS

This appraisal firm is particularly concerned that potential liability exposure may increase if the cost approach analysis that may be contained in this appraisal is used for the purpose of obtaining insurance coverage or determining insurable value. An appraisal completed for a lender client in connection with mortgage lending should not be used or relied on for insurance purposes. If this report includes a cost approach, it should be understood that such an approach has only been developed by the appraiser as an analysis to support the opinion of the property's market value. Use of this data, in whole or in part, for other purposes in not intended by the appraiser and is prohibited by the attached appraisal use license agreement. Nothing set forth in this appraisal should be relied upon for the purpose of determining the amount or type of insurance coverage to be placed on the subject property. The appraiser assumes no liability for and does not guarantee that any insurable value estimate inferred from this report will result in the subject property being fully insured for any loss that may be sustained.

Further, the cost approach may not be a reliable indication of replacement or reproduction cost for any date (including the date of appraisal) due to changing costs of labor & materials and due to changing building codes as well as government regulations & requirements.

Even though the cost approach is no longer required by Fannie Mae, if such an approach is included in this appraisal, it was provided at the request of the client. Per such request, development of the cost approach was attempted by the appraiser as an analysis to support the sales comparison approach and the value opinion derived from it. Because there is often insufficient market evidence to credibly support the site value, derivation of applicable total depreciation and other cost approach factors, the cost approach should not be given significant consideration by the client. Even in new construction situations, the appraiser gives the cost approach nominal consideration in the final analysis. This appraiser will not provide an Insurable Value Worksheet to any client under any circumstances without a substantial additional fee equal to the original appraisal fee.

The cost approach is often lower than the sales comparison approach to value because of the demand for real estate in the subject market. Also, area builders don't pay union labor to build homes. In fact, many builders use guest workers from other countries at low wages - well below the national average. Since building a home is so labor intensive, such a reduced labor costs result in the cost approach being lower than in other parts of the country. It comes as no surprise then that retail prices paid for homes is above the cost approach. If normal union labor were priced in to homes and if the builder profits were at a reasonable level, the cost approach would probably exceed retail price levels by a small margin.

19. ADDITIONAL APPRAISAL FACTORS

This appraisal is subject to the following factors:

1. It is assumed that the economy of the nation and the community in which the property is located will remain at approximate current levels.
2. It is assumed that any presently proposed or future improvements to the property will be erected from well designed plans and built of quality materials and in a workmanlike manner.
3. It is assumed that no changes in public or private streets, roads or freeways will be made in the reasonable future in or around the community in which the property is located, which would substantially change accessibility of the property or its visibility except those noted in the appraisal report.
4. It is assumed that available flood maps provided by the Federal Emergency Management Agency or other source noted in the appraisal are reasonably accurate with respect to the location of Special Flood Hazard Areas in close proximity to the subject appraisal property.
5. An elevation survey plus a Phase I Environmental Study and a favorable review of same by this appraiser are recommended. No evidence of hazardous materials were noted during the physical inspection. However, past uses or uses by adjoining property owners could have or

have had a residual effect on the subject property. Current legislation on lender liability disallows an "innocent landowner defense" if an environmental study has not been performed.

20. ADDITIONAL FACTORS

This appraisal is SUBJECT TO the following additional factors:

- a. Water and wastewater service are provided the subject via public or private utility systems and are adequate to serve the entire subject property.
- b. No responsibility is assumed for the legal description or for matters including legal or title considerations. Title to the property is assumed to be good and marketable unless otherwise stated.
- c. The property is appraised free and clear of any and all liens or encumbrances, unless otherwise stated.
- d. It is assumed that the subject property is operated by a prudent and competent management team.
- e. Aggressive and competent marketing are assumed that would aid the property in achieving reasonable absorption of any vacancy if applicable.
- f. The information furnished by others is believed to be reliable. However, no warranty is given for its accuracy.
- g. The plat maps or other illustrative materials in this report are included only to assist the reader in visualizing the property.
- h. It is assumed that there are no hidden or unapparent conditions of the property, subsoil or structures which would render it more or less valuable. No responsibility is assumed for such conditions or for engineering which may be required to discover such factors. The appraiser has no knowledge whatsoever of any significant cultural, scientific, historical or environmental factors that would adversely affect the value or utility of the property.
- i. It is assumed that there is full compliance with all applicable federal, state and local environmental regulations and laws unless non-compliance is stated, defined and considered in the appraisal report.
- j. It is assumed that all applicable zoning and use regulations and restrictions have been complied with, unless a non-conformity has been stated, defined and considered in the appraisal report.
- k. It is assumed that all licenses, certificates, consents or other legislative or administrative authority from any local, state or national government or private entity or organization have been or can be renewed for any use on which the value estimate contained herein is based.
- l. It is assumed that there is no encroachment or trespass, unless noted within the report. These additional factors are not felt to constitute material alterations to those assumptions and limiting conditions noted on the report form.

The pre-printed form assumptions and conditions have not been modified or deleted. These additional items should therefore be permitted. Any non-permitted item will be considered excluded by the appraiser.

21. ADDITIONAL USPAP COMMENTS

Definition of Inspection: The term "inspection" as used in this report is not the same level of inspection that is required for a licensed home inspection. The appraiser does not fully inspect the systems and components of the home. The appraiser is not an expert in construction materials or techniques. The focus of this appraisal is to make an economic evaluation of the subject property. If a full, detailed inspection of the property is important to the client, a full home inspection by a licensed professional is strongly recommended. The appraiser is not a home inspector or surveyor.

Revised Appraisals: Once the appraiser has completed an assignment and has submitted the final report to the client, no revisions or changes will be made UNLESS the client destroys all electronic and physical copies of the original report and agrees that such prior versions are null and void. It is hereby understood and agreed that when a revised report is accepted by the client, signatures on prior versions of the appraisal report are legally rescinded by this agreement and disclosure. Any use of rescinded versions of the report is strictly prohibited and the revised report supersedes all prior versions of the same property report. If the client requests even the correction of a single typographical error, it is understood and agreed that a single corrected page will NOT be provided. Rather, the entire revised report will be resubmitted to the client.

The appraiser's work file will include all versions of the report as required with proper notations as to what was changed. However, the client must only utilize the final revised report as agreed. The client agrees to provide only the final revised report to others for secondary mortgage market and/or review purposes. Failure to provide the final revised report to others constitutes an unauthorized change to my appraisal report and I will take no responsibility for such error on the part of the client or others.

Digital Signatures: The signatures affixed to this report and certifications were applied by the original appraiser and/or the supervisory appraiser and represent their acknowledgement of the facts, opinions and conclusions found in the report. Signatures are applied electronically using a password and are considered equivalent to a hand written signature.

22. THE SUPERVISORY APPRAISER HAS NOT MADE AN INDEPENDENT VERIFICATION OF THE COMPARABLES UTILIZED IN THIS REPORT.

23. OPINION OF VALUE VERSUS ESTIMATE OF VALUE:

The current Uniform Standards of Professional Appraisal Practice defines the market value conclusion as an opinion of value rather than an estimate of market value.

24. MLS ADVISORY:

Appraisers rely primarily on the Multiple Listing Service for publicly verifiable sales and listing information. Unfortunately, the current MLS system has substantial problems. Identical requests for information on the same day often yield different results with regard to comparable sales and archive information. Only real estate agents can input information into the MLS (appraisers cannot) and quite often agents provide information into the system weeks and months after listings are secured and sales are closed. Then, these agents back date such listings as if they had been in the system weeks and months earlier when such was not the case. Since appraisers must check these records to determine if a subject property is currently listed, MLS records may not have any information about a property on or before the appraisal date when such research is performed. However, after the appraisal has been completed, a real estate agent may input listing or sales information that makes it appear that such information was available as of the appraisal research date when such was not the case. When research is performed for an appraisal, the entire MLS system will be searched by subject address. An archive search will also be performed.

All listing and sales information about the subject property in the system (if any) will be reported and retained in the appraiser's work file. Any available information about the subject property in the MLS archives will also be disclosed and retained. Current or recent listings of the subject property and any prior sales of the subject property within three years of the appraisal date will be of particular interest and will be fully disclosed - if such information is available. Any deed transfers noted in tax records for three years prior to the appraisal date will also be disclosed - if such information is available.

In many cases, such deed transfer dates will NOT include sales prices. The FIRREA and USPAP addendum attached discloses all the steps taken by the appraiser to try and secure such sales prices. This appraisal is based on information actually available to the appraiser during the research process on or before the date of appraisal. This appraiser takes no responsibility for information added to the system at a later date or for computer problems resulting in inconsistent research results at time of appraisal - because this is beyond the control of the appraiser.

The client accepts the appraisal report with the understanding that the MLS may not provide the appraiser with all relevant information pertaining to the subject property or comparables when requested. If an appraisal report indicates that no information was available in the MLS system about a subject property as of the appraisal date, the client may request that the appraiser confirm this situation prior to closing.

25. UNPAID PROPERTY TAXES

No research was performed in this appraisal to determine if any special assessments or property taxes are unpaid or past due which may affect marketability. The lender should obtain proper legal services so a final determination with regard to property tax liability can be made.

26. ZONING COMPLIANCE

Unless otherwise noted on the report, the subject property appears to comply with zoning regulations. However, the lender should obtain a zoning compliance report from an attorney. Client agrees to inform appraiser if subject site size is smaller than required per zoning for intended use. If improved, the improvement on the property appears to conform to zoning regulations unless otherwise noted. If a legal, non-conforming (grandfathered) use is noted, client should confirm whether such improvement could be rebuilt without obtaining a zoning variance in the event of a major loss by fire or otherwise.

27. OCCUPANCY

The noted occupancy (owner, tenant or vacant) of the subject property is based on conditions noted at time of inspection. If the property is to be tenant occupied, the lender may need additional investor documents such as a Comparable Rent Schedule and Operating Income Statement. This additional documentation is available for an additional fee.

28. MAP REFERENCE

Unless this section of the appraisal is marked "not mapped," the map page number displayed is from one of several map books available. The location map used in the report is from ACI maps in most cases.

29. SITE VALUE

This appraisal includes a separate opinion of site value in the cost approach when applicable. The only exception would be condominium appraisals performed for FHA. The cost approach is generally impractical for determining the value of any given condo unit. Generally, the site is valued as if it is vacant and available to be developed to its highest and best use. While the comment to Standards Rule 1-3(b) required that land always be appraised as though vacant and did not recognize the possibility of a different contributory value under certain circumstances, the comment to Standards Rule 6-2(k) stated that a site may have a contributory value different from its value as if vacant. USPAP 2005 revisions underscore that USPAP does not dictate the use of any particular theory or technique. The site value noted in this report considers vacant site sales as well as the existing improvements on the site. If the opinion of value for the site is one that is not typical because of the existing improvements, a comment will be made IF the variance substantially affects the marketability of the subject property.

30. DRIVE BY APPRAISALS

This report (if noted as exterior only) is based on the appraiser's exterior inspection from the street only. Interior condition and all other factors that could not be observed from the street (such as back yard factors) were represented to the appraiser by the owner or owner's agent as being average or better. Utilization of this report by the client includes the lender's agreement to hold this appraiser harmless if factors not observable from the street are in less than average condition as reported to the appraiser by the owner or owner's agent. Even though the valuation is based on "as is" condition, it is understood and agreed by all parties that this only applies to what the appraiser is able to observe from the street and that unobserved factors (assumed average) are excluded unless they are in fact at least average in condition or repaired so as to become average or better in condition in this appraiser's professional opinion based on a subsequent full inspection of the subject property.

Unless otherwise noted in the Conditions of Appraisal section of the attached appraisal report form, this valuation is made on an "as is" physical condition basis. The valuation is also made subject to the attached contingent and limiting conditions, the basic assumptions & requirements/other conditions noted in the FIRREA/USPAP Addendum & related documentation. This assignment has been accepted by the appraiser(s) subject to the requirements of our attached appraisal use license agreement also noted in the Order an Appraisal section of our internet website at as agreed to by the client noted herein.

31. ANALYSIS OF PURCHASE AGREEMENTS

If the appraiser has noted on the report form that the subject is under contract but such documentation has not been scrutinized, then the final ratified purchase agreement was not available at the time of the appraisal request even though requests are routinely made of the lender, buyer, seller and/or Realtors for such information.

Prior to closing, this appraiser will evaluate any final agreement of sale and modify the appraisal if needed. If client does not provide the appraiser with a contract signed by both parties, client hereby authorizes the appraiser to proceed without it. In order to be considered a valid contract for sale, it must be signed by both the buyer(s) and seller(s).

32. USE OF MLS DIGITAL PHOTOS

This appraisal report may include one or more digital images not personally captured by the appraiser. Fannie Mae and others allow the use of such images as long as they are sufficiently clear and descriptive of the property involved. On occasion, lighting conditions will be inadequate for the appraiser to capture a quality image of a comparable property when such comparable is inspected for use in an appraisal. Also, some comparables are in guarded & gated developments where no photos are allowed and MLS images may be used to augment the appraiser's driveby of the comparable and/or examination of aerial photos & tax office photos when available.

33. MAILING ADDRESS VERSUS PHYSICAL ADDRESS ADVISORY

We perform real estate appraisals of many properties that are physically located in one city or town but are close to a post office in a different adjacent community for mailing address purposes.

Even though Fannie Mae assumes the address is the mailing address, the reader of this report is advised that this firm only identifies the physical address of the subject property. Quite often, tax records will indicate that a home is physically located in one town. However, the nearest post office may be several miles away in a different town - perhaps in a different county. Tax records may correctly identify both the physical address and the mailing address but this is not always the case. Clearly, a home that is physically located within the city limits of one community cannot also be physically located in another town in another county.

For real estate appraisal purposes, we must only identify the actual physical location of the property. Mailing addresses may not best identify a property's physical location and legal description for appraisals purposes. Our appraisals pinpoint the city and county where the subject property physically exists. If the property is located in an unincorporated area, we note that our property is (near) the closest town.

Real Estate Appraisers are required to provide physical locations and precise legal descriptions so that readers of the appraisal can look at a plat map, go to the site and identify & access the property if needed. If there is a difference between the physical address and mailing address, an appraisal will only provide the physical address so that our report won't be misleading.

34. MINERAL RIGHTS ADVISORY

The subject property may not include mineral rights in its fee simple estate. A title company should be consulted for an accurate analysis. Even if this is found to be the case, it is this appraiser's opinion that buyers who consider the purchase of a property in this market would not find mineral rights to be an important consideration.

It is, however, strongly recommended that due diligence be performed by the lender as this appraiser is not qualified to determine the value of mineral rights or lack thereof. The appraiser is basing this conclusion strictly as a professional opinion as there is limited market data available which identifies whether or not mineral rights were included or excluded in comparable sale transactions. Exhaustive title company research and interviews is beyond the scope of this appraisal - especially as this information is not typically available for general public inquiries. This opinion of value is based strictly on what typical buyers would be willing to pay for the subject property if intending to utilize the property for residential intended use noted without regard for mineral rights. It is strongly recommended that the prospective buyer be informed in advance of this condition and if the lender has concerns regarding the positive or negative effects of the mineral rights in question (or lack thereof), this should be analyzed by a mineral rights valuation expert.

35. PREDOMINANT VALUE

The subject value noted in this report may be above or below the predominant value for the neighborhood. However, it is well within the overall range of value and a value different from the predominant doesn't represent an adversity for purposes of this appraisal.

Even if the subject value is near the top end of the neighborhood value range and is well above the predominant value, it is my professional opinion that the subject does not represent an over-improvement or super-adequacy for the neighborhood. If the subject value falls outside the overall neighborhood range of value, the client will be alerted and special comments will be made regarding functional concerns, diminishing returns and other value issues. Housing prices may not be directly correlated to housing age.

36. APPRAISAL TRANSFER POLICY

For those who request an appraisal "retype," "readdressing" or "transfer" to a new lender, please be advised that the original lender is still our confidential appraisal client - no matter who paid for the appraisal. Out of loyalty to our original lender client, we would prefer NOT to get involved in a transfer to a new lender. However, out of courtesy to you and your new lender, we will help - but only under certain conditions. Due to the many changes in appraisal regulations this year concerning original client privacy, "intended use," "intended user" and the numerous security features included in the original report, we must treat your request as if it were a completely new "update" appraisal assignment.

As part of our service to you, we will have to re-inspect the exterior of the subject property to confirm its previous condition as of today's date. We will also perform new appraisal research to see if any better, more recently closed comparables have become available. We will have to take new photos of the subject property and photos of any new comparable sales. We must also modify several components of the appraisal report including many security features, client & borrower information, effective date, signing date, FIRREA and USPAP addenda. We may also

have to modify flood maps, location maps and photo pages. We must perform all these "update" functions for you - even if the old report was completed last week!

The only thing we don't have to handle a second time is the floorplan. Therefore, we will reduce our regular appraisal fee by fifty dollars since we don't have to re-measure the home. Even though you may only want us to "readdress" the report, please remember that we must perform a brand new appraisal report as of today's date for a new lender client. The new lender's underwriter may ask for several "follow-up" modifications to our appraisal and we will not accept this new liability lightly. However, we will be able to handle most transfer requests in 24 hours after receiving your authorization.

This way, you will not have to wait two weeks for a new appraisal. We handle all "transfer," "readdressing" and "update" requests in the order in which payment has been received! After we receive advance payment, we start the process. If your need is very urgent, please express mail or courier or make your payment via credit card or paypal your payment to us. "While you wait" or "same day" service is not available due to our workload. Also, we no longer prepare reports in advance so that you can "pick up the paperwork" and pay at the door. Finally, we no longer have the means to deliver reports and pick up your payment at delivery. We use email or express mail only. The following page contains a good explanation of federal regulations regarding "readdressing" with permission from <http://www.appraisalstoday.com> - phone Ann O'Rourke at (800) 839-0014.

37. READDRESSING AN APPRAISAL IS A NEW ASSIGNMENT

New Advisory Opinions AO 26- Readdressing (Transferring) a Report to Another Party and AO 27- Appraising the Same property for a new Client offer advice on readdressing. Every Appraisal request is a new assignment, whether it is an update or readdressing.

Readdressing example - A good example from AO 26:

Question #1 - An appraiser was engaged by Client A to appraise a property. The appraiser delivered the appraisal report to Client A. The client has decided not to pursue the transaction that generated the need for the appraisal report. The appraiser is contacted by Client B. Client B requests that the original report be readdressed (transferred) by replacing Client A's name with Client B's name in the report. Is this acceptable?

Answer: No. Simply changing the client name on the report cannot change or replace the original appraiser client relationship that was established with Client A. Therefore this action is misleading.

Question #2 - How can this circumstance be handled according to Standards.

Answer: The appraiser can consider Client B's request as a new assignment. In so doing, the appraiser may establish a new appraiser-client relationship with Client B and appraise the property for this new client.

Confidentiality - As a matter of business practice, some appraisers request a release from a prior client before accepting an assignment to appraise the same property for a new client or to disclose the assignment for the second client to the first client. However, USPAP does not require this. Also, appraiser should be aware that, in some cases, informing a client about the existence of another client and the fact that the property was appraised for that other client may not be compliant with the portion of the Confidentiality section which states: An appraiser must protect the confidential nature of the appraiser-client relationship.

Confidential Information: confidential information is defined in USPAP as information that is either: Identified by the client as confidential when providing it to an appraiser and that is not available from any other source; or Classified as confidential or private by applicable law or regulation.

Example from AO - 27 - Competing Banks - If an appraiser has appraised a property for Bank A then is approached by Bank B to appraise the same property, does USPAP prohibit acceptance of the second assignment? No, assuming confidential information is handled correctly. This is a new assignment involving a new agreement between a client and an appraiser. Federally related transactions -

Federally related institutions can use an appraisal prepared for another federally related institutions. No "readdressing" is required. Otherwise, "if an appraisal is prepared by a fee appraiser, the appraiser shall be directly engaged by the regulated institution or its agent..."

However, appraisals are prepared for borrowers for another purpose, such as divorce, establishing a sales price, estate, etc. It would be prudent to recite disclosure in the engagement letter and in the report.

Example: Homeowner Susan Daly contacts appraiser John Hunt to perform an appraisal of her residence. She is considering refinancing and wants to determine the amount of equity in the residence before completing a loan application. Assuming the refinance would be a federally related transaction at a federally insured depository institution, what is John's responsibility to this potential client?

Answer: Before John accepts this assignment, it is his responsibility to disclose to Susan that a lender or its agent is required to directly engage the services of an appraiser in a federally related transaction and should not accept his appraisal report if Susan still wants to engage John, his disclosure allows him to accept the assignment.

Where to get more information - This brief article only covers part of the advice in the AOs. Reading the full AOs is strongly advised. They are easy to understand and offer excellent advice.

38. ON LINE FLOOD MAPS AND LOCATION MAPS

FEMA flood maps displayed within this appraisal report were provided by ACI Flood Insights on line service. This service displays the flood map in the report noting the subject location plus identifies on the report form whether any portion of the subject site is situated within a FEMA special flood hazard area, the FEMA Flood Zone, the FEMA map number and the map date. This service also inserts the census tract number for the subject property. Since this information is inputted directly into the appraisal by way of this third party service, this appraiser is not taking responsibility for its accuracy though it appears reliable. If the client has any concerns about this information, this appraiser will examine actual FEMA maps and census information in order to confirm the accuracy of the Flood Insights information. As always, an elevation survey is strongly recommended in all cases and it should be understood that client is responsible for the final determination of any problems. Appraisal data is provided for informational purposes only.

Location maps utilized in this report are also provided by ACI MapPoint on line service. The location of the subject property and the comparables utilized are displayed on the map and inserted into the appraisal report. This service also displays the distance from the comparables to the subject in the "proximity to subject" section of the report grid for each comparable. Clients should consider the noted locations of each property on the map to be approximate. Since this information is provided by a third party service, this appraiser is not taking responsibility for its accuracy though it appears reliable. This map, like other maps and sketches found within the report are provided for informational purposes only. The perimeter of the attached location map represents subject neighborhood boundaries and this map was specifically scaled by the appraiser to describe such boundaries as required.

39. VOLUNTARY PUD's

If the appraisal property is located in a De Minimis planned unit development, there may be voluntary homeowner's association dues. The PUD box on the appraisal form will NOT be marked and the voluntary nature of the HOA will also be disclosed. Only when dues are mandatory will monthly or annual dues be noted on the report. If the subject dues are voluntary, then the PUD provisions are not legally enforceable and Fannie Mae does not consider a De Minimis PUD to be a PUD.

40. PROPERTIES IN UNINCORPORATED AREAS

If the appraisal property is situated outside the boundaries of a city or town, the appraisal refers to such a location as unincorporated. In such situations, there is no zoning since there is no municipal authority establishing or enforcing zoning regulations. Properties located in unincorporated county areas are often in close proximity to a city or town and enjoy all the municipal amenities without having to pay city taxes. Many buyers prefer this and the marketability of such properties may be enhanced. It does not appear that location in an unincorporated area represents an adversity for this appraisal property if applicable.

41. SPECIAL ASSESSMENTS

The appraisal report indicates that no special assessments were noted. The client agrees to advise the appraiser if any special assessments are known or pending. The client also agrees to advise the appraiser if the subject is located in a municipal utility district or special assessment or tax district. The appraiser will then consider if such a situation will have an impact on property values and/or the marketability of the subject property. Fannie Mae expects the lender to know whether or not a property is located in a special assessment or community facilities district and to be aware of the effect that assessments levied by such a district could have on property values and the marketability of the subject property. The lender must inform the appraiser to that he or she can give special consideration to the valuation of properties located in these districts.

42. NUMBER OF BEDROOMS, FUNCTIONAL UTILITY & RECENT TRENDS

Whenever we perform an appraisal, we focus on the GLA similarity of the comparables selected for inclusion in our reports. We prefer to use comparable sales that are within fifteen percent, plus or minus, of the subject property's gross living area even if those best comparables have a different number of bedrooms. At most, we will consider comparables that are twenty percent different than the subject but not more. Proper appraisal practice and supplemental standards require that comparable sales be truly interchangeable with the subject in order to be considered comparable. The appraisal form certification calls for the appraiser to certify that the sales utilized were locationally, functionally and physically the most similar to the subject property. Given similar GLA, sales with one less or one more bedroom than the subject property can be utilized since many buyers today want more living spaces. Quite often, an extra bedroom is used as an exercise room, home office, study or media room. Homes with fewer bedrooms often have larger living rooms, a formal dining room, more spacious kitchens, a breakfast nook, larger closets or more spacious master suites. As more and more "baby boomers" become "empty nesters" and demand homes with fewer bedrooms and more spacious living areas, home plans are being designed with more flexibility in mind. In most cases, home offices can easily be utilized as an occasional guest bedroom or as an additional permanent bedroom depending on a particular buyer's needs. In many markets, homes with fewer bedrooms and more comfortable living spaces are in greater demand and thus command higher prices while enjoying enhanced marketability. As long as a home has at least two bedrooms and other living spaces that could be used as a third bedroom, there is no loss in value and no loss in functional utility under current market conditions.

Additionally, a home with four bedrooms would not command higher prices since all other living spaces would be of diminished size and functionality within similar square footage constraints. No adjustments are made for number of bedrooms since adjustments for living area differential handle this factor quite well. In most cases, homes with a single bedroom (or an unusually large number of bedrooms in a small space) do suffer significant functional obsolescence and adjustments will be made for the loss in value attributable to this factor in the functional utility section of the report - if such a problem comparable is used at all. If the subject property itself has such diminished functional utility, at least one similar comparable will be included in the report so that adjustments can be made to the other unaffected comparables based on the lower price paid for the affected comparable. In some cases, such as condominiums, a one bedroom home is certainly acceptable. Given the diminishing number of families with the need for more bedrooms and the increasing number of families with one or two adults and no children, it would be a very rare location indeed where buyers would pay a significantly higher price for a floorplan with three bedrooms versus a home with two bedrooms and an office (which could be utilized as a third bedroom) where both homes had similar gross living area and other features. Unless there is clear and compelling market evidence of a significant price difference paid, based on several matched pairs within a detailed paired sales analysis, no adjustment will be made. A claim that a bedroom adjustment should be made, based on a single low end comparable sale, should be seen as unqualified and unsupported. An attempt to prove a substantial value difference based on inadequate market evidence should be dismissed as incompetent, irrelevant and immaterial.

43. OWNER OF PUBLIC RECORD

When the appraiser reports if the property seller is also the owner of public record, tax office records will be scrutinized to determine the owner's name. Only when the purchase contract is provided to the appraiser can the name of the seller be determined. If the client provides the appraiser a recorded deed that reflects an owner's name different from that noted on public records, the deed will be given preference since tax office records are often out of date.

44. PROPOSED CONSTRUCTION

If the subject improvements are proposed or under construction, all items reported in this appraisal regarding the subject's improvements are from plans, specifications and other information provided by the client, builder and/or other parties involved in the construction. Whenever possible, PDF prints of the plans and elevations are attached to the report. Otherwise, reduced scans of such plans are included in the report as image pages or plans are converted to APEX floorplans attached herein. Specifications are retained in the appraiser's work file whenever possible.

45. ADDITIONAL APPRAISAL REPORT EXPLANATIONS

This report contains numerous boxes that are intended to be checked either yes or no. By putting an X in the appropriate box, the appraiser is noting a general opinion but this is not intended or considered to be all inclusive.

The reader of this report is also advised to carefully scrutinize any comments associated with the checked box. If a box is not checked, that does not mean the appraiser ignored the question and there may be meaningful comments in that section of the report. Information used in this report was obtained from reliable sources and confirmed whenever possible. When conflicting information was discovered, the appraiser used data from the most reliable source. Unless otherwise noted, comparable sales information was verified with the listing agent only

and other principals to the transaction were not contacted. No verification was made by the appraiser regarding HOA documents, legal issues, special assessments or insurance policies, if any, as these matters are beyond the scope of this appraisal report. For purposes of this appraisal, the appraiser assumes that there are no issues that impact value adversely unless noted in this appraisal.

If the client discovers any conditions that may impact the subject value, the client agrees to compensate the appraiser for additional needed analysis and the appraiser reserves the right to modify the final value at a later date. Whenever this appraisal comments on the condition of a property factor, such a comment only refers to the appearance of that feature and not its correct operation, internal integrity, functionality or possible lack thereof. Typically, homes built prior to 1979, were painted with lead based paint. If this is a concern to the client, the client should obtain professional inspections and abatement if needed. It is the client's responsibility to order all appropriate inspections for any factor of concern. This appraisal does not serve to warrant the condition of the property. The attached appraisal use license agreement limits the appraiser's liability in all matters pertaining to rendering this opinion of value and acceptance of this report constitutes your agreement with the attached appraisal use license. Please also note that the person (s) making this appraisal report are not only competent to do so but are also geographically competent with regard to the location of the subject property. Whenever a location enjoys public transportation, that fact will be given consideration in the selection of comparables. In this market area, lack of public transportation does not appear to adversely affect value or marketability.

46. REPAIRED FOUNDATION ADJUSTMENTS

When a subject appraisal property has foundation problems, the appraisal may include downward adjustments for "repaired foundation" which reflects the reduction in expected selling price attributable to such a repaired latent defect. Please be advised that homes with repaired problems will often sell for less than homes which never had such problems. The reason is that sellers must disclose such repairs in their offerings of such properties and marketability (and value) will be adversely affected as a result. The adjustment will reflect typical buyer reaction to the negative stigma associated with foundation repairs even after completion of repairs with a transferable warranty. If repairs have not yet been made, a second reduction reflecting the cost to cure the problem may be included as a condition adjustment. To avoid across the board adjustments, we will try to find comparables with similar defects and/or repairs to assist the appraiser in extracting appropriate value differences.

47. GARAGE CONVERSIONS

When the subject appraisal property has its original garage converted to living space, that space will be treated like a garage for comparison purposes.

As required by appraisal guidelines & regulations, the subject property's original GLA (gross living area) will be compared to the original GLA of the comparables. Also, the garages of the comparables (converted or not) will be compared to the converted garage space of the subject property. Our appraisals will utilize comparables that are the most similar to the subject in terms of proximity, original GLA and age. Since we will consider the subject garage conversion space as a garage, no extra value will be given beyond that of a typical garage of the same size. Since most buyers want a functional garage for car storage, any additional value that some buyers might attribute to the additional living area afforded by the garage conversion is offset by the cost to re-convert the space back to a functional garage. In almost every case, the estimated cost to re-convert such space back to functional garage space is one thousand dollars.

If the client or underwriter wants interior photos of the garage conversion or comparables with garage conversions added to the appraisal (if none were included initially), we consider this to be an additional service requiring the advance payment of one hundred dollars. The reason for this additional charge is that the subject converted garage space is NOT being treated as living area and the cost to cure is nominal in almost every case.

Only in very rare cases would a converted garage be considered as living area in an appraisal prepared by our firm. Several conditions would have to exist for that to occur. First, the garage would have to be attached or built-in and the conversion must be handled by professionals so that typical buyers would consider the space to be primary living area in terms of functional flow with the rest of the home, finishout quality, central HVAC climate control and other factors. Second, a new detached or attached garage must be built that is equal to or better than the original garage in terms of quality & design. Finally, the total living area of the subject property including its converted garage space must be similar in size to the median sized home for the neighborhood. Other factors that will be given consideration include trends in the neighborhood regarding garage conversions and home enlargements plus the availability of comparables with garage conversions and new garages.

48. BASEMENTS - Fannie Mae Guidelines XI, 405.06: Gross Living Area (06/30/02)

The most common comparison for one-family properties (including units in PUD, condominium, or cooperative projects) is above-grade gross living area. The appraiser must be consistent when he or she calculates and reports the finished above-grade room count and the square feet of gross living area that is above-grade. For units in condominium or cooperative projects, the appraiser should use interior perimeter unit dimensions to calculate the gross living area. In all other instances, the appraiser should use the exterior building dimensions per floor to calculate the above-grade gross living area of a property.

Only finished above-grade areas should be used—garages and basements (including those that are partially above-grade) should not be included. We consider a level to be below-grade if any portion of it is belowgrade— regardless of the quality of its "finish" or the window area of any room.

Therefore, a walk-out basement with finished rooms would not be included in the above-grade room count. Rooms that are not included in the above-grade room count may add substantially to the value of a property—particularly when the quality of the "finish" is high.

For that reason, the appraiser should report the basement or other partially below-grade areas separately and make appropriate adjustments for them on the "basement and finished areas below-grade" line in the "sales comparison analysis" grid. To ensure consistency in the sales comparison analysis, the appraiser generally should compare above-grade areas to above-grade areas and below-grade areas to below-grade areas.

The appraiser may deviate from this approach if the style of the subject property or any of the comparables does not lend itself to such comparisons. However, in such instances, he or she must explain the reason for the deviation and clearly describe the comparisons that were made.

This firm will adhere to Fannie Mae's guidelines with regard to Gross Living Area and will only deviate when appropriate. For example, if the subject and other homes in the area are built on a hillside and have below grade living area to take advantage of a special view amenity, we will include below grade living area in the GLA - especially if this is what is expected in the market. Often, MLS comparable sales and tax appraisal records will include above grade living space and walk-out basement living area in the total GLA for comparison purposes. It is often difficult to impossible for appraisers to obtain accurate living area quotes for above grade and below grade spaces.

As such, it may be necessary to include finished basement living space in a total GLA quote for the subject and the comparables in order to make a reasonable comparison with regard to total living area. In such cases, appropriate comments will be included informing the reader that such a deviation is being made.

49. CONTRIBUTORY VALUE OF POOLS

When applicable, the subject pool contributory value is properly included in the "as is" value of site improvements. It is no longer typical appraisal practice to identify the cost of the pool and include a charge for functional obsolescence - which was the standard appraisal method 25 years ago. The reason FNMA underwriting guidelines and USPAP were revised on this point centers on the fact that pools don't represent functional super-adequacies or over-improvements in most cases. Also, more often than not, the difference between pool cost and actual value reflects a combination of physical depreciation and seasonal demand variations - not functional obsolescence. Cost does not equal value for pools in almost every case.

As such, site improvements are to be reported at their contributory value or depreciated value. This eliminates the need to estimate the reproduction cost of large site improvements which (like pools) have highly variable retail prices. This change has helped streamline the appraisal process and has helped appraisers provide more understandable appraisal reports. The appraiser must decide whether to include pools, patios, tennis courts, wells and septic systems as site improvements, part of the site value or as part of the house. The custom of the area where the subject house is located should be considered.

In the subject market area, the custom is to include the pool as part of the site improvements. Over the last fifteen to twenty years, most appraisers in the subject area have embraced the guidelines, standards and supplemental standards calling for estimating the contributory value of the pool and including it in the "as is" value of all site improvements. When a property includes a pool, appraisal reports performed by this firm will employ this more widely accepted

50. LAND TO VALUE RATIOS EXCEEDING NORMAL LEVELS

For some appraisals with the cost approach included, land value may exceed underwriting preferred levels which are often thirty percent of total value. When land to value ratios exceed thirty percent, underwriters should consider this to be typical of the subject area and that such land values reflect area site sales. Underwriters should also note that this land value factor is not a significant appraisal factor since market value considers improved sales and that the cost

approach is not relevant for homes more than one year old in most cases. If this appraisal has a land value above the norm, it is not considered to represent an adversity for this appraisal since it does not significantly impact value, use, enjoyment or marketability.

51. PERSONAL PROPERTY NOT INCLUDED IN REAL PROPERTY VALUATION

Even though some personal property may exist at the subject property such as a washer, dryer, refrigerator or above ground pool, please be advised that such personal property items are not valued in this report. Our firm only provides appraisals of real property and non-real estate items are ignored even though they may remain with the property as part of a sale. They are given no value in our appraisal since our report only identifies the value of the real estate. Personal property included in a sale rarely adds value to the transaction but may enhance marketability slightly. The appraisal form has boxes to be checked for items like refrigerators but these will only be checked if the item is built in (like a sub-zero fridge) and is part of the real estate. As a matter of local custom however, free standing range ovens are considered part of the real estate even though they are not built in. The transfer of real estate often includes personal property and other non-real estate items. Such items may affect marketability but usually do not affect selling price significantly. Only the subject real property will be valued in this appraisal though non-real estate items may be included in the contract price. If comparable sales included personal property, appropriate adjustments will be made.

52. LIST PRICE VERSUS MOST PROBABLE SELLING PRICE

Since an appraisal is an estimate of the subject property's "most probable" selling price within a reasonable marketing time, it is appropriate to look at all recent sales in the subject size & age range then to focus on the statistical "area of central tendency" formed by a reasonable dispersion of all sample variables. The appraised value of the subject property noted on our report is clearly representative of the subject's fair market value and most probable selling price under current market conditions.

A below market listing price or a recent sale at a below market price does not necessarily represent the retail fair market value of a property based on the definition of market value utilized by real estate appraisers. A below market asking price may influence the most likely selling price in a short period of time and should be seen as an equity opportunity for the buyer. However, the other components of the market value definition must also be given appropriate consideration and it should be remembered that most below market listings are indicative of a lender selling at loan balance, physical condition problems or both.

Quite often, homes are listed in the MLS at below market prices because of a typographical error or the list price may be based on erroneous tax office square footage and a market derived price per square foot. Just as a below market asking price doesn't necessarily correlate to market value, excessive asking prices don't necessarily equate to higher selling prices. Every home should sell in a reasonable marketing time, but only if listed at a realistic price. Overpriced properties quickly become "shop worn" and real estate agents often show buyers other more competitively priced homes. The eventual selling prices for these overpriced homes are often lower than they would have been if they had been properly priced from the start.

Quite often, new homes will be listed in the MLS with incorrect prices as builders may have changed floorplans during construction and/or may have substantially upgraded a spec home with custom finish extras per a buyer's request. Since many homes sell and close at prices quite different from the asking price, the current list price may not reflect the upper limit of value as has often been the case in the past.

As such, appraisals prepared by this firm will focus on recent sales of the most similar comparable homes in terms of location, living area, age and features. Adjustments will be made to these most similar properties for significant differences relative the subject property and a probability study will be made of the numerous adjusted value indications. Those adjusted value indications from the most similar of all comps considered will be given most weight in the final value estimate.

53. VALUE INCREASES DUE TO EXTENSIVE RENOVATIONS

Quite often, entrepreneurs will acquire a home in rough condition, renovate that home and sell it for a profit. Many times, such poor condition homes are acquired as a result of a bank foreclosure at a price close to half of the retail price. Typical buyers would not purchase a home in rough condition and would rather pay an entrepreneur a profit in order to move into a remodeled home. Typical buyers almost always need a home in "move in" condition. They don't have the time, money or desire to handle the remodeling chores themselves. If the subject property in this appraisal has been recently remodeled or is currently undergoing remodeling where the appraised value is contingent upon completion of such updating, the increase in value from the purchase price in rough condition to the appraised value of the remodeled home is directly attributable to the renovation process.

Entrepreneurs consider the final remodeled value of a home before buying that home in rough condition. They subtract from the final anticipated value the marketing costs, holding costs, seller contributions to buyer financing, profit margin and renovation costs in order to arrive at a justifiable initial purchase price for the home in rough condition. My family has been buying and remodeling homes since 1972 so I am very familiar with the renovation process.

There can be no question that cost does not necessarily equate to value on a dollar for dollar basis when it comes to home remodeling. It is easy to spend more than what will add to value. This is known as a diminishing returns situation.

On the other hand, appropriate remodeling and renovation expenditures can optimize home condition while maintaining profitability. The entrepreneur's organizational skill is what creates profit.

When this firm performs an appraisal of a remodeled home, it is beyond the scope of the appraisal process to report or consider renovation costs. What is appropriate and relevant for the appraiser to consider are the actual updates performed and to focus on the remodeled home as it compares to recently closed, remodeled comparable sales. Prices paid for remodeled comparable sales are all that should concern lenders and appraisers - not the original price paid for a rough condition home and the costs involved in remodeling.

As such, if a lender wants a detailed list of improvements made and costs incurred, that information should be obtained from the seller since such information is not relevant to the current appraisal of the renovated home based on renovated home comparable sales. The reason this information is not pertinent to a current appraisal is that it doesn't matter what price was paid for the rough condition home or how much was spent on remodeling that home. Cost does not equate to value necessarily. There is no reason for an appraiser to justify a value increase from original acquisition price for the rough condition home because the appraiser did not observe the rough condition home at time of sale. Appraisers should not engage in such speculation.

Lenders should understand however that if a rough condition home is purchased at around 60% of the retail value and then renovated to retail "move in" condition, the increase in value is obviously and directly related to the renovation process and the amount of the value increase will usually be related to the extent of the updating and the skill of the entrepreneur. If a client wants an appraisal where a home is being purchased in rough condition and wants an "as is" value as well as an "as repaired" value based on extensive remodeling, this firm requires that the client provide a contractor's bid of all intended repairs - but costs for such items are not needed - just a list of what repairs are to be performed. Such an appraisal will also involve an appraiser's inspection of the rough condition home as well as a final inspection of the renovated home.

Many lenders request such appraisals for REO purposes and the analysis of current value, renovations and final value assists the lender in deciding whether to renovate the home or sell it in "as is" condition. Please be advised that our firm charges a two hundred additional fee for such a cost benefit analysis.

54. PROXIMITY OF COMPARABLE SALES

Per USPAP, an appraiser must withdraw from an assignment whenever there is inadequate data with which to prepare a defensible, credible appraisal report. Since primary emphasis is placed on the sales comparison approach to value in most cases, the sales used will always be as close in proximity to the subject as possible. When comparable sales are recently closed from within the subject development, they will be given most weight. If such sales are limited, the appraiser will rely on experience and judgment to find comparable sales from nearby, competing developments that typical buyers feel are interchangeable with the subject development in most respects. Only when sufficient market evidence is available will an appraisal report be completed. Otherwise, the assignment will be respectfully declined.

Whenever possible, sales will be selected so that bracketing of the subject in terms of gross living area and other features can be employed. Also, sales will be selected that were preferably closed in the last six months, located within one mile of the subject property and which were within 15 to 20 percent of the subject's gross living area. Given similar living area, rarely are adjustments made for differences in design, one story versus two story, since market data doesn't often reveal a significant value difference attributable to this individual factor.

Living area adjustments are usually only made when there is a GLA difference of at least fifty square feet. The appraisal process is not exact and this appraiser doesn't want to infer a degree of accuracy that does not exist. Supporting documentation that is not provided with the report is retained in the appraiser's work file. Whenever possible, MLS interior photos of the comparables were scrutinized to help determine overall condition, quality and upgrades.

If the best comparable sales available are further distant than preferred or if it is necessary to exceed typical gross & net adjustment percentages, it should be understood that this is typical

of the market in most stable areas where sales are limited and this situation does not adversely affect value, use, enjoyment or marketability for the subject property unless otherwise stated. When the subject is situated near a lake, the lake itself will be considered a zero distance factor when selecting comparable sales since typical buyers consider all properties surrounding the lake within the overall lake oriented market area.

55. NEW HOME APPRAISAL POLICY

When the subject appraisal property is a new home either proposed construction, under construction or recently completed new construction, special consideration is given to the selection of comparable sales. First of all, it should be noted that many new home sales prices do not become part of the MLS record since most builders sell directly to the buyer without the aid of a Realtor. Naturally, this is frustrating for real estate appraisers who are trying to estimate the value of other nearby new homes. Another problem for appraisers involves custom built new homes. These are usually top grade homes built on a site already owned by the new home buyer. Since there is no single sale of home and lot from the builder to the buyer, there is no "arm's length" transaction for appraisers to use as a comparable sale. It is improper to add the lot cost to the custom home contract price so as to create a "comparable sale" that did not take place.

Within this frustrating new home comparable sale environment, our company policy is to try and obtain new home sales from the MLS where builders have used a Realtor. If there is a limited number of new home sales in the MLS, we will use a combination of MLS new homes and resale comparables. If some new home sales are available and verifiable that were not reported in the MLS, they will be used if all information about the transaction can be confirmed by at least two sources such as builder, broker, tax records or title company.

These sales must be "arm's length" closings where the home and lot were conveyed in a single transaction. In each appraisal, we will contact builders doing business in the subject market area in an attempt to secure the best comparable sales.

For this appraisal, we performed an exhaustive search for the best comparable sales (new and resale) from the immediate subject neighborhood and from competing developments which buyers feel are interchangeable with the subject.

56. ADJUSTMENTS TO COMPARABLE SALES

The sales used in this appraisal were selected and retained because of their similarity and comparability to the subject property. They were the most similar in terms of age, living area, site size and amenities. Typical buyers would consider these homes to be truly interchangeable with the subject property. Market oriented adjustments were made for the noted significant differences. All other factors (where no adjustments were made) are effectively equivalent to the subject attributes noted. Proper appraisal practice is to make a descriptive comment about a subject property factor and then make a comparative comment about the comparable sale factor. For example, it may be proper to DESCRIBE the subject construction quality as "Brick/Avg". This description of the subject quality of construction identifies the brick veneer exterior as well as the Marshall & Swift Residential Cost Handbook quality rating. Marshall & Swift has several quality ratings - low, fair, average, good, very good and excellent. These are specific construction quality ratings based on a specific set of criteria. Next, it is proper appraisal practice to make a COMPARATIVE comment about the comparable sales. Such comparative comments are INFERIOR, SUPERIOR, EQUAL or SIMILAR. These comparative comments are designed to compare the sale to the subject property. It is NOT proper appraisal practice to describe the comparable sale. Appraisers describe the subject property features and then note how the same feature of the comparable sale compares to that of the subject property. If a comparable feature is superior to that of the subject, a downward adjustment will be made. If a feature of a comparable sale is inferior to that of the subject property, an upward adjustment will be made. IF THE FEATURE OF THE COMPARABLE SALE IS ESSENTIALLY EQUIVALENT TO THAT OF THE SUBJECT PROPERTY, THE PROPER COMPARATIVE COMMENT FOR THE SALE IS "EQUAL" OR "SIMILAR" AND NO ADJUSTMENT WILL BE MADE.

With this proper appraisal procedure in mind, please understand that comparable sales in the appraisal grid are always selected based on their similarity to the subject. The most similar homes (physically & locationally) will always be included in our reports. We will exclude distress sales such as foreclosures unless they dominate a particular neighborhood market. Within the limitations of the URAR form, we will do our best to DESCRIBE the subject property features in the grid. Then, we will compare the sales TO the subject by making the appropriate comparative comment. There will be limited descriptive information about the comparable sale attributes. For example, if the subject property quality is rated "Brick/Avg" and the comparable sale is given an EQUAL comparative comment, the reader of the report should understand that the comparable is effectively equivalent in quality and is therefore also a brick home of average quality. The same holds true for site size, condition and other relevant factors. AS ALWAYS, IF A COMPARABLE SALE HAS AN ATTRIBUTE THAT IS SIGNIFICANTLY DIFFERENT FROM THAT OF THE SUBJECT PROPERTY SUCH AS SITE SIZE, THEN THE GRID WILL

DISPLAY THE SITE AREA OF THE SUBJECT AND THOSE OF THE SALES WITH ADJUSTMENTS FOR SIGNIFICANT DIFFERENCES. If the subject site and those of the comparables are all typical lots within a subdivision and have equivalent functional utility, effective building area and terrain - then no site sizes will be displayed and no site adjustments will be noted.

When adjustments are made, they will be made on the basis of paired sales analysis, information disclosed by brokers active within the market area and past experience. Sales that are similar in all but one respect can be analyzed to isolate how that one difference affects price. However, an appraiser cannot expect the sales data to reveal the value contribution of a single characteristic in all situations. Although paired sales analysis is a theoretically sound method, it is sometimes impractical because only a narrow sampling of sufficiently similar properties may be available. Living area adjustments are based on the principle of diminishing returns. Finally, it is difficult to quantify adjustment considerations attributable to the other variables present. This appraisal does not employ multiple regression analysis or price per foot techniques. GLA is calculated based on ANSI Z765-2003 standards. Depreciation is based on the Age/Life method per M&S charts.

57. ERRORS AND OMISSIONS INSURANCE

One or more of the appraisers signing this appraisal maintain E&O insurance since many clients request that the appraiser(s) do so. It must be understood and agreed by the reader of this report that whether or not this appraisal contains a copy of the E&O insurance policy or the appraiser's terms of use, such intellectual property license contract provisions are displayed in full on the appraiser's internet websites at www.rosswalkerandassociates.com. The appraiser's terms of use require all readers of this report to hold the appraiser harmless for any reliance on the opinion of value and to waive the right to file a complaint or lawsuit. The appraisal use license agreement is a legally binding contract and all copyrighted appraisal reports are released subject to its terms of use. The maximum recourse agreed upon by all parties, and only in the event of errors and/or omissions, is a refund of the appraisal fee paid to the appraiser.

58. COPYRIGHT NOTICE

Since 1978, every appraisal report authored has copyright protection that endures for life plus seventy years. Since 1989, it has not been necessary to put a copyright notice on appraisals. Courts have ruled that copyright requires originality which stems from expression, selection and arrangement. Even though the U.S. Supreme Court has ruled that mere facts (such as compiled telephone records) are not subject to copyright protection, it must be understood that what may appear to be facts on an appraisal form report are actually refined data. Even though displayed on an appraisal report form, all information regarding the property appraised reflects the appraiser's judgment and analysis based on inspections, research and confirmation. Every component of an appraisal report is the appraiser's opinion and not a raw fact.

As such, any appraisal information pertaining to the subject appraisal property cannot be construed as mere facts. MLS information or tax office information pertaining to the subject appraisal property and/or comparable sales may appear to be facts also. However, once the appraiser independently verifies this information with buyers, sellers and/or real estate agents & other sources, raw facts have been refined, interpreted, adjusted, verified and selected by the appraiser so that facts have been enhanced into intellectual property and are thus protected by copyright.

Even though appraisal information is displayed on a standardized form report in most cases, all of the information has been selected and creatively summarized & presented on such forms by the appraiser. The "Feist" case, which dealt with the republishing of facts in phone directories is certainly not parallel to the arrangement and enhancement of facts within the real estate appraisal process. In the case of a real estate appraisal, the compilation of information is eligible for copyright since the appraiser has made an original selection and arrangement of facts. The appraisal report form does not dictate the selection, arrangement or expression of facts since all information presented has been refined for display and the appraiser can choose which subject property and comparable sales attributes are identified in the appraisal grid and adjusted.

Copyrighting an appraisal does prevent its component information from being extracted and used by others - especially by those who may want to use such refined information as the basis for estimating value in an automated valuation model. Anyone who attempts to extract such refined data from an appraisal, thinking that they are extracting mere facts, is in error and is violating copyright law - even if they are not doing so for monetary gain.

Client agrees that aspects of the licensed materials, including the specific design and structure of individual components constitute trade secrets of the appraiser and are copyrighted. Any copyright in and associated with all material, including without limitation all informational text, photographs, illustrations, artwork, graphics, documents, electronic data files or other materials whether publicly posted or privately transmitted, as well as all derivative works, is held by the appraiser as the original creator of the material and is protected by copyright,

trademark and other intellectual property laws. Use of this opinion of value by the Client also includes the agreement that the opinion of value shall be protected as a literary work under the Berne Convention (1971). It is further agreed that use of the opinion of value includes the agreement that compilations of data or other material, whether in machine readable or other form, which by reason of the selection or arrangement of their contents constitute intellectual creations and shall be protected as such.