

Clarification of Scope of Work and Intended Users

Intended Users - The Intended Use of this appraisal and appraisal report are as stated in the report form as follows: "The intended user of this appraisal report is the lender/client". No other intended users have been identified to the Appraiser and none are assumed. Pursuant to USPAP SR1-2.a, this appraisal is developed strictly and solely in accordance with those intended uses communicated to the Appraiser at the time of engagement.

Use of this appraisal and appraisal report by other users is not intended by the appraiser. Unless otherwise identified by the Client as being an Intended User, all other third parties are considered to be unintended users, including but not limited to the current owner of the subject property, the borrower in the pending loan transaction, other mortgage lending institutions and other governmental agencies not involved in the mortgage lending process. Specifically, any potential buyers or outside lenders contemplating purchase or mortgage activity on this property are urged to seek a separate opinion of value from a competent and duly licensed/certified appraiser. Any additional requests in this assignment by third parties must be requested in writing and may either be declined or if performed may be subject to additional billing to recover the costs associated with such requests.

Intended Use - The Intended Use of this appraisal and appraisal report as stated in the report form is "for the lender/client to evaluate the property that is the subject of this appraisal for a mortgage finance transaction". No other intended uses have been communicated to the Appraiser and none are assumed.

Pursuant to USPAP SR1-2b, this appraisal is developed strictly and solely in accordance with those intended uses communicated to the Appraiser at the time of engagement. Please note that only a primary lending institution can make a decision with respect to a mortgage finance transaction. Non-lenders and secondary market participants do not make these decisions and their uses, if any, have not been communicated to the Appraiser.

If a third party to this appraiser-client relationship desires an appraisal for their own uses, they are urged to seek one developed specifically for their uses from a competent and appropriately licensed/certified appraiser. The Appraiser in this assignment cannot accept responsibility for uses not otherwise identified at the time of engagement. Use of this appraisal report for other purposes is therefore not intended by the appraiser.

Use: Reading the appraisal report or possessing the report does not constitute use. Relying on the appraisal report to understand how the appraiser developed the opinion of value does not constitute use. **Use means relying on the appraisal report to make a decision or to take an action.**

Although Fannie Mae's report form states the borrower and other 3rd parties "may rely" upon this report, Fannie Mae has declined to identify all of the other intended users or any of the other intended uses for which these parties "may rely" upon the report. The purpose of the Appraiser's clarification of the Intended Users and Intended Use is to establish specific expectations for this work-product in compliance with USPAP, as opposed to the additional undisclosed and/or unknowable expectations as are omitted in the report form. Any criticism of this apparent contradiction should be directed to the weaknesses of the language used in the form, which is considered a vehicle for communicating the results of an appraisal developed and reported by an Appraiser.

This report may contain comments, conditions, and/or certifications added by the signing appraiser and/or Appraise-Virginia including, but not limited to, this Supplemental Addendum. These items shall supersede and take precedence over all other language, requirements, or conditions contained in any preprinted and/or third-party forms or documents included in, or incorporated by reference into, the appraisal report.

Ownership of Intellectual Property and/or Data - Appraise-Virginia expressly retains all right, title, and interest in all patents, trademarks, trade names, trade secrets, software, data, conclusions, opinions, valuations, or other information included in, arising out of, or in any way related to this appraisal

or the provision of appraisal services to the named client and/or Intended User. The report and information supplied by the staff and/or agents of Appraise-Virginia is a culmination of intellectual education, professional experience, personal investigation, and know-how, which shall at all times remain the property of Appraise-Virginia. No person shall be entitled to break down, strip out, mine, or disseminate any component or part of this report, including, but not limited to, any conclusions, valuations, opinions, or other data compilations herein. Notwithstanding, the Intended User as defined above may use this appraisal report and the contents herein for the limited purpose and use identified above.

Adequacy of Scope - The appraiser has proposed and the Client has agreed (prior to submission) that the level of development and reporting detailed above is sufficient to address the substantiate criteria of a reasonable Scope of Work within the context of the Intended Users and Intended Use. With the exception of revisions made for the purpose of correction of any errors, the Appraiser does not anticipate further development or reporting requirements for this assignment. Any additional requests from the Client or any third parties may represent a change in the assignment conditions and require the development of a new assignment. With the exception of corrections of any errors or omissions, any additional requests must be made in writing and may be subject to additional billing to recover the costs associated with the additional work.

The appraisal is based on the information gathered by the appraiser from public records, other identified sources, complete visual observation of the interior and exterior of the subject property, its neighborhood, and selection of comparable sales within the subject's market area. The original source of the comparables is shown in the Data Source section of the market grid along with the source of confirmation, if available. The sources and data are considered reliable. When conflicting information was provided, the source deemed most reliable has been used. Data believed to be unreliable was not included in the report nor used as a basis for the value conclusion.

The appraiser is not a home inspector and the appraisal report is not a home inspection. The appraisal report cannot be relied upon to disclose hidden defects that are not apparent from a visual observation of the surfaces of the subject property from standing height. The testing of systems (structural, electrical, mechanical, heating, cooling, plumbing) and components (such as appliances, fixtures, doors, windows, etc.) lies outside of the scope of this appraisal assignment.

This report is not intended for use by the borrower for the purpose of identifying any adverse conditions in the subject's systems and components which might be revealed by any inspections by licensed professionals in any relevant field. This appraisal does not guarantee that the subject property is free of undetected problems, possible defects or environmental hazards that could exist.

Complete visual inspection of the interior areas of the subject property: A visual observation from standing height of the accessible areas and unobstructed, exposed surfaces of the living area without removal of personal possessions. It includes the visual observation of attached automobile storage, if any, as well as of any attached accessory buildings judged by the appraiser to have contributory value.

Complete visual inspection of the exterior of the subject property: A visual observation of the unobstructed, exposed, and accessible perimeter of the residential improvements from standing height. It includes the visual observation of detached automobile storage, if any, as well as of any detached accessory buildings judged by the appraiser to have contributory value.

Living area: Living area is defined as legal, finished, permanently heated, living space contiguous with other living area and regarded by a typical purchaser as being habitable and as having utility. The visual observation of the attic, the crawl space, any unfinished basement, and below grade storage is based on HUD's "head and shoulders" requirement. This appraisal report conforms to The American National Standards Institute ANSI Z765-2003, approved November 2003.

Estimated marketing time is based on current and/or past studies of sales activity provided by the Richmond Multiple Listing Service, and the appraiser's knowledge of the property's market. The estimate

assumes proper pricing and marketing. The estimated marketing time is three to six months.

This appraisal utilizes digitized electronic signatures that prevent the altering of the appraisal report in any manor with the removal of the appraiser's signature. These signatures are secure and irrevocable, binding the appraiser(s) to the accuracy and completeness of the appraisal report.

As of the date of this report, George W. Dodd, SRA, has completed the requirements of the continuing education program of the Appraisal Institute.

Additional Comments

- The comments in this addendum are intended to expand on the information provided on the form appraisal. It is our desire to insure that the client fully understands the appraisal process and methodology as well as the facts pertinent to the valuation of the subject property. The expanded narrative provided in this addendum is an effort to clarify those areas of the report that we have found that cause the most concern to our clients.
- Please be advised that the subject is located in the Richmond-Petersburg MSA, #6760. This MSA consist of the cities of Colonial Heights, Hopewell, Petersburg and Richmond and the counties of Charles City, Chesterfield, Dinwiddie, Goochland, Hanover, Henrico, New Kent, Powhatan and Prince George. The market area consists of 2,945 square miles with a population of 1,032,425 as of U.S. Census estimates 11/2004.
- In the market grid, ROOM COUNT contains the adjustment for bathrooms. The next line, GROSS LIVING AREA (GLA), contains the adjustment for GLA, total room count and bedroom count as a single adjustment. Note that any extreme in living area and/or room count may result in a functional utility adjustment under the separate line UTILITY.
- The sketch of the subject property is primarily to assist the reader (reviewer) in visualizing the property as we have seen it from our on site inspection. The floor plan provided is not intended to duplicate the builder's plan to scale, but rather to be a guide to the reviewer in evaluating normal traffic patterns within the property.
- Areas of limited access (i.e. attic, crawl spaces, eaves, etc.) may not necessarily be inspected due to limited access. For purposes of this appraisal, a condition for any such applicable area is determined after a visual inspection of related/adjoining parts of the structure. An appraiser is a trained and experienced observer of real estate, but recognizing, detecting, or measuring contamination is often beyond the scope of the appraiser's expertise. Remediation and compliance cost estimation involves knowledge and experience beyond that of most appraisers.
- This inspection is not intended to serve as a termite inspection, although any problems observed are noted in the appraisal. The buyer or homeowner should contact a qualified inspection professional for this service if so desired.
- Please be advised that the estimated marketing time for the subject is from three to six months.
- No items of personal property are included in the appraised value of the subject.
- In the preparation of this appraisal some or all of the photographs may be digitized. In no case have the photos been altered or manipulated in any manner. All photos are accurate representations of the properties.

- The Americans with Disabilities Act (ADA) became effective January 26, 1992. This inspection does not represent a specific compliance survey or analysis to determine whether or not the physical aspects of the improvements meet the ADA accessibility guidelines. This inspection in no way suggests ADA compliance. Since compliance expectations can change with each owner's financial ability to cure deficiencies, the value of the subject does not consider possible noncompliance.

Opinions or estimates expressed herein represent our best judgment but should not be construed as advice or recommendation to act. The appraiser should be contacted with any questions before this report is relied upon for decision making. This appraisal represents an estimate of value based on an analysis of information known to us at the time the appraisal was completed. We do not assume any responsibility for incorrect analysis because of incorrect or incomplete information, which was provided to the appraiser. If new data or documentation is provided to the appraiser, the value in this report is subject to change based on the significance of this new data.

Adverse Environmental Conditions

The existence of any Hazardous material, including but not limited to, Urea formaldehyde foam insulation, radon gas, asbestos products, lead based paints or toxic waste contaminant, which may or may not be present in the subject improvements, on the site or in the immediate vicinity of the subject has not been observed by the appraiser. The appraiser has no knowledge of the existence of such hazardous material in or on the property.

It should be noted that homes built before 1978 may contain lead based paint and the client should be advised of its possible existence. Also, the EPA suggests that all homes be tested for radon gas. If the client has a concern then a qualified expert should be contacted.

Homes clad with EIFS (Exterior Insulation and Finish Systems) a.k.a. *synthetic stucco* or *Dryvit* have a very strong tendency to retain moisture between the sheathing of the home and the finish system. The design of EIFS, unlike other systems (brick, stone, siding, etc.), does not allow the moisture to drain out. The moisture can sit in contact with the sheathing for a prolonged period and rotting may result. Damage can be serious. Left unchecked, it can affect the structural components of these homes.

Radon gas can be found in any home whether it is new, old, on slab, a crawl space, or a basement. Radon is odorless, colorless, and is a radioactive gas produced by the breakdown of uranium in soil, rock, and water. It typically rises up through the ground and into a home through holes in the foundations. It is the radiation given off by radon and its decay products that is the health risk concern. These decay products become attracted to almost any object including airborne particles such as dust. The Surgeon General has warned that radon is the second leading cause of lung cancer in the United States. The U.S. EPA has established an "action level" for indoor radon at 4 pCi / L (pico curies per liter of air). If a home has a radon level of 4 pCi / L the situation should be remedied. The only way to know if a problem exists is to have the property tested.

Soils known to be unstable (shrink swell), exist in the Greater Richmond Metropolitan Area. This type of soil condition causes the soil around the foundation of a dwelling to expand and contract due to changes in its water content. Indications of this problem include:

- Foundation walls that are buckled or bowed.
- Doors and windows that stick or don't open.
- Cracks in foundation walls.
- Cracks in exterior walls.
- Cracks in interior walls and ceilings.
- Sunken or buckled interior concrete floors.

While the appraiser has made a diligent observation of the subject property and none of these indicators were noted, the only way to insure that this problem is not present is to have the property tested.

Septic Systems

A new law passed by the General Assembly in July 2004, on septic systems requires more stringent regulations set forth by the Board of Health. If a septic system is failing and the Board of Health's regulations impose a requirement beyond the level of treatment for that septic system when it is operating properly, the owner may apply for a waiver. In other words, the system would need to be repaired only to the level at which it would normally be functioning. In order to do so, the owner must receive a waiver from the Health Department.

This waiver is non-transferable unless it is between a husband and wife. The owner of the property must disclose to all potential purchasers and lenders that 1) the septic permit that has been granted a waiver becomes null and void upon the transfer of the property; and 2) that the Board of Health's regulatory requirements for additional treatment must be met before an operating permit will be reinstated.

§ 32.1-164.1:1. Validity of certain septic tank permits.

B. Further, whenever any onsite sewage system is failing and the Board's regulations for repairing such failing system impose (i) a requirement for treatment beyond the level of treatment provided by the existing onsite sewage system when operating properly or (ii) a new requirement for pressure dosing, the owner may request a waiver from such requirements. The Commissioner shall grant any request for such waiver, unless he finds that the failing system was installed illegally without a permit. Any such waivers shall be recorded in the land records of the clerk of the circuit court in the jurisdiction in which the property on which the relevant onsite sewage system is located. Except between a husband and a wife, waivers granted hereunder shall not be transferable and shall be null and void upon transfer or sale of the property on which the onsite sewage system is located. Additional treatment or pressure dosing requirements shall be imposed in such instances when the property is transferred or sold.

The owner of the relevant property shall disclose, in writing, to any and all potential purchasers or mortgage holders that any operating permit for the onsite sewage system that has been granted a waiver authorized by this subsection shall be null and void at the time of transfer or sale of the property and that the Board's regulatory requirements for additional treatment or pressure dosing shall be required before an operating permit may be reinstated.

Neighborhood Market Conditions

There is currently a limited supply of homes for sale in the subject's market which has resulted in a "seller's market" and as a result homes are generally only exposed for a short period of time before multiple offers for purchase are made (sometimes in excess of the asking price). As a result there are a very limited number of recent transfers from which to select comparable sales data. This results in the use of market data that can require significant adjustment in order to compare to the subject property.

Current interest rates continue to remain at historically low levels. Discount points and closing costs are typically negotiated between buyers and sellers and it is not uncommon for the Seller to pay some of these costs (between one and three percent of purchase price). A variety of loan packages are available including both conventional and government endorsed mortgages.

Highest and Best Use

Highest and Best Use is that reasonable and probable use that will support the highest present value, as defined, as of the effective date of the appraisal. Alternatively, it is that use, from among legally permissible, physically and reasonably possible uses, found to be economically and financially feasible, and which results in the most profitable of the alternatives.

Given the current zoning, location and size of the site, surrounding land uses (recognizing the principle of conformity) and development characteristics of the market area, our opinion of the highest and best use of the property "as vacant" is for single family residential development. Further, the existing use/improvements exceed the value of the site vacant; therefore our opinion of the highest and best use of the site "as improved" is for continued single family residential use.

Comments on the Sales Comparison Analysis

Since not every subject can be compared to "ideal" comparable sales, the appraiser has chosen what are believed to be the best comparable sales available from a thorough and extensive search for comparable sales data in the subject's market. The sales selected for use in the analysis are considered to be the best indicators of value for the subject property. Other sales reviewed would have required excessive adjustments and were not considered to be as reliable as the sales chosen.

Adjustments within the Sales Comparison Analysis are based on the market extraction method, generally employing the matched pair process, and not specifically based on cost figures.

Every effort has been made to conform to FHLMC/FNMA Guidelines and in most cases, an even stricter interpretation found common to most investors in the secondary market.

To the best of the appraisers knowledge, all comparable sales were sold without special or creative financing or excessive sales concessions. Any excess seller concessions have been adjusted appropriately using "cash equivalency" to reflect accurate market response. Closing cost paid by the sellers of the comparable properties are equivalent to typical financing terms offered by third party institutional lenders in the local market. In the appraiser's opinion, these sales represent typical market financing transactions. The sales prices are not considered to be inflated due to special or excessive financing concessions. The indicated values of the comparable sales reflect the value of the subject real estate and include only those sellers closing cost normally paid by tradition or law in the market area.

Gross living areas shown for the comparable sales are estimates based on information from one or more of the following sources: Multiple Listing Service (MLS), county/city tax records, real estate agents, homeowners, builders, appraisers, interoffice data bank or actual measurements. Slight variations in size will have no effect on the estimate of value. All comparable sales are settled to the best of the appraiser's knowledge. Verification is with county records and/or Realtor.

Final Reconciliation

There is insufficient data available in the subject market to derive a gross rent multiplier or a gross monthly rent multiplier. As such, the methodology of the Income Approach was not developed to estimate the market value of the subject property. Furthermore, the Income Approach is not a generally accepted method for estimating the value of owner occupied single family residences in the subject's market.

Although the Cost Approach may not be required for the client specified in this report, the Appraiser is bound by the Uniform Standards of Professional Appraisal Practice (USPAP), which may or may not require the utilization of the Cost Approach for the specific subject property of this report. If the Appraiser has determined that the Cost Approach is necessary to produce a reliable and credible appraisal report than it has been included and supporting documentation is contained in the Appraiser's work file and summarized in the Cost Approach section of this report. If the Cost Approach was not considered necessary to produce a credible and reliable appraisal due to the age of the property and limitations in determining accrued depreciation, then the lack of inclusion of the Cost Approach does not result in departure from the USPAP.

Of the three traditional approaches to value, only the Cost Approach, if used, and the Sales Comparison Analysis have been applied. When sufficient data is available, the methodology of the Sales Comparison Analysis yields the most convincing indication of value for a single family residence in the subject's market area. Although substantial adjustments may be applied to the sales prices of the comparable properties, the data in this analysis is considered to be of sufficient quality and quantity to present a convincing estimate of value. Therefore, most weight is placed on the Sales Comparison Analysis in estimating the market value of the subject property as of the effective date of the appraisal. The value estimated by the Cost Approach , if used, is considered to be supportive.