

NOTICE TO ANY CLIENT REQUESTING THE APPRAISER UTILIZE A FNMA FORM APPRAISAL.

THE FOLLOWING DISCLOSURE WILL BE ATTACHED BY THE APPRAISER TO ANY FNMA APPRAISAL FORM REQUESTED BY A CLIENT.

PAGE 1 OF 2

DISCLOSURE OF CONFLICTS BETWEEN ATTACHED FNMA APPRAISAL FORM AND APPRAISER'S STATE ISSUED APPRAISAL LICENSE AND APPRAISER(S) RESOLUTIONS

Instruction To Use Attached FNMA Appraisal Form:

The herein identified Lender/Client has instructed the appraiser(s) to utilize the attached FNMA form for completion of this appraisal assignment. The appraiser(s) has/have complied but is/are providing this disclosure as to conflicts and the appraiser's resolutions of these conflicts.

Intention Of This Disclosure:

There are, in the appraiser's opinion, conflicts between the attached FNMA requested appraisal form and the appraiser's requirement to conform to USPAP (Uniform Standards of Professional Appraisal Practice). There are also, in the appraiser's opinion, internal conflicts or inconsistencies in the form.

This disclosure has the express intention of informing the Lender/Client, the herein identified client and intended user(s) and any other party who may choose to rely on upon this appraisal (whether such party is legally entitled to do so or not) of conflicts from the appraiser's prospective and how the appraiser(s) signing the attached appraisal resolved these conflicts by use of discussions, disclosures, clarifications, comments, attachments, etc.

Why A Form Does Not Relieve The Appraiser(s) of His/Her Legal Duty To Conform To USPAP:

The appraiser(s) signing this appraisal is/are licensed by the State of California's Office Of Real Estate Appraisers (OREA). Appraiser's licensing law in the State of California incorporates USPAP in its entirety. As such, any time an appraiser signs an appraisal, in whatever format, he/she must comply with USPAP.

A form issued by FNMA or anyone else for that matter, does not absolve the appraiser of his/her necessity to comply with USPAP and his/her state appraisal license requirements. In other words, no form gives the appraiser the right to break the law or confers the right upon the appraiser(s) to ignore USPAP.

Why Must The Appraiser Comply With USPAP?:

For this appraisal there are two reasons the appraiser must comply with USPAP, they are:

1. As noted above, the appraiser's state issued appraisers license requires that any time an appraiser signs an appraisal he/she must comply with USPAP, and

2. Item 3 of the Appraiser's Certification on the client selected FNMA form reads as follows:

"I performed this appraisal in accordance with the requirements of the Uniform Standards of Professional Appraisal Practice that were adopted and promulgated by the Appraisal Standards Board of The Appraisal Foundation and that were in place at the time this appraisal report was prepared."

In the appraiser's opinion the above inclusion in the form's Certifications and the prohibition in the form from "modifications, additions, or deletions" of many sections of the form is an internal inconsistency. As such, the appraiser(s) has/have complied with Item 3 of the Appraiser's Certification and therefore complied with USPAP.

NOTICE TO ANY CLIENT REQUESTING THE APPRAISER UTILIZE A FNMA FORM APPRAISAL.

THE FOLLOWING DISCLOSURE WILL BE ATTACHED BY THE APPRAISER TO ANY FNMA APPRAISAL FORM REQUESTED BY A CLIENT.

PAGE 2 OF 2

What Happens If The Appraiser Does Not Address The Form's Conflicts With USPAP?:

If the appraiser(s) does/do not comply with USPAP the appraiser will be placing his/her license in jeopardy and himself/herself in danger of being prosecuted by the state licensing board. The end result of such prosecution could be the appraiser(s) being fined and/or having his/her license restricted or revoked, thus removing the appraiser's livelihood.

What Does USPAP Require?:

The Ethics Rule of USPAP requires, among other items, the following:

"An appraiser must not communicate assignment results in a misleading or fraudulent manner. An appraiser must not use or communicate a misleading or fraudulent report or knowingly permit an employee or other person to communicate a misleading or fraudulent report."

Standards Rule 2-1 of USPAP requires the following:

"Each written or oral real property appraisal report must:

(a) clearly and accurately set forth the appraisal in a manner that will not be misleading;

(b) contain sufficient information to enable the intended users of the appraisal to understand the report properly; and

(c) clearly and accurately disclose all assumptions, extraordinary assumptions, hypothetical conditions, and limiting conditions used in the assignment."

Standards Rule 2-2 of USPAP requires the following of the appraiser:

..."An appraiser must supplement a report form, when necessary, to ensure that any intended user of the appraisal is not misled and that the report complies with the applicable requirements set forth in this Standards Rule."

It should be obvious from the above USPAP citations that the appraiser(s) must not communicate the appraisal report in a misleading manner, must define the intended users, and must disclose all assumptions, etc. used in the assignment.

How Did The Appraiser(s) Resolve The Conflicts?:

The appraiser(s) have resolved the identified conflicts by choosing to add appropriate comments, and/or clarifications and/or discussions and/or disclosures and/or attachments, etc. most of which will appear on additional pages to the attached FNMA appraisal form. These clarifications, discussions, disclosures, attachments, etc. are considered an integral part of the appraisal. See disclosure regarding other attachments and integrated report.