

Introduction

This environmental risk assessment procedure has been established to limit any potential liability to NOAH for the presence of hazardous materials on any site in which NOAH has a security interest, as well as protect our Borrower's from liability and potentially allow them to claim protection from the Comprehensive Environmental Response, Compensation and Liability Act (CERCLA).

CERCLA imposes strict liability on certain parties for any contamination that may exist on a property. Such a party, called a "potentially responsible party" (PRP) may be held liable to clean up contamination caused by the release of hazardous substances. PRPs include property owners, so innocent purchasers sometimes find themselves facing expensive cleanup liability resulting from pre-existing contamination.

NOAH has developed due diligence methods to help identify pre-existing contamination before financing of a property. Determining the existence of hazardous substances allows a buyer to walk away from a property before it is too late, or to negotiate cleanup liability with the seller. The Phase I Environmental Site Assessment (ESA) is one of the methods that have evolved over the last 20 years.

A Phase I assessment typically consists of the following elements:

- Historical review of use and improvements made to property.
- Review of records of building, zoning, planning, sewer, water, environmental, and other government offices concerning property and adjacent parcels.
- Review of all state or federal environmental agency records and files affecting property or adjacent parcels.
- Review of all reports filed under CERCLA and other statutes concerning environmental conditions and events, such as releases or threatened releases of hazardous substances, on property and adjacent parcels.
- Inspection of property and all improvements.
- Verification of whether present or past owners or tenants stored, created, or discharged hazardous materials or wastes.
- Review of whether appropriate procedures, safeguards, permits, and notices with respect to hazardous substances are on the property.
- Analysis of old aerial photographs to determine construction or destruction of buildings and existence of ponds and disposal areas on property over time.
- Interviews with neighbors to determine prior uses of property.
- Review of building records and visual inspection of buildings to determine whether asbestos-containing materials are present.
- Review of scientific literature to determine potential existence of wetlands or radon.

The purpose of the Phase I ESA is to determine whether there are reasons to suspect contamination, in which case the more costly and invasive Phase II methods are necessary. Absent the discovery or suspicion of any hazardous substances, a "clean" Phase I constitutes "all appropriate inquiry" (AAI), and environmental due diligence is complete. A Phase I does not include soil sampling, groundwater analysis, or other subsurface testing characteristic of a Phase II ESA.

The Environmental Protection Agency (EPA) has established standards for AAI, and has published the "Standards and Practices for All Appropriate Inquiries Rule" in then November 1, 2005 Federal Register.

To avoid liability for contamination by a previous landowner, the purchaser must conduct all appropriate inquiry. Conducting such inquiry allows a purchaser to rely on the innocent landowner defense in the event a hazardous substance is found on the property. This defense requires the PRP to demonstrate that he neither knew, nor had any reason to know, that the property was contaminated at the time of acquisition. The determination of what constitutes an "appropriate inquiry" takes into consideration several factors:

1. Any specialized knowledge or experience that the party may have.
2. The relationship of the purchase price to the value of the property if uncontaminated.

3. Commonly known or reasonably ascertained information about the property.
4. The obviousness of contamination at the property.
5. The ability to detect such contamination by appropriate inspection.

The procedures indicated herein are compliant for the purposes of "all appropriate inquiries" standards under CERCLA. They are also compliant with ASTM E1527-05.

Environmental Professionals

Environmental reviews must be conducted and prepared by an Environmental Professional with no conflict of interest in the transaction. An Environmental Professional is a person possessing sufficient education, training and experience necessary to conduct a site reconnaissance, interviews, and other activities in accordance with ASTM E1527-05 standards. They must also possess the ability to develop conclusions and opinions regarding the recognized environmental conditions in connection with the property in question.

NOAH requires that Environmental Professionals carry Errors and Omissions Insurance in the minimum amount of \$ 1,000,000.

Review Timing

Environmental reviews can be no older than 1 year prior to the acquisition of a given site. To benefit from protection under CERCLA, the review must be updated if older than 180 days prior to acquisition.

Review Contents

- Site location, address, general site setting

- Visual inspections of the site and adjoining properties

- Current and past property uses and occupancies
- Interviews with past and present owners, operators and occupants
- In the case of abandoned properties, indication of any unauthorized use of the property or evidence of uncontrolled access to the property, the inquiry must include interviewing one or more (as needed) owners or occupants of neighboring properties

- Reviews of historical sources of information
- Including but not limited to aerial photographs, fire insurance maps, building department records, chain of title and land use records. These must be reviewed as far back in time as can be shown the property contained structures, or the time the property was first used for residential, agricultural, commercial, industrial or government purposes

- Searches for recorded environmental clean up liens

- Reviews of federal, tribal, state and local government records of the subject property as well as adjoining properties. These records shall include:
 - Reported releases or threatened releases, including site investigation reports (within 1 mile)
 - Records of activities, conditions or incidents likely to cause or contribute to releases or threatened releases including landfill and other disposal unit locations and permits, storage tank records, hazardous waste handler and generator records, government lists of sites identified as priority clean up sites, and spill records (within 1 mile)
- CERCLIS records (within 1/2 mile)

- Public health records (within _ mile)
- Emergency Response Notification System records (within _ mile)
- Registries of engineering controls (within _ mile)
- Registries of institutional controls (within _ mile)
- Records of NPL sites and de-listed NPL sited (within 1 mile)
- RCRA facilities (within _ mile)
- Registered hazardous waste sites identified for investigation or remediation (within _ mile)
- Records of leaking Underground Storage Tanks (UST's) (within _ mile)
- Properties that were previously identified or regulated by a government due to environmental concerns (within _ mile)
- Records of former CERCLIS sites with no further remedial action notices (within _ mile)

- Current and past uses of hazardous substances, pollutants, contaminants, petroleum or petroleum products and controlled substances
- Searches for recorded environmental cleanup liens
- Reviews of federal, state, tribal and local government records

- Waste management and disposal activities that could have caused releases or threatened releases of hazardous substances

- Current and past corrective actions undertaken to address past and on-going releases of hazardous substances
- Engineering controls
- Institutional controls
- Properties adjoining the site that have environmental conditions indicative of releases or threatened releases of hazardous substances to the site

- For structures undergoing demolition or rehabilitation
- Indications of friable and non-friable asbestos containing materials
- Indications of lead based paint
- Indications of formaldehyde insulation
- Form of potable water delivery

- Information regarding 100 year flood plain and wetland observation
- Include a copy of the FEMA Flood Hazard map including the community parcel number

- Documentation for all findings

- Letter of Reliance. A letter form is attached herein.

- An opinion by the Environmental Professional as to whether the identified conditions are indicative of releases or threatened releases of hazardous substances, contaminants, pollutants, petroleum or petroleum products and controlled substances

- Identification by the Environmental Professional of any data gaps and the impact of those gaps

- The qualifications of the Environmental Professional

■ A signed declaration by the Environmental Professional reading as follows:

"[I, We] declare that, to the best of [my, our] professional knowledge and belief, [I, We] meet the definition of Environmental Professional as defined in Section 312.10 of 40 CFR Part 312."

[I, We] have the specific qualifications based on education, training, and experience to assess a property of the nature, history, and setting of the subject property. [I, We] have developed and performed the all appropriate inquiries in conformance with the standards and practices set forth in 40 CFR Part 312."

Letter of Reliance

On the Environmental Professionals Letterhead

Date

Loan Officer
NOAH
1020 SW Taylor Suite 585
Portland OR 97205

RE: Phase I ESA for (PROJECT NAME HERE)

Please find enclosed the Phase I Environmental Site Assessment for the subject property dated (DATE).

It is my understanding that the information contained in the Environmental Site Assessment will be used by NOAH in considering proposed financing of residential development of the property and, furthermore, that NOAH may rely upon the Environmental Site Assessment as if it were issued to NOAH.

I certify that the attached is a true, correct and complete copy of the Environmental Site Assessment and that the report represents my professional opinion of the site as of this date. I also confirm the evaluations, recommendations and conclusions contained in the Environmental Site Assessment as of this date and that the Environmental Site Assessment has been performed in conformance with ATSM E 1527-05.

Sincerely,

CONSULTANT