

Petersen/LaChance Realty Advisors

**REAL ESTATE
APPRAISAL REPORT**

35± Acres

LOCATED AT

Little Neck
Ipswich, Massachusetts

OWNER OF RECORD

The Feoffees of the Grammar School

DATE OF REPORT

December 7, 2010

CLIENT

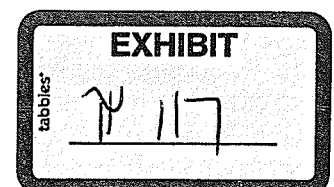
Little Neck Legal Action Committee

EFFECTIVE VALUATION DATE

November 1, 2010

PREPARED BY

William A. LaChance, MAI, SRA
Petersen/LaChance Realty Advisors
100 Conifer Hill Drive, Suite 206
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APPRAISAL • EVALUATION • CONSULTING

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December 7, 2010

Little Neck Legal Action Committee

C/o Tyler Chapman, Esquire

Todd & Weld, LLP

Boston, MA 02109

Re: Little Neck, Ipswich, Massachusetts

Dear Mr. Chapman:

At your request, I respectfully submit this summary appraisal report which sets forth my market value opinion of the property referenced above, hereinafter referred to as the subject.

The subject property consists of a single parcel comprised of a 35± acre peninsula at Plum Island Sound and the Ipswich River. The parcel is owned by a trust and its use has evolved over hundreds of years from sheep grazing to its current use for rental to individuals that have constructed cottages. The local assessing office identifies the subject parcel as 210 "lots", one of 11 acres and others being usually about three thousand square feet. This assessing designation does not constitute a subdivision and was made for reasons of safety, convenience of identification and local taxation. The parcel's 210 "lots" include 167 that are improved with privately owned cottages, a few having buildings or structures used in common and with most others being retained as vacant or minimally improved for the common benefit of all tenants of Little Neck. Of the 167, 143 have had the right of seasonal use and 24 have had the right of year round use. However, all will become available for year round use at sale. Of the 167, 32 cottages are under long term lease and the rest are rented annually with renewals having occurred for decades.

In summary, the subject consists of the leased fee interest in a single parcel of land and common improvements to that land, exclusive of the cottages.

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My appraisal is based upon some standard Assumptions and Limiting Conditions that are general to virtually all appraisal reports and that are presented near the end of this report. In addition, this appraisal is subject to Extraordinary Assumptions that are specific to the rights appraised in subject. The Uniform Standards of Professional Appraisal Practice (USPAP) define an extraordinary assumption as follows: "an assumption, directly related to a specific assignment, which, if found to be false, could alter the appraiser's opinions or conclusions." My extraordinary assumptions are as follows.

- 1) The Probate Court will ultimately allow the conversion to condominiums and sale to the tenants.
- 2) The subject continues to have a limited capacity of 462 bedrooms and its dwellings continue to be limited in size and shape to the degree that those currently existing dimensions have been controlled before the sale.
- 3) All cottages will be allowed year round use.
- 4) The seller pays for condominium conversion and I have been correctly informed that conversion of the subject and its cottages could not occur without a single entity owning both.
- 5) That owners of the 32 cottages having long term leases will agree to void them in order to achieve a sale for use as condominiums at a price beneficial to lessor and lessee.
- 6) The \$900,000 erosion repair cost estimate of Vine Associates, Inc. and reported by the client is reasonably accurate.

Based upon the data and analyses summarized herein, and based upon the extraordinary assumptions cited on the prior page, it is my opinion that as of November 1, 2010 the following values apply to the subject. Both value estimates are of the subject 35 acres and common improvements thereto, yet exclusive of cottages.

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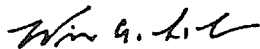
The market value of the subject's leased fee interest for continued use as a rental property is **\$22,100,000**. This is the market value for which the "market" is broader than the tenants or an investor that would promptly resell the subject in bulk to the tenants.

The subject's market value that reflects cooperation between tenants and management in creating an entity of superior value is of the fee simple estate for conversion to condominiums and is **\$26,700,000**. This is the market value to the tenants or to a buyer that would promptly resell the subject in bulk to the tenants. As noted within this report, this market value estimate substantially exceeds the land's value if vacant and/or in an alternate use, and reflects value added by tenants and management in maintaining the subject's legal non-conformity and the overall desirable quality of its neighborhood. Lastly, the subject's under-agreement price of \$29,150,000 reflects tenants giving back value in a transaction made under unusual conditions of sale. The result is a premium price achieved from the narrowest of markets; one buyer.

It is my opinion that as November 1, 2010, the market value is **\$26,700,000**.

*****Twenty Six Million Seven Hundred Thousand Dollars*****

Respectfully submitted,



William A. LaChance, MAI, SRA

Massachusetts General Certified Appraiser No. 497

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Appraisal Purpose, Problem and Scope of Analysis

Purpose My purpose in this assignment was to estimate the market value of the subject 35 acre parcel and its improvements, exclusive of the cottages.

Problem and Scope of Analysis The appraisal problem is the lack of bulk sales of similar real property. The subject's unique physical character as well as all of the uncertainty regarding ownership rights and associated costs has become inextricably intertwined. As a result, truly comparable bulk property sales were not found and direct sales comparison was not possible. This problem was overcome through use of other data within a generally accepted valuation methodology.

Prior to completion of this report, appraisal reports by three other well known appraisal firms were made public. I have read them all. It should also be known that I appraised this property in 2004. It is critical in the evaluation of any appraisal report that the reader considers the extraordinary assumptions and or hypothetical condition upon which that report bases its value conclusions. It should be understood that prospective buyers quantify negative aspects of a property's ownership; they do not assume them away without payment. More specifically, it is unlikely that a prospective buyer of real estate would agree to a term of sale that would weaken its position and thereby raise its acquisition price without some offsetting benefit such as an assured sale at marginally higher price than that likely to be paid by competing prospective buyers. Please also be aware that ongoing litigation concerning the subject adversely affects its marketability, while its legal non-conformity supports that alternate allowable uses of the land will result in lower value indications.

The extraordinary assumptions underlying my value opinion are few. Their effect will be reflected in the value indication. In addition, calculation of a gross sales estimate within a condominium sellout should not be construed as a market value indication; it is a necessary intermediate calculation in reaching a market value indication. I can conceive of no buyer that would acquire the subject based upon its gross/aggregate retail lot value, and then assume the cost and risk associated with its ownership. Expenses and allowances/costs should be deducted over an absorption period, including a developer's profit that is sufficient to attract investment. Absent these elements, the value indication derived is not market value.

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In undertaking this appraisal assignment I inspected the subject property including the exterior of the cottages and other structures. The view from each cottage was noted, rated, and considered in developing the retail value estimate for that "lot". In addition, the gross living area (GLA), general exterior dimensions and setting of each currently existing building was noted.

I reviewed the subject's assessing map, USDA/NRCS Soil Maps, local Zoning Bylaw, Subdivision Regulations, and other general municipal data. Although I found references to a plan by Nourse in 1902, I found no recorded plan and relied upon local assessing maps. I read my 2004 appraisal of this property as well as more recent appraisal reports prepared by Colliers Meredith & Grew, LandVest, and Lincoln Properties that were made subject to varied assumptions and conditions. I relied upon attorney Tyler Chapman for any extraordinary assumptions, of which there were few. The extraordinary assumptions were also listed in the Letter of Transmittal in order that they not be overlooked.

I gathered data on local lot and lot/dwelling sales as part of a market investigation made in order to establish the subject property's relation to competitive properties and to support a reliable estimate of its highest and best use and market value. The appraisal process consisted of direct capitalization as well as yield capitalization using a discounted cash flow similar to that applied in a subdivision analysis. Each sale was confirmed with a grantor, grantee or broker involved in the transaction, unless otherwise noted. I visited each sale and rated its characteristics.

I did not ascertain the current balance of any debt associated with ownership of the subject as calculation of an equity position is beyond the scope of my assignment.

This Summary report is intended to comply with Standards Rule 2-2 (b) of the Uniform Standards of Professional Appraisal Practice.

Intended Use and Intended Users of the Report

The intended use of this report is for use in investment decision making by the client, Little Neck Legal Action Committee, and for possible consideration by the Feoffees and representatives of the Trust's beneficiaries.

Property Rights Appraised

Property rights appraised herein include all benefits to which leased fee ownership is entitled as of the date of value. While the leased fee interest is technically correct, the final value estimate herein reflects tenants' exchanging rights to gain a fee simple interest. Pertinent terms used herein are defined below.

Market Value - "The highest price which a hypothetical willing purchaser would pay to a hypothetical willing vendor in an assumed free and open market."¹ In this report, the value estimate is in US dollars.

Fee Simple Interest - "Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat."²

Leased Fee Interest - "The ownership interest held by the lessor, which includes the right to the contract rent specified in the lease plus the reversionary value when the lease expires."³

Leasehold Interest - "The right by the lessee to use and occupy real estate for a stated term and under the conditions specified in the lease."⁴

Effective Valuation Date

The effective valuation date is the date of one of my subject inspections, November 1, 2010.

¹ Epstein v. Boston Housing Authority (1945) 317 Mass. 297.

² *The Appraisal of Real Estate*, 13th Edition, (Chicago: Appraisal Institute, an Illinois Not for Profit Corporation, 2008), p. 114.

³ Ibid. p. 114.

⁴ Ibid. p.114.

Extraordinary Assumptions

My appraisal is based upon a list of standard Assumptions and Limiting Conditions that are general to virtually all appraisal reports and that are presented near the end of this report. In addition, this appraisal is subject to the Extraordinary Assumptions cited below.

The Uniform Standards of Professional Appraisal Practice (USPAP) define an extraordinary assumption as follows: "an assumption, directly related to a specific assignment, which, if found to be false, could alter the appraiser's opinions or conclusions." The extraordinary assumptions are as follows.

- 1) The Probate Court will allow the conversion to condominiums and sale to the tenants.
- 2) The subject will continue to have a limited capacity of 462 bedrooms and its dwellings will continue to be limited in size and shape to the degree that those currently existing dimensions have been controlled before the sale.
- 3) All cottages will be allowed year round use and the seller pays for condominium conversion.
- 4) That conversion of the subject and its cottages could not occur without a single entity owning both.
- 5) Owners of the 32 cottages having long term leases will agree to void them in order to achieve a sale for use as condominiums at a price beneficial to lessor and lessee.
- 6) The \$900,000 reported erosion repair cost is reasonably accurate.

Hypothetical Conditions

USPAP defines a hypothetical condition as: "that which is contrary to what exists but is supposed for the purpose of analysis". My value estimates are not based upon any hypothetical conditions.

Municipality and Neighborhood Descriptions

Municipality The town of Ipswich is located 28 miles north of Boston in central Essex County on Boston's "North Shore." Ipswich is accessed via secondary State Routes 1A through Hamilton, Wenham and Beverly from Route 128, eastward from Essex and Cape Ann via Route 133, and westward from Routes 1 and 133. Although the roads are modern, roadway access is indirect. Ipswich contains sandy shoreline and beautiful beaches along Essex Bay and the Atlantic Ocean as well as having several navigable rivers that are enjoyed by its recreational boaters. The town's housing prices cover a broad spectrum reflective of the varied residences from those consisting of the centrally located former mill worker's houses, to homes near the water, to areas having an estate or gentleman's farm character.

Ipswich is principally a coastal bedroom community. The town's access is inferior to those North Shore municipalities that abut the region's principal highways, yet it remains an attractive location for residential property ownership by virtue of its environmental amenities. Boat or horse ownership is fairly common in Ipswich. The town's access to commuter rail supplements its highway access to employment centers. Population growth and household formation has been slow but steady within a 10 mile radius of the subject and somewhat faster within Ipswich itself. Household incomes in Ipswich and on the North Shore in general are above the state average.

Demographic data for radii of Ipswich center are presented below.

	5 Miles	10 Miles
Population	28,481	168,329
Median Age	41	41
Median Household Income	\$70,880	\$70,182
Average Household Income	\$101,853	\$97,830
Total Households	10,336	62,016

Source: by STDB OnLine

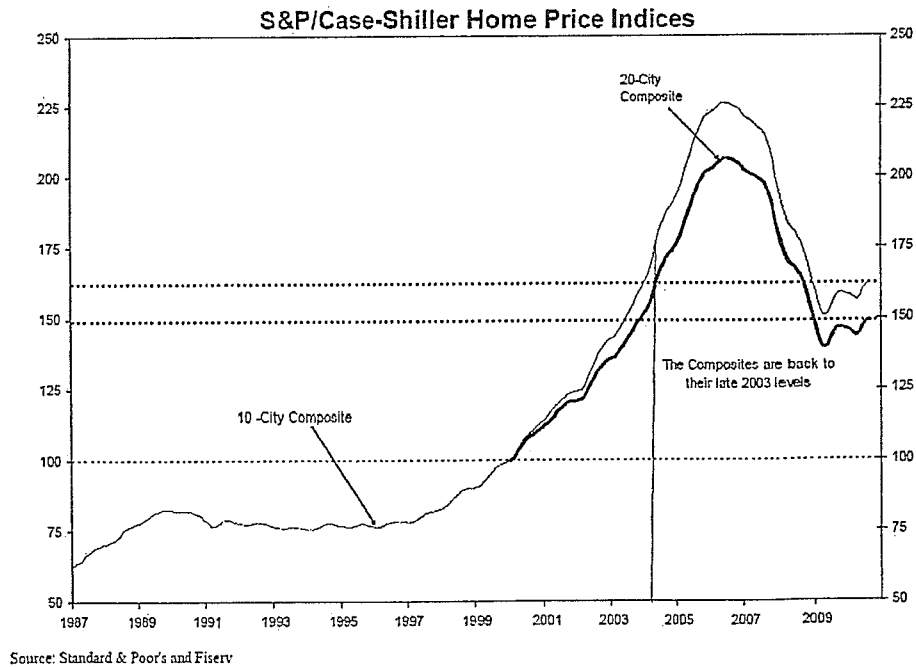
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Single family home sale data from MLS is summarized on the following page. Year 2002 data not shown include a median sale price of \$385,000 and a volume of \$60M. The trend was a peak median sale price in 2005, followed by price declines until 2009, then again in 2010. These numbers do not imply exact changes in every property value, yet they are generally, plus or minus, consistent with my observations.

MLS Ipswich - Single Family Sale Data

Period	2003	2004	2005	2006	2007	2008	2009	2010
Sales Volume	67.3M	74.3M	66.7M	59.7M	52.9M	32.9M	34.6M	($<11/1$) 39.6M
Median Sale Price	\$422,000	\$484,500	\$526,950	\$502,550	\$475,000	\$415,000	\$415,000	\$392,000
Median SP Change (Year to Year)			Peak	-4.63%	-5.48%	-12.63%	0.00%	-5.54%

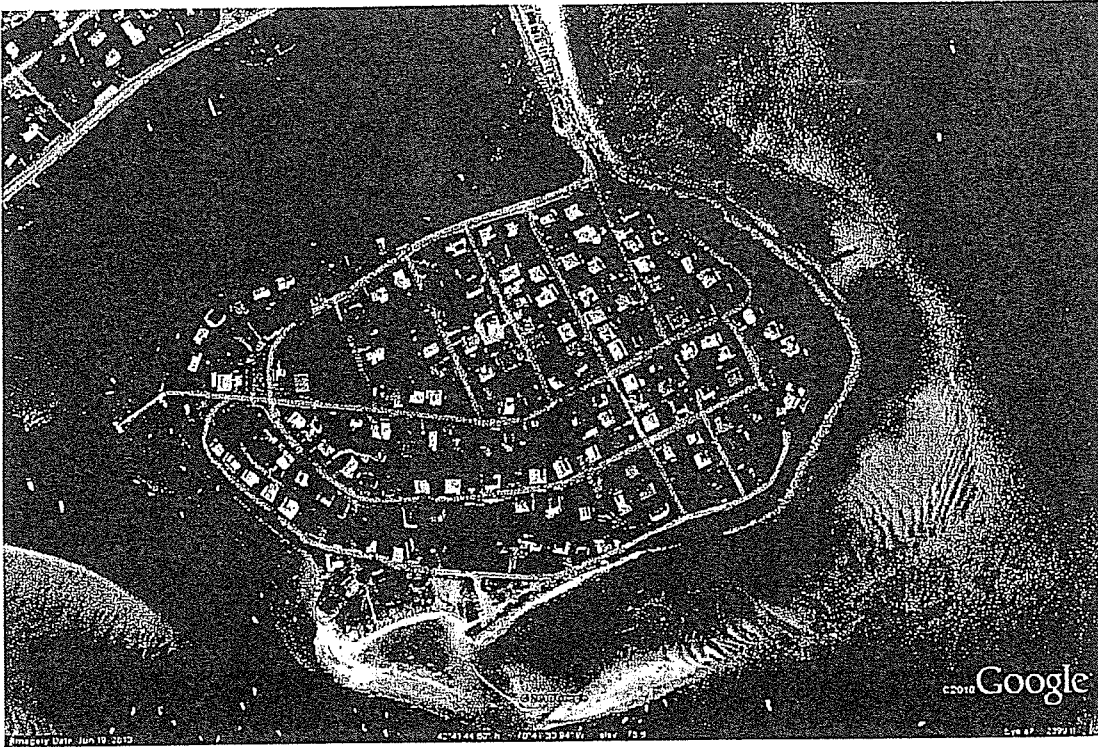
Market data developed in the following graph is based upon examination of same property sale and resale prices, weighted for repair or damages to the property between sales.



The above data is national, yet it follows the same bell-shaped curve implied by the MLS data, except that the national peak was slightly later. Both sets of data suggest that we have returned to year 2002 or 2003 prices, essentially at the other side of the bell and before the run up in prices. Given the lack of income growth in the past decade, this appears reasonable. Single family market conditions in general are bouncing along this new plane and are not anticipated to improve in the near future. Unlike the exit period following previous recessions, there is nothing to support a price spike in the foreseeable future.

Ipswich remains a desirable residential address and its demographics and environmental amenities support a conclusion that going forward it will fare from average to better than average among eastern Massachusetts municipalities.

Neighborhood The subject neighborhood is primarily the subject itself. This privately owned 35± acre peninsula is attached to Great Neck by Pavilion Beach and a single roadway within a filled causeway, with additional access via the Ipswich River and Plum Island Sound. The location is at the confluence of multiple navigable waterways in close proximity to the ocean.



As shown on Page 4, the neighborhood is removed from downtown Ipswich and intervening land includes substantial marsh traversed solely by Jeffrey's Neck Road, a lengthy public road that leads first to the abutting neighborhood of Great Neck and then to Little Neck Road. Great Neck is essentially a larger and public version of Little Neck, yet it is comprised of lots exhibiting a larger average lot size than those conceptually existing at Little Neck. In addition, Great Neck's lots are owned individually in fee and are commonly improved with single family homes whose dimensions are also typically larger than at Little Neck by virtue of being limited only by zoning and other public land use controls. An assessing map of the subject is presented on the following page.

Subject Property Description

The subject is primarily land, along with rights in common infrastructure, a few structures and some other amenities. The subject land consists of a single 35± acre parcel comprised of a nearly round coastal drumlin that rises to 85'± above mean sea level. The "lots" depicted on the assessing map have no standing and were established for convenience and safety. The subject's common use improvements include roads and a few small buildings, yet all of its cottages are owned by private parties other than the landlord and set upon the previously depicted rental areas/lots.

Operating and Offer History The subject was established about 1650 as the result of a gift of land whose operational proceeds were to benefit the town's school children. The property is managed by the Feoffees of the Ipswich Grammar School and has always been rented. Over the last 100+ years the parcel was gradually improved with a system of roads and its exclusive use or "lot" areas were created and rented by annually renewable leases to tenants that constructed their own cottages. No plan of subdivision was recorded and the subject remains a single parcel. However, the lots became improved with 167 cottages, of which 24 were allowed to be occupied on a year round basis and 143 were allowed occupancy on a seasonal basis.

Until the mid-1990's the parcel functioned effectively, like a mobile home park, except for its atypically attractive location and that its cottages were not mobile. In decades past, cottages were often sold at less than \$100,000 and tenants exhibited the expectation that their one year leases would be renewed every year. Rents were reasonable and the proceeds after operational expenses were gifted annually to the school system. However, the net to the school was diminishing.

During the past few decades as water-oriented properties became in greater demand, particularly during the run up in real estate prices of the early to mid-2000's, some cottages were sold on Little Neck at prices well in excess of their replacement cost new. Considering that they were often 50+ years old and that the buyers also had to pay land rent, it was apparent that buyers were paying significant value for what I consider to be an implied

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leasehold. This was most clearly depicted when prices of \$200,000± were paid for cottages that were subsequently demolished and replaced. Simply put, the implied leasehold stemmed from rents being lower than a typical return on the underlying land value. This low rent allowed the tenants to assume an equity position in the land. The observation of some tenants achieving a profit from this implied leasehold, combined with a declining net to the school, caused the lessor to make an upward recalculation to market ground rent for all lots. This rent increase resulted in recapturing all or most of the implied leasehold. At the same time, the higher rent caused financial difficulty to the tenants that remained and simply wanted to enjoy their cottage under the former system.

In addition to disagreements over local assessments, the major result of these changes has been an attempt to purchase the subject by the tenants. These disagreements and the purchase process have resulted in costly litigation.

Recently, the tenant's Little Neck Legal Action Committee negotiated a purchase agreement under which the tenants would acquire the subject for a price of \$29,150,000. It is important to note that in order to facilitate the sale at this price, the tenants agreed to give title to their cottages to the landlord so that the property could be converted to a condominium. This price also reflects that the seller would pay for that conversion and that all cottages would be allowed year round occupancy. An earlier agreed upon price of \$26,500,000 did not require that cost to be borne by the seller; however, the tenants found they could not finance such an unusual property acquisition. According to attorney William Gottlieb, part of the problem was that creation of a condominium could not occur without ownership of the land and buildings by a single party, and that ownership would not occur without an agreement on sale price.

If sold to the tenants at the \$29,150,000 price, payment of this price would occur through the current tenants buying their "lots" and be returned the right to their cottages. They would also acquire the right of use and responsibility for maintenance of the common land and other improvements thereto. Also, there would be some financing provided by the seller at market terms. This price results in lot sale prices of \$158,000 to \$221,000, with tenants also being allowed an option of continued leasing. Reportedly, owners of 165 of the 167 cottages have agreed to buy their lot at these prices. An alternative to sale under the above or a reasonably similar price and terms is a sale for continued use as a rental property. This

alternative will result in litigation in Superior Court that could result favorably or not, with both being costly and the latter having the potential for great expense should damages be awarded. These options will be recognized by a prospective buyer of the subject.

Currently, after rent increases, the average "lot" rent is \$9,700 annually. The 24 annual use lots pay about \$10,800. The tenants also pay their own real estate taxes on their cottages. Reportedly 32 cottages are under long term leases by which their rent remains flat at \$9,700 for years. A significant number of other tenants are paying just a \$5,500± portion of their rent and putting the rest in an escrow account until litigation is resolved. The existence of these "lot" leases and this impaired cash flow would be considered by the subject's prospective buyer and make it more risky than a typical stabilized property. In addition, unless the tenants agree to void their leases, it appears that the salable interest in the subject is a leased fee estate.

Subject Description – Continued The subject is a distinct neighborhood like a gated community and that operates like a site rental park. The subject parcel is used as 210 lots, of which 43 are common use land improved by the community center building, the ball field, playground, sewage collection system, beach parking lot, pier and roadway system. The tenants' 167 "lots" are improved with their privately owned (167) cottages (leasehold improvements). The roadway system has ten lessor-owned roads totaling 9,700± linear feet. Each road is paved to 10'-14' width and although privately maintained, snow plowing is performed by the town. The cottages are served by public water lines.

Like at Great Neck, there is no public sewer and such extension is unlikely. Residents formerly utilized septic systems or individual tight tanks and now utilize a common septic storage system with sewer lines in the streets and holding tanks located beneath the ball field. This new system was mandated by the Massachusetts Department of Environmental Protection and the (4) 30,000 gallon tanks are emptied on a regular basis. Sewage flow is monitored with a usage fee charged back to the tenants. All but six cottages are currently tied into this system and its capacity is limited by the DEP to 462 bedrooms. The system is nearly new, has a design flow of 50,000 gallons per day and cost a reported \$6,000,000. The maintenance expense for all of these common improvements has been borne by the lessor as funded by rent

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payments. It should be noted that the system is experiencing a significant infiltration by surface or ground water. The cost to cure this problem is at yet unknown.

The subject parcel's soils are Paxton fine sandy loam, generally with a substantial slope. This soil type is characterized by a shallow fine sandy loam over a hard packed substratum that exhibits poor permeability. Septic systems are generally not viable.

The common amenities are private to Little Neck residents. The pier provides access public moorings in the Ipswich River. The community meeting house is a small wood frame structure and the ball field and a basketball court are common use improvements. Residents of Great Neck and Little Neck make use of (public) Pavilion Beach, while a smaller beach along Little Neck's River Road and the Ipswich River is for the private use of Little Neck residents and guests. Except for the 11 acre lot that is similar to a ring around the larger parcel, the 43 parcels listed below are primarily open (3,000± SF) lots scattered about the larger parcel and that mostly benefit abutters by their presence as open space.

Inventory of Common Use Parcels

Lot #	Lot SE	Lot#	Lot SE
0	11 acres	166B	3,700
19	2,200	169A	3,000
36	3,960	23A	3,000
58	2,190	25A	3,000
73	6,000	27A	3,000
74	3,000	2713	3,380
78	2,410	27C	3,360
88	3,000	29A	3,000
119	3,000	43A	4,360
101B	3,000	49A	2,915
102B	3,000	52A	3,875
103A	3,000	66A	3,600
109A	1,500	6A	1,728
124A	3,000	70A	3,000
134A	1,500	71A	3,000
141A	3,000	75A	4,000
144A	3,000	87A	3,000
152A	3,000	92A	3,000
153A	3,000	93A	3,000
158A	1,250	30	2,000
159A	3,000		
165A	2,000		
166A	3,000		

The subject's beach includes a small parking lot and its waterfront is a mix of sand and gravel. Like many North Shore beaches, this one is experiencing an erosion problem. There is also one slope of the parcel of supported by rip-rap, while a similar yet unsupported area exhibits erosion. Vine Associates, Inc. provided the clients a cost to cure estimate of \$900,000.

The lots exhibit varied degrees of water view across Plum Island Sound, Plum Island and to the ocean at the north and northeast, towards the ocean and Cape Ann coastline at the east, across the Ipswich River towards the Crane Estate at the southeast, or westward toward tidal Neck Cove and also Great Neck. The land slopes fairly gradually at its sides, except at the northeast where it slopes sharply and is supported by rip-rap. The sometimes limiting affect on views of the small land area assigned to each cottage has been curtailed through private control of cottage dimensions. Little Neck's more striking views tend to be found at its outer east/northeast/southeast areas, while its inner and westerly areas tend to have more restricted views or views of toward the shallow inner bay. Due to changes in elevation and cottage size and placement, there is a high degree of variability in the views from each cottage.

The market for cottage purchase at Little Neck has been impaired for years by the myriad of uncertainties surrounding its possible sale or rent changes and the operating costs and special assessments (erosion) that would be borne by buyers should it be re-sold as condominiums. It also appears that after having an "it will all work out" attitude in the early 2000's, prospective buyers are more understanding of their rights and are more cautious. Brokers describe the Little Neck sale market as "frozen". As a result, there are only a few cottage listings and little sale activity in recent years. Most recent sales are at prices below \$200,000. Some of the recent sales will be analyzed later, yet I consider them of limited usefulness in extracting reliable indicators of underlying lot value for a fee simple interest.

Overall, Little Neck is a small, remote and well defined neighborhood that is densely built up primarily with small cottages as well as a few larger homes. Historically, its occupancy has been primarily seasonal by owner users, yet also with a few cottage tenants. The lots are small and the views vary from limited to outstanding, including water and conservation land (Plum Island and Crane Estate). The neighborhood has a small number of trees and is particularly exposed to winter conditions, yet remains an idyllic residential setting in an area rich in environmental amenities.

Zoning and Other Land Use Controls

The subject is located entirely within the Rural Residential B (RRB) District. Single and two-family residences are the most common uses of those allowed by right. Dimensional requirements of the district are presented below.

	<u>RRB</u>
Minimum Lot Area (SF):	43,560
Minimum Lot Frontage:	150
Minimum Lot Width:	175
Minimum Front Setback:	20
Minimum Side Yard Setback:	20
Minimum Rear Yard Setback:	20
Maximum Lot Coverage Building Footprint:	20%
Maximum Lot Coverage Building All Floors:	30%
Minimum Open Space:	50%

The subject parcel is in a legally non-conforming use that can be continued. Among other applicable public land use controls, the parcel is subject to Title V, Subdivision Regulations, the Wetlands Protection Act, and the Rivers Protection Act. The last of these creates a jurisdictional area around the subject within 200' of the water. Considering the parcel's characteristics, if vacant, these controls would severely limit its allowable development density. As the same use under condominium ownership would not increase the non-conformity, its allowance is reasonably probable.

Assessment and Annual Tax Load

The subject is a single parcel that is assessed as 210 lots, with values for each lot and each building. The total land assessment for Fiscal Year 2010 is \$40,302,600. The assessed land value for the subject is an aggregate of its 210 individual lot values. The improved lots exhibit assessed values in a range primarily of \$176,000 to \$366,000. Most vacant lots are assessed at about \$19,000 each. While this is a convenient method of taxation, such an application is inconsistent with observed assessing or generally accepted appraisal methods concerning other multi-family (apartment) or multi-site rental parcels such as mobile home parks. The FY 2010 tax rate is \$11.54 per \$1,000 of assessed value and the subject land taxes are \$465,092. The list of individual assessments is presented in the Addenda.

Summary of Highest and Best Use

A prerequisite to a meaningful valuation is a sound estimate of the most profitable likely use of a property. Highest and best use is defined as "that reasonably probable and legal use of vacant land or an improved property, which is physically possible, appropriately supported, financially feasible, and that results in the highest value."⁵

The two uses that produce values well above the legally permissible alternatives are for continued use in support of its 167 cottage development via site re-sale within a condominium, or as a rental property. The rental property use is the only use that is assured, and even that carries with it some rental income risk and litigation expense. In order to condominium the subject, it requires the cooperation of the cottage owners. To assume such cooperation without payment in some form would be to apply a hypothetical condition. Lastly, given its physical and legal (land use controls) constraints, there is no apparent reasonably probable and legal use of the parcel as if vacant that would produce a subject market value nearly as high. In other words, the unusual and non-conforming current use of the subject has favorable affected its market value.

In my opinion, the subject's highest and best use is for sale to its tenants. The subject's likely buyers are a coalition of its cottage owners. Failing that, prospective investor-buyers would place most if not all emphasis on the rental scenario and its associated value indication. The subject's marketing time may be extended due to the litigation and the arrangement of financing for what is an unusual property.

⁵ *The Appraisal of Real Estate*, 13th Edition, (Chicago: Appraisal Institute, an Illinois Not for Profit Corporation, 2008), p. 334.

Valuation Methodology

Recognized real estate appraisal practice ordinarily requires the use of three basic approaches to value. These approaches, commonly referred to as the Cost Approach (land value added to the estimated reproduction cost new of the improvements less depreciation from all causes), the Income Capitalization Approach (analysis of income and expenses and conversion of the net incomes stream(s) into an estimate of value, and the Sales Comparison Approach (comparative analysis of the subject with other similar properties which have recently sold and for which the sales prices and terms are known), provide the potential basis for arriving at a final estimate of value. Methods applied result from the data available for the property type, the function of the appraisal, and an understanding of the methods most likely to be applied by market participants.

As indicated within the *Appraisal Problem and Scope of Analysis* section, I found no directly comparable sales. In addition, the Cost Approach was not applicable as the subject is primarily land.

I developed the Income Capitalization Approach to provide a market value indication for continued use as a rental property. Then, I developed a valuation method known as the Development Method or the Subdivision Method in support of a value under conversion to condominiums. This latter valuation process is also a form of the Income Capitalization Approach that consists of estimating the sum of retail prices of the land if re-sold under the condominium assumption, less the applicable deduction of development costs and target profit to provide estimates of annual income over an absorption period, which after discounting results in an estimate of the land value in its present, as is, condition. This technique utilizes market evidence usually found in all three approaches. In this application, the subject's "lot" values were estimated based upon fee simple lot sales and lot value extractions made from improved sales. Again, this condominium sale only occurs with the assistance of the tenants/cottage owners.

Income Capitalization Approach – Direct Capitalization

Within the value analysis for continued rental use direct capitalization was selected. This method is the most widely used technique by prospective buyers in valuation of rental residential lot communities and similar real estate that, like the subject, are at stabilized occupancy. In this instance, after an allowance for litigation the property is not anticipated to experience broad fluctuations in net operating income (NOI) in the coming few years. The first step is developing an estimate of market rent for the subject lots.

After review of other rental opportunities on the North Shore I concluded that the subject is its own rental market. Rents at the subject have been increased in recent years in an effort to bring them to market. All cottages, including the 32 whose owners have signed long term leases, are paying a reported \$9,700 annual rent for seasonal use and \$10,800 annual rent for year-round use. Rent at the leased lots remains flat for the first three years ending June 30, 2012. Then, it will be recalculated at each subsequent three year period based upon a formula that does not allow a rent decline, yet that may not produce rent increase. These leases terminate on July 31, 2029 unless a lot purchase is made.

The seasonal use aspect is a private constraint that is to end under a condominium conversion and I have therefore assumed that it can be ended under new ownership in a rental use as well. A \$10,800 annual rent provides a reasonable return on the average lot value that will be shown later. As there is no superior market evidence, and as prospective buyers are unlikely to assume a rent increase at purchase, my estimate of market rent is \$10,800 per lot.

Potential and Gross Income At \$10,800 per lot, potential gross rental income for the subject's 167 lots is \$1,803,600. While the cottages are separately assessed, the subject's operator collects the RE taxes for all cottages not on sites under lease. The operator pays the collected taxes to the town, while the leasehold cottage owners receive their own cottage RE tax bills and pay the town directly. The current subject land and common improvements RE tax is \$465,902. The wastewater system and usage fees are collected and were \$159,909 in 2009. Based upon increased usage derived from annual occupancy, I increased this income by 15% to \$183,895. Stabilized PGI is estimated at \$2,453,397.

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Vacancy and Credit Loss Based upon review of the Consolidated Financial Statements for the year ending 6/30/2009, and considering actual occupancy of 100% and conditions going forward, I applied a minimal anticipated stabilized allowance of 1%.

Effective Gross Income Potential gross income less the vacancy and collection loss allowance results in effective gross income.

Operating Expenses In exchange for a monthly rent, the subject park supplies its tenant's with a cottage site or "lot". Subject ownership pays for management, wastewater haulage fees, general common property repairs, accounting and billing, security, water, common area utilities, insurance, professional fees for engineering and legal services, dock removal and storage costs, State fees, and RE taxes on the lots, and the common lots and their improvements. The lessor should also establish and fund a reserve for replacement of short-lived items and foreseeable capital repairs, yet in practice this does not always occur.

As it is the most similar property type to the subject, I have set up a stabilized operating statement using the standard chart of accounts for a manufactured/mobile home park.

Management is estimated at 5% of collected rent as this rate is typical of community management rates at home parks. A professional management contract will include some of the lesser cost items reported in the subject Financial Statements.

Accounting, legal, general professional, engineering, inspections and sampling, and State fees cost estimates are based upon those recently experienced at the subject. However, the higher recent legal expense of \$191,505 in 2009 reflects ongoing litigation. This total is inappropriate for use in perpetuity and I have applied a stabilized amount based upon a more typical percentage of income. Then, I deduct a capital expense at the end of the valuation as an allowance to conclude litigation associated with a continued rental use.

Supplies & Common Utilities I estimated \$2,000 for supplies and applied the recent common utilities expense.

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Repairs & Maintenance My cost estimate for this line item as well as for seasonal dock removal and storage are based upon the recent actual expense. Maintenance expenses for such properties tend to include some replacement costs that would be more accurately described as capital repairs. While it is not representative of an adequate reserve, it is reflective of the manner in which these properties actually operate. In addition, the reserve is within the capitalization rate. The major "one time" expense not stabilized is for erosion. I have deducted \$900,000 from the value indication as an allowance for both erosion and infiltration.

Wastewater A removal expense was estimated based upon the recent actual cost grown by 15% that reflects annual occupancy less some degree of resolution of infiltration.

RE Taxes and Insurance The RE taxes are a pass through except for a 1% collection loss allowance and the recent actual cost is applied. The Insurance cost estimate is also based upon actual cost.

Subcontracted Security This estimate is lower than the recent actual cost as I expect that there will be less need for details in year round occupancy.

Stabilized Operating Statement My Stabilized Operating Statement and capitalization into a market value indication under continued rental use is presented on the following page. The operating expense ratio equates to 33% of EGI. This ratio is within the typical range exhibited by similarly large (# of lots) manufactured home parks.

Support for Capitalization Rate Property types most like the subject are manufactured/mobile home parks and apartment buildings. I reviewed capitalization rate data from those property types. The following chart is taken from the 3Q2010 Korpacz Report and provides the average rate for institutional grade apartment buildings acquired in unleveraged sales. Generally, these rates are lower than those of leveraged acquisitions as is expected for the subject. However, apartment capitalization rates in Massachusetts trend below the national average.

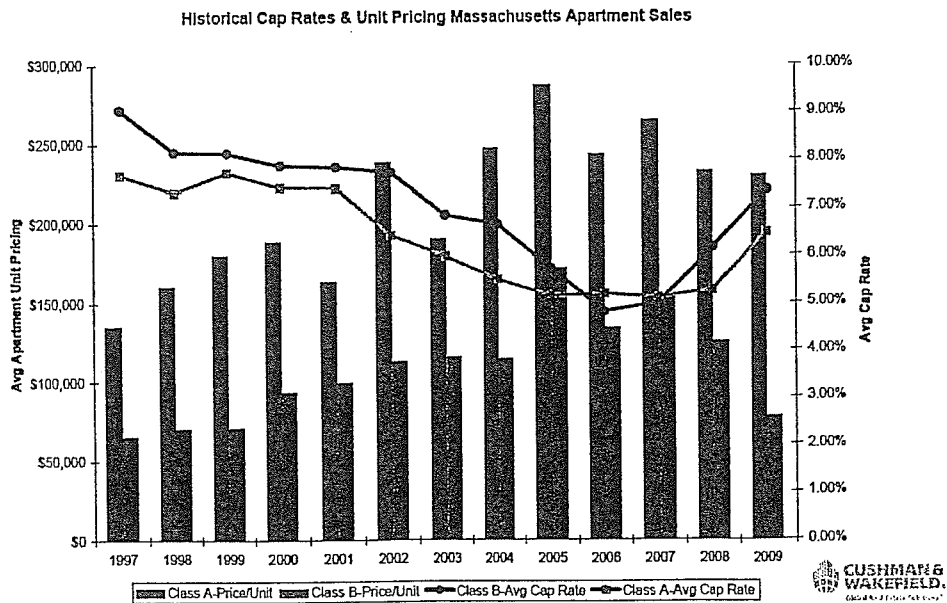
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Table APT-1
OVERALL CAP RATE TRENDS
National Apartment Market

Quarter	Average	Change (Basis Points)
3Q10	7.12%	- 56
2Q10	7.68%	- 17
1Q10	7.85%	- 18
4Q09	8.03%	+ 19
3Q09	7.84%	+ 35
2Q09	7.49%	+ 61
1Q09	6.88%	+ 102
3Q08	5.86%	+ 10
3Q07	5.76%	- 22
3Q06	5.98%	—

Source: Korpacz Real Estate Investor Survey²

The chart below reflects a large amount of actual apartment sale capitalization rate data. I also have in my work file data on four large apartment complex sales in Beverly, Westborough, Quincy and Brookline at rates of 5.9% to 6.83%.



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The following list concerns mobile home park sales in Massachusetts and southern New Hampshire. The properties are not Little Neck, yet they were large, highly desirable parks that attracted attention from national and regional park owner-investors.

Summary of Manufactured Home Community Capitalization Rates

Sale No.	Address	Sale Date	Sale Price	Capitalization Rate	Comments
2	Lindenshire MH Park Exeter, NH	Apr-07	\$15,485,700	6.5%	Class B property 6.5% rate based upon actual NOI. 8% rate based on new rent applied by tenant-buyers.
1	Oakhill Hometown America Attleboro, MA	Jan-06	\$6,990,000	7.3%	Class B-C property Actual NOI not available. Estimated NOI with 40% op. exp. at 98% occupancy results in 7.3% rate. Property Infrastructure need some repair. Septic.
3	Rocky Knoll West Taunton, MA	Jan-05	\$3,450,000	8.0%	Class B-C property 8% rate based upon actual NOI.
4	Forest Park Estates Jaffrey, NH	Apr-05	\$3,000,000	7.3%	Class B-C property 7.3% rate based upon actual NOI.

Lastly, considering the current environment in which rates of return from "secure" real estate investments have declined and rates for debt are low, I have concluded that a reasonable capitalization rate for the subject is 6.5% to 7% and considering that it includes the reserve I have selected 7%.

Income Capitalization Approach - Market Value Indication for Rental

My summary of this valuation is shown on the following page. Under a scenario of continued rental I have concluded a market value estimate for the subject's leased fee estate at \$22,100,000.

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Summary of Value by Direct Capitalization - In Rental Use
Little Neck - Ipswich

No. of Lots	167	
Average Annual Market Rent for Lots	<u>\$10,800</u>	\$1,803,600
RE tax collections		465,902
Wastewater system and usage fees		<u>183,895</u>
<u>Potential Gross Income (PGI)</u>		2,453,397
Less, Vacancy & Collection Loss @	1.00%	<u>24,534</u>
<u>Effective Gross Income (EGI)</u>		2,428,863
<u>Operating Expenses</u>		
<u>Administrative</u>		
Management @	5.00%	121,443
Accounting		10,000
Legal		20,000
Professional-other		10,000
Engineering		5,000
Inspections & Sampling		7,000
State Fees		1,600
<u>Operating</u>		
Supplies		1,000
Utilities		18,700
<u>Maintenance</u>		
Repairs & Maintenance		27,000
Waste Haulage Fees		107,000
Dock Removal & Storage		2,100
<u>Taxes & Insurance</u>		
Real Estate Tax		465,902
Insurance		5,700
<u>Subcontracted Security</u>		
Security-Police Details		<u>1,000</u>
Total Expenses		803,445
<u>Net Operating Income (NOI)</u>		\$1,625,418
<u>Capitalization Rate</u>		7.00%
Value Indication if Stabilized		\$23,220,255
Less, Litigation Cost Allowance		250,000
Less, Erosion and Infiltration Cost Allowance		<u>900,000</u>
<u>Market Value Indication (Rounded)</u>		\$22,070,255 \$22,100,000

Income Capitalization Approach – Development Method

This valuation analysis assumes cooperation from the cottage owners in the creation of a condominium. As a result, the interest under valuation is a form of fee simple. The value of that cooperation will be considered at the end of the analysis.

The first step in application of the Income Capitalization Approach – Development Method was to estimate the retail prices of the subject's conceptual lots, and consequently, the potential gross retail "lot" sales likely as of the effective valuation date. This has been accomplished through analysis of comparable lot sales and through lot value extractions. This aggregate is not a market value indication; it is a necessary intermediate calculation in development of a market value estimate. The rate at which the subject lots could be sold was forecast. All expenses and allowances associated with development of the tract were then estimated and deducted from annual gross sales to indicate net income for each term of the absorption period. These annual net incomes were then discounted and summed to provide a present value that is a market value indication for the subject in its present condition.

A search was made for lot sales occurring in Ipswich and surrounding water-oriented areas over the past years. I found lot sales of a fee simple interest to be similar although not exactly the same as owning a fee simple interest in a condominium. These lots sales were at Great Neck and Plum Island.

Owing to a limited supply, I also analyzed improved sales where I felt sufficiently capable of extracting the lot value. In this extraction process I applied a replacement cost estimate to the dwelling and improvements to the site, less an estimate of depreciation, to extract the lot value. I used the *Marshall & Swift Cost Service* manual as one source of a replacement cost, yet because of the small size of the cottages and its affect on prices per SF; I ultimately relied on costs supplied by local builders. I tempered the reported replacement cost using my judgment regarding the quality of the cottage being replaced as new construction typically includes a quality of buildout that is superior to that generally being replaced. In some instances, I was provided an opinion of what the buyer thought the land was worth and I

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checked that against the extracted indicator. The extractions were primarily made from sales at Great Neck.

There have been a few cottage sales on Little Neck. I considered an extraction from them; however, at this point in the market evolution of Little Neck, buyers have come to recognize that they are buying a cottage and risky leasehold that requires an average rent payment of \$10,800. Therefore, recent the Little Neck sales have been only of the low end (least risky) cottages. Calculating an implied lot value from a Little Neck sale requires substantially greater and more risky estimates than extracting it from a Great Neck sale and adjusting that indicator for lot size and other dissimilarities.

Just as I had done at the subject's inspection, I rated the view and setting of the lot and lot extraction sales during my inspection. This inspection was made in order to identify the best indicators for each quality of lot at the subject.

The following exhibit presents information on lot sales and lot sale extraction properties selected for a comparative analysis with the subject's conceptual lots.

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Great Neck House Lot Sales

<u>Sale #</u>	<u>Address</u>	<u>Assessed Lot #</u>	<u>Sale Date</u>	<u>Sale Price</u>	<u>Grantor Grantee</u>	<u>Lot SF±</u>	<u>Dwelling at Sale</u>	<u>New Home Bedrooms Square Feet</u>	<u>View&Setting Rating</u>	<u>Comments - Waterfrontage and View</u>
1	64 North Ridge	15A-10	Jun-03	\$525,000	Lynch Reydel	14,375	Old cottage. Demo by buyer	3 4,629	1	wf v good view sloping lot high elev.
2	48 North Ridge	15A-01	Jul-05	\$565,000	Walsh Brophy	7,737	Old cottage. Demo by buyer	2 2,312	1	wf v good view sloping lot high elev.
3	60 North Ridge	15A-7	Jun-05	\$845,000	Binkley Cassady	30,740	Old cottage. Demo by buyer	2 2,460	1	wf v good view sloping lot high elev.
4	12 North Ridge Rd.	15C-29	May-06	\$755,000	Nickerson MacKinnon	14,331	Old cottage. Demo by buyer	3 4,116	1	wf v good view sloping lot high elev.
5	59 Clark Rd.	23B-18	Mar-06	\$525,000	Bongette Naughton	6,578	Old cottage. Demo by buyer	2 1,958	1	ww good
6	51 North Ridge Rd.	15A-16	Nov-10	\$370,000	Robbins NA	12,632	824 SF cottage to be demo'd	2 1,900	2	ww Petitioned for 2 BR

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Newbury & Newburyport at Plum Island Lot Sales

<u>Sale #</u>	<u>Address</u>	<u>Assessed Lot #</u>	<u>Sale Date</u>	<u>Sale Price</u>	<u>Grantor Grantee</u>	<u>Lot SF±</u>	<u>Dwelling</u>	<u>New Home Bedrooms</u> <u>Square Feet</u>	<u>View&Setting</u> <u>Rating</u>	<u>Comments - Waterfrontage and View</u>
1	4 Cinder Ave. Newbury	U5-86&87	Jul-10	\$208,500	Turner O'Brien	9,557	cottage demo	2,300	3	3'rd house from basin.Marsh views. Water & sewer betterment by buyer.
2	225 Northern Blvd. Newburyport	77-59	Apr-10	\$170,000	Yatkola Casey	5,400	cottage demo	NA	3	Busy street, distant water v. floor2. Water & sewer betterment by buyer.
3	1P Street Newburyport	75-151	Oct-09	\$285,000	Hubbard McDermott	12,688	cottage demo	2,350	2	2'nd house in from beach. River view Water & sewer betterment by buyer.
4	39 Reservation Terr. Newburyport	76-221	For Sale	\$499,000 asking	\$450,000 activity	12,425	Old small cott.	3,100 Max.	1	Across street wide beach & ocean. Water & sewer betterment by buyer.

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Great Neck Lot Value Extractions

Sale #	Address	Assessed Lot #	Sale Date	Sale Price	Grantor Grantee	Lot SF±	Dwelling	GLA* SE Bedrooms	View&Setting Rating	Extracted Lot Value	Comments
1	59 Skytop Rd.	15C-70	Oct-10	\$530,000	Karavasiles Alfieri	14,810	Ranch	1,410 2	2	\$305,000	waterview of sound and marsh
2	4 North Ridge Rd.	15C-25	Jul-09	\$595,000	Guarracino McGrath	7,980	Ranch	1,262	1	\$390,000	waterfront v good cond upriver view
3	24 North Ridge Rd.	15C-35	May-10	\$612,500	Sotiropoulos 24 North Ridge RT	11,413	Ranch	2,309 2	1	\$385,000	waterfront v good cond PI Sound
4	106 North Ridge Rd.	15B-24	Dec-07	\$775,000	Smith Laughton	7,500	Conventional	2,363 2	1	\$365,000	Elevated ww of Sound
5	86-87 Little Neck Rd.	23D-7,52A	Jun-10	\$558,600	Perkins, Nichols Kelleher	12,196	Colonial	3,063 2	2	\$290,000	Back river view and front w/sm dock
6	26 Bay View Rd.	24A-66	Dec-09	\$645,000	Bryant Phillips	7,405	Conventional	2,286 3	2	\$325,000	ww of Sound
7	15 Clark Rd.	15D-58	Nov-10	\$415,000		6,229	Contemporary	1,250 2	3	\$206,000	Bay and Clark Pond
8	112 Little Neck Rd.	23D-19	Jan-10	\$330,000	Putur Iwanicki	7,841	Ranch	1,546	2	\$165,000	Bay, severely upward sloping lot

*GLA = gross living area

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Great Neck Lot Value Extractions

<u>Sale #</u>	<u>Address</u>	<u>Assessed Lot #</u>	<u>Sale Date</u>	<u>Sale Price</u>	<u>Grantor Grantee</u>	<u>Lot SF±</u>	<u>Dwelling</u>	<u>Square Feet Bedrooms</u>	<u>View&Setting Rating</u>	<u>Extracted Lot Value</u>	<u>Comments</u>
9	15 Bunker Hill Rd.	23D-44	Apr-10	\$551,000	Henderson Imlach	12,632	Colonial	2,080 3	3	\$222,300	Riverview from hilltop
10	116 Little Neck Rd.	23C-178	Mar-09	\$252,500	Herling Smith	9,896	Cottage	952 2	3	\$218,156	view of river with dock
11	3 Chattanooga Rd.	24C-186	Apr-08	\$334,000	Carlson Demers	4,356	Cottage	1,288 1	3	\$185,000	view of bay
12	10 Goldfinch Way	15D-129	Mar-10	\$385,000	Cape Ann SB Moore	13,504	Ranch	1,066 2	3	\$235,000	riverview from near hilltop
13	47 North Ridge Rd.	15C-1	Sep-07	\$360,000	O'Donohoe Beauchamp	5,227	Contemporary	1,016 2	3	\$185,000	PI Sound over roof top
14	8 Bay View Rd.	24A-52	Oct-07	\$375,000	Riley Mroz	10,019	Cottage	988 2	2	\$220,000	Low elevation Sound and ocean

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Recent Little Neck Sales

<u>Sale #</u>	<u>Address</u>	<u>Assess. Lot #</u>	<u>Sale Date</u>	<u>Sale Price</u>	<u>Grantor Grantee</u>	<u>"Lot" SF</u>	<u>Dwelling</u>	<u>Square Feet Bedrooms</u>	<u>View&Setting Rating</u>	<u>Comments</u>
1	26 Baycrest Rd.	24C-96	Dec-09	\$165,000	Inst. For Savings Neeley & Sullivan	3,049	6/3/1	1,032	3	Rehabbed 744 SF cottage, leasehold
2	6 Cove Rd.	24C-80	UA 10/10	\$130,000 +/-	NA	3,049	5/2/1	624	3	Cottage avg. condition, leasehold
3	8 Middle Rd.	24C-40	Feb-10	\$299,000	Marchisio O'Connor	4,240	6/4/1.5	2,210	3	River view between cottages, leasehold

Sales Analysis Sales can be analyzed qualitatively or quantitatively, or by using both methods. In either analysis, the appraiser considers the following elements of comparison.

- * Property rights conveyed
- * Financing
- * Conditions of sale
- * Expenditures made immediately after purchase
- * Market conditions
- * Location
- * Physical characteristics
- * Economic characteristics
- * Use/Zoning
- * Non-realty components of value

In this valuation, the appraised property rights are fee simple and the sales' rights were as well. The value difference in these two fee positions lies in the lesser control within condominium ownership. Unlike fee ownership of a lot, the subject cottages will not be allowed to be reconstructed in a manner that will block the view of another. In most subject lots this is an issue and this lack of building size/shape control is a comparatively inferior aspect of the subject's lot ownership. In addition, there is the condominium fee. However, the fee is low and is offset by private amenities not present at Great Neck or in general. Lastly, the subject is predominantly a second home community. In properties of this type, a condominium ownership is often favored as it relieves the maintenance and security burden for much of the property. Overall, much of the difference in rights is negated. Because there is still a loss of control, and as the need for such an adjustment varies in intensity from lot to lot, I chose a small/reasonable downward adjustment of 10%.

The partial seller financing that may occur at the subject is to be at a market rate and warrants no adjustment.

The sales did not exhibit unusual conditions of sale (motivation). They also did not undergo any expenditure made immediately after purchase that was not recognized within my observed highest use. In other words, if they were cottages purchased for demolition and replacement, they were viewed as a lot sale.

Market conditions improved, peaked and declined in the shape of a bell curve. We are now on the right side of the curve at prices that are generally similar to those of 2002-2003.

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The trend in sales volumes and median prices were presented earlier. In prior recessions, water-oriented and other low supply improved properties tended to experience a lesser average price decline and an earlier upward trend than properties in general. However, the subject is land and because construction costs overall have not declined (labor down, materials up), in this cycle the competition from improved properties selling at large price declines has pushed lot values downward as well.

Warren Group Single family Home Median Sale Price Data

Year to Year	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Median Price \$	385	422	484.5	526.95	502.55	475	415	415	392
% Change		+9.6	+14.8	+8.8	-5	-6	-13	=	-6

The Warren Group data is from Massachusetts and shows a 33% price increase followed by a 30% decline.

In another study, by Case-Shiller, a 33% decline was supported from a price peak in 2005. This was a national study using same property sales and re-sales with consideration of renovation costs as well as building vacancy and damage in between those transactions.

I have used mostly recent sales and I have adjusted the data for changes in market conditions according to the following schedule. It is important to note that the Great Neck lot sale extractions were already adjusted according to this schedule in the extraction process. Therefore, I did not take the adjustment again on the following grid and placed a zero in the cell for that element.

Time Frame of Sale Date	% Price Adjustment
1/1/2010 to valuation date	0
1/2009-1/2010	-5
1/2008-1/2009	-15
1/2007-1/2008	-25
1/2006-1/2007	-30
1/2005-1/2006	-30
1/2004-1/2005	-20
1/2003-1/2004	-10
1/2002-1/2003	0

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There were no unusual economic characteristics or use/zoning issues as all sales were residentially zoned and purchased for continued use as dwellings or lots. There were no non-realty components of value.

The important remaining elemental differences in the sales versus the subject were in location and physical characteristics, such as view, setting, topography, and lot size as it relates to allowed dwelling size and number of bedrooms. The State applies a control at the subject through the previously detailed letter of the DEP, and they control Great Neck through Title V.

The Plum Island location was rated inferior. An inspection of the conditions and the prices themselves support this conclusion. The location of Great Neck is abutting the subject and its location was rated equal in general.

Lot size and topography affect value. Smaller lots are worth less than larger ones, if other elements are equal. However, other elements are rarely equal and I found the greatest value difference when capacity as defined by bedrooms was unusual, rather than from lot square footage differences. It appeared that if the buyer was assured 2 or more bedrooms and an average (2,000± SF) size new home, the value difference was minimized between lots of different sizes. The average capacity of the subject at 2.8 bedrooms (465 bedrooms/167 lots) was similar to the average capacity at Great Neck; however, the average dwelling size is notably smaller and largely inflexible. This caused me to make varied downward adjustments for lot "size". Even so, the greatest physical factor was quality of view. This adjustment was reflected in my final ratings.

Topography was an issue in some sales as lots that slope down from parking area to dwelling appear to exhibit minimal value impact as the dwelling's construction can cure much of this change in elevation; however, at lots that slope upward and require many steps to reach the dwelling, the affect on value was downward. This condition exists at Great Neck (along Little Neck Road) and generally not at the subject. This condition was considered in my final view and setting adjustment.

I adjusted downward by 5% for reported market preference for septic versus the subject's closed system. When using the Plum Island sales I netted this adjustment to zero as

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they required a buyer-paid betterment that was typically about \$16,000.

I applied the first two adjustments, each time presenting the adjusted lot value. The last adjustments were applied as a net percentage. This method of adjustment is consistent with generally accepted appraisal theory.

After this quantitative analysis, several classes of lot value indicators were developed. I applied those indicators to the subject "lots" based upon their ranking. As lots within one ranking can still have valuable differences in setting or view, I made the final application based upon my observations at inspection and my judgment.

The adjusted lot sales and extractions are summarized on the following pages.

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Great Neck House Lot Sales

Sale #	Address	Sale Date	Sale Price	Lot SF±	Dwelling at Sale	New Home Bedrooms Square Feet	Sale Price	Adjustments				"Lot" Value Indication	View & Setting Rating
								Rights Value	Market Change Value	Location	Utilities		
1	64 North Ridge	Jun-03	\$525,000	14,375	Demo by Buyer	3 4,629	\$525,000	-10% \$472,500	-10% \$425,250	0%	-5%	\$403,988	1
2	48 North Ridge	Jul-05	\$565,000	7,737	Demo by Buyer	2 2,312	\$565,000	-10% \$508,500	-30% \$355,950	0%	-5%	\$338,153	1
3	60 North Ridge	Jun-05	\$845,000	30,740	Demo by Buyer	2 2,460	\$845,000	-10% \$760,500	-30% \$532,350	0%	-5%	\$505,733	1
4	12 North Ridge Rd.	May-06	\$755,000	14,331	Demo by Buyer	3 4,116	\$755,000	-10% \$679,500	-30% \$475,650	0%	-5%	\$451,868	1
5	59 Clark Rd.	Mar-06	\$525,000	6,578	Demo by Buyer	2 1,958	\$525,000	-10% \$472,500	-30% \$330,750	0%	-5%	\$314,213	1
6	51 North Ridge Rd.	Nov-10	\$370,000	12,632	Demo by Buyer	2 1,900	\$370,000	-10% \$333,000	0% \$333,000	0%	-5%	\$316,350	2

Newbury & Newburyport at Plum Island Lot Sales

Sale #	Address	Sale Date	Sale Price	Lot SF±	Dwelling	New Home Bedrooms Square Feet	Sale Price	Adjustments				"Lot" Value Indication	View & Setting Rating
								Rights Value	Market Change Value	Location	Utilities		
1	4 Cinder Ave. Newbury	Jul-10	\$208,500	9,557	Demo by Buyer	2,300	\$208,500	-10% \$187,650	0% \$187,650	-10% \$168,885	0%	\$168,885	3
2	225 Northern Blvd. Newburyport	Apr-10	\$170,000	5,400	Demo by Buyer	NA	\$170,000	-10% \$153,000	0% \$153,000	-10% \$137,700	0%	\$137,700	3
3	1P Street Newburyport	Oct-09	\$285,000	12,688	Demo by Buyer	2,350	\$285,000	-10% \$256,500	-5% \$243,675	-10% \$219,308	0%	\$219,308	2

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Great Neck Lot Value Extractions

Sale #	Address	Sale Date	Sale Price	Lot SF±	Dwelling	GLA* SF Bedrooms	Extracted Lot Value	Adjustments				"Lot" Value Indication	View&Setting Rating
								Rights Value	Market Change Value*	Location	Utilities		
1	59 Skytop Rd.	Oct-10	\$530,000	14,810	Ranch	1,410 2	\$305,000	-10% \$274,500	0% \$274,500	0% \$274,500	-5%	\$260,775	2
2	4 North Ridge Rd.	Jul-09	\$595,000	7,980	Ranch	1,262	\$390,000	-10% \$351,000	0% \$351,000	0% \$351,000	-5%	\$333,450	1
3	24 North Ridge Rd.	May-10	\$612,500	11,413	Ranch	2,309 2	\$385,000	-10% \$346,500	0% \$346,500	0% \$346,500	-5%	\$329,175	1
4	106 North Ridge Rd.	Dec-07	\$775,000	7,500	Conventional	2,363 2	\$365,000	-10% \$328,500	0% \$328,500	0% \$328,500	-5%	\$312,075	1
5	86-87 Little Neck Rd.	Jun-10	\$558,600	12,196	Colonial	3,063 2	\$290,000	-10% \$261,000	0% \$261,000	0% \$261,000	-5%	\$247,950	2
6	26 Bay View Rd.	Dec-09	\$645,000	7,405	Conventional	2,286 3	\$325,000	-10% \$292,500	0% \$292,500	0% \$292,500	-5%	\$277,875	2
7	15 Clark Rd.	Nov-10	\$415,000	6,229	Contemporary	1,250 2	\$206,000	-10% \$185,400	0% \$185,400	0% \$185,400	-5%	\$176,130	3
8	112 Little Neck Rd.	Jan-10	\$330,000	7,841	Ranch	1,546	\$165,000	-10% \$148,500	0% \$148,500	0% \$148,500	-5%	\$141,075	2
9	15 Bunker Hill Rd.	Apr-10	\$551,000	12,632	Colonial	2,080 3	\$222,300	-10% \$200,070	0% \$200,070	0% \$200,070	-5%	\$190,067	3
10	116 Little Neck Rd.	23C-178 Mar-09	\$252,500		Cottage	952 3	\$218,156	-10% \$196,340	0% \$196,340	0% \$196,340	-5%	\$186,523	3
11	3 Chaltanooga Rd.	Apr-08	\$334,000	4,356	Cottage	1,288 1	\$185,000	-10% \$166,500	0% \$166,500	0% \$166,500	-5%	\$158,175	3
12	10 Goldfinch Way	Mar-10	\$385,000	13,504	Ranch	1,066 2	\$235,000	-10% \$211,500	0% \$211,500	0% \$211,500	-5%	\$200,925	3
13	47 North Ridge Rd.	Sep-07	\$360,000	5,227	Contemporary	1,016 2	\$185,000	-10% \$166,500	0% \$166,500	0% \$166,500	-5%	\$158,175	3
14	8 Bay View Rd.	Oct-07	\$375,000	10,019	Cottage	988 2	\$220,000	-10% \$198,000	0% \$198,000	0% \$198,000	-5%	\$188,100	3
* already applied in extraction													

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Based upon my analysis, the subject's three general classifications of "good, better or best" and expressed by rating numbers 3, 2, or 1, exhibit the following ranges. The first tier lots that are rated 1 exhibit values of \$300,000 to \$450,000, with most about \$360,000. The second tier that is rated 2 exhibit values of \$200,000 to \$300,000, with most about \$230,000. The third tier that is rated 3 exhibit values of \$140,000 to \$200,000, with most about \$170,000. There were a few sales that did not fit perfectly in their range, yet examination of each produced a reason for their indication.

I concluded that the subject has 27 Tier 1 lots, 94 Tier 2 lots and 46 Tier 3 lots. There are higher and lower lot values within each group. For example, there are 10 to 12 waterfront and or exceptional view lots at \$400,000+, within the Tier 1 grouping. Likewise, there are more near the lower end of the range in Tier 2, and there is essentially a minimum lot value to be on Little Neck as expressed by the average of Tier 3.

Tier 1	27	x	\$375,000	\$10,125,000
Tier 2	94	x	\$230,000	\$21,620,000
Tier 3	<u>46</u>	x	\$170,000	<u>\$7,820,000</u>
	167			\$39,565,000

My calculation of gross sales, which is an intermediate calculation and not a market value, was \$39,565,000. This total equates to sales at an average of \$236,916 per lot.

Now that gross sales have been estimated, the remaining calculations are the deduction of expenses during an absorption period and the discounting of all cash flows to a present value. All cash flows include rent at lots not sold and condominium fees from lots sold. Expenses include normal operating expenses and that the owner must make the condominium payments to the condominium's operating budget for all units unsold. In this process, sales will occur throughout the year and due to the uncertainty of sale timing, and for ease of calculation, I applied the sale income and expenses based upon mid-year sales. The expenses reflect that the seller is paying for the condominium conversion.

The rate of absorption is the major unknown. It is reported that 165 of 167 lots were agreed for purchase based upon the \$29,510,000 selling price. However, it must be understood that at that price, the tenants are acting as the third party investor-buyer except

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they are transferring the market-based profit due the investor to themselves as a way of lowering their lot prices. Therefore, that rate of absorption is far more rapid than if the subject were acquired by any other investor since this lowered lot price would not occur. It also bears repeating that other investors proposing a condominium conversion may not be able to achieve it; however, this assumption must be made to support a market value indication.

I forecast that at market prices already supported, a reasonable estimate of the time necessary to sell all the condominium lots is 5 years. I estimated price increases would begin in year 4 and continue in year 5.

Income In addition to sales income, all unsold units would pay rent estimated at \$10,800 annually, assuming rear round occupancy rights.

All lots sold will pay a condo fee estimated at \$1,300 per year based upon the \$197,100 in operating costs for line items (accounting, professional, engineering, inspections, State fees, supplies, utilities, R&M, waste, dock, insurance and security) as shown on the previously displayed Stabilized Operating Statement, plus \$20,000 in common property taxes. The total of \$216,100/167 equals \$1,294, called \$1,300. I did not include the individual unit taxes as they would be paid directly or passed through.

Expenses The condominium formation fee is to be paid by the seller. Otherwise, this cost would have been a deduction from value.

I applied legal fees of \$50,000 in year 1 as well as \$900 per unit sold in all years. I included the approximate common property real estate tax. Tax stamps are a necessary cost of closing at 4.56% of thousand \$ sold. Other expenses are \$197,100 in operating expenses presented before. Again, the erosion and infiltration allowance is taken as a final deduction.

Discount Rate This rate provides a return to the buyer commensurate with risk and time. In short, this is where the buyer anticipates profit. This estimate represents the amount of money or the return that is necessary to attract a competent investor to the subject. It is a function of risk and fluctuates with the development stage of the parcel, the applied retail lot

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prices, and the size of the project (# of lots). Rates for such comparable investments are also published in the Korpacz survey, a national survey of investors that includes rates applicable to land developments. Based upon review of that publication's surveys over the last decade, I estimated a discount rate of 20%. This estimate is reasonable when considered in light of rates observed and used in appraising residential subdivisions and condominium projects (in years past).

Market Value Indication My summary of this method is presented below. The market value indication derived from this method is \$26,700,000.

Condominium Lot Selloff Analysis Little Neck						
Beginning Period Date		2011 Term 1	2012 Term 2	2013 Term 3	2014 Term 4	2015 Term 5
Retail Sales		\$11,845,800	\$8,292,060	\$7,107,480	\$7,107,480	\$5,212,152
167 "lots" @ avg. price of	\$236,916					
Estimate of lot sales		50	35	30	30	22
Assumed lot price change		0%	0%	0%	3%	6%
Gross retail sales		11,845,800	8,292,060	7,107,480	7,320,704	5,524,881
Lot Rent (avg.)	\$10,800	1,533,600	1,074,600	723,600	399,600	118,800
Condo Fee	\$1,300	32,500	87,750	130,000	169,000	202,800
Potential Gross Income		13,411,900	9,454,410	7,961,080	7,889,304	5,846,481
Less expenses						
condominium formation (by seller)		0	0	0	0	0
legal		95,000	31,500	52,000	52,000	44,800
common property real estate tax		20,000	20,000	20,000	20,000	20,000
tax stamps		54,017	37,812	32,410	32,410	23,767
all other		197,100	197,100	197,100	197,100	197,100
Total expenses		366,117	286,412	301,510	301,510	285,667
Net income		13,045,783	9,167,998	7,659,570	7,587,794	5,560,814
Discount factor @ 20.00%		0.8333	0.6944	0.5787	0.4823	0.4019
Present value of income		10,871,486	6,366,665	4,432,621	3,659,237	2,234,766
Total present value of income		27,564,776				
Less, Erosion and Infiltration Cost Allowance		900,000				
		26,664,776				
Market value estimate, called:		\$26,700,000				

Reconciliation and Final Value Estimate

The market value estimate developed from direct capitalization is the "assured" value indicator. By this, I mean that based upon my understanding that the condominium cannot be developed absent cooperation from the tenants; this \$22,100,000 estimate is the most that the property is worth for continued rental use.

If the condominium can be developed through cooperation, the market value indicator was \$26,700,000. This means that in a market based valuation scenario, supplemented by the upward affect on value derived from cooperation from the tenants in creation of the condominium, the value indication is below the \$29,150,000 agreed upon price. Therefore, the agreed upon price includes reflects that in an effort to secure ownership the tenants have given back a portion of their developer's profit allowance. There is no market basis for excluding the return/profit allowance to the bulk buyer of the subject. Essentially, the tenants have competed against themselves by paying a higher price than the rest of the competing buyer market of investors. While this contradicts the notion that their cooperation allows formation of the condominium and its higher value it is a recognition that they also benefit from a bulk acquisition.

The somewhat inexact process of developing a market value estimate can result in about a narrow range of "market values" as being perceived as accurate within the marketplace and therefore a reasonably reliable range within which all probable buyers will be working. Therefore, it is logical that a buyer with such a strong interest could be pushed to the upper end of a probable range, yet no further. Beyond a small increase, the resulting price is not supportable to another other buyer and need not be paid by a tenant. It appears that at a price of \$29,150,000 that push has already occurred.

I made two final analyses of the value indications. From experience in appraising properties that will be re-sold as lots (subdivision) or condominiums, and that required low capital costs for development or rehabilitation prior to re-sale, the ratio of price paid to gross sales tends to top out at about 65%. The subject's gross sales of \$39,565,000 times 65% is \$25,717,000, called \$25,700,000. Considering that the seller will assume the substantial cost of condominium conversion, this indicator is revised upward to \$26,700,000.

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This supports that a value indication for the subject above \$26,700,000 would be unusual. Lastly, a prospective investor-buyer would be aware that \$29,150,000 is an acceptable sale price to the current tenants. It would take a highly optimistic buyer to conclude it could be pushed any higher. So then, how much less would he be willing to pay to acquire it even assuming a reasonably probable and orderly bulk resale to the tenants? There would need to be a financial reward to this competing market buyer and it must come primarily through an acquisition price or value below \$29,150,000. Considering the equity necessary to achieve this purchase, even a 10% return on equity is about \$2,900,000 and we are back to a competing market for the subject that tops out at about \$26,200,000.

I have developed value indicators using the best available market data and the appropriate appraisal methods. The cash flow from condominium use provides a reasonable value indicator and one that is below yet closest to the agreed upon price of \$29,150,000. There are no more valuation calculations to make. As the purpose of this appraisal is to estimate market value, my last consideration was to put myself into the position of prospective buyer and seller. As a seller, there is no higher value achievable from any other buyer. Therefore, as seller I have no leverage except to negotiate for a better price knowing that not to accept a sale to the tenants will result in lowering the cash flow to at best that illustrated in the subject's analysis as a rental property.

As the tenant/prospective buyer, I can see from the data that that the under-agreement price can be supported knowing that a single value estimate is more accurately a value within a reasonable "range of market values", it becomes a question of whether going to the top is reasonable to achieve my objective. Having observed such negotiations and their results for 25+ years, and having identified that in the agreed upon price a give back of developer's profit allowance has already occurred, I have concluded that the under-agreement price of \$29,150,000 exceeds the highest price achievable from the competing market operating without tenant cooperation by \$7,050,000 (\$29,150,000-\$22,100,000). In addition, it surpasses by \$2,450,000 (\$29,150,000-\$26,700,000) my estimate of a value with cooperation and the expectation of a reasonable profit allowance. As a result, the tenants are paying for value they helped create and maintain.

Concluding Market Value Estimate In conclusion, the alternative uses of the land if vacant provide low value indications that indicate the combination of legal non-conformity, long-term prudent management and tenant cooperation has resulted in a property value in condominium use that far exceeds value in any alternative use and to any other buyer. The under-agreement price of \$29,150,000, while above the \$26,700,000 indicated by my cash flow, is at the top of a narrow range of market values that reflect tenant cooperation.

Based upon the data, analyses and extraordinary assumptions summarized herein, it is my opinion that as of November 1, 2010 the following values apply to the subject. Both value estimates are of the subject 35 acres and common improvements thereto, yet exclusive of cottages.

The market value of the subject's leased fee interest for continued use as a rental property is **\$22,100,000**. This is the market value for which the "market" is broader than the tenants or an investor that would promptly resell the subject in bulk to the tenants.

The subject's market value that reflects cooperation between the tenants and management in creating and maintaining an entity of superior value is that of the fee simple estate for conversion to condominiums and is **\$26,700,000**. This is the market value to the tenants or to a buyer that would promptly resell in bulk to the tenants. This value far exceeds that probable as if vacant or as supported in an alternate use. The subject's under-agreement price of \$29,150,000 reflects additional give back that I cannot support except to indicate that it is a price that has been offered and accepted under unusual conditions of sale. It is a value to the narrowest of markets; one buyer.

It is my opinion that as November 1, 2010, the market value of the subject's leased fee estate is \$26,700,000.

*****Twenty Six Million Seven Hundred Thousand Dollars*****

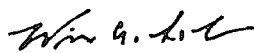
Certification

I certify that, to the best of my knowledge and belief:

- The statements of fact contained in this report are true and correct.
- The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and are my personal, impartial, and unbiased professional analyses, opinions, and conclusions.
- I have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved. I also appraised this property in 2004 and 1999.
- I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment and have provided no prior services related to it.
- The Appraisal Assignment was not based upon a requested minimum valuation, a specific valuation, or the approval of a loan.
- My compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
- The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics & Standards of Professional Appraisal Practice of the Appraisal Institute.
- The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice.
- The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
- I have made a personal inspection of the property that is the subject of this report.
- No one provided significant real property appraisal assistance to the person signing this certification.

As of the date of this report, I William A. LaChance has completed the continuing education program of the Appraisal Institute.

Signature



Date 12/7/2010

Standard Assumptions and Limiting Conditions

The appraiser assumes:

1. That the subject property's fee simple estate as defined by this report is marketable and that the property is free and clear of all liens, encumbrances, easements and restrictions unless otherwise noted;
2. No liabilities legal in nature;
3. The property ownership and management are in competent, responsible hands;
4. That the property is not operating in violation of any applicable government regulations, codes, ordinances, or statutes. Any zoning variations and special permits currently in place are assumed to be available as of the date of value;
5. That there are no concealed or dubious conditions of the subsoil or subsurface waters, including water table and flood plain;
6. The appraiser personally inspected the subject property. When the date of inspection differs from the effective date of appraised value, the appraiser has assumed no material change in the condition of the property, unless otherwise noted in the report.

The following limiting conditions are submitted with this report and the estimated value of the subject as set forth in this appraisal is predicated on them.

1. All of the facts, conclusions and observations contained herein are consistent with information available as of the date of valuation. The value of real estate is affected by many related and unrelated economic conditions, both local and national. William A. LaChance, or Petersen/LaChance Realty Advisors, or affiliates, therefore assumes no liability for the effect on this subject property of any unforeseen precipitous change in the economy.
2. The valuation, which applies only to the property described herein, was prepared for the purpose and intended use so stated and should not be used for any other purpose or use.
3. The appraiser has made no survey of the property. Any and all maps, sketches, and site plans provided to the appraiser are presumed to be correct, but no guarantee is made as to their accuracy.
4. Any information furnished by others is presumed to be reliable and, where so specified in the report, has been verified, but no responsibility, whether legal or otherwise, is assumed for its accuracy nor can it be guaranteed as being certain. No single item of information was completely relied upon to the exclusion of any other information.
5. The signatories herein shall not be required to give testimony or attend court or

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appear at any governmental hearing with reference to the subject property, unless prior arrangements have been made.

6. Disclosure of the contents of this report is governed by the bylaws of the Appraisal Institute. Neither this report nor any portions thereof (especially any conclusions as to value, the identity of the appraisers or the firm with which they are connected, or any reference to the Appraisal Institute or the MAI or SRA designation shall be disseminated to the public through public means of communications without the prior written consent and approval of the appraisers and the firm which they represent.
7. The report does not take into consideration the existence of asbestos, PCB transformers, or other toxic hazardous, or contaminated substances and/or underground storage tanks containing hazardous material. The report does not consider the cost of encapsulation, treatment, or removal of such material. It is an extraordinary assumption of this value estimate that the subject is not contaminated.
8. The appraiser did not ascertain the legal and regulatory requirements, except for zoning applicable to this project, including permits and licenses and other state and local government regulations. Further, no effort has been made to determine the possible effect on the subject property of present or future federal, state or local legislation or any environmental or ecological matters.
9. The Americans with Disabilities (ADA) became effective January 26, 1992. The appraiser has not made a specific compliance survey and analysis of this property to determine whether or not it is in conformity with the various detailed requirements of the ADA. It is possible that a compliance survey of the property, together with a detailed analysis of the requirements of the ADA, could reveal that the property is not in compliance with one or more of the requirements of this Act. If so, this fact could have a negative effect upon the value of the property. Since the appraiser has no direct evidence relating to this issue, the appraiser did not consider possible non-compliance with the requirements of ADA in estimating the value of the subject.

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Addenda

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QUALIFICATIONS OF WILLIAM A. LACHANCE

William A. LaChance is a partner in the firm of Petersen/LaChance Realty Advisors, a real estate appraisal and consulting firm serving public, private, and institutional clients throughout New England and the Northeast. William A. LaChance, MAI, SRA, joined Mr. Petersen to establish Petersen/LaChance in 1994. Mr. LaChance's prior employment information is summarized below.

- 1986 – 1993 Vice President of Hunneman Appraisal & Consulting Company in Boston; performed diverse commercial, industrial, and residential property appraisal and consulting.
- 1982 – 1986 R.M. Bradley and Company, Inc.; commercial and industrial property appraiser and a real estate assessment specialist.
- 1980 – 1982 Staff appraiser with Robert J. Finnegan and Associates specializing in mass appraisal for Ad Valorem tax assessment.
- 1978 – 1979 Suburban real estate brokerage and residential property development.

Mr. LaChance provides appraisal, consulting, and evaluation services involving the sale or acquisition of rights in real estate for purchase or sale decisions, financing, eminent domain, IRS reporting, and tax appeal. Property types commonly analyzed include tracts for residential subdivision and development, commercial or industrial development, or conservation restriction. Improved properties include retail, office, industrial, and residential. Mr. LaChance has substantial subdivision, easement or other partial interest appraisal experience, as well as farmland and special purpose property experience concerning automobile dealerships, marinas, self-storage facilities, corridors, and contaminated sites. Argus® financial analysis software is utilized for multi-tenanted properties requiring a discounted cash flow analysis.

Mr. LaChance has provided the Commonwealth appraisals of properties proposed for acquisition by eminent domain and has performed numerous appraisals for various state agencies including the Massachusetts Highway Department since 1990. Mr. LaChance has also served as both a primary and review appraiser for the Commonwealth of Massachusetts DAR regarding the placement of Agricultural Preservation Restrictions since 1984, and has performed many appraisal assignments for private land trusts.

EDUCATION, DESIGNATIONS AND AFFILIATIONS:

Mr. LaChance holds a Bachelor of Science degree in Business Administration from North Adams State College (now Massachusetts College of Liberal Arts). Curriculum major: Business Management.

(MAI) Member of Appraisal Institute: Mr. LaChance earned the MAI designation of the Appraisal Institute in 1992. This designation denotes competence in the valuation of commercial, industrial, residential, and other types of properties and the ability to advise clients on real estate decisions.

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Mr. LaChance successfully completed the following educational requirements for the MAI designation:

- Receive a passing grade on 11 examinations that reflect 380 hours of classroom instruction and that test the appraiser's knowledge of basic and advanced appraisal principles, procedures and applications; report writing; valuation analysis and standards of professional practice
- Receive a passing grade on an 8 hour comprehensive examination
- Hold an undergraduate degree from a four-year accredited educational institution
- Receive credit for 4,500 hours of experience which meet strict criteria and are peer-reviewed
- Awarded credit for preparing his demonstration appraisal report relating to income-producing property and passed the required peer survey of professional character.

(SRA) Appraisal Institute, Senior Residential Appraiser: Mr. LaChance earned the SRA designation of the Appraisal Institute in 1988. The designation requires a passing grade on six examinations that reflect 200 hours of classroom instruction and that test the appraiser's knowledge of appraisal principles, residential valuation techniques, report writing, and standards of professional practice. Mr. LaChance also received credit for 3,000 hours of residential appraisal experience as well as preparation of a narrative residential property demonstration appraisal report.

IRWA Mr. LaChance is a member of the International Right of Way Association.

ADDITIONAL CERTIFICATIONS AND LICENSES:

Mr. LaChance has completed the requirements under the Continuing Education Program of the Appraisal Institute and also holds the following State certificates and licenses.

Certified General Appraiser, Massachusetts, License No. 497
Certified General Appraiser, New Hampshire, License No. 360
Licensed Real Estate Broker, Commonwealth of Massachusetts, No. 104087

Mr. LaChance has successfully completed the Appraisal Standards for Federal Land Acquisitions (UASFLA) appraisal course as well as multiple courses and seminars concerning appraisal preparation in support of takings by eminent domain. Mr. LaChance has performed numerous technical appraisal review reports.

PROFESSIONAL AND OTHER:

Mr. LaChance is the 2010 President of the Massachusetts Chapter of the Appraisal Institute.

COURT TESTIMONY:

Mr. LaChance has qualified as an expert witness before the Appellate Tax Board of the Commonwealth of Massachusetts, Suffolk County Superior Court, Essex County Superior Courts at Lawrence and Ipswich, Norfolk County Probate Court, Middlesex County Superior Court and U.S. District Courts in Worcester and Boston, Massachusetts.

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Great Neck Lot Value Extraction Sales

Land Value Extraction #1

59 Skytop Rd.			
Property Sale Price		\$530,000	
Sale Date		Oct-10	
Price Adj. for Market Conditions		\$530,000	
Dwelling Size (SF)		1410	
Age		24	
Effective Age		24	
Dwelling RCN (D-Avg.)	\$180.00	\$253,800	
Deck SF	220	\$50.00	\$11,000
Soft Costs	5.00%	\$13,240	
Entrepreneurial Profit	0.00%	\$0	
Total RCN		\$278,040	
Less Depreciation	24.00%	<u>\$66,730</u>	
RCNLD Dwelling		\$211,310	
Depreciated Value of Site Imp.		<u>\$15,000</u>	
RCNLD		\$226,310	
Sale Price less RCNLD		\$303,690	
Land Value at Sale		\$305,000	
Bedrooms	2		
Lot Type	Waterview		
Lot Size SF	14,810		
View/Setting Rating	2		

Land Value Extraction #2

4 North Ridge Rd.			
Property Sale Price		\$595,000	
Sale Date		Jul-09	
Price Adj. for Market Conditions		\$565,250	
Dwelling Size (SF)		1262	
Age		79	
Effective Age		40	
Dwelling RCN (D-Avg.)	\$180.00	\$227,160	
Deck SF	200	\$50.00	\$10,000
Soft Costs	5.00%	\$11,858	
Entrepreneurial Profit	0.00%	\$0	
Total RCN		\$249,018	
Less Depreciation	35.00%	<u>\$87,156</u>	
RCNLD Dwelling		\$161,862	
Depreciated Value of Site Imp.		<u>\$15,000</u>	
RCNLD		\$176,862	
Sale Price less RCNLD		\$388,388	
Land Value at Sale		\$390,000	
Bedrooms	2		
Lot Type	Waterfront		
Lot Size SF	7,980		
View/Setting Rating	1		

Land Value Extraction #3

24 North Ridge Rd.			
Property Sale Price		\$612,500	
Sale Date		May-10	
Price Adj. for Market Conditions		\$612,500	
Dwelling Size (SF)		2309	
Age		70	
Effective Age		45	
Dwelling RCN (D-Avg.)	\$160.00	\$369,440	
Deck SF	200	\$50.00	\$10,000
Soft Costs	3.00%	\$11,383	
Entrepreneurial Profit	0.00%	\$0	
Total RCN		\$390,823	
Less Depreciation	45.00%	<u>\$175,870</u>	
RCNLD Dwelling		\$214,953	
Depreciated Value of Site Imp.		<u>\$15,000</u>	
RCNLD		\$229,953	
Sale Price less RCNLD		\$382,547	
Land Value at Sale		\$385,000	
Bedrooms	2		
Lot Type	Waterfront		
Lot Size SF	11,413		
View/Setting Rating	1		

Land Value Extraction #4

106 North Ridge Rd.			
Property Sale Price		\$775,000	
Sale Date		Dec-07	
Price Adj. for Market Conditions		\$581,250	
Dwelling Size (SF)		2363	
Age		64	
Effective Age		50	
Dwelling RCN (D-Avg.)	\$160.00	\$378,080	
Porch SF	200	\$50.00	\$10,000
Soft Costs	3.00%	\$11,642	
Entrepreneurial Profit	0.00%	\$0	
Total RCN		\$399,722	
Less Depreciation	50.00%	<u>\$199,861</u>	
RCNLD Dwelling		\$199,861	
Depreciated Value of Site Imp.		<u>\$15,000</u>	
RCNLD		\$214,861	
Sale Price less RCNLD		\$366,389	
Land Value at Sale		\$365,000	
Bedrooms	2		
Lot Type	Waterview		
Lot Size SF	7,500		
View/Setting Rating	1		

Petersen/LaChance Realty Advisors
APPRAISAL EVALUATION CONSULTING

Great Neck Lot Value Extraction Sales

Land Value Extraction #5

86-87 Little Neck Rd.			
Property Sale Price		\$558,600	
Sale Date		Jun-10	
Price Adj. for Market Conditions		\$558,600	
Dwelling Size (SF)		3063	
Age		70	
Effective Age		50	
Dwelling RCN (D-Avg.)	\$160.00	\$490,080	
Ramp	200	\$50.00	\$10,000
Soft Costs	3.00%	\$15,002	
Entrepreneurial Profit	0.00%	\$0	
Total RCN		\$515,082	
Less Depreciation	50.00%	<u>\$257,541</u>	
RCNLD Dwelling		\$257,541	
Depreciated Value of Site Imp.		<u>\$15,000</u>	
RCNLD		\$272,541	
Sale Price less RCNLD		\$286,059	
Land Value at Sale		\$290,000	
Bedrooms	3		
Lot Type	Waterfront		
Lot Size SF	12,196		
View/Setting Rating	2		

Land Value Extraction #6

26 Bay View Rd.			
Property Sale Price		\$645,000	
Sale Date		Dec-09	
Price Adj. for Market Conditions		\$612,750	
Dwelling Size (SF)		2286	
Age		62	
Effective Age		30	
Dwelling RCN (D-Avg.)	\$160.00	\$365,760	
Deck SF	200	\$50.00	\$10,000
Soft Costs	3.00%	\$11,273	
Entrepreneurial Profit	0.00%	\$0	
Total RCN		\$387,033	
Less Depreciation	30.00%	<u>\$116,110</u>	
RCNLD Dwelling		\$270,923	
Depreciated Value of Site Imp.		<u>\$15,000</u>	
RCNLD		\$285,923	
Sale Price less RCNLD		\$326,827	
Land Value at Sale		\$325,000	
Bedrooms	3		
Lot Type	Waterview		
Lot Size SF	7,405		
View/Setting Rating	2		

Land Value Extraction #7

15 Clark Rd.			
Property Sale Price		\$415,000	
Sale Date		Nov-10	
Price Adj. for Market Conditions		\$415,000	
Dwelling Size (SF)		1250	
Age		1,988	
Effective Age		22	
Dwelling RCN	\$180.00	\$225,000	
Deck SF	200	\$50.00	\$10,000
Soft Costs	3.00%	\$7,050	
Entrepreneurial Profit	0.00%	\$0	
Total RCN		\$242,050	
Less Depreciation	22.00%	<u>\$53,251</u>	
RCNLD Dwelling		\$188,799	
Depreciated Value of Site Imp.		<u>\$20,000</u>	
RCNLD		\$208,799	
Sale Price less RCNLD		\$206,201	
Land Value at Sale		\$206,000	
Bedrooms	2		
Lot Type	Waterview		
Lot Size SF	6,229		
View/Setting Rating	3		

Land Value Extraction #8

112 Little Neck Rd.			
Property Sale Price		\$330,000	
Sale Date		Jan-10	
Price Adj. for Market Conditions		\$330,000	
Dwelling Size (SF)		1546	
Age		71	
Effective Age		50	
Dwelling RCN (D-Avg.)	\$160.00	\$247,360	
Deck SF	200	\$50.00	\$10,000
Soft Costs	3.00%	\$7,721	
Entrepreneurial Profit	0.00%	\$0	
Total RCN		\$265,081	
Less Depreciation	45.00%	<u>\$119,286</u>	
RCNLD Dwelling		\$145,794	
Depreciated Value of Site Imp.		<u>\$20,000</u>	
RCNLD		\$165,794	
Sale Price less RCNLD		\$164,206	
Land Value at Sale		\$165,000	
Bedrooms	4		
Lot Type	Waterview		
Lot Size SF	7,841		
View/Setting Rating	2		

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Great Neck Lot Value Extraction Sales

Land Value Extraction #9

15 Bunker Hill Rd.			
Property Sale Price		\$551,000	
Sale Date		Apr-10	
Price Adj. for Market Conditions		\$551,000	
Dwelling Size (SF)		2080	
Age		13	
Effective Age		13	
Dwelling RCN	\$160.00	\$332,800	
Deck SF	240	\$50.00	\$12,000
Soft Costs	3.00%	\$10,344	
Entrepreneurial Profit	0.00%	\$0	
Total RCN		\$355,144	
Less Depreciation	13.00%	<u>\$46,169</u>	
RCNLD Dwelling		\$308,975	
Depreciated Value of Site Imp.		<u>\$20,000</u>	
RCNLD		\$328,975	
Sale Price less RCNLD		\$222,025	
Land Value at Sale		\$222,000	
Bedrooms	3		
Lot Type	Waterview		
Lot Size SF	12,632		
View/Setting Rating	3		

Land Value Extraction #10

116 Little Neck Rd.			
Property Sale Price		\$252,500	
Sale Date		Mar-09	
Price Adj. for Market Conditions		\$239,875	
Dwelling Size (SF)		952	
Age		74	
Effective Age		74	
Dwelling RCN (D-Avg.)	\$160.00	\$152,320	
Deck SF	200	\$50.00	\$10,000
Soft Costs	3.00%	\$4,870	
Entrepreneurial Profit	0.00%	\$0	
Total RCN		\$167,190	
Less Depreciation	90.00%	<u>\$150,471</u>	
RCNLD Dwelling		\$16,719	
Depreciated Value of Site Imp.		<u>\$5,000</u>	
RCNLD		\$21,719	
Sale Price less RCNLD		\$218,156	
Land Value at Sale			
Bedrooms	1		
Lot Type	Waterview		
Lot Size SF	9,896		
View/Setting Rating	3		

Land Value Extraction #11

3 Chattanooga Rd.			
Property Sale Price		\$334,000	
Sale Date		Apr-08	
Price Adj. for Market Conditions		\$283,900	
Dwelling Size (SF)		1288	
Age		73	
Effective Age		60	
Dwelling RCN	\$160.00	\$206,080	
Deck SF	200	\$50.00	\$10,000
Soft Costs	3.00%	\$6,482	
Entrepreneurial Profit	0.00%	\$0	
Total RCN		\$222,562	
Less Depreciation	60.00%	<u>\$133,537</u>	
RCNLD Dwelling		\$89,025	
Depreciated Value of Site Imp.		<u>\$10,000</u>	
RCNLD		\$99,025	
Sale Price less RCNLD		\$184,875	
Land Value at Sale		\$185,000	
Bedrooms	1		
Lot Type	Waterview		
Lot Size SF	4,356		
View/Setting Rating	3		

Land Value Extraction #12

10 Goldfinch Way			
Property Sale Price		\$385,000	
Sale Date		Mar-10	
Price Adj. for Market Conditions		\$385,000	
Dwelling Size (SF)		1066	
Age		44	
Effective Age		25	
Dwelling RCN (D-Avg.)	\$160.00	\$170,560	
Deck SF	200	\$50.00	\$10,000
Soft Costs	3.00%	\$5,417	
Entrepreneurial Profit	0.00%	\$0	
Total RCN		\$185,977	
Less Depreciation	25.00%	<u>\$46,494</u>	
RCNLD Dwelling		\$139,483	
Depreciated Value of Site Imp.		<u>\$10,000</u>	
RCNLD		\$149,483	
Sale Price less RCNLD		\$235,517	
Land Value at Sale		\$235,000	
Bedrooms	2		
Lot Type	Waterview		
Lot Size SF	13,504		
View/Setting Rating	3		

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Great Neck Lot Value Extraction Sales

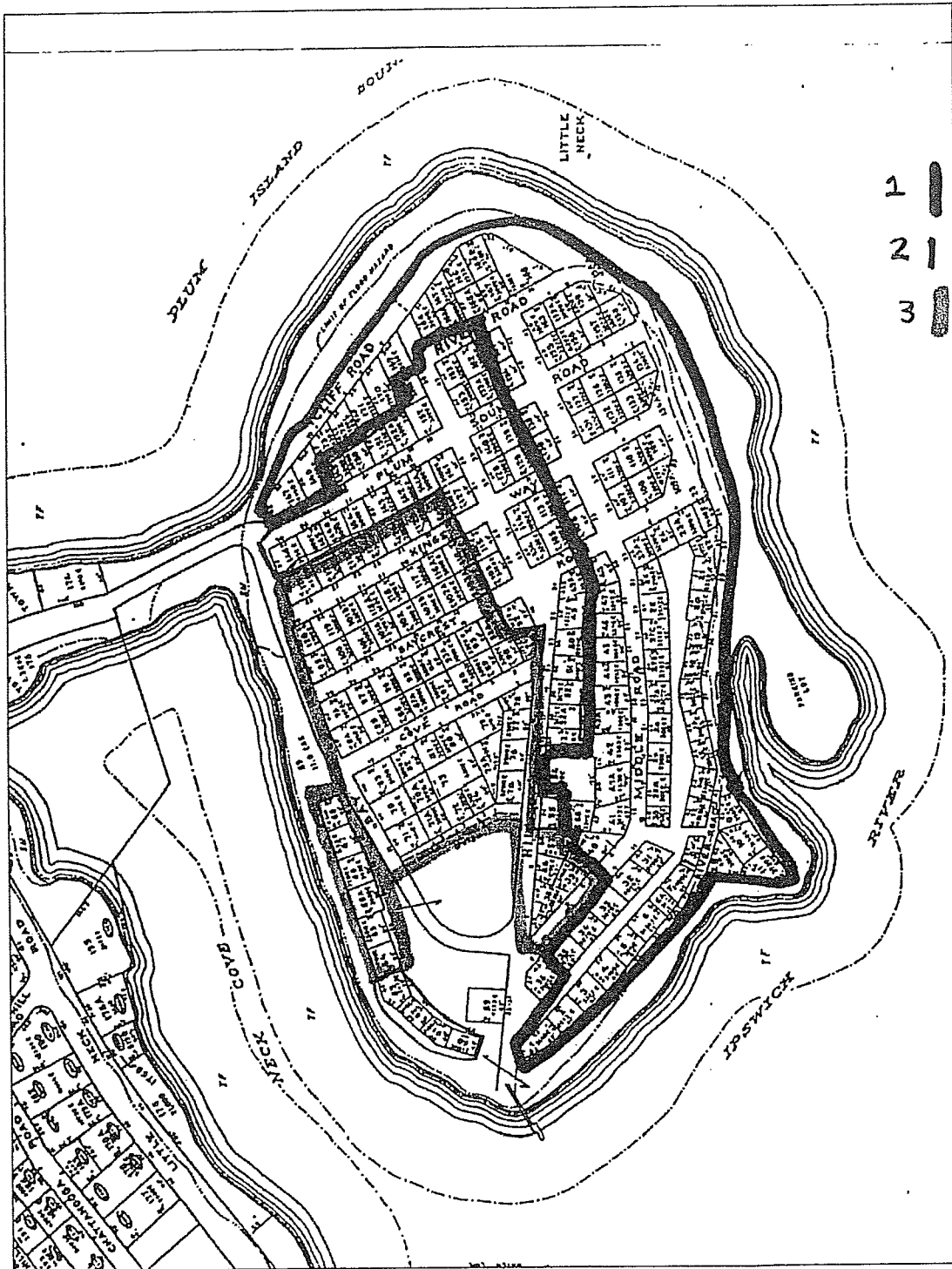
Land Value Extraction #13

47 North Ridge Rd.		
Property Sale Price		\$360,000
Sale Date		Sep-07
Price Adj. for Market Conditions		\$270,000
Dwelling Size (SF)		1016
Age		47
Effective Age		60
Dwelling RCN	\$160.00	\$162,560
Deck SF	200 \$50.00	\$10,000
Soft Costs	3.00%	\$5,177
Entrepreneurial Profit	0.00%	\$0
Total RCN		\$177,737
Less Depreciation	60.00%	<u>\$106,642</u>
RCNLD Dwelling		\$71,095
Depreciated Value of Site Imp.		<u>\$15,000</u>
RCNLD		\$86,095
Sale Price less RCNLD		\$183,905
Land Value at Sale		\$185,000
Bedrooms	2	
Lot Type	Waterview	
Lot Size SF	5,227	
View/Setting Rating	3	

Land Value Extraction #14

8 Bayview Rd.		
Property Sale Price		\$375,000
Sale Date		Oct-07
Price Adj. for Market Conditions		\$281,250
Dwelling Size (SF)		988
Age		73
Effective Age		73
Dwelling RCN (D-Avg.)	\$180.00	\$177,840
Deck SF	200 \$50.00	\$10,000
Soft Costs	3.00%	\$5,635
Entrepreneurial Profit	0.00%	\$0
Total RCN		\$193,475
Less Depreciation	73.00%	<u>\$141,237</u>
RCNLD Dwelling		\$52,238
Depreciated Value of Site Imp.		<u>\$10,000</u>
RCNLD		\$62,238
Sale Price less RCNLD		\$219,012
Land Value at Sale		\$220,000
Bedrooms	2	
Lot Type	Waterview	
Lot Size SF	10,019	
View/Setting Rating	2	

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Assessing Data