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LINCOLN
PROPERTY
COMPANY

APPRAISAL CONSULTING REPORT:

Little Neck
Ipswich, Massachusetts

PREPARED FOR:

Richard C. Allen, Esq.
Casner & Edwards, LLP
303 Congress Street
Boston, MA 02210

PREPARED BY:

Steven R. Foster, MAI
Lincoln Property Company
225 Franklin Street, 23rd Floor
Boston, MA 02110

DATE OF REPORT:

November 5, 2010

DATE OF VALUE:

January 1, 2010

LINCOLN
PROPERTY
COMPANY

November 5, 2010

Richard C. Allen, Esq.
Casner & Edwards, LLP
303 Congress Street
Boston, MA 02210

RE: Little Neck, Ipswich, Massachusetts

Dear Attorney Allen:

The following appraisal consulting report has been completed to assist in understanding the valuation of the above referenced property, and provide a comparison of the Colliers Meredith & Grew (CMG) and Lincoln Property Company (Lincoln) opinions of value, and determine a fair price for the property.

The purpose of a real property appraisal consulting assignment is to develop, without advocacy, an analysis, recommendation, or opinion where at least one opinion of value is a component of the analysis leading to the assignment[1]. This opinion of value can originate from the consulting appraiser or from other sources. In this case, the opinions of value result from the appraisals completed by Lincoln and CMG, and these appraisal reports are incorporated into this assignment by reference.

The intended users of this analysis are Casner & Edwards and the Ipswich School Committee. This analysis and the appraisal report were completed in November 2010, and the effective date of value is retrospective to January 1, 2010. The property, market and values are fully described in the Lincoln and CMG appraisal reports and are based on numerous special assumptions.

The property consists of 36± acres that is improved with 167 cottages and infrastructure to support these cottages. The cottages are leasehold improvements. The Tenants, for the most part, utilize the land on a tenant-at-will basis. The property, as currently developed, does not conform with zoning. It is assumed for the purposes of this analysis that the property could be converted into 167 condominium units that would retain their grandfathered status.

[1] 2010-2011 USPAP, p. U-38

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The appraisals produce five different values. Each value is based on a different assumption, attempting to isolate the impact of zoning and tenancy. The following is a discussion of these values.

Market Value Assuming No Tenants or Cottages and that Future Development Must Conform with Current Zoning

CMG:	$10,000,000
Lincoln:	N/A

This value provides an indication of the value of the land if it were vacant and available for development. CMG estimates that it could support 25± lots. It is my opinion that this value is likely to represent the high end of the value range, given zoning and site constraints. Unfortunately, it is impossible to refine this estimate without additional engineering and land planning. Since this value is completely theoretical, it is my opinion that these expenditures are unwarranted and that the CMG value of $10,000,000 provides an adequate reference point for this analysis. This reference point indicates that the maximum value of the property if vacant and developed under current zoning is $10,000,000. This is the amount the Feoffees could obtain in the market if the property were vacant without tenants.

Market Value to a Third Party at Market Terms Assuming No Tenants

CMG:	N/A
Lincoln:	$20,500,000

This value was produced by Lincoln to provide an indication of value assuming that the property could be developed as a 167-unit cottage community without any impact (negative or positive) from the existing Tenants. The negatives of the existing Tenants include divided property rights and potential litigation, and the positives include a group of highly motivated buyers paying annual rent to utilize the property.

This, in my opinion, represents the value of the property to a developer/investor, assuming it consists of 167 developable lots (condominium ownership). The infrastructure (roads, utilities and amenities) are in place to support these lots and the developer/investor would sell these 167 lots to individuals with no special interest in the property. This is the value which most conforms with the standard definition of market value, which is the value of a property between unrelated parties, without special interest. This analysis is most similar to the analysis that would be completed for a typical single family subdivision or condominium development.

Market Value to a Third Party at Market Terms Assuming Existing Tenants

CMG:	$32,550,000*
Lincoln:	$31,500,000

* CMG value of $26,400,000 adjusted by $5,800,000 mortgage balance and $350,000 for condominium documents which were deducted in the CMG analysis and were not deducted in Lincoln analysis. This allows for the best comparison to the current settlement offer of $29,150,000, assuming the Tenants are current on their rent payments and continue to pay rent in accordance with this analysis.

This value, in my opinion, eliminates the negatives of the existing tenancy (litigation and division of property rights) as it assumes the Tenants will settle the litigation and transfer their interest in the cottages to create the condominium, but leaves some of the positives of the existing tenancy (group of highly motivated buyers that will purchase the units relatively fast and pay rent until they close).

Special Value to a (Hypothetical) Newly Formed Condominium Association

CMG:	$41,150,000*
Lincoln:	$42,500,000

* CMG value of $35,000,000 has been adjusted upward by $5,800,000 for the mortgage and $350,000 for the condominium documents that were deducted in the CMG analysis and not in the Lincoln analysis.

The value specific to a newly formed condominium association is, in my opinion, equal to the aggregate of the retail lot values. This is not my opinion of the fair price that the Tenants should pay, but it does accurately reflect the value to the Tenants. It does not represent a fair price because it ignores (because of assumptions made in both appraisals) that the Feoffees do not currently and cannot reasonably create 167 grandfathered lots or cottage units.

Aggregate Value of 167 Cottage Lots

CMG:	$42,325,000
Lincoln:	$42,500,000

The appraisals contain nearly identical opinions as to the aggregate retail value of the 167 lots. Again, this is the value of 167 grandfathered cottage units under condominium ownership, a condition that doesn't currently exist and can only exist through cooperation or litigation.

Fair Value to Related Parties under a Closed Market Transaction

CMG:	N/A
Lincoln:	$31,500,000

The question before the School Committee is somewhat beyond the typical scope and function of an appraisal. It is a question of the fair price between related parties in a closed market transaction. A closed market transaction between related parties is not market value. This is similar to an analysis of a property's value or price to an abutter. The value or price parameters are established by the extreme positions. The lowest value reflects that the abutter should pay no more than any other buyer and the upper value reflects that the abutter can pay an amount equal to its special utility to the abutter. The actual price paid is generally between these extremes. In this case, the low end is established by either the $10,000,000 CMG value (assumes no tenants, tenant improvements and development under current zoning) and the $20,500,000 Lincoln value (assumes no tenants, tenant improvements and 167 grandfathered building lots in condominium ownership). The high end is established by the aggregate of the market values of the 167 individual lots or $42,500,000.

The seller's position is that the buyer is being provided with 167 lots and should pay the retail price of each lot. The buyer's position is that they have created much of this value, are essentially buying the lots in bulk, and should not pay anymore than the seller could obtain from any other bulk buyer.

My understanding of CMG's position is that the sale of the individual lots is being considered solely as a convenience to the Tenants, and that each Tenant should essentially pay the retail price for their lot, as this is the value of the lot to the Tenant and to charge less could create a windfall to the Tenants. This, although a logical argument, in my opinion is completely one-sided, ignoring that the any value over the $10,000,000 is the result of a long term partnership between the Feoffees and the Tenants.

The Tenants, in my opinion, have created some of this value by undertaking the risk to build their improvements on land owned by the Feoffees. Without the Tenant's improvements, the property would not contain 167 grandfathered cottages and its value, according to CMG, would be only $10,000,000. Additionally, the Tenants are essentially a bulk purchaser of the property. Why should the tenant's association pay any more to purchase the 167 lots in bulk than any other buyer in the market? The bulk value is $20,500,000 without the Tenants in the Lincoln appraisal and is $31,500,000 to $32,550,000 with Tenants in both the CMG and Lincoln appraisals.

In my opinion, the fair value or price for a closed market transaction is between $20,500,000, the value Lincoln estimates is the value if there were 167 lots but no Tenants, and the $42,500,000 aggregate retail value of the 167 lots and that the values of $31,500,000 and $32,550,000 presented in the Lincoln and CMB appraisals represent reasonable estimates of this fair price or value.

Sincerely,

LPC COMMERCIAL SERVICES, INC.

Steven R. Foster, MAI
Senior Vice President
MA Certified General Real Estate Appraiser License #104

CERTIFICATION

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

1) The statements of fact contained in this report are true and correct.

2) 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.

3) 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.

4) I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.

5) My engagement in this assignment was not contingent upon developing or reporting predetermined results.

6) 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.

7) My analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the *Uniform Standards of Professional Appraisal Practice*.

8) The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.

9) No one provided significant professional assistance to the persons signing this report other than those so noted in the report.

10) I have personally inspected the property on several occasions in September and October 2010.

11) As of the preparation of this report, Steven Foster, MAI, has complied with the continuing education requirements of the Appraisal Institute.

Steven R. Foster, MAI
Senior Vice President
MA Certified General Real Estate Appraiser License #104

CURRICULUM VITAE

STEVEN R. FOSTER, MAI

Mr. Foster joined Lincoln Property Company as a Senior Vice President in 2003 and has more than 25 years of experience in the real estate appraisal and consulting field. He began his real estate career in his family-owned real estate business and joined R. M. Bradley & Co., Inc. in 1981. In 1984, he began work at Dolben Appraisal and Consulting Co., Inc. as a vice president. In 1991, he established the Appraisal Division of Lynch Murphy Walsh & Partners. In 1999, the firm was acquired by Insignia/ESG (now CB Richard Ellis/Whittier Partners) with the goal of expanding its service base in Boston and New England.

Mr. Foster is a member of the Appraisal Institute, having received the MAI designation in 1987, and is currently certified under its continuing education program. He is a past regional representative of the New England Chapter of the Appraisal Institute, a past Director and past Candidate Guidance Chairman of the Boston Chapter of the American Institute of Real Estate Appraisers. Mr. Foster has been a licensed real estate broker in Massachusetts since 1976 (license is currently classified as inactive). He is a licensed real estate appraiser in Massachusetts, and has been licensed in Rhode Island, New Hampshire, and Maine. He served for several years as a member of the Commonwealth of Massachusetts Board of Registration, Real Estate Appraisers Compliance Subcommittee.

Mr. Foster has significant experience in the evaluation of investment property in conjunction with acquisitions, sales and financing matters. In addition, he has prepared appraisals for lease renegotiations, estate and federal tax matters, property tax disputes, eminent domain actions, site contamination cases and reuse purposes. A significant amount of his practice includes litigation support involving complex valuation issues, and he has appeared as an expert witness. Mr. Foster also has broad experience in highest and best use studies, project feasibility, and re-use strategies. In many counseling assignments, he has acted as part of multi-disciplinary teams with expertise across a broad spectrum of real estate matters.