LINCOLN
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APPRAISAL CONSULTING REPORT:

Little Neck
Ipswich, Massachusetts

PREPARED FOR:

Stephen M. Perry, 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 22, 2011

LINCOLN
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Stephen M. Perry, Esq.
Casner & Edwards, LLP
303 Congress Street
Boston, MA 02210

RE: Little Neck, Ipswich, Massachusetts

Dear Attorney Perry:

The following appraisal consulting report has been completed to analyze the extracted land values from sales of Little Neck properties.

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 analysis uses opinions of value and analysis from appraisals completed by Landvest, Inc., Peterson/LaChance Realty Advisors, Colliers Meredith and Grew and Lincoln Property Company. These reports are incorporated by reference. The intended users of this analysis are Casner & Edwards and the Ipswich School Committee. This analysis and the report were completed in November 2011.

The property consists of 36± acres that is improved with 167 cottages and infrastructure to support these cottages. The cottages are considered to be leasehold improvements. The Tenants, for the most part, utilize the land on a tenant-at-will basis, although several tenants have signed leases.

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

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Methodology

The four appraisals all utilize improved property sales and extract land values from these improved sales by deducting the estimated value of the improvements. Only the Landvest appraisal uses sales of Little Neck properties.

In my appraisal, I indicate that I did not complete this analysis for Little Neck sales because of a lack of recent sales and the impact that the ongoing litigation was having on sales activity and values. I did not consider the older sales of Little Neck properties.

It is now my understanding that the sales of Little Neck properties used in the Landvest appraisal occurred mostly prior to the settlement agreement and that these buyers, prior to purchasing their properties, agreed to sign leases with the Feoffees at annual rents of $9,700 to $10,800. Therefore, the buyers appear to have been fully informed and knowledgeable as to the landlord's intentions relative to rental rates for the sites prior to their purchases and the purchase prices should have reflected that the buyer would be responsible for rent of $9,700 to $10,800 annually. This fact, which I was not aware of at the time of my appraisal, also indicates that the market was accepting of these rent levels and if the buyers had paid a market value for the leasehold improvements, the analyses completed by Landvest and myself indicate that these buyers probably would have accepted higher rents.

The three appraisals that specifically show these adjustments use different but similar approaches to developing their estimates of the contributory value of the improvements. These are:

	Landvest	Peterson/LaChance	Lincoln
Replacement Cost PSF	$140-$200	$160-$180	$180-$200
Depreciation	20%-25%	13%-90%	10%-50%
Site Improvements	10%(1)	$10,000-$15,000(2)	$25,000

(1) Of deprecated value of the improvements
(2) Depreciated value

Note that there are other minor differences, such as Peterson/LaChance separately cost decks at $50.00 per square foot and adds 3% to 5% soft cost.

Because of the relative closeness of these assumptions, it is my opinion that the appraisers would each develop different, but reasonably similar, extracted land values from these sales of Little Neck properties.

In this analysis, I have utilized the specific analysis completed in the Landvest report, as it is the only recent report that completed these analyses for the Little Neck sales. I could develop a similar analysis using the Peterson/LaChance data or my own data, but I did not complete this previously and cannot determine exactly which replacement cost or depreciation figure that Mr. LaChance would use for each of these sales.

In my opinion, the Landvest appraisal neglects to consider the fact that the purchase price is for the leasehold interest and not the fee simple interest. In order to properly complete this extraction analysis, the sales price of the comparable must be adjusted for the property rights acquired. In addition, the sales prices of these properties might have been higher if sold on a fee simple basis, which would eliminate both the impact of a land lease (which is not typical in the marketplace) and the restrictions on year round use.

In this analysis, I have considered two different adjustments for these property rights.

(1) Capitalize the actual land rent paid under the new leases that were signed by the buyer as part of the transaction. This, in my opinion, is the rent that a fully informed and knowledgeable buyer would consider in determining a purchase price of the leasehold interest.

(2) Utilize the purchase price of the lot contained in the settlement agreement. This, in my opinion, is likely to be the least probable consideration given the dates of sale and the date of the settlement agreement, but it is possible that there was some general understanding of this pricing before the settlement agreement was signed. And it is possible that the sellers provided information to the buyer regarding a proposed settlement.

Capitalization Rates

The Landvest and Colliers appraisals utilize 4.25% to 5.25% capitalization rates. I have utilized a capitalization rate of 4.5% in this analysis. A higher capitalization rate results in a lower value when converting income to value and results in a higher income when converting value to income.

To illustrate this point, I have used both a 4.25% and a 5.25% capitalization rate in combination with an annual rent of $9,700 and a value of $161,537.

$9,700 ÷ 0.0425 = $228,235
$9,700 ÷ 0.0525 = $184,762

$161,537 x 0.0425= $6,865
$161,537 x 0.0525 = $8,481

The lower capitalization rate results in the higher value and the lower rent, while the higher capitalization rate results in the lower value and higher rent.

Property Rights Adjustment

(1) The rents are assumed to be $9,700 for all sales except 27 King's Way, which is assumed to be $10,800 based on information provided by the Feoffees. The different rents reflect seasonal versus year round use. The property rights adjustments, using the 4.5% capitalization rate to convert income to value, are:

$ 9,700 ÷ 4.5% = $215,556
$10,800 ÷ 4.5% = $240,000

The $9,700 contract rent is for seasonal use only. Although it could be argued that it is appropriate to use the unrestricted rent of $10,800, I have not utilized this higher rent because the purchase price was based on seasonal use and a $9,700 rent. It is likely that the purchase price would have been higher if the property were not restricted to seasonal use.

(2) The lot prices contained in the settlement agreement are:

42 Middle Road	$161,537
9 Cove Road	$161,537
24 Plum Sound Road	$161,537
3 King's Way	$200,907
27 King's Way	$161,537
26 Baycrest Road	$161,537

Extraction Analysis

Sale A1

42 Middle Street

	Landvest Analysis	Land Rent	Lot Price
Sale Price	$550,000	$550,000	$550,000
Adjustment for Property Interest	$0	$215,556	$161,537
Adjusted Price	$550,000	$765,556	$711,537
Total Value of Improvements	$227,370	$227,370	$227,370
Extracted Land Value	$322,630	$538,186	$484,167

Adjusted Lot Value Range: $484,167 to $538,186

Sale A2

9 Cove Road

	Landvest Analysis	Land Rent	Lot Price
Sale Price	$339,000	$339,000	$339,000
Adjustment for Property Interest	$0	$215,556	$161,537
Adjusted Price	$339,000	$554,556	$500,537
Total Value of Improvements	$198,486	$198,486	$198,486
Extracted Land Value	$140,514	$356,070	$302,051

Adjusted Lot Value Range: $302,051 to $356,070

Sale A3

24 Plum Sound Road

	Landvest Analysis	Land Rent	Lot Price
Sale Price	$400,000	$400,000	$400,000
Adjustment for Property Interest	$0	$215,556	$161,537
Adjusted Price	$400,000	$615,556	$561,537
Total Value of Improvements	$172,095	$172,095	$172,095
Extracted Land Value	$227,905	$443,461	$389,442

Adjusted Lot Value Range: $389,442 to $443,461

Sale A4

3 King's Way

	Landvest Analysis	Land Rent	Lot Price
Sale Price	$465,000	$465,000	$465,000
Adjustment for Property Interest	$0	$215,556	$200,907
Adjusted Price	$465,000	$680,556	$665,907
Total Value of Improvements	$198,000	$198,000	$198,000
Extracted Land Value	$267,000	$482,556	$467,907

Adjusted Lot Value Range: $467,907 to $482,556

Sale A5

27 King's Way

	Landvest Analysis	Land Rent	Lot Price
Sale Price	$335,000	$335,000	$335,000
Adjustment for Property Interest	$0	$240,000	$161,537
Adjusted Price	$335,000	$575,000	$496,537
Total Value of Improvements	$125,593	$125,593	$125,593
Extracted Land Value	$209,407	$449,407	$370,944

Adjusted Lot Value Range: $370,944 to $449,407

Sale A6

26 Baycrest Road

	Landvest Analysis	Land Rent	Lot Price
Sale Price	$165,000	$165,000	$165,000
Adjustment for Property Interest	$0	$215,556	$161,537
Adjusted Price	$165,000	$380,556	$326,537
Total Value of Improvements	$109,894	$109,894	$109,894
Extracted Land Value	$55,106(1)	$270,662	$216,643

Adjusted Lot Value Range: $216,643 to $270,662

(1) Landvest calculates $109,729 but this appears to be a mathematical error

This analysis shows that the extracted land values from these sales of Little Neck properties are significantly higher than is indicated in the Landvest report and higher than many of the lot values estimated by the other three appraisers before considering other adjustments.

Rent Analysis

The Landvest analysis indicates that these buyers, all of whom signed leases, paid a price that represents a premium over the market value of the leasehold improvement. These premiums, which are calculated for each property in the Landvest report, can be converted into a rent using an appropriate capitalization rate. The rent associated with the premium purchase price can be added to the actual land rent to determine a market supported land rent. I have completed this analysis using 3.5%, 4.5% and 5.5% capitalization rates to show the impact of different capitalization rates on rents.

3.5% Capitalization Rate

Sale	Premium Price	Cap Rate	Indicated Rent	Existing Rent	Indicated Market Rent
A1	$322,630	3.5%	$11,292	$9,700	$20,992
A2	$140,514	3.5%	$4,918	$9,700	$14,618
A3	$227,905	3.5%	$7,977	$9,700	$17,677
A4	$267,000	3.5%	$9,345	$9,700	$19,045
A5	$209,407	3.5%	$7,329	$10,800	$18,129
A6	$55,106	3.5%	$1,929	$9,700	$11,629

4.5% Capitalization Rate

Sale	Premium Price	Cap Rate	Indicated Rent	Existing Rent	Indicated Market Rent
A1	$322,630	4.5%	$14,518	$9,700	$24,218
A2	$140,514	4.5%	$6,323	$9,700	$16,023
A3	$227,905	4.5%	$10,256	$9,700	$19,956
A4	$267,000	4.5%	$12,015	$9,700	$21,715
A5	$209,407	4.5%	$9,423	$10,800	$20,223
A6	$55,106	4.5%	$2,480	$9,700	$12,180

5.5% Capitalization Rate

Sale	Premium Price	Cap Rate	Indicated Rent	Existing Rent	Indicated Market Rent
A1	$322,630	5.5%	$17,745	$9,700	$27,445
A2	$140,514	5.5%	$7,728	$9,700	$17,828
A3	$227,905	5.5%	$12,535	$9,700	$22,235
A4	$267,000	5.5%	$14,685	$9,700	$24,385
A5	$209,407	5.5%	$11,517	$10,800	$22,317
A6	$55,106	5.5%	$3,031	$9,700	$12,731

This rent analysis shows that the market rent for even the lowest valued lots (Sale A6 is represented by all four appraisers as lower value) has a market rent of more than $9,700 annually and the higher value lots support land rents of over $20,000 annually. If the market rents for the lowest value lots are over $10,000 and the market rent for the highest value lots are over $20,000, the average market rent would be higher than $10,800 per lot.

Conclusions

The extracted land values, when the Little Neck sales are adjusted for the property interest acquired, indicate higher land values than is reported in the Landvest appraisal and are generally higher than the values estimated for these lots by any of the four appraisers, including myself. The analysis also indicates that the average market rent was significantly higher than $9,700/$10,800 as of the dates of these Little Neck sales, as these buyers both signed land leases and paid premiums for their leasehold interest.

This analysis does not include any additional adjustment for property rights which might be warranted considering that a leasehold purchase is generally considered a less desirable form of ownership than a fee simple purchase. Additionally, it does not include an adjustment which would likely be appropriate for the restricted seasonal use of five of the properties or that one sale was a foreclosure sale. Finally, I have not considered or made any other adjustments such as for changes in market conditions between sale dates and the appropriate date of value.

This may indicate, given the uniqueness of Little Neck and the scarcity of this type of property, that buyers are willing to pay a significant premium for these properties which appraisers are generally unable to measure utilizing data from outside the property.

What this analysis does indicate is that the rents charged by the Feoffees need to be higher than $9,700 and $10,800 in order to adequately compensate the Feoffees and reduce the prices paid for the leasehold interest to a market supported amount. It also indicates that the lot pricing contained in the settlement agreement is well below the market value of these lots.

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.

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

12) I have provided other appraisal and consulting services on this property over the last three years.

Steven R. Foster, MAI
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.