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Thursday, September 29, 2011	32272FR

Stephen M. Perry
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Phone: Fax:

Witness: William Lachance, pp 1-119

Case: Mulholland vs. Attorney General of MA

Venue:

Case #:

Date: 9/15/2011

Start Time: 10:00 AM

End Time: 1:12 PM

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O	Original Transcript	$3.50	119	$416.50
CTCA	Condensed Transcript/Media Package	$0.00	1	$0.00
DE	Delivery	$12.00	1	$12.00
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Reporting

September 29, 2011

Tyler E. Chapman, Esq.
Todd & Weld
28 State Street
Boston, Massachusetts 02109

Re: *Mulholland vs. Attorney General of MA*
Deposition of William A. LaChance

Dear Attorney Chapman,

Enclosed please find your copy of the deposition of William A. LaChance taken September 15, 2011 in the above-reference matter. Kindly have the witness read the transcript, noting any corrections on the errata/signature sheet enclosed herewith. No corrections should be made on the transcript itself.

Once this has been completed, please return the executed signature page to Stephen M. Perry, Esq. at the address noted on the appearance page of the transcript. A copy should also be provided to any other counsel present.

If you have any questions regarding this matter, please do not hesitate to contact our office at 617-451-8900.

Sincerely,

Jones Reporting Company

cc: All Counsel

VOLUME: I

PAGES: 1-119

EXHIBITS: 1-6

COMMONWEALTH OF MASSACHUSETTS

ESSEX, SS. PROBATE & FAMILY COURT

ALEXANDER B.C. MULHOLLAND, JR., et al

Plaintiffs, Docket No.

vs.

ATTORNEY GENERAL of the Commonwealth of Massachusetts, et al, ES09E0094QC

Defendants.

DEPOSITION of WILLIAM A. LACHANCE

September 15, 2011

10:08 a.m. - 1:12 p.m.

Casner & Edwards

303 Congress Street

Boston, Massachusetts

Court Reporter: Cynthia F. Stutz

APPEARANCES:

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on behalf of the Plaintiffs, Feoffees of the Grammar School of Ipswich and the Town of Ipswich

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(Continued next page.)

APPEARANCES, CONTINUED:

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on behalf of the Deponent

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(By Mr. Perry)	5

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*ALL EXHIBITS RETAINED BY ATTORNEY PERRY

P R O C E E D I N G S

MR. PERRY: For stipulations we'll have the witness have an opportunity to read and sign. We'll waive any requirement that it be done before a Notary. And I assume that, Tyler, would you be handling that part of it?

MR. CHAPMAN: Yes.

MR. SHEEHAN: Are you ordering a transcript?

MR. CHAPMAN: Yes.

MR. PERRY: So I'll be getting the original, but he'll get the signature page. You will be happy to know that the witness is buying a copy.

MR. CHAPMAN: Yes.

MR. SHEEHAN: And we're going to reserve all objections except for those to the form of the question until time of trial

MR. SHEEHAN: That's fine. Reserve motions to strike

MR. PERRY: Reserve motions to strike. That covers it, I guess, is that right?

MR. CHAPMAN: And it's usually thirty days to read and sign, right?

MR. PERRY: It is usually thirty days.

MR. CHAPMAN: That should be fine. We'll let you know if we need more

MR. PERRY: Yeah. We're on a tight schedule, but yeah.

And you're here just representing the witness?

MR. CHAPMAN: Correct

MR. PERRY: All right.

Whereupon:

WILLIAM A. LACHANCE

having been satisfactorily identified and duly sworn by the Notary Public, was examined and testified as follows:

DIRECT EXAMINATION

BY MR. PERRY:

Q. Could you state your name, please?

A. William LaChance.

Q. Where do you reside?

A. Beverly, Massachusetts.

Q. Do you have a street address?

A. Two Cherry Road.

Q. Could you summarize your educational

background?

A. I graduated from at that time North Adams State College, now known as Massachusetts College of Liberal Arts with a degree in business administration.

Q. What year?

A. 1976.

Q. And then?

A. And then I took real estate appraisal courses. I don't have any advanced degree beyond that.

Q. And could you summarize for us your training as a -- Is your occupation that of a real estate appraiser?

A. Yes, it is.

Q. Is that all you currently do?

A. Appraisal and consulting.

Q. How long have you been doing that?

A. Since 1982.

Q. Could you summarize, please, your professional qualifications and training as a real estate appraiser?

A. My qualifications are that I hold the MAI and SRA designations from the Appraisal Institute and have completed all of the courses necessary to achieve those designations, as well as maintaining continuing education for them. And I passed the certified general real estate appraiser licensing exam from the Commonwealth.

(Telephone ringing.)

MR. PERRY: Excuse me one second.

MR. CHAPMAN: Hold on a second.

MR. PERRY: I'm sorry. Don't know what that's all about.

(Brief recess.)

MR. PERRY: All right. You were in the middle of a sentence. Could you read it back? I'm sorry, apologize for that interruption.

(Question read by the reporter.)

A. Of Massachusetts and also have continued to fulfill my continuing education requirements for that.

Q. When did you obtain the MAI designation from the Appraisal Institute?

A. I believe that was in 1992.

Q. Could you describe what that designation entails, please?

A. It designates me as an individual capable of advising real estate, on real estate matters of a wide variety, in other words, residential, commercial, industrial. It also denotes a level of confidence -- competence and requires an extensive amount of hours and course work to achieve, as well as writing a demonstration appraisal report and passing a comprehensive examination at the end of all of the individual course examinations.

Q. What does MAI stand forward for?

A. It's generally held to be mean Member Appraisal Institute.

Q. You also said you have the SRA designation. What does that stand for?

A. That's the residential counterpart.

Q. That's a similar designation for individuals who appraise residential properties?

A. Correct.

Q. Does residential properties include -- What's comprised within that category?

A. Typically, one to four families.

Q. So for purposes of this engagement it involves a mix, doesn't it? Some part of it is appraising individual lots, which would be similar to residential properties, and some part of it is appraising the aggregate, is that fair?

MR. CHAPMAN: Objection.

MR. SHEEHAN: Objection.

A. Just, could you clarify engagement?

Q. Yes. We'll be talking about your work on the Little Neck property, right? You understand you're here today about Little Neck?

A. Yes.

Q. And you were engaged to perform some appraisals in connection with Little Neck?

A. I was.

Q. Okay.

MR. CHAPMAN: Just to be -- You mean the most recent one that we're talking about? Just because he's been asked a few different times. That's the only thing.

MR. PERRY: I understand. I was not trying to ask anything tricky or very specific.

Q. I think it's obvious that when you tried to appraise Little Neck, you did have to, part of your work was determining the value of individual lots as though they were individual lots, right, that's part of what you did?

MR. SHEEHAN: Objection.

Q. To arrive at your conclusion?

MR. SHEEHAN: Objection to form.

MR. CHAPMAN: Objection. You can answer.

A. They're conceptual lots. They're not actual lots.

Q. Yes. And part of the work you did was to try to determine the value of those as conceptual lots?

A. Correct.

Q. Are you a member of any professional appraisal organizations?

A. Yes.

Q. What are those?

A. The Appraisal Institute.

Q. As a member of the Appraisal Institute and as a licensed appraiser are there any rules or codes that you have to comply with?

A. Yes.

Q. Could you tell me what those codes or rules or regulations are called?

A. Uniform Standards of Professional Appraisal Practice.

Q. Who adopted the Uniform Standards of

Professional Appraisal Practice, if you know?

A. They've been adopted by the Appraisal Institute and the Appraisal Foundation.

Q. What's the Appraisal Foundation?

A. They address those specific standards.

Q. If you were not a member of the Appraisal Institute would there be any codes or rules that you were required to follow in your ‰ ‰.

MR. CHAPMAN: Objection. Go ahead.

A. I don't really focus on that, so I'm not entirely certain, but I think that you can call yourself an appraiser if you choose to. You just are limiting your client base.

Q. Well, there are many appraisers out there who are licensed appraisers who are not members of the Appraisal Institute, correct?

A. Yes.

Q. Are they bound, to your understanding, by any regulations or codes that you can identify?

A. They may or may not be. I can't speak to them.

Q. You're not aware as you sit here today of what rules would apply to those individuals?

A. Individuals that are not members of the

Appraisal Institute?

Q. Yes.

A. I imagine they'd be bound by whatever the state requirements are in the particular state in which they practice.

Q. Are there any particular state requirements in Massachusetts that bind appraisers?

A. In Massachusetts I believe they'd also be bound by USPAP.

Q. By the Uniform Standards of Professional Appraisal?

A. Yes.

Q. When you said USPA you were using the acronym U-S-P-A?

A. U-S-P-A-P, USPAP.

Q. Okay, thank you. Could you trace for me your occupational history as an appraiser?

A. I started in 1982 with the R.M. Bradley Company in Boston and worked there until 1986 as an appraiser. Then I went to work for Hunemann Appraisal Company also in Boston until the end of 1993 and then I opened my own office in Danvers, Massachusetts in January of 1994 with my partner at that time.

Q. What was the name of that firm?
A. Peterson/LaChance Realty Advisors.
Q. How long did you continue to do work as Peterson/LaChance?
A. Until January of 2011, when it became Peterson, LaChance, Reagan, Pino, LLC.
Q. What was the reason for the change?
A. We wanted to grow.
Q. Was that a merger, added some people?
A. We brought in two more partners.
Q. When did you first become involved in any way with the property known as Little Neck, Ipswich?
A. I believe it was in 1999.
Q. Could you summarize for me the work you have done in connection with the property at Little Neck from 1999 to the present? Just give, please, an overview of what your role has been.
A. At various times I was asked to provide estimates of market value and market rent, once for -- Once was primarily for estimating market rent. Once was in a local tax appeal. And then the last time was because a client asked me to provide my opinion of market value for the property.
Q. When you refer to the last time, is that

referring to the engagement that led to your 2010 report?

A. Correct.

Q. You have been served with a subpoena, you or your businesses were served with a subpoena requesting the documents that, the firms or you had pertaining to Little Neck, is that correct?

A. Yes.

Q. And you have made an effort to gather those for us?

A. Yes.

Q. And looking at those documents there seem to be three appraisal type documents that we got, one from 1999, one from 2005 and one from 2010, is that correct?

A. Yes.

Q. Did you do any other appraisals other than those three?

A. Not for Little Neck.

Q. When you say not for Little Neck, obviously you have done many appraisals, is that what you meant?

A. Yes.

Q. Were you involved in helping to estimate fair rental value other than anything shown in those reports?

A. No.

Q. And apart from those three particular reports that were generated, what work have you done, if any, for Little Neck?

A. Nothing.

Q. Okay. When you were engaged in 1999 who was it that engaged you, as you understood it?

A. My recollection is it was the Feoffees and the tenants association.

Q. And what was your understanding of the context of that engagement? Why you were being engaged?

A. My recollection is that they were primarily interested in an estimate of market rent.

Q. Who did you speak to in connection with that? With the undertaking from the Feoffees and from the tenants, who did you speak to?

MR. SHEEHAN: Objection. You may answer.

A. I believe it was Don Whiston from the Feoffees and --

Q. Richard Doherty?

A. Richard Doherty.

Q. From, was he --

A. Tenants association.

Q. Tenants association. Was there a meeting between you and the two of them? What's your best recollection? I know it's been a long time ago.

A. Telephone discussions.

Q. Were you told why you were being asked to do work on rental value?

A. I may have been, but I don't recall.

Q. What is your understanding as you sit here today concerning the reason you were asked to do this engagement in 1999?

A. My recollection is it was primarily market rent seems to be the big issue that they were looking to resolve.

MR. PERRY: Let me mark as Exhibit 1 the 1999 report.

(LaChance Exhibit 1 marked for identification.)

Q. Is Exhibit 1 a copy of the report that you prepared on or about June 28, 1999 as a result of the engagement that you have described?

A. It appears to be.

Q. As part of that engagement did you attempt to determine the market value of each of these separate lots that you have referred to as conceptual lots? I direct your attention to Pages 3 through 6.

A. Yes.

Q. Those were your estimates of the value of those lots as of June 16th, 1999?

A. As conceptual lots, yes.

Q. On Page 7, just to clarify the record, at Page 7 there's just the letters DCF, standing for discounted cash flow?

A. Correct.

Q. And there's another piece of paper that we received from you that would reflect that discounted cash flow analysis, is that right?

MR. CHAPMAN: Do you have to --

Q. Do you need to see it?

A. Yes, please.

Q. I don't think I brought that in here with me. I'll tell you that I do have a separate piece of paper that has your discounted cash flow analysis for that year.

A. Does it produce a value of 7 and a half million dollars?

Q. I assume it does.

A. Then it's probably it, but --

Q. Yes. Did Mr. Whiston say anything to you about what approach he wanted you to take in this assignment?

A. No.

Q. According to your report, if you will go to Page 16, please, and could you please just review the second paragraph on Page 16? Does that, do you recall that at the time you were doing this appraisal the rents that were being charged were in the range of $800 to $1,200 per year?

A. That is the information I was provided.

Q. And you were told that that was actually an increase from even lower rents that had been charged up to 1998?

A. Correct.

Q. Were those rents below market value in 1999?

A. Yes.

Q. And had they been below market value for some period of time before that?

MR. CHAPMAN: Objection. Go ahead.

A. It appears that they were, but I didn't go back to analyze the history any further than that.

Q. Right. You have discussed in your report that there was, that your analysis indicated that an implied leasehold existed?

A. Yes.

Q. What did you mean by the term implied leasehold?

A. To the best of my recollection, I meant that market participants were acting as if they had rights in the land beyond those which a tenant-at-will would typically have.

Q. Well, would it be fair to say that an individual who was purchasing the property would have to take into account the rent that he or she was going to be charged in deciding how much to pay for the property?

MR. CHAPMAN: '99?

MR. PERRY: Yes.

MR. CHAPMAN: Okay.

A. Yes.

Q. And at that time rents were below market, correct?

A. Yes.

Q. And a rational buyer of the property would take into account what they expected rents to be in the future, correct?

MR. CHAPMAN: Objection. Go ahead.

A. Yes.

Q. And from an appraisal standpoint you would want to capitalize the expected rentals as an element of value of the land, correct?

A. Yes.

Q. A prospective buyer wouldn't need to think they had a right in the land to pay more for the improvement than it alone was worth, would they?

MR. CHAPMAN: Objection.

MR. SHEEHAN: Objection.

A. Could you ask me that again?

MR. PERRY: Yeah. By the way, I don't think, Tyler, you have a right to object. I think just Bill does.

MR. CHAPMAN: No, I can object. I'm just preserving objections for the record.

MR. PERRY: But you're not a party. You don't have any standing to object.

MR. CHAPMAN: Sure, I do. I represent the witness and I'm preserving my objections for the record. I'm not -- I certainly have an opportunity to preserve my objections for the record. There's no judge here. That's the purpose for preserving objections for the record. And I can instruct the witness not to answer if you get into privileged things. I'm here to represent him.

MR. PERRY: My position is that you would have the right to instruct him not to answer on a matter of privilege, but you don't have a right to object even for purposes of the record, because you're not representing a party.

MR. CHAPMAN: I disagree. I'm going to continue to do that. I'm stating the objection succinctly as stated by Rule 30(c) and I don't think I'm disrupted the deposition and I'm going to preserve my objections.

MR. PERRY: I'm reserving my rights to that. Let's just go on. I've heard your position, you have heard mine.

MR. CHAPMAN: Okay. I want to --

MR. PERRY: Off the record then.

MR. CHAPMAN: No, I don't agree to go off the record.

MR. PERRY: All right, fine.

MR. CHAPMAN: No. You have decided to do this and I'm going to respond.

MR. PERRY: Go ahead.

MR. CHAPMAN: I don't know how this deposition is going to be used. It may end up being used eventually in superior court where I am a party, so I'm going to preserve my objections.

Q. Here's the question I wanted to ask you. In 1999, even if a buyer knew full well that he would be a tenant-at-will with no rights in the real estate, he would rationally pay more than the value of the improvement if he thought rents would continue to be below market, true?

MR. CHAPMAN: Objection.

A. Yes.

Q. So really, what you're capturing with the implied leasehold is the buyer's expectations as to future rents?

A. I'm going to say not explicitly, because I don't think they were, the market was acting rationally.

Q. All right. If the buyer were acting rationally what you would be capturing is the buyer's expectations as to future rents?

MR. CHAPMAN: Objection.

A. Could you explain to me what you mean by capturing?

Q. When you calculated, if you were to calculate an implied leasehold value, what that value would represent is the difference between fair market rent and the buyer's expectations of future rent?

A. That's fair.

Q. And it's a principle of appraisal that you need to assume that you have a rational buyer, isn't it?

A. Actually, you have to apply the level of both skill and analysis that a typical buyer, most likely buyer would apply.

Q. So when you went through your valuation of the property, I just want to review the steps you took to try to extract the value of the real estate. And I think that's shown on Page 17 by way of an example. Is that a good place for us to look to discuss your method of extraction?

A. Yes.

Q. Okay. So on that particular property you identified a sale price of 78,000, right?

A. Yes.

Q. You adjusted that based on a date, I believe, to 90,480?

A. I adjusted it for changes in market conditions.

Q. Right. Based on the fact that this sale was 1995 and you had concluded that values had increased by a certain percentage since then, correct?

A. Correct.

Q. And you did some calculations to determine the fair market value of just the improvements, didn't you?

A. The contribution to market value of just the improvements, yes.

Q. Okay. And without getting too technical, what is the basic methodology for trying to determine the market value of improvements as divorced from the land?

A. It's the contribution to market value of the improvements and the methodology is to apply a replacement cost estimate less an estimate of depreciation.

Q. So basically, you're calculating what would cost to rebuild the property, but you need to adjust for depreciation, because if you rebuild the property you'd have a brand new building which would be worth more than the depreciated one that's there?

A. Correct.

Q. And that's a generally accepted practice in the appraisal world for calculating the value of or the contribution that a building makes to overall real estate value?

A. Yes.

Q. That's something the assessors also do, for example, right?

A. I believe they do.

Q. And when you went through that process, what did you determine was the contribution toward value of the building?

A. $8,813.

Q. In fact, it was 813 for the building and 8,000 for something else, such as a septic system, right?

A. Yes.

Q. So you concluded that most of the contribution to value in this particular instance was from the real estate, not from the improvements?

MR. CHAPMAN: Objection.

A. The improvements are real estate, in my mind.

Q. Okay. Let me rephrase the question, if I may. You can answer it or I can rephrase it, your choice.

A. That it was mostly land value?

Q. Yes.

A. Yes.

Q. In fact, that was a knock down, wasn't it?

A. Yes, I believe it was.

Q. So this particular value was, somebody bought the property just so they could knock down the cottage and build something else, right?

A. I believe that's true.

Q. And in that kind of situation, you know going into it that anything that was paid was basically attributable to the value of the land, not to the existing building?

MR. CHAPMAN: Objection.

MR. SHEEHAN: Objection.

A. Mostly to the land.

Q. Do you need to even add on the cost, the value or the cost of razing the building in that situation?

A. You can, but this is an 840 square foot cottage. Considering the nominal cost to do so, it's not going to materially improve the accuracy of the calculation and there may be some interim use aspect of it, so I considered that a wash.

Q. Sure. Now, the other step, though, that you had to take when you were trying to value just the real estate, you had to take into account that the buyer was going to be paying some kind of ground rent on this property, right?

A. Correct.

Q. Because if the ground rent were zero, then the analysis you had done of attributing extracting the real estate value would be the final answer, right?

A. Correct.

Q. But if they also have to pay ground rent, that means that the underlying real estate must be worth more than just the extraction value?

A. There has to be an adjustment for the ground rent.

Q. Okay. And in this particular appraisal you used the then current ground rent as though it would continue and you capitalized it, right?

A. That's my recollection.

Q. And would you agree as a theoretical principle that if it were known that the rent were going to go up in the future to the buyer, you would actually want to use the buyer's expectations concerning future rent, not the existing rent?

MR. SHEEHAN: Objection.

Q. I'm not criticizing what you did then, but if you were in a situation where it was known that the rent was going to be higher, you'd want to capitalize the future projected rent, wouldn't you?

A. If it was known. But my recollection is that, and this returns to my argument about or comment about the rational nature of the market, the market at that time seemed to be acting as if the current conditions were going to continue in perpetuity.

Q. Understood. So, and that, that scenario changed over time, didn't it?

A. Yes.

Q. And this is back in 1999?

A. Correct.

Q. So to summarize, though, as of 1999, buyers were paying more for the cottages than the cottages themselves were worth because they evidently expected to continue to enjoy below market rent?

MR. CHAPMAN: Objection. Go ahead.

A. I believe so.

Q. I'm going to move to a different subject. At times in appraising properties you need to consider the price at which properties have sold?

A. Yes.

Q. And sometimes when you are considering a sales price you become aware that various adjustments have been made that are not typical between a buyer and a seller?

A. Yes.

Q. So there may be concessions that a seller makes, such as below market financing?

A. Possible.

Q. Or sometimes there are rebates to the buyer?

A. Yes.

Q. When you are trying to normalize -- Do you try to normalize a sales price to adjust for any such out of the ordinary agreements that took place between the seller and buyer, if known to you?

A. Yes.

Q. And is that a required procedure as a member of the Appraisal Institute?

A. I don't know if the word required is the appropriate word, but it is a generally accepted practice.

Q. To normalize the sales price based upon any unusual terms or any concessions that are being made by one of the parties?

A. Yes. It comes under the heading of financing adjustments or unusual conditions of sale.

Q. Okay. And is there a whole section of the code concerning that?

A. There's a section within the 13th Edition of the Appraisal of Real Estate on that.

Q. What's the 13th Edition of the Appraisal of Real Estate?

A. The most current text on the appraisal of real estate by the Appraisal Institute.

Q. Is that a text that anybody can purchase?

A. Yes.

Q. When you were trying to convert the ground rent then being paid by the tenants to the Feoffees into a single figure, you had to do something, right?

A. Yes.

Q. And what you did was you capitalized it?

A. I believe I did.

Q. You will see it right in the paragraph after your numbers that you capitalized the historic ground rent of $600, correct?

A. Correct.

Q. And you say that the ground rent was capitalized into a value at the rate of 7%, correct?

A. Yes.

Q. Could you explain why you selected a rate of 7% to capitalize the ground rent into a single figure?

A. Because I didn't have a more accurate percentage to apply, since there wasn't any data for that purpose, I attempted to bracket that percentage by using a less secure investment rate of 5.8% and a more secure rate, which was then the prime rate of 7.75%.

Q. I think you may have flipped that. Let me just so -- Out of fairness, I think what you said was the rent is less secure than treasuries. If you go back to your page --

A. I meant to say rate.

Q. You said that the rate was selected as the rent is less secure than U.S. treasuries at 5.8% and it's more secure than a loan at the prime rate of 7.75%, right?

A. Yes.

Q. So what you were saying was that treasuries were regarded as, in 1999, as a risk-free investment?

A. Very low risk.

Q. So that's always the, something that one uses to build a cap rate, right, typically?

MR. SHEEHAN: Objection.

MR. PERRY: Let me withdraw the question.

Q. Long-term treasuries are frequently used by appraisers as representing close to the risk-free cap rate?

MR. CHAPMAN: Objection.

MR. SHEEHAN: Objection.

A. I can't comment on what other appraisers do, but I did what I did then, and I used U.S.

treasury rates and mortgage rates as indicators of an appropriate rate to capitalize that rent.

Q. Are you familiar with capital build-up models?

A. Yes.

Q. And do they build up a model based on risk?

A. Yes.

Q. And what do they use as the risk-free rate to start the process? Is it long-term treasuries?

A. Typically they can use long-term treasuries.

Q. So that is a generally accepted methodology in the appraisal world, isn't it, both business appraisals and real estate appraisals?

A. I'm not familiar with the business appraisal build-up rate as much, but that is one method of developing a rate in the real estate appraisal field.

Q. So what you were trying to do was to assess the riskiness from a lessor's standpoint of a ground rent arrangement in comparison to something like U.S. treasuries?

A. Yes.

Q. And you felt that somebody who was collecting ground rent faced more risk than somebody who was the owner of treasuries?

A. Correct.

Q. But less at that time than somebody making a prime rate loan?

A. That's correct.

Q. If in 1999 treasuries and the prime rate had been lower, would it have been appropriate for you to use a lower cap rate?

A. Yes, unless they were anticipated to change dramatically.

Q. Okay. I think I neglected to ask you, have you done any work for Little Neck or in connection with Little Neck after your 2010 appraisal report?

A. I was asked to provide comment on my market rent estimate.

Q. You sent a letter to Mr. Chapman?

A. Yes.

Q. Okay. Apart from that, have you done any other work?

A. No.

Q. Are you contemplating doing any other work between now and December of 2011 in connection with the Little Neck matter?

A. I'm not contemplating any other work for them.

Q. You haven't been asked to do any new appraisals?

A. No.

MR. PERRY: Can we mark as Exhibit 2, please, a copy of this document which I'll identify. Why don't you make this document, please, 2A.

(LaChance Exhibits 2 & 3 marked for identification.)

Q. I've shown you a document that's been produced to us by your counsel or by Little Neck's counsel which we've marked as Exhibit 2, appraisal dated March 18, 2005. Do you recognize that as an appraisal you performed?

A. Yes.

Q. And again, on this appraisal didn't include your discounted cash flow analysis, but Exhibit 3 sets forth that analysis, correct?

A. Yes.

Q. In order for you to have arrived at this valuation, you had to place values on specific lots just as you had done in 1999, correct?

A. Yes.

Q. And that was, you followed that same methodology of ascertaining a value for each conceptual lot and then applying a discounted cash flow based on the sell off of those lots by a developer, right?

A. Yes.

Q. And that would have been prepared on the same computer as the rest of the report?

A. Yes.

Q. So in connection with the production of documents, I have not seen anything that would allow us to determine any of the work you did to arrive at -- Strike that. That's not fair.

I haven't seen anything that shows us what value you placed on any category of lots or on any individual lot. Just doesn't seem to be here. I'm wondering where that would have been and what happened to it?

A. It would have been in the work file, but as this was not prepared for court, I'm only required to hold that work file for five years and then I can throw it away and apparently did.

Q. Well, when did that five years expire?

A. In probably March 17th of 2010.

Q. And do you have a regular practice of vigorously destroying things on the fifth year first day after you have done them?

A. No.

Q. So what were the circumstances that led you with respect to this particular data to not retain it after five years when there was already ongoing litigation?

MR. CHAPMAN: Objection. Go ahead.

A. I was not aware of ongoing litigation. This report was not prepared for any litigation, so I was aware that I didn't need to retain it and as I mentioned earlier in my statements, my firm was expanding. One of the rooms that is in my office is floor to ceiling with work files going back as far as the 1980's at that time and I felt that it was time for me to take out the trash.

Q. Do you still have the same computers you used in 2005?

A. I don't believe so.

Q. Well, what computer system did you prepare these reports on in 2005?

A. I don't remember if it was a Gateway or another brand.

Q. Was it a home computer or an office computer?

A. It was an office computer.

Q. And did you update your office computers since 2005?

A. Probably twice.

Q. And when you updated them did you transfer all the files from one computer to the next?

A. No, not all of them.

Q. Did you transfer these files?

A. I transferred this report and this discounted cash flow interest.

Q. But not the backup for the report?

A. No, there's no -- That's not in the computer system. This is a limited appraisal and a restricted use format. And what that means in appraisal jargon is that the client wants to know the answer in the shortest possible document.

Q. At the time you did this appraisal what documents existed that showed how, what values were you placing on particular lots or categories of lots?

A. As I did in the more recent appraisal, I would have taken all of the sales, gone there physically and inspected them, verified them with most likely a broker, because most of them sell through brokers, and then I would have rated those properties primarily based on view, which seems to be the big value driver, but also on location. And then once rating those, I would have applied a value to that rating and my recollection is that I had a range of values for each rating and I would typically apply one of the values within that range.

Q. Right. I guess the question I'm asking you is having gone through that process, what documents at that time existed, are these handwritten documents, typed documents? What was it that we don't have now that existed then?

A. I can't say exactly what those documents would have been, but some form of a rating sheet for the sales.

Q. Okay. And that rating sheet you were required to hold at least until March 2010?

A. Five years from the date of the report.

Q. March 2010?

A. I believe that's correct, yes.
Q. When you -- Where was this rating sheet on March 17th, 2010 before the five years expired?
A. Probably in the file room.
Q. Is this something that you knew you were getting rid of or is this just something that was in one of the boxes that went out with a bunch of other stuff?
MR. CHAPMAN: Objection. Go ahead.
A. I don't know what you mean by knew I was getting rid of.
Q. Did you go into a room and did you pick up -- Did you go through each paper that got destroyed to make sure that it was appropriate to not retain?
A. No.
Q. What was the process under which this particular document, the rating sheet did not get retained?
MR. CHAPMAN: Objection.
Q. If you remember.
A. I remember going into the room -- as I said, it's floor to ceiling boxes, and starting with the oldest ones, opening the cover and looking at

them and thinking is there anything truly unique in here that I want to save that I might be able to use again and save myself time and effort if I kept it. And that's how I started out selecting. And then that became quite cumbersome and I began carrying the entire boxes of old files out of the room for disposal.

Q. All right. Do you remember coming across documents relating to your Little Neck work?

A. Yes.

Q. And what do you remember doing in connection with the documents you came across from your Little Neck work?

A. I don't really remember doing anything in particular other than possibly throwing some things out, but at that point I was in the throwing things out mode, so --

Q. Did you consult with anybody before throwing out Little Neck materials?

A. No.

Q. I'm including counsel. You didn't consult with counsel before doing that?

A. No.

MR. PERRY: Off the record.

(Discussion off the record.)

Q. So in your March 2005 report you indicate that at that time rents were at $3,600 as an average ground rent? I'm on Page 12.

A. Yes.

Q. But they were scheduled to increase to $5,000 or $5,500, depending on seasonal or year round use?

A. Yes.

Q. Were the transactions at that time still reflecting implied leasehold values?

A. I believe so.

Q. In fact, your next paragraph states, doesn't it, that the extractions indicate that the implied leasehold has increased dramatically in recent years?

A. It does state that.

Q. And by that time the Feoffees had stated that they intended to charge market rents, hadn't they?

MR. CHAPMAN: Objection.

A. I don't recall their statements, but I think there was some expectation that rents would increase, yet my recollection is that the market still wasn't behaving as I expected them to.

Q. And based on the continued implied leasehold values, did that lead you to conclude that rents still were not at market value?

MR. CHAPMAN: Objection.

Q. You won't find it in your report.

A. I don't recall.

Q. So if buyers were acting rationally at that time, that would tell us that they believed that future rents would continue to be below fair market rents, true?

MR. SHEEHAN: Objection.

A. I can't make that statement.

Q. Well, if buyers were paying more for a property -- If buyers were paying more for an improvement than the improvement itself was worth, then if they were acting rationally, they had to have been expecting to pay less than fair market rent for the real estate?

MR. SHEEHAN: Objection.

A. What was happening was that the underlying land value appeared to be going up so rapidly that it was going beyond the rental value at that time.

Q. In other words, the rents weren't keeping up with the rise in the land value?

A. Correct.

Q. I want to show you -- Strike that.

MR. PERRY: May I have this document marked as Exhibit 4 please?

(LaChance Exhibit 4 marked for identification.)

Q. I've marked as Exhibit 4 a document that was produced to us by Mr. Chapman from your files. So do you recognize this as your document?

(Document handed to the witness.)

A. Yes.

Q. That's your handwriting it on?

A. Yes, it is.

Q. And I know it says 2004 in the bottom right. Do you know, did you write that recently or did you write that in the past?

A. I'm not sure. I don't know why I would have written it in 2004, so I might have written it more recently just so I wouldn't confuse what it was.

Q. Right. And so I actually want to call your attention to -- I want to suggest this might actually be from 1999. If you look at the handwriting in each of the circled areas, do see where it says 50 to 75 in the yellow?

MR. CHAPMAN: It's a little hard to read, but -- (Indicating.)

A. Okay.

Q. So --

A. I do, I see it.

Q. And it says 70 to 90 in the pink and then it says 91 -- 90 or 91 to 150 in the blue?

A. Yes, it does.

Q. So those were intended by you to be the range of values, weren't they?

A. Those were ranges of value in 1999.

Q. So this chart, even though you wrote 2004 on it, it actually dates back all the way to 1999, correct?

A. The chart does with those numbers. I'm wondering if maybe I used the same chart again.

Q. Right.

A. And just revised the numbers.

Q. I agree. So just to expand upon what this document is, in the work did you in 1999 and 2004 to '5 you used a system of categorizing lots based primarily on view and location to associate

different price points with them, correct?
A. Yes.
Q. And under your scenario the most valuable lots were those that you rated number 1, correct?
A. Yes.
Q. The intermediary value ones were those that you rated 2, correct?
A. Yes.
Q. And then what you thought were the least valuable were those that you rated 3?
A. Correct.
Q. And the ones rated 1 are those that were the closest to the ocean?
A. Not necessarily.
Q. All right. How would you describe it?
A. They had the best views and that was the dominant factor.
Q. Okay. And you did a similar system in 2004 and '5 where you rated the lots and applied new values based on the substantially appreciated prices at that time?
MR. SHEEHAN: Objection.
A. Yes.
Q. And then in 2010 you actually followed a

similar protocol, didn't you, similar method?

A. Yes.

Q. And you have a chart attached to that report, as well, such as this?

MR. CHAPMAN: Such as which one, Exhibit 4?

MR. PERRY: Yes.

MR. CHAPMAN: Okay.

Q. There's a similar sketch, do you recall there being a similar sketch as part of your 2010 report?

A. I know I did it. I just don't know if it's in the report.

Q. Okay. Could you tell me, please, under this analysis that you did approximately how many of the parcels fell into Category 1, how many fell into Category 2 and how many fell into Category 3?

A. I cannot.

Q. How would one go about doing that? Would one just count the lots?

A. Count the lots and subtract the commonly held lots.

Q. So let's, just by way of example, for the rating number 2, how many lots did you circle? Can

you count them?
A. I can't count them.
Q. Why not?
A. Because of the scale of this map.
Q. Let me -- If I can approach, I know that some of these drawings are small.
MR. CHAPMAN: You're looking at pink, right, Steve?
MR. PERRY: Yeah, just looking at pink.
A. Am I off the record?
Q. Not for the moment.
MR. CHAPMAN: You're still on now.
Q. This is, I'm going to attempt to help you just count the number of lots. And this is just the total number without subtracting any that might be commonly held. But what I see in pink is 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18, 19, 20, 21, 22, 23, 24, 25, 26, 27, 28, 29, 30, 31, 32, 33, 34, 35, 36, 37, 38. Do you agree with that?
MR. SHEEHAN: Objection.
A. I agree that's close.
Q. Okay. And so the maximum number of, if

that count was right, the maximum number of Category 2 lots would be 38, you'd need to subtract any commonly held?

A. If the count was right, that's true.

Q. And we could go through the same exercise for the blue and for yellow, correct?

A. We could.

Q. And would you agree that the largest number of lots on this appears to be in Category 1?

A. Yes.

Q. Okay. And then you'd have to subtract any commonly held lots?

A. Yes.

Q. All right.

MR. CHAPMAN: Whenever you find a moment for a break, Steve?

MR. PERRY: All right. I'm going to do that in just a second.

Q. Let me show you for a moment the drawing that was attached to your report in 2010. We'll mark it a little later. And you again on that document have a 1, 2 and a 3 and my question to you is did you use substantially the same rating system in 2010 and if there were any differences, could you point them out to me?

A. I did use substantially the same rating system and that I can see there's a slight difference with these lots on the bend.

Q. You upgraded those from 3 to 2?

A. I did. I was more impressed with the views when I went back up river. You can see how these lots tend to bend.

Q. Right.

A. It gives them a little bit better exposure up the river and you get the setting sun across the water type of effect that diminishes and completely disappears as you move in.

Q. Okay. So you have the same roughly 38 interior lots that we just counted and then there's maybe four or more that you added to Category 2 for a total of something like 42 Category 2 lots in 2010?

MR. SHEEHAN: Objection.

A. That appears correct.

Q. Okay. And again, in 2010 the largest number of circled lots are those designated as Category 1?

A. Yes.

MR. PERRY: We can take a break, Tyler.

MR. CHAPMAN: Thanks, Steve.

(Brief recess.)

Q. I may have asked you this indirectly before, but did you do any more work for Little Neck tenants or anybody else connected to Little Neck after you rendered the 2005 report and before you were asked to prepare a report in 2010?

A. On Little Neck?

Q. Yeah.

A. Yeah, no, no, I did not.

Q. 2010 you were engaged again by the Little Neck tenants to do some appraisal work?

A. Yes.

Q. What were you asked to do?

A. Estimate market value.

MR. CHAPMAN: If I can just clarify one thing, actually I engaged him, but I don't have an objection to answering your questions, but just so that you're clear.

MR. PERRY: All right. So I'll clarify that.

Could we mark as Exhibit 5 the 2010

report, please?

(LaChance Exhibit 5 marked for identification.)

Q. Is Exhibit 5 a copy of the appraisal report you prepared in December 2010 valuing Little Neck as of November 1, 2010?

A. Yes.

Q. And that was done under an engagement you had with, according to the second page, the Little Neck Legal Action Committee care of Tyler Chapman, Esquire?

A. Yes.

Q. And you sent it to Mr. Chapman?

A. I did.

Q. The report was intended to be used by the Little Neck Legal Action Committee in connection with an investment decision, this is at Page 8, and also for possible consideration by the Feoffees and representatives of the trust's beneficiaries?

A. That's correct.

Q. And the trust beneficiaries you understand to be the, at this time, the School Committee of Ipswich?

MR. SHEEHAN: Objection.

A. That was my understanding.
Q. At the time you prepared this report you were anticipating it would be shared with those other parties?
A. Possibly.
Q. And it was, correct, to your knowledge?
A. I don't know how it couldn't be. I think it was put on line.
Q. Okay. I want to direct your -- Strike that.
At the time you had done your report had you already seen some other appraisal reports that were done by other parties?
A. Yes.
Q. At that time had you seen all three of them, that is, an appraisal by LandVest, an appraisal by Steve Foster and an appraisal by Colliers Meredith and Grew?
A. My recollection is that I saw some of them and then more came on line as I was preparing my own report.
Q. Okay. The last you would have received was Mr. Foster's, correct?
A. I don't remember the sequence.

Q. At Page 6 of your report you have a paragraph, and this may refresh your recollection -- I should have let you look at this before I asked you that last question, but in fact, by the time you did your report you had seen all three of these other appraisal reports, correct?

A. I think they were all in by the time I completed my work. I think I was actually in process while they were coming out.

Q. Right. But prior to the completion of the report it says that those appraisals were made public and I have read them all?

A. Yes.

Q. So that refreshes your recollection that in fact you had all three and had read them all before you did this report?

A. Before I completed this report.

Q. Right.

A. Yes.

Q. You say, 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.

Could you tell me what you meant by that?

A. You, as a prospective buyer, you should have a feel for what other prospective buyers would be willing to pay. And while I can understand the willingness of a buyer that has somewhat stronger incentive to acquire, thereby being willing to pay more, there's a point where they have to ask themselves why am I paying more than anybody else would pay in a substantial amount.

Q. When you say, It's unlikely that a prospective buyer of real estate would "agree to a term of sale that would weaken its position", what did you have in mind when you referring to a term of sale that would weaken the position of a prospective buyer? Was that specifically in reference to the tenants or was that a hypothetical buyer? And if you can't recall, that's fine, too.

A. I can't recall.

Q. Okay. If we could turn to Page 15, I wanted to ask you some questions about some of the history you have written. Of course, you can feel free to read as much of this as you want, but I wanted to ask you about the third paragraph on that page.

You have reviewed it, right?

A. Yes.

Q. Start with the first sentence where it says, Its function is effectively like a mobile home park, except that for atypically attractive location and its cottages were not mobile.

Is a mobile home park, is that also known as a trailer park?

A. They can be known as mobile home parks or manufactured home parks. Trailer parks usually denotes something that's pulled around by a truck.

Q. Are mobile homes that are in mobile home parks movable?

A. Yes, they are.

Q. And what kind of structures are those usually?

A. Metal.

Q. And how do you move them?

A. With a special truck.

Q. So if a tenant at a mobile home park decides to move his house off the property, let's say he's behind in his rent, is there anything the owner can do to stop him?

MR. SHEEHAN: Objection.

Q. As you understand the industry.

A. I think there probably is.

Q. Do they typically have a lien on the structure?

A. I couldn't tell you.

Q. You don't know what they could do to stop the person from just moving its home off the premises?

A. I know they could block the entrance.

Q. Are they allowed to do that?

MR. CHAPMAN: Objection.

A. Legally --

MR. CHAPMAN: Go ahead.

A. Legally I can't say, but having dealt with mobile home operators. I fully expect that they would.

Q. Are the demographically do you know how the tenants in a mobile home park compare with the tenants at Little Neck.

MR. CHAPMAN: Objection. Go ahead.

A. I suspect that they exhibit lower incomes.

Q. On the whole, the tenants at the Little Neck are probably a better credit risk than the typical occupants of a mobile home park?

MR. SHEEHAN: Objection.

A. I would guess them to be so.

Q. And in addition, the cottages that are at Little Neck would be very difficult, if not impossible to move off the premises, correct?

A. I think they would be very difficult.

Q. And the fact that you can't easily move the cottages provides a landlord with a form of security as compared to a mobile park where the homes can be moved, is that true?

MR. SHEEHAN: Objection.

A. It does, but you need to understand that there are so few sites where a mobile home could be moved to, that that element of security exists to a degree for mobile home park operators, too.

Q. It exists to a degree, but to a lesser degree?

MR. SHEEHAN: Objection.

MR. CHAPMAN: Objection.

A. I think it's, I think it's to a lesser degree generally, but it would be difficult to quantify.

Q. Now, you say in the same paragraph, Rents were reasonable and the proceeds after operational expenses were gifted annually to the school system. When you say in this paragraph, Rents were reasonable, what period of time are you referring to?

A. Until the mid 1990's.

Q. And we've already looked at documents that show until the, even the late 1990's the rents were low, weren't they?

A. They were below market.

Q. So when you say that rents were reasonable, did you mean that from the standpoint of the tenants they were reasonable?

A. I mean --

MR. CHAPMAN: Objection. Go ahead.

A. You could use the word cheap for reasonable.

Q. Okay. That's a good clarification. Now, in the -- I'd like you now to review the next paragraph and I wanted to ask you some questions especially about the sentences toward the end of it.

We've already reviewed the fact that

when rents were increased up through 2005, there was still a very large implied leasehold, correct?

MR. SHEEHAN: Objection.

A. There was an implied leasehold. My recollection is it was substantial.

Q. Right. But you say here, "This rent increase resulted in recapturing all or most of the implied leasehold." I assume you're talking about a rent increase that occurred after your 2005 appraisal?

A. Yeah. Earlier in the paragraph I'm talking about the mid 2000's, so that was probably my mind-set.

Q. What was your mind-set?

A. That since then the rents had gone up to recapture a lot of that implied leasehold. And it's my recollection that it was made public that the rents were going to continue to increase. In fact, I think they had a chart or a publicized method of how those rents were going to increase.

Q. And in fact, the last two sentences read together talk about a rent increase that caused financial difficulty to the tenants that remained who simply wanted to enjoy the cottage under the former systems. So you're just talking about the rent increase to the rents of 97,000 seasonal, 10,800 year round, correct?

A. Correct.

Q. And you felt that that rent increase resulted in recapturing most or all of the implied leasehold?

A. Yes.

Q. In the next, two paragraphs down you refer to a purchase agreement under which the tenants would acquire the subject property for a price of 29 million 150.

A. Yes.

Q. Did you ever review the terms of that purchase to see if there were any items that needed to be adjusted as unusual terms?

A. No.

Q. Are you aware of -- Let me ask you if you're aware of certain elements that might need to be taken into account. This property is not currently condominiums, correct?

A. Correct.

Q. I think you're aware that the settlement agreement between the tenants and the Feoffees would call upon the Feoffees to bear the expenses of condominium conversion?

A. That's my understanding.

Q. And that's not an expense the Feoffees would bear if they were to continue to rent the property?

A. That's correct.

Q. Or if they were to sell it to somebody for continued rental?

A. Yes.

Q. True?

A. True.

Q. So that's a concession by the seller that ought to be adjusted, correct?

A. That is a concession by the seller.

Q. Do you know how much it's going to cost to convert these units to condominiums?

A. I do not know. And I've heard numbers that vary widely. So I tried to find out from other people that I knew what's a reasonable number. And I think I concluded about $3,000 a unit, but I had not a very strong basis for that.

Q. Okay.

A. So that was about a half million dollars.

Q. So in fact, some of the numbers that have been bandied about, I think I've seen 400,000 on the low side and maybe a million on the high side. Does that sound about what you --

MR. SHEEHAN: Objection.

A. That sounds about right.

Q. And your own attempt to capture it came up with something in the range of 500,000?

A. Correct.

Q. But you didn't actually adjust for it in your work, did you?

MR. CHAPMAN: Objection. Go ahead.

A. Well, I can't say that I didn't adjust for it, because without that stipulation, it couldn't be sold. But if you mean did I take it as an expense, no, I did not.

Q. Right. You didn't -- If we were trying to compare sale for rental purposes to a sale as condominium you would have to subtract the half million from the 29,150, wouldn't you?

A. Yes.

Q. In addition, and I don't know how much you were familiar with the details, but I'll ask you, you're aware at this time, aren't you, that while the Feoffees were charging a certain amount in rent, not everybody was paying the Feoffees all of that rent?

A. I believe I reported in there somewhere that some amount was being put into an escrow fund.

Q. Right. So what was going on was that some tenants had signed leases and they were presumably paying the full rents being charged, right?

A. Yes.

Q. And some tenants, most of the tenants had not signed leases, correct?

A. Correct.

Q. And they had agreed to pay a certain amount, which I think you identified in your report, to the Feoffees and the balance of what the Feoffees were claiming were put into an escrow account, right?

A. That sounds right.

MR. PERRY: Off the record, Bill?

(Discussion off the record.)

Q. And Mr. Sheehan has kindly advised that those numbers were 5,480 per year for seasonal use and 5,980 a year for year round use. Does that sound right to you?

A. Yes.

MR. SHEEHAN: That's my memory.

Q. Do you have an understanding of what happened to the differential between the amount the Feoffees were claiming for fair rent and the amount being paid to them, that is the amount being put in escrow if the sale occurred?

A. I do not.

Q. I'd like you to assume that under the terms of the sale the amounts in escrow are simply being applied to the purchase price, okay?

A. Okay.

Q. And also that from sometime in the first quarter of -- Let me start with that, with the escrow. Would you agree that to the extent the Feoffees had a valid claim for that rent, then that would be an adjustment you'd have to make against the sale price?

MR. SHEEHAN: Objection.

MR. CHAPMAN: Objection.

Q. If it were basically being rebated?

MR. SHEEHAN: Objection.

MR. CHAPMAN: Objection.

A. My analysis doesn't address lost rent that happens prior to the valuation date.

Q. What I'm asking you about is an unusual condition of sale. If we assume for the moment under your analysis the Feoffees -- You agree that the Feoffees, as far as you know, had a right to collect fair market rent for these properties?

MR. CHAPMAN: Objection.

A. I believe so.

Q. And you calculated in this report a fair market rent of 9,700 a year for seasonal use and 10,800 for year round use, didn't you?

MR. CHAPMAN: Objection.

A. That sounds correct.

Q. If under the terms of the sale the Feoffees agreed to return to the tenants essentially the difference between the amounts in escrow, wouldn't that be an adjustment you'd have to make against the sale?

MR. SHEEHAN: Objection.

A. If I were to place weight on that sale price as a value indicator, I would have to make that adjustment.

Q. Okay. And in addition, if the tenants continued to pay the lower rent after the first quarter of 2010 and didn't even pay it into escrow, just paid the lower rent, you'd adjust for that, as well?

THE WITNESS: Objection.

MR. CHAPMAN: Objection.

Q. As far as what this the sale price is for purposes of comparing it to a rental value?

MR. SHEEHAN: Objection.

A. If they continued that process of escrowing a portion of the rent and a sale price were based upon a give-back, essentially, of that, yes, I would adjust that sale price if I were using it as a value indicator.

Q. Right.

A. Or if you were trying to evaluate what the seller was getting out of this transaction?

MR. SHEEHAN: Objection.

A. I think what you're getting at is what's the all cash price.

Q. Yeah.

A. So if that is what you're trying to ask me, then the answer is yes, I would adjust it that.

Q. And you didn't do that because you weren't aware of those facts, correct?

A. That's correct.

Q. And were you aware that as part of the agreement, anybody who signed a lease and was paying the higher rents will, at the time of closing, receive a credit for all of the excess that they paid compared to the lower amounts that the other tenants were paying?

A. I was not aware of that.

Q. And you didn't take that into account?

A. I did not.

Q. And if you had known it, you would have also adjusted this 29,150 figure to -- $29,150,000 figure to adjust for that for purposes of comparing it to the value the Feoffees could get from an alternative to this sale?

MR. SHEEHAN: Objection.

MR. CHAPMAN: Objection and his appraisal is not that it's 29,150.

MR. PERRY: I understand.

MR. CHAPMAN: Okay.

MR. PERRY: But he says that.

Q. I'm really getting at the sentence that says that the Little Neck Legal Action Committee negotiated a purchase agreement under which the tenants would acquire the subject for a price of 29 million 150. That's what you wrote, right?

A. That's correct.

Q. And when you wrote that you weren't aware that there were certain special features of the sale that might, based on adjustments, mean that the real purchase price was lower?

MR. SHEEHAN: Objection.

A. The all cash price would need to be adjusted.

Q. Based on any rebates, forgiveness of rent that was owed, etc., right?

MR. SHEEHAN: Objection.

A. Yes.

Q. Okay. On Page 17 there's discussion of, the second to last sentence, last full sentence, about the waste system. And you say the system is nearly new, has a defined flow of 50,000 gallons per day and cost is reported as $6 million. Did you have any information about the useful life of that system or how much one might have to spend ultimately for maintenance or repair of that system over and above any charges the tenants were paying?

A. I did not have information as to the

useful life. I did have some operating information that was provided in financial statements.

Q. Right. But you don't know whether that system is something that would be good for 500 years or 50 years or 100 years, right?

A. I don't know specifically the useful life of that system, but these common systems tend to last, from my experience, 25 to 40 years.

Q. Okay. And then what happens?

A. They need to be replaced.

Q. You have an indication in your report about the highest and best use of property. I guess that's on Page 21. And the two uses that you ultimately considered were a sale as condominium as proposed in the settlement, correct?

A. Yes.

Q. And a sale to somebody who would then rent the property?

A. Correct.

Q. And there's, of course, also an alternative of not selling it and continuing to rent the property?

A. That's not an alternative that I considered in a market value analysis, because it implies that a sale is going to occur.

Q. In the rental scenario you have already said that no condominium conversion would be necessary, right?

A. Correct.

Q. When you did your rental analysis you came up with what figure for your estimate of net operating income?

A. $1,625,418.

Q. And that was your estimate of what could be collected in rents net of expenses?

A. Correct.

Q. And then you sought to turn that into a value that somebody might pay to enjoy that rental stream?

A. Yes, I did.

Q. And that was done by capitalizing the net operating income, true?

A. Correct.

Q. And a critical component of arriving at a value is to determine an appropriate capitalization rate?

A. Yes.

Q. And that capitalization rate should be chosen so that you are matching the risk inherent in this particular investment to similar, to other transactions of similar risk?

A. Generally speaking, yes.

Q. Could you tell me what work you did to try to determine a capitalization rate?

A. I looked at published surveys of capitalization rates. I looked at investment rates in general for competing investments. I looked specifically at capitalization rates from some large mobile home parks.

Q. So would you agree that the leasing of the cottages at Little Neck, once the litigation was resolved, as you assumed it is here, would be a fairly safe investment in the scheme of things?

MR. SHEEHAN: Objection.

A. I don't believe I assumed that the litigation was resolved. In fact, I took a capital expense because I fully expected that someone proposing to continue rental of Little Neck would probably be sued again.

Q. Right. So you actually had a reserve of 250,000 for litigation?

A. I did.

Q. Okay. But when you were trying to select a cap rate you viewed the ground lease at Little Neck to be a relatively safe investment, didn't you?

MR. SHEEHAN: Objection.

A. Within the range of risk profiles I found it to be more akin to multi-family and manufactured home parks than to more risky investments such as industrial or office.

Q. And what had been the, what's been the trend for cap rates in Massachusetts for apartments over the past year?

A. Is it relevant in the last year?

Q. You're just asking that because you did this as of November 1, 2010?

A. Correct.

Q. So as of November 1, 2010 your report reflects what you found with regards to cap rates on apartments, right?

A. Correct.

Q. And what you had found was based on local rates, you had found sales of 5.9 to 6.8% for apartments?

A. Correct.

Q. Now, land is more durable than an

apartment, right?

A. Yes, it is.

Q. And when you have an asset that's more durable, it tends to have a lower cap rate?

A. It can, but in the apartment market you also have that a lot of the buyers, I believe, are looking at an exit strategy of condominium conversion. So there's potential for significant upside in the future that puts downward pressure on those rates.

Q. And we've already discussed that there are some factors that make Little Neck less risky than the average mobile park?

MR. SHEEHAN: Objection.

A. I don't know that we determined that it was less risky. We did determine that the tenant base is probably of a higher economic standing, but they're also looking at paying a significantly higher rent, so to an extent, that negates each other.

Q. When you looked at the mobile home market where did you turn for your data?

A. My appraisal reports of mobile home parks, primarily, and then any published surveys that I could find.

Q. I note that you, at Page 27, the only data that you have listed are four particular mobile homes sites, right?

A. Yes.

Q. Were these sites that you yourself had previously appraised, any of them?

A. No, not me personally, but --

Q. Somebody in your firm?

A. Yes, appraised the largest, I believe it was the largest one that he appraised.

Q. So somebody in your firm in April of 2007 appraised the Lindenshire Mobile Home Park in Exeter, New Hampshire and as part of that generated the comps that are shown below that?

A. I can't say with certainly that was the park, but I think it was the park and he generated some of that data and I believe I generated some of that data. I also confirmed it all myself and visited all those parks myself.

Q. Now, would you agree with me that at the time that the Lindenshire Mobile Home Park was sold interest rates were substantially higher than they were as of November 1, 2010?

MR. SHEEHAN: Objection.

A. I believe they were.

Q. Was the prime rate eight and a quarter in April 2007?

A. I can't recall what it was exactly.

Q. Is it three and a quarter now?

A. It is three and a quarter now and it was three and a quarter at the date of valuation.

Q. And treasuries at the date of valuation were in the range of 4%?

A. That sounds right.

Q. And they were higher in 2007, weren't they?

A. Yes.

Q. Did you look for any more recent data on cap rates for mobile homes at the time you did your report?

A. Yes, I did.

Q. And where did you look?

A. I scanned the entire state for mobile home park sales and then I contacted people that I know, appraisers that appraise mobile home parks across the country and discussed what they were seeing. And then I called investors in mobile home parks and asked them what they were looking for for rates and based upon all of that I had an idea of what the mobile home park market was with respect to rates. And while they may be considering the treasuries and prime rate, there isn't a percentage for percentage match in change in those. So I tend to place most weight upon rates from actual sales rather than rates that I build up mechanically by logic.

Q. Well, do you have any actual sales you based your rate on that were more recent than April 2007 at which time, as you have testified, treasuries and prime were much higher?

A. Not for mobile home parks, I don't.

Q. Is there a published source that lists mobile home park sales?

A. There is a published report, yes.

Q. And have you looked at it?

A. Yes.

Q. And did that have any sales later than 2007 in the Massachusetts area?

A. No.

Q. Why is it important to use Massachusetts?

MR. SHEEHAN: Objection.

Q. Is it because cap rates here are different

from other areas of the country?
A. I don't think it's critical that it just be Massachusetts, but I knew I wasn't going to Florida or Texas or California to see those parks and I like to see the properties whose rates I'm relying upon.
Q. You need to know that in the mobile home park setting you would need to know that they're dealing with a park that has a high degree of occupancy, don't you?
A. Yes.
Q. Because you can't tell whether it's in fact, otherwise you wouldn't know if that was factored into the purchase price?
A. I can't tell from looking at it.
Q. Right.
A. But as I said, I confirm them and I find out what occupancy they were at when I do that.
Q. And you need to know that it's populated by tenants that have a reasonable prospect of paying the rent, right?
A. That's something that you can observe when you go to the properties. You can look at how it's maintained and what type and quality of automobiles

are parked at each of the homes.

Q. Right. So you were comfortable that the 6.5% cap rate for Lindenshire was an appropriate comp. for Little Neck, right?

A. Yes.

Q. But you agree that that rate was realized at a time when interest rates and returns were much higher than they were when you, as of the date of your report?

MR. CHAPMAN: Objection.

MR. SHEEHAN: Objection.

A. Interest rates were higher.

Q. You said you have reviewed the LandVest report and I'm not going to mark a copy of it, but I wanted to ask you about a statement in it, which I'll share with you. If you could just take a look at Page 59 -- I'm not going to mark this as an exhibit because I'm taking it out of my exhibit book, but I think we can all identify what page I'm referring to. I'm showing the witness Page 59 from the LandVest appraisal dated October 25, 2010 valuing Little Neck as of September 11th, 2010.

I'd like you to look at the Paragraph 5 on this page, specifically the language below the chart.

(Document handed to the witness.)

Q. And is it your understanding that in that paragraph Mr. Monahan --

MR. SHEEHAN: Wait. May I see it?

MR. PERRY: Yes, that's fair enough.

(Document handed to counsel.)

MR. SHEEHAN: Thanks.

MR. PERRY: I don't know if I have a copy. Anybody have a copy of that whole document?

MR. CHAPMAN: I don't have it with me.

MR. SHEEHAN: Thank you.

MR. PERRY: Sorry. Do you want to see?

MR. CHAPMAN: Yeah.

MR. PERRY: Why don't you look on?

MR. CHAPMAN: That's fine, go ahead.

Q. Do you see in that paragraph that I've asked you to read Mr. Monahan refers to a capitalization rate to apply to rentals at Little Neck?

A. Yes.

Q. And what rate does he refer to?

A. 4.25 to 5.25%.

Q. Which he calls a safe rate?

A. Yes.

Q. Meaning, as you understand it, a rate for a relatively safe investment, right?

MR. SHEEHAN: Objection.

MR. CHAPMAN: Objection.

Q. I mean, is that how you understand the term safe rate?

MR. SHEEHAN: Objection.

A. I think I'd be speculating to know what Mr. Monahan was thinking.

Q. Do you think its --

A. Excuse me. I just want to finish.

Q. Yes.

A. You made a statement that I reviewed the LandVest report.

Q. Right.

A. And the word review in an appraisal context has a particular meaning that I don't think you intended.

Q. No, I did not. You had read the LandVest report?

A. I read it briefly, but I focused my

reading more specifically on the data, because I wanted to make certain that I didn't miss any data that someone else had. And that was true for all of the appraisal reports.

Q. Right. And besides that, the fact whether you had read it from top to bottom or glanced at it is, I don't think is relevant to my question, because you obviously were doing your own independent work, correct?

A. Yes.

Q. My question to you, sir, is having read what Mr. Monahan says there, do you agree that it would be reasonable to utilize a capitalization rate for the rentals that was one to two points over prime?

A. No, I disagree with that.

Q. Is that something upon which reasonable minds can differ?

A. I think it's weak support for a capitalization rate.

Q. Do you think that using a 2007 mobile home park data without adjusting it for changes in interest rate is a weak, is weak support?

MR. CHAPMAN: Objection.

A. Collectively looking at the mobile home parks sales and the apartment rents and the surveys that I describe in my report is a much stronger basis for a capitalization rate selection than trying to build one up. And if you test rates over a period of ten or fifteen years by trying to build up a rate using a prime rate plus some risk factor, you're going to find that you're above or below what capitalization rates actually are and sometimes substantially so. And that's why that's considered to be a weak or last resort method of developing a capitalization rate.

Q. How about using treasury rates and building up from there?

A. Same thing.

Q. It's what did you in 1999, though?

A. Yeah.

Q. Would it be reasonable, in your opinion, to conclude that the capitalization rate for Little Neck should be lower than 7%?

MR. CHAPMAN: As of what date? I'm sorry.

MR. PERRY: As of 2010.

MR. CHAPMAN: '10.

A. If lower, not significantly so. I look at rates as the most likely within a reasonable range and I would say that that's what that is, 7%.

Q. So could an appraiser, in your opinion, reasonably conclude that the capitalization rate should be 5% as of November 1, 2010?

A. I think that's too low.

Q. Could an appraiser reasonably conclude as of November 2010 that the capitalization rate should be 5.5%?

A. I think that's too low.

Q. What about 6%?

A. You're starting to get closer, but you have also got to consider that there is no reserve in the rate. At 7% it's implied within the rate rather than explicitly within a stabilized operating statement and that tends to push the rate up a little bit.

Q. And at 6.5% you'd agree that's certainly within a reasonable range?

A. Yes, it is.

Q. Am I correct that your conclusion that the highest and best use was a sale would be altered if you had used a significantly lower capitalization rate for the rentals?

A. Would you mind restating that? Because I'm not following your question.

Q. Let's see. What was the price you concluded would be gained in a fair market sale?

A. My market value estimate was $26,700,000.

Q. Okay.

A. The value indication by the income capitalization approach was $22,100,000.

Q. So do you have a calculator with you?

A. No.

Q. Let me give you calculator. If you had used a capital -- The figure you were capitalizing was 1,625,000, is that right? Page 28, yes. You were capitalizing a figure of approximately 1,625,000, correct?

A. Correct.

Q. Could you tell me what the rental -- what the value on a rental basis would be had you selected a capitalization rate of 6%?

A. I can't tell you that it's a value. I can just tell you that the number is 27,090,300.

Q. Is that a higher value than you concluded for your sale scenario?

A. It's a higher number, but again, I can't say that it's a value.

Q. Right, because you're not agreeing with the 6%?

A. Right.

Q. Although you have acknowledged that it's, in your words, starting to get in the range of what might be reasonable?

MR. SHEEHAN: Objection.

Q. But you think it should be higher because of the reserve?

MR. SHEEHAN: Objection.

A. I think it should be higher and higher still because of the reserve.

Q. And then if you put in the figure, if you use the 6.5% capitalization rate, could you give me what the number would have been for the capitalization of rental income?

A. What was the percentage?

Q. Six and a half, so .065.

A. The number that results from that calculation is 25,006,430.

Q. Thank you.

MR. PERRY: Off the record.

(Discussion off the record.)

Q. Did you read what LandVest had done for extracting land value in its 2010 appraisal?

A. I think I only briefly looked at that.

Q. Did you see that LandVest had concluded in its report a number of sales from 2007 through 2009, a number of sales at Little Neck?

A. I believe they did include some sales on Little Neck.

Q. And did you choose to use those in your report?

A. I don't believe I did.

Q. Can you explain why you felt that it was of no use to use those sales at the time of doing your evaluation?

MR. SHEEHAN: Objection.

Q. Why don't you tell us why you did not choose to use those sales?

A. The market on Little Neck was in turmoil in that time frame and trying to determine what the participants were thinking when they made those acquisitions was so unusual, I just found them to be very unreliable.

Q. There were several different possibilities that could have been going on, correct?

A. Yes.

Q. And one of them is that as word spread that there could be a sale of lots, people could have been buying cottages to get in on the sale, correct?

A. That's one possibility.

Q. And isn't it true that the price that individuals will be paying for a particular conceptual lot -- Strike that. The price that individuals will be paying for a condominium unit are less than the fair market value of that individual condominium unit?

MR. SHEEHAN: Objection.

A. I'm sorry, I don't understand the question.

Q. In your appraisal work didn't you appraise all of the cottages, didn't you derive a selling price, a fair market selling price for the proposed condominiums?

A. The proposed condominium lots.

Q. Yes.

A. Yes.

Q. Exclusive of the improvements?

A. Correct.

Q. And that came out to close to $40 million, didn't it?

A. Yes.

Q. But it needed to be sold over time, under your model?

A. Yes.

Q. And so the way you get from 40 million to 26 million is because you're discounting the proceeds based on a required rate of return of a hypothetical intermediary who was buying the property and then selling off the lots?

MR. SHEEHAN: Objection.

A. Even if it's not an intermediary, that should be done.

Q. Okay. But that's how you got there?

A. Yes.

Q. At the end of the day, a tenant buying a lot ends up with a lot that has a fair market value higher than he paid to the developer -- Strike that.

If you were to look at what the Feoffees are getting per lot and compare that to the fair market value that the tenants now own, what is the comparison?

A. Okay. It sounds like you're saying is the value less than the sum of the aggregate retail of those lots?

Q. Let me try it a different way. There's a schedule in the settlement agreement which says that what each tenant is going to pay for his lot, right?

A. I don't know that, but I'll take your word for it as a premise for the question.

Q. And let's assume that those prices all add up to 29,150,000 before any rebates.

MR. CHAPMAN: Objection.

Q. Okay?

A. Okay.

Q. On average, the tenants will be ending up with lots that have a fair market value higher than what they're paying, correct?

MR. SHEEHAN: Objection.

Q. Each individual tenant.

MR. SHEEHAN: Objection.

A. As an individual lot, if it's established as a lot, yes.

Q. Because after the sale occurs, if you add up the value of all the lots that have been purchased, according to your analysis it comes out to just short of $40 million?

MR. SHEEHAN: Objection.

A. That is the aggregate retail.

Q. And that's the estimated value of what any given tenant could sell his own lot for?

MR. SHEEHAN: Objection.

Q. A tenant who wanted to then flip his property could sell it over time for the average retail, right?

MR. SHEEHAN: Objection.

A. That's the estimate behind it.

Q. Yeah.

MR. PERRY: Just give me a minute. I need to put my hands on something. What time do we have? Anybody want to break while we do that?

MR. SHEEHAN: No, I just assume to we keep going. Unless the witness wants to.

MR. CHAPMAN: I'd like to take a quick break.

MR. PERRY: Okay, that's fine.

(Brief recess.)

(LaChance Exhibit 6 marked for identification.)

Q. I've placed in front of you Pages 49

through 56 from the LandVest report dated October 25, 2010 and we've marked that as Exhibit 6 and that's part of the document you read when you did your report, correct?

A. Yes.

Q. And the pages I've given you deal with the extraction of land values for Little Neck and I just want to ask you about some of the work done here, okay?

A. It's okay with me.

Q. If you look at the first page, it reports a sale in August 2007 of $550,000, correct?

A. It does.

Q. And if you go down to the extracted land value column at the bottom, you can see that there's a statement for the replacement cost new of 275,600, reduction for depreciation, yielding a value of improvements of 206,700, in addition for landscaping of 20,670 and the balance is said to be extracted land value, correct?

A. That is what it says.

Q. And Mr. Monahan in this chart comes up with an extracted land value of 322,630, correct?

A. Correct.

Q. And similarly, he goes through a similar analysis on the second page and comes up with an extracted land value of 140,225, correct?

A. He does.

Q. And then he has similar value on the third page of a value of 227,905, on the fourth page, one of 267,000, right?

A. Yes.

Q. On the fifth page of this exhibit the value of 209,407 and then on the sixth page of the exhibit a value of 109,729, right?

A. That's what it says.

Q. And if you go to Page 56 of his report, which is the last page of this exhibit, you see that there's a chart that lists each of those properties, the selling prices that he's discussed and an extracted land value, which is a rounding off of the figures we just went over?

A. It appears to, yes.

Q. Okay. You told us that in order to do, if you were going to use extracted land values, you need to account for the rent that's being paid, right?

A. You need to account for the, if there's a leasehold interest.

Q. Right. In other words, at the time that Mr. Monahan was doing this appraisal anybody who was paying these prices to buy the cottage would also have to be paying rent to the Feoffees, unless they were able to buy the cottage, right?

A. Unless they were able to buy the lot, you mean.

Q. The lot, yes.

A. Yes.

Q. Sorry about that. So assuming for the moment that the buyers weren't contemplating a sale, you would want to capitalize future rent expectations as we discussed as an adjustment for the extracted land value, right?

A. I would not have done it the way they did, if that's --

Q. Yes. But I want to go further than that.

A. Okay.

Q. Isn't it true that in your opinion these extracted land values have not been developed in accordance with generally accepted appraising standards because they totally ignore the fact that the buyers would have to pay rent on the property going forward?

A. If the rent's at market, then the capitalized value of that rent should be the same as a lot value. So while I chose not to perform this method, I can't --

Q. I think we're missing something here.

A. Okay.

Q. These buyers paid, according to Mr. Monahan, more for the cottages than they were worth by the figures in the extracted lot land value column, correct?

A. I'm sorry. Would you say that again?

Q. Okay. You understand that this chart on Page 56 reflects the prices that were paid for the cottages, right?

A. Yes.

Q. And the figure at the right side of the column is how much the buyer paid in excess of the fair market value of the improvements?

A. That is what his calculation seems to be, extracted lot/land value.

Q. Right. And we just went over his methodology. He took the purchase prices, he subtracted the depreciated value of the cottages and he arrived at, he added landscaping and he arrived at the extracted lot land value and listed them in that column, the right-hand column at Page 56 of the chart in the middle of the page, true?

A. That appears to be what he did.

Q. And those buyers, in addition to paying these figures in excess of the fair market value of the cottages, they also had to pay what you would believe to be close to full fair value rent?

A. They did have to pay that, yes.

Q. So if there were no sale on the horizon, these extractions would suggest that the rent was still far too low, wouldn't it?

MR. CHAPMAN: Objection.

MR. SHEEHAN: Objection.

A. I haven't made that analysis, so I feel a little under the gun to try to answer that question.

Q. Yes. And I'm not suggesting that you could fairly derive the rent in this fashion, because by 2007 to 2009 there was some possibility that a sale could take place that might give people the ownership of lots at less than the individual lot fair market value, right?

MR. SHEEHAN: Objection.

MR. CHAPMAN: Objection.

A. What I said was the market was in turmoil to the extent that I felt very uncomfortable relying on this data to any degree for a lot value.

Q. But when you testified to how one properly does an extracted land value, didn't you tell us that when you extract the value, you have to also adjust for the capitalized value of the rent that's going to be paid by the buyer?

MR. SHEEHAN: Objection.

A. I believe I did that within the context of showing the leasehold or the implied leasehold.

Q. Well, I believe when you look at your 1999 report you found an implied leasehold of a certain amount and then you adjusted it by capitalizing the additional rent that the buyer would still have to pay?

MR. SHEEHAN: Objection.

Q. Do you remember that?

A. I don't remember exactly what I did there.

Q. Take another look. I show you again your Exhibit 1.

(Document handed to the witness.)

MR. SHEEHAN: You're referring to

Page 17?

MR. PERRY: Page 17.

MR. SHEEHAN: Thank you.

Q. And you recall that you came out with a value for the property and you added on a value for the capitalized lease payments that were to be made?

A. I did.

Q. And you recall we had a discussion that technically that would be, if they were rational buyers, a capitalization of what they expected to pay in rent?

A. Yes.

Q. And Mr. Monahan has not made any adjustment on his land extraction for what a buyer would expect to pay in rent, has he?

A. I don't see one.

Q. And don't you agree with me that he has not, in this land extraction method, followed any generally accepted appraisal methodology that would yield any kind of reliable result?

A. I can't make that statement.

Q. Well, do you think that he has followed a generally accepted appraisal methodology in simply extracting land values and ignore the fact that the buyers are also going to be paying rent?

A. Well, if their rent is at market, then the implication is that it equates to land value.

Q. If the rent were at market, the buyer should be paying only the price of the improvements, correct?

A. If the rent were at market, the buyer should be paying for the value associated with the improvements.

Q. And Mr Monahan has determined that even in this chart, that even though buyers are at that time being charged rent that you have concluded is market rent, that they're still paying hundreds of thousands of dollars more than the fair market value of the improvements?

MR. SHEEHAN: Objection.

MR. CHAPMAN: Objection.

A. I'd like to answer your question more definitively, but without really analyzing this person's work, I don't feel like I can pass judgement on its validity.

Q. In your opinion is there any way that one could legitimately make use of the extracted land values that he's shown here to arrive at a fair market value of the lots?

MR. CHAPMAN: Objection.

MR. SHEEHAN: Objection.

Q. Given what was happening at Little Neck between 2007 and 2009?

A. I think it could be done, but I chose to put low reliance on it because of the difficulty in doing it.

Q. Well, how would you do it when you don't know whether the individuals are going to continue to pay $9,700 to $10,800 a year in rent or get, instead buy the lot at less than they could turn around and sell it for if they flipped it?

MR. SHEEHAN: Objection.

A. That's a good point.

Q. That's why you didn't use this data, isn't it?

MR. CHAPMAN: Objection.

MR. SHEEHAN: Objection.

A. Well, as I said, in trying to understand how that market was functioning at that time, it was in such turmoil that I didn't see a clear pattern of behavior as to how people were considering that.

Q. So are you aware of any generally accepted appraisal methodology that would allow one to utilize this extracted land value data to arrive at a fair market value of the lots?

A. I think it could be done.

Q. How would it be done?

A. I think you'd first have to go through extraordinary verification of what the buyers were thinking when they bought it and you could then do what Mr. Monahan did in terms of a replacement new less depreciation. And if the buyers felt that the payment they were making for rent was somehow equivalent to what they'd be paying, let's say in cost of debt to acquire that land, then it would be a wash and there'd be no further calculation.

Q. Well, for example, if you were to try to verify with a buyer and the buyer said, I just expect to pay the rent that's currently being charged in perpetuity with cost of living increases, then the proper methodology would be, for the extracted land value would be to capitalize the rent and add it to the figure that Mr Monahan has on the right-hand side, correct?

A. You could do that. To come to the total property value?

Q. The total land value, yes. Just as you did in 1999.

A. Well, he's already got a land value. So if you capitalize the rent, you're adding capitalized rent value to land value.

Q. The rent is for the land?

A. Correct.

Q. The owner here, the buyer is going to have to pay rent in addition to what he's paid for the cottage?

A. Correct.

Q. So if you're trying to determine what the fair market value of the cottage is in a pure rental environment, you would, as you did in 1999, separate out the purchase price between the improvements and the land and then add what the buyer still has to pay going forward in ground rent, wouldn't you?

MR. SHEEHAN: Objection.

A. The capitalized value of that rent.

Q. Yes. And Mr Monahan didn't do that, did he?

A. He didn't, but in 1999 that was a very small amount of money.

Q. Right.

A. I don't know how that would play out in 2007 to 2009.

Q. It was a very large amount of money at that time.

A. Right. The rent was a large amount of money. I don't know how the buyers were functioning.

Q. Right. Well, as we discussed, they may have thought they were going to get to buy the units, right?

MR. SHEEHAN: Objection.

A. That's a possibility.

Q. If they didn't think that they were going to get to buy the units, these extracted -- these transactions would indicate a very high land value, wouldn't they, because people were paying hundreds of thousands of dollars for the right to pay rent of $10,000 a year?

A. That's one way to look at it.

Q. I'd like to go back to your report, if we may, of 2010. So that would be Exhibit 5. And we already had gone over in some part this chart that you did at the third to last page in which you show the ratings of the property, right?

A. Yes.

Q. And you recall we had counted out how many were in the Category Number 2 and came out with a figure that was approximately, it had been 38 in your earlier work and maybe 42 in this work, plus or minus a couple, right?

A. Yes, less the commonly owned lots.

Q. Right. Now, could you turn to your report where you multiplied out the value of the lots? Do you know where that is? -- Strike that.

Let me ask you a question. What you did was you developed a three tears, Tier 1, Tier 2 and Tier 3 and you applied the prices that are appropriate for each tier, correct?

A. Correct.

Q. And those tiers were reportedly shown on that page that we've been looking at, correct?

A. Yes.

Q. All right. But if you look at Page 42 of your report, you say that there's 27 Tier 1 properties, 94 Tier 2 properties and 46 Tier 3 properties?

A. I do.

Q. Could you please explain how that

statement corresponds to your chart where you show the largest number of properties being Tier 1, only 40 being Tier 2 and some other number being Tier 3?

A. I'm taking averages within those tiers. I'm now reducing the range that I show on top of Page 42 and using an average number within that range and, as a consequence, I'm coming up with just three categories with one valuation next to them rather than ranges. And in doing so, I looked at them and determined that of all the groups in Tier 1, that the $375,000 value was applicable to 27 and in Tier 2 the $230,000 valuable was applicable to 94 and in Tier 3, the $170,000 value was applicable to 46.

Q. All right. Well, let me go to the top paragraph on Page 42 just to make sure I understand you. It says, Based upon my analysis the subjects three general classifications of good, better or best expressed by rating numbers 3, 2 or 1 exhibit the following ranges, right?

A. Yes.

Q. And so you had divided, it's true that you had divided the properties into three general categories of good, better or best?

A. That's true.

Q. Okay. And is it true that those were depicted on the chart we've looked at, at the third to last page of your report?

A. That's generally speaking, yes.

Q. Okay. And the, those that were 3 were circled in green, those that were 2 were circled in red and those that were 1 were circled in blue, right?

A. Correct.

Q. And then in a given category, you then came up with sort of an average price within that category. So you said for Tier 1 the values would be from three to 450, so with most about 360 and you applied a figure of 375, right?

A. Okay.

Q. And Tier 2 you said the range was 200 to 300, most were around 230, and you used 230, right?

A. Correct.

Q. And in the Tier 3, you said the values were in the range of 140 to 200, most about 170 and that's what you used, right?

A. Yes.

Q. So I understand that, fair enough. The question I'm asking you is where did these numbers come from where you said that Tier 1 had 27 lots and Tier 2 had 49 lots when as we've looked at you don't have 94 Tier 2 lots, you have 40 Tier 2 lots.

A. I understand your question. I drove this property on multiple occasions. And finally, at the end I drove and looked at the view from each property and the configuration of these dwellings is such that some of the properties that are in what looked to be when you look at a map it looks like they'd have a nice view, you get there and they have an obstructed view. And there's no mechanism in this agreement that allows them to improve their view. So while that is an accurate general depiction of the classes or the tiers, I actually went out there and looked at the views from every property before I put them into this 27, 94, 46 category. So I can see how you can be misled if you're just trying to add the number of lots on the map and match it exactly to this, but I think if you went out there and looked at these and looked at the views, you would find that what I did is correct, that some of the ones that should have a better view don't and some of the ones that look like they wouldn't be in that good of a location, for reasons of topography or what other land form has a better view than you would, what you would generally expect. So it's just more accurate, these numbers on Page 42 are more accurate than the general chart.

Q. Do you have any records that reflect what lots you assigned to what category?

A. Not for this report. I think I did in the earlier report. I think I kept a chart lot by lot of values, but in this one, I think I just went out and looked at them and kept a kind of a running tally of how much are in which.

Q. When you say the earlier report, in 1999 you did list values for each of these properties, right?

A. Right.

Q. And you had gone out at that time and looked at them, too?

A. Yes, definitely.

Q. And did you do your work properly in 1999?

A. I like to think so.

Q. So in 1999 there's a record right in your report of what lot values are associated with every property, right?

A. Correct. And that's because the client explicitly wanted a rent for each individual property, not any kind of an aggregate.

MR. CHAPMAN: I'm going to need a lunch break, by the way.

MR. PERRY: Yeah, we're almost done. It's not a problem.

MR. CHAPMAN: What did you say?

MR. PERRY: Off the record.

(Discussion off the record.)

Q. In 1999 you had prepared that exhibit that we looked at earlier that you dated 2004, but we concluded actually relates back to 1999, correct?

A. Correct.

Q. And at Page 6 of your 1999 report you have listed market values for each of the properties?

A. Correct.

Q. And you had said that the Tier 1 price in 1994 was in the range of 91,000 to 150,000 versus Tier 2 of 70,000 to 90,000?

MR. SHEEHAN: Objection to form.

Q. Right.

A. It's 90,000 to 150,000.

Q. Okay.

A. And 70,000 to 90,000.

Q. Okay. If we were to go to Page 6 of your report, the 1999 report which has been marked as Exhibit 1, could you tell me how many of those properties you valued at in excess of 90,000? The ones that are exactly 90,000 are a little ambiguous as to which tier they go in, but let's count the ones that are in excess of 90,000.

A. What page was that?

Q. Page 6. I'm sorry. It's actually Pages 3 to 6.

A. I don't have the '99 report.

Q. Oh, that's because I have it. Here you go.

(Document handed to the witness.)

Q. Wait for me one second. That was rude, huh? On Page 3 you start listing market values for the reports and I'd like to know how many on each page are in excess of 90,000?

A. As a market value for the lot?

Q. Yes.

A. You want me to count them?

Q. Yes. There's numbers on the left that might help you, and we can take one through 29.

A. There are 36 on that page.
Q. I got 37 in the first column, right?
A. Okay.
Q. 1 through 29 is, also a 97 at Number 31?
A. Yeah.
Q. There's 37 and then the rest --
MR. SHEEHAN: Please don't testify, Steve, because in fact you got a column on the left-hand side is missing. So I don't know why we're going through this exercise. Why don't you tell the witness what your calculation is, because we can move along rather than have him count things.
Q. I haven't done it before, but Bill's right, the numbers aren't -- There's missing numbers, so you can't use that shorthand. Looks like -- I'm coming up with 35 based on the numbers missing are 19 and 27, so on the first page, 35. Second page I got 47. I don't know about you.
A. I didn't count them.
Q. If you could just take a quick count on the second page, please?
A. 47 on Page 4?
Q. That's what I came up with, but you might want to check.

A. 44. I come up with 79 more.

Q. So the total you come up with is somewhere over 100?

A. Yes.

Q. So in 1999 when you were placing, putting specific market values on lots, you came up with over 100 of them that had a value in the range of 91,000 to 150,000, right?

A. Correct.

Q. Which on your chart you had indicated was the higher of the Tier 1 range?

A. Yes.

Q. When you did your work in 2010 did you prepare any piece of paper that would show us which lots belong to which category or that would confirm that there were only 27 Tier 1 lots?

A. No. I wish I had, but I cannot produce such a document. I can only say that I did go out and look at every one of them and I also compared them to the views at all of the sales that I used and I looked at every one of those sales, as well.

Q. And what kind of report was the one you did in 2010?

A. A summary.

Q. And what are the rules for a summary report?

A. You summarize your value conclusions. You summarize a description of the property, summarize what you did, summarize your conclusions.

Q. Would you agree that somebody reading your report and looking at the chart on the third to last page would believe that you have divided the properties into three tiers and that those circled in blue are in Tier 1, those in red are Tier 2 and those in green are Tier 3?

MR. SHEEHAN: Objection.

A. I can see how they would, since you did. But I've read my own report multiple times and I never noticed that.

Q. And so in fact, there is no record of what lots you considered to be Tier 1 lots, which lots you considered to be Tier 2 lots and which lots you considered to be Tier 3 lots?

A. Not as to specific lot numbers, no.

Q. And you can't recreate that record, can you?

A. I'd have to do the job again.

Q. And then you might come out with some different number?

MR. CHAPMAN: Objection.

A. I might.

Q. And if there were more Tier 1 lots versus Tier 2 lots, for example as depicted in a chart, that would dramatically change your numbers, wouldn't it?

MR. SHEEHAN: Objection.

A. That's a stretch.

Q. Well --

A. Because you're saying dramatically change. If there were more, it would go up. If it were less, it would go down. How dramatic that would be I can not say.

Q. It would depend on how many Tier 1 -- If there were as many Tier 1 lots as shown in the chart -- Strike that.

If there were as many Tier 1 lots to be valued at the higher value you used as shown in the chart and a corresponding reduction in the number of Tier 2 lots and Tier 3 lots, all as shown in your chart, that would have a very significant effect as shown in your final figure, wouldn't it?

A. It --

MR. SHEEHAN: Objection.

A. It would, but as I said, after looking at all of the sales and all of the subject lots, this is what I feel to be the correct number of lots that would fall into those categories and those specific values, not the more general chart.

Q. Okay, thank you.

MR. PERRY: Let me review my notes and then we'll see whether we have more questions and maybe need a break or whether we're all set. And, of course, Bill has the right to question.

(Brief recess.)

Q. At this time do you know of any investments where one can safely obtain a return of 7%?

MR. CHAPMAN: Please, can you tell me?

A. I wish I knew.

MR. SHEEHAN: Objection.

A. I cannot say that I can think of an investment that returns 7% right now. The closest thing to it would be a Walgreen's. And I haven't checked lately, but those rates have gone up and they may be around 7% now. So I would say buy a

Walgreen's.

Q. A Walgreen's what?

A. Pharmacy.

Q. Are you talking about?

A. The lease.

Q. The ground lease?

A. Yeah, the ground lease or.

Q. Or the lease?

A. Or the lease of the entire property. And then next to that, a McDonald's is considered to actually be the Holy Grail. If you have a McDonald's ground lease, they would be lower than a Walgreen's.

Q. Right. They were like in the fives?

A. Yes.

Q. Five and a halfs?

A. Yes.

MR. PERRY: All right. I have nothing further.

MR. SHEEHAN: I have no questions.

MR. PERRY: Okay.

(Whereupon, at 1:12 o'clock p.m., the deposition was concluded.)

C E R T I F I C A T E

I, WILLIAM A. LACHANCE, do hereby certify under the pains and penalties of perjury that I have read the foregoing transcript of my testimony given on September 15, 2011, and I further certify that said transcript is a true and accurate record of said testimony (with the exception of the following corrections listed below):

Page Line Correction/Reason

Dated at ____________________, this ________ day of ____________________, 2011.

____

WILLIAM A. LACHANCE

CERTIFICATE

COMMONWEALTH OF MASSACHUSETTS

COUNTY OF SUFFOLK

I, CYNTHIA F. STUTZ, Certified Shorthand Reporter and Notary Public duly commissioned and qualified in and for the Commonwealth of Massachusetts, do hereby certify:

That the witness whose testimony is hereinbefore set forth, was duly sworn by me and that such testimony is a true and accurate record of my stenotype notes taken in the foregoing matter, to the best of my knowledge, skill and ability.

I further certify that I am neither attorney nor counsel for, nor related to or employed by any of the parties to the action in which this deposition is taken; and further that I am not a relative or employee of any attorney or counsel employed by the parties hereto or financially interested in the action.

IN WITNESS WHEREOF, I have hereunto set my hand this 22nd day of September, 2011.

Cynthia F. Stutz

CYNTHIA F. STUTZ, Notary Public

My Notary expires August 17, 2012

ORIGINAL

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COMMONWEALTH OF MASSACHUSETTS
ESSEX, SS. PROBATE & FAMILY COURT

ALEXANDER B.C. MULHOLLAND,
JR., et al
Plaintiffs, Docket No.
vs.
ATTORNEY GENERAL of the ES09E0094QC
Commonwealth of Massachusetts,
et al,
Defendants.

DEPOSITION of WILLIAM A. LACHANCE
September 15, 2011
10:08 a.m. - 1:12 p.m.
Casner & Edwards
303 Congress Street
Boston, Massachusetts
Court Reporter: Cynthia F. Stutz

APPEARANCES:

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(Continued next page.)

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I N D E X

*ALL EXHIBITS RETAINED BY ATTORNEY PERRY

PROCEEDINGS
MR. PERRY: For stipulations we'll have the witness have an opportunity to read and sign. We'll waive any requirement that it be done before a Notary. And I assume that, Tyler, would you be handling that part of it?
MR. CHAPMAN: Yes.
MR. SHEEHAN: Are you ordering a transcript?
MR. CHAPMAN: Yes.
MR. PERRY: So I'll be getting the original, but he'll get the signature page. You will be happy to know that the witness is buying a copy.
MR. CHAPMAN: Yes.
MR. SHEEHAN: And we're going to reserve all objections except for those to the form of the question until time of trial
MR. SHEEHAN: That's fine. Reserve motions to strike
MR. PERRY: Reserve motions to strike. That covers it, I guess, is that right?
MR. CHAPMAN: And it's usually thirty days to read and sign, right?

MR. PERRY: It is usually thirty days.
MR. CHAPMAN: That should be fine. We'll let you know if we need more
MR. PERRY: Yeah. We're on a tight schedule, but yeah.
And you're here just representing the witness?
MR. CHAPMAN: Correct
MR. PERRY: All right.
Whereupon:
WILLIAM A. LACHANCE
having been satisfactorily identified and duly sworn by the Notary Public, was examined and testified as follows:
DIRECT EXAMINATION
BY MR. PERRY:
Q. Could you state your name, please?
A. William LaChance.
Q. Where do you reside?
A. Beverly, Massachusetts.
Q. Do you have a street address?
A. Two Cherry Road.
Q. Could you summarize your educational

background?
A. I graduated from at that time North Adams State College, now known as Massachusetts College of Liberal Arts with a degree in business administration.
Q. What year?
A. 1976.
Q. And then?
A. And then I took real estate appraisal courses. I don't have any advanced degree beyond that.
Q. And could you summarize for us your training as a -- Is your occupation that of a real estate appraiser?
A. Yes, it is.
Q. Is that all you currently do?
A. Appraisal and consulting.
Q. How long have you been doing that?
A. Since 1982.
Q. Could you summarize, please, your professional qualifications and training as a real estate appraiser?
A. My qualifications are that I hold the MAI and SRA designations from the Appraisal Institute

and have completed all of the courses necessary to achieve those designations, as well as maintaining continuing education for them. And I passed the certified general real estate appraiser licensing exam from the Commonwealth.
(Telephone ringing.)
MR. PERRY: Excuse me one second.
MR. CHAPMAN: Hold on a second.
MR. PERRY: I'm sorry. Don't know what that's all about.
(Brief recess.)
MR. PERRY: All right. You were in the middle of a sentence. Could you read it back? I'm sorry, apologize for that interruption.
(Question read by the reporter.)
A. Of Massachusetts and also have continued to fulfill my continuing education requirements for that.
Q. When did you obtain the MAI designation from the Appraisal Institute?
A. I believe that was in 1992.
Q. Could you describe what that designation entails, please?
A. It designates me as an individual capable

of advising real estate, on real estate matters of a wide variety, in other words, residential, commercial, industrial. It also denotes a level of confidence -- competence and requires an extensive amount of hours and course work to achieve, as well as writing a demonstration appraisal report and passing a comprehensive examination at the end of all of the individual course examinations.
Q. What does MAI stand forward for?
A. It's generally held to be mean Member Appraisal Institute.
Q. You also said you have the SRA designation. What does that stand for?
A. That's the residential counterpart.
Q. That's a similar designation for individuals who appraise residential properties?
A. Correct.
Q. Does residential properties include -- What's comprised within that category?
A. Typically, one to four families.
Q. So for purposes of this engagement it involves a mix, doesn't it? Some part of it is appraising individual lots, which would be similar to residential properties, and some part of it is

appraising the aggregate, is that fair?
MR. CHAPMAN: Objection.
MR. SHEEHAN: Objection.
A. Just, could you clarify engagement?
Q. Yes. We'll be talking about your work on the Little Neck property, right? You understand you're here today about Little Neck?
A. Yes.
Q. And you were engaged to perform some appraisals in connection with Little Neck?
A. I was.
Q. Okay.
MR. CHAPMAN: Just to be -- You mean the most recent one that we're talking about? Just because he's been asked a few different times. That's the only thing.
MR. PERRY: I understand. I was not trying to ask anything tricky or very specific.
Q. I think it's obvious that when you tried to appraise Little Neck, you did have to, part of your work was determining the value of individual lots as though they were individual lots, right, that's part of what you did?
MR. SHEEHAN: Objection.

Q. To arrive at your conclusion?
MR. SHEEHAN: Objection to form.
MR. CHAPMAN: Objection. You can answer.
A. They're conceptual lots. They're not actual lots.
Q. Yes. And part of the work you did was to try to determine the value of those as conceptual lots?
A. Correct.
Q. Are you a member of any professional appraisal organizations?
A. Yes.
Q. What are those?
A. The Appraisal Institute.
Q. As a member of the Appraisal Institute and as a licensed appraiser are there any rules or codes that you have to comply with?
A. Yes.
Q. Could you tell me what those codes or rules or regulations are called?
A. Uniform Standards of Professional Appraisal Practice.
Q. Who adopted the Uniform Standards of

Professional Appraisal Practice, if you know?
A. They've been adopted by the Appraisal Institute and the Appraisal Foundation.
Q. What's the Appraisal Foundation?
A. They address those specific standards.
Q. If you were not a member of the Appraisal Institute would there be any codes or rules that you were required to follow in your ‰ ‰.
MR. CHAPMAN: Objection. Go ahead.
A. I don't really focus on that, so I'm not entirely certain, but I think that you can call yourself an appraiser if you choose to. You just are limiting your client base.
Q. Well, there are many appraisers out there who are licensed appraisers who are not members of the Appraisal Institute, correct?
A. Yes.
Q. Are they bound, to your understanding, by any regulations or codes that you can identify?
A. They may or may not be. I can't speak to them.
Q. You're not aware as you sit here today of what rules would apply to those individuals?
A. Individuals that are not members of the

Appraisal Institute?
Q. Yes.
A. I imagine they'd be bound by whatever the state requirements are in the particular state in which they practice.
Q. Are there any particular state requirements in Massachusetts that bind appraisers?
A. In Massachusetts I believe they'd also be bound by USPAP.
Q. By the Uniform Standards of Professional Appraisal?
A. Yes.
Q. When you said USPA you were using the acronym U-S-P-A?
A. U-S-P-A-P, USPAP.
Q. Okay, thank you. Could you trace for me your occupational history as an appraiser?
A. I started in 1982 with the R.M. Bradley Company in Boston and worked there until 1986 as an appraiser. Then I went to work for Hunemann Appraisal Company also in Boston until the end of 1993 and then I opened my own office in Danvers, Massachusetts in January of 1994 with my partner at that time.

Q. What was the name of that firm?
A. Peterson/LaChance Realty Advisors.
Q. How long did you continue to do work as Peterson/LaChance?
A. Until January of 2011, when it became Peterson, LaChance, Reagan, Pino, LLC.
Q. What was the reason for the change?
A. We wanted to grow.
Q. Was that a merger, added some people?
A. We brought in two more partners.
Q. When did you first become involved in any way with the property known as Little Neck, Ipswich?
A. I believe it was in 1999.
Q. Could you summarize for me the work you have done in connection with the property at Little Neck from 1999 to the present? Just give, please, an overview of what your role has been.
A. At various times I was asked to provide estimates of market value and market rent, once for -- Once was primarily for estimating market rent. Once was in a local tax appeal. And then the last time was because a client asked me to provide my opinion of market value for the property.
Q. When you refer to the last time, is that

referring to the engagement that led to your 2010 report?
A. Correct.
Q. You have been served with a subpoena, you or your businesses were served with a subpoena requesting the documents that, the firms or you had pertaining to Little Neck, is that correct?
A. Yes.
Q. And you have made an effort to gather those for us?
A. Yes.
Q. And looking at those documents there seem to be three appraisal type documents that we got, one from 1999, one from 2005 and one from 2010, is that correct?
A. Yes.
Q. Did you do any other appraisals other than those three?
A. Not for Little Neck.
Q. When you say not for Little Neck, obviously you have done many appraisals, is that what you meant?
A. Yes.
Q. Were you involved in helping to estimate

fair rental value other than anything shown in those reports?
A. No.
Q. And apart from those three particular reports that were generated, what work have you done, if any, for Little Neck?
A. Nothing.
Q. Okay. When you were engaged in 1999 who was it that engaged you, as you understood it?
A. My recollection is it was the Feoffees and the tenants association.
Q. And what was your understanding of the context of that engagement? Why you were being engaged?
A. My recollection is that they were primarily interested in an estimate of market rent.
Q. Who did you speak to in connection with that? With the undertaking from the Feoffees and from the tenants, who did you speak to?
MR. SHEEHAN: Objection. You may answer.
A. I believe it was Don Whiston from the Feoffees and --
Q. Richard Doherty?

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A. **Richard Doherty.**
Q. From, was he --
A. **Tenants association.**
Q. Tenants association. Was there a meeting between you and the two of them? What's your best recollection? I know it's been a long time ago.
A. **Telephone discussions.**
Q. Were you told why you were being asked to do work on rental value?
A. **I may have been, but I don't recall.**
Q. What is your understanding as you sit here today concerning the reason you were asked to do this engagement in 1999?
A. **My recollection is it was primarily market rent seems to be the big issue that they were looking to resolve.**
MR. PERRY: Let me mark as Exhibit 1 the 1999 report.
(LaChance Exhibit 1 marked for identification.)
Q. Is Exhibit 1 a copy of the report that you prepared on or about June 28, 1999 as a result of the engagement that you have described?
A. **It appears to be.**

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Q. As part of that engagement did you attempt to determine the market value of each of these separate lots that you have referred to as conceptual lots? I direct your attention to Pages 3 through 6.
A. **Yes.**
Q. Those were your estimates of the value of those lots as of June 16th, 1999?
A. **As conceptual lots, yes.**
Q. On Page 7, just to clarify the record, at Page 7 there's just the letters DCF, standing for discounted cash flow?
A. **Correct.**
Q. And there's another piece of paper that we received from you that would reflect that discounted cash flow analysis, is that right?
MR. CHAPMAN: Do you have to --
Q. Do you need to see it?
A. **Yes, please.**
Q. I don't think I brought that in here with me. I'll tell you that I do have a separate piece of paper that has your discounted cash flow analysis for that year.
A. **Does it produce a value of 7 and a half**

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million dollars?
Q. I assume it does.
A. **Then it's probably it, but --**
Q. Yes. Did Mr. Whiston say anything to you about what approach he wanted you to take in this assignment?
A. **No.**
Q. According to your report, if you will go to Page 16, please, and could you please just review the second paragraph on Page 16? Does that, do you recall that at the time you were doing this appraisal the rents that were being charged were in the range of $800 to $1,200 per year?
A. **That is the information I was provided.**
Q. And you were told that that was actually an increase from even lower rents that had been charged up to 1998?
A. **Correct.**
Q. Were those rents below market value in 1999?
A. **Yes.**
Q. And had they been below market value for some period of time before that?
MR. CHAPMAN: Objection. Go ahead.

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A. **It appears that they were, but I didn't go back to analyze the history any further than that.**
Q. Right. You have discussed in your report that there was, that your analysis indicated that an implied leasehold existed?
A. **Yes.**
Q. What did you mean by the term implied leasehold?
A. **To the best of my recollection, I meant that market participants were acting as if they had rights in the land beyond those which a tenant-at-will would typically have.**
Q. Well, would it be fair to say that an individual who was purchasing the property would have to take into account the rent that he or she was going to be charged in deciding how much to pay for the property?
MR. CHAPMAN: '99?
MR. PERRY: Yes.
MR. CHAPMAN: Okay.
A. **Yes.**
Q. And at that time rents were below market, correct?
A. **Yes.**

Q. And a rational buyer of the property would take into account what they expected rents to be in the future, correct?
MR. CHAPMAN: Objection. Go ahead.
A. Yes.
Q. And from an appraisal standpoint you would want to capitalize the expected rentals as an element of value of the land, correct?
A. Yes.
Q. A prospective buyer wouldn't need to think they had a right in the land to pay more for the improvement than it alone was worth, would they?
MR. CHAPMAN: Objection.
MR. SHEEHAN: Objection.
A. Could you ask me that again?
MR. PERRY: Yeah. By the way, I don't think, Tyler, you have a right to object. I think just Bill does.
MR. CHAPMAN: No, I can object. I'm just preserving objections for the record.
MR. PERRY: But you're not a party. You don't have any standing to object.
MR. CHAPMAN: Sure, I do. I represent the witness and I'm preserving my

objections for the record. I'm not -- I certainly have an opportunity to preserve my objections for the record. There's no judge here. That's the purpose for preserving objections for the record. And I can instruct the witness not to answer if you get into privileged things. I'm here to represent him.
MR. PERRY: My position is that you would have the right to instruct him not to answer on a matter of privilege, but you don't have a right to object even for purposes of the record, because you're not representing a party.
MR. CHAPMAN: I disagree. I'm going to continue to do that. I'm stating the objection succinctly as stated by Rule 30(c) and I don't think I'm disrupted the deposition and I'm going to preserve my objections.
MR. PERRY: I'm reserving my rights to that. Let's just go on. I've heard your position, you have heard mine.
MR. CHAPMAN: Okay. I want to --
MR. PERRY: Off the record then.
MR. CHAPMAN: No, I don't agree to go off the record.

MR. PERRY: All right, fine.
MR. CHAPMAN: No. You have decided to do this and I'm going to respond.
MR. PERRY: Go ahead.
MR. CHAPMAN: I don't know how this deposition is going to be used. It may end up being used eventually in superior court where I am a party, so I'm going to preserve my objections.
Q. Here's the question I wanted to ask you. In 1999, even if a buyer knew full well that he would be a tenant-at-will with no rights in the real estate, he would rationally pay more than the value of the improvement if he thought rents would continue to be below market, true?
MR. CHAPMAN: Objection.
A. Yes.
Q. So really, what you're capturing with the implied leasehold is the buyer's expectations as to future rents?
A. I'm going to say not explicitly, because I don't think they were, the market was acting rationally.
Q. All right. If the buyer were acting rationally what you would be capturing is the

buyer's expectations as to future rents?
MR. CHAPMAN: Objection.
A. Could you explain to me what you mean by capturing?
Q. When you calculated, if you were to calculate an implied leasehold value, what that value would represent is the difference between fair market rent and the buyer's expectations of future rent?
A. That's fair.
Q. And it's a principle of appraisal that you need to assume that you have a rational buyer, isn't it?
A. Actually, you have to apply the level of both skill and analysis that a typical buyer, most likely buyer would apply.
Q. So when you went through your valuation of the property, I just want to review the steps you took to try to extract the value of the real estate. And I think that's shown on Page 17 by way of an example. Is that a good place for us to look to discuss your method of extraction?
A. Yes.
Q. Okay. So on that particular property you

identified a sale price of 78,000, right?
A. **Yes.**
Q. You adjusted that based on a date, I believe, to 90,480?
A. **I adjusted it for changes in market conditions.**
Q. Right. Based on the fact that this sale was 1995 and you had concluded that values had increased by a certain percentage since then, correct?
A. **Correct.**
Q. And you did some calculations to determine the fair market value of just the improvements, didn't you?
A. **The contribution to market value of just the improvements, yes.**
Q. Okay. And without getting too technical, what is the basic methodology for trying to determine the market value of improvements as divorced from the land?
A. **It's the contribution to market value of the improvements and the methodology is to apply a replacement cost estimate less an estimate of depreciation.**

Q. So basically, you're calculating what would cost to rebuild the property, but you need to adjust for depreciation, because if you rebuild the property you'd have a brand new building which would be worth more than the depreciated one that's there?
A. **Correct.**
Q. And that's a generally accepted practice in the appraisal world for calculating the value of or the contribution that a building makes to overall real estate value?
A. **Yes.**
Q. That's something the assessors also do, for example, right?
A. **I believe they do.**
Q. And when you went through that process, what did you determine was the contribution toward value of the building?
A. **$8,813.**
Q. In fact, it was 813 for the building and 8,000 for something else, such as a septic system, right?
A. **Yes.**
Q. So you concluded that most of the contribution to value in this particular instance

was from the real estate, not from the improvements?
MR. CHAPMAN: Objection.
A. **The improvements are real estate, in my mind.**
Q. Okay. Let me rephrase the question, if I may. You can answer it or I can rephrase it, your choice.
A. **That it was mostly land value?**
Q. Yes.
A. **Yes.**
Q. In fact, that was a knock down, wasn't it?
A. **Yes, I believe it was.**
Q. So this particular value was, somebody bought the property just so they could knock down the cottage and build something else, right?
A. **I believe that's true.**
Q. And in that kind of situation, you know going into it that anything that was paid was basically attributable to the value of the land, not to the existing building?
MR. CHAPMAN: Objection.
MR. SHEEHAN: Objection.
A. **Mostly to the land.**
Q. Do you need to even add on the cost, the

value or the cost of razing the building in that situation?
A. **You can, but this is an 840 square foot cottage. Considering the nominal cost to do so, it's not going to materially improve the accuracy of the calculation and there may be some interim use aspect of it, so I considered that a wash.**
Q. Sure. Now, the other step, though, that you had to take when you were trying to value just the real estate, you had to take into account that the buyer was going to be paying some kind of ground rent on this property, right?
A. **Correct.**
Q. Because if the ground rent were zero, then the analysis you had done of attributing extracting the real estate value would be the final answer, right?
A. **Correct.**
Q. But if they also have to pay ground rent, that means that the underlying real estate must be worth more than just the extraction value?
A. **There has to be an adjustment for the ground rent.**
Q. Okay. And in this particular appraisal

you used the then current ground rent as though it would continue and you capitalized it, right?
A. That's my recollection.
Q. And would you agree as a theoretical principle that if it were known that the rent were going to go up in the future to the buyer, you would actually want to use the buyer's expectations concerning future rent, not the existing rent?
MR. SHEEHAN: Objection.
Q. I'm not criticizing what you did then, but if you were in a situation where it was known that the rent was going to be higher, you'd want to capitalize the future projected rent, wouldn't you?
A. If it was known. But my recollection is that, and this returns to my argument about or comment about the rational nature of the market, the market at that time seemed to be acting as if the current conditions were going to continue in perpetuity.
Q. Understood. So, and that, that scenario changed over time, didn't it?
A. Yes.
Q. And this is back in 1999?
A. Correct.

Q. So to summarize, though, as of 1999, buyers were paying more for the cottages than the cottages themselves were worth because they evidently expected to continue to enjoy below market rent?
MR. CHAPMAN: Objection. Go ahead.
A. I believe so.
Q. I'm going to move to a different subject. At times in appraising properties you need to consider the price at which properties have sold?
A. Yes.
Q. And sometimes when you are considering a sales price you become aware that various adjustments have been made that are not typical between a buyer and a seller?
A. Yes.
Q. So there may be concessions that a seller makes, such as below market financing?
A. Possible.
Q. Or sometimes there are rebates to the buyer?
A. Yes.
Q. When you are trying to normalize -- Do you try to normalize a sales price to adjust for any

such out of the ordinary agreements that took place between the seller and buyer, if known to you?
A. Yes.
Q. And is that a required procedure as a member of the Appraisal Institute?
A. I don't know if the word required is the appropriate word, but it is a generally accepted practice.
Q. To normalize the sales price based upon any unusual terms or any concessions that are being made by one of the parties?
A. Yes. It comes under the heading of financing adjustments or unusual conditions of sale.
Q. Okay. And is there a whole section of the code concerning that?
A. There's a section within the 13th Edition of the Appraisal of Real Estate on that.
Q. What's the 13th Edition of the Appraisal of Real Estate?
A. The most current text on the appraisal of real estate by the Appraisal Institute.
Q. Is that a text that anybody can purchase?
A. Yes.
Q. When you were trying to convert the ground

rent then being paid by the tenants to the Feoffees into a single figure, you had to do something, right?
A. Yes.
Q. And what you did was you capitalized it?
A. I believe I did.
Q. You will see it right in the paragraph after your numbers that you capitalized the historic ground rent of $600, correct?
A. Correct.
Q. And you say that the ground rent was capitalized into a value at the rate of 7%, correct?
A. Yes.
Q. Could you explain why you selected a rate of 7% to capitalize the ground rent into a single figure?
A. Because I didn't have a more accurate percentage to apply, since there wasn't any data for that purpose, I attempted to bracket that percentage by using a less secure investment rate of 5.8% and a more secure rate, which was then the prime rate of 7.75%.
Q. I think you may have flipped that. Let me just so -- Out of fairness, I think what you said

was the rent is less secure than treasuries. If you go back to your page --
A. **I meant to say rate.**
Q. You said that the rate was selected as the rent is less secure than U.S. treasuries at 5.8% and it's more secure than a loan at the prime rate of 7.75%, right?
A. **Yes.**
Q. So what you were saying was that treasuries were regarded as, in 1999, as a risk-free investment?
A. **Very low risk.**
Q. So that's always the, something that one uses to build a cap rate, right, typically?
MR. SHEEHAN: Objection.
MR. PERRY: Let me withdraw the question.
Q. Long-term treasuries are frequently used by appraisers as representing close to the risk-free cap rate?
MR. CHAPMAN: Objection.
MR. SHEEHAN: Objection.
A. **I can't comment on what other appraisers do, but I did what I did then, and I used U.S.**

treasury rates and mortgage rates as indicators of an appropriate rate to capitalize that rent.
Q. Are you familiar with capital build-up models?
A. **Yes.**
Q. And do they build up a model based on risk?
A. **Yes.**
Q. And what do they use as the risk-free rate to start the process? Is it long-term treasuries?
A. **Typically they can use long-term treasuries.**
Q. So that is a generally accepted methodology in the appraisal world, isn't it, both business appraisals and real estate appraisals?
A. **I'm not familiar with the business appraisal build-up rate as much, but that is one method of developing a rate in the real estate appraisal field.**
Q. So what you were trying to do was to assess the riskiness from a lessor's standpoint of a ground rent arrangement in comparison to something like U.S. treasuries?
A. **Yes.**

Q. And you felt that somebody who was collecting ground rent faced more risk than somebody who was the owner of treasuries?
A. **Correct.**
Q. But less at that time than somebody making a prime rate loan?
A. **That's correct.**
Q. If in 1999 treasuries and the prime rate had been lower, would it have been appropriate for you to use a lower cap rate?
A. **Yes, unless they were anticipated to change dramatically.**
Q. Okay. I think I neglected to ask you, have you done any work for Little Neck or in connection with Little Neck after your 2010 appraisal report?
A. **I was asked to provide comment on my market rent estimate.**
Q. You sent a letter to Mr. Chapman?
A. **Yes.**
Q. Okay. Apart from that, have you done any other work?
A. **No.**
Q. Are you contemplating doing any other work

between now and December of 2011 in connection with the Little Neck matter?
A. **I'm not contemplating any other work for them.**
Q. You haven't been asked to do any new appraisals?
A. **No.**
MR. PERRY: Can we mark as Exhibit 2, please, a copy of this document which I'll identify. Why don't you make this document, please, 2A.
(LaChance Exhibits 2 & 3 marked for identification.)
Q. I've shown you a document that's been produced to us by your counsel or by Little Neck's counsel which we've marked as Exhibit 2, appraisal dated March 18, 2005. Do you recognize that as an appraisal you performed?
A. **Yes.**
Q. And again, on this appraisal didn't include your discounted cash flow analysis, but Exhibit 3 sets forth that analysis, correct?
A. **Yes.**
Q. In order for you to have arrived at this

valuation, you had to place values on specific lots just as you had done in 1999, correct?
A. **Yes.**
Q. And that was, you followed that same methodology of ascertaining a value for each conceptual lot and then applying a discounted cash flow based on the sell off of those lots by a developer, right?
A. **Yes.**
Q. And that would have been prepared on the same computer as the rest of the report?
A. **Yes.**
Q. So in connection with the production of documents, I have not seen anything that would allow us to determine any of the work you did to arrive at -- Strike that. That's not fair.
I haven't seen anything that shows us what value you placed on any category of lots or on any individual lot. Just doesn't seem to be here. I'm wondering where that would have been and what happened to it?
A. **It would have been in the work file, but as this was not prepared for court, I'm only required to hold that work file for five years and**

then I can throw it away and apparently did.
Q. Well, when did that five years expire?
A. **In probably March 17th of 2010.**
Q. And do you have a regular practice of vigorously destroying things on the fifth year first day after you have done them?
A. **No.**
Q. So what were the circumstances that led you with respect to this particular data to not retain it after five years when there was already ongoing litigation?
MR. CHAPMAN: Objection. Go ahead.
A. **I was not aware of ongoing litigation. This report was not prepared for any litigation, so I was aware that I didn't need to retain it and as I mentioned earlier in my statements, my firm was expanding. One of the rooms that is in my office is floor to ceiling with work files going back as far as the 1980's at that time and I felt that it was time for me to take out the trash.**
Q. Do you still have the same computers you used in 2005?
A. **I don't believe so.**
Q. Well, what computer system did you prepare

these reports on in 2005?
A. **I don't remember if it was a Gateway or another brand.**
Q. Was it a home computer or an office computer?
A. **It was an office computer.**
Q. And did you update your office computers since 2005?
A. **Probably twice.**
Q. And when you updated them did you transfer all the files from one computer to the next?
A. **No, not all of them.**
Q. Did you transfer these files?
A. **I transferred this report and this discounted cash flow interest.**
Q. But not the backup for the report?
A. **No, there's no -- That's not in the computer system. This is a limited appraisal and a restricted use format. And what that means in appraisal jargon is that the client wants to know the answer in the shortest possible document.**
Q. At the time you did this appraisal what documents existed that showed how, what values were you placing on particular lots or categories of

lots?
A. **As I did in the more recent appraisal, I would have taken all of the sales, gone there physically and inspected them, verified them with most likely a broker, because most of them sell through brokers, and then I would have rated those properties primarily based on view, which seems to be the big value driver, but also on location. And then once rating those, I would have applied a value to that rating and my recollection is that I had a range of values for each rating and I would typically apply one of the values within that range.**
Q. Right. I guess the question I'm asking you is having gone through that process, what documents at that time existed, are these handwritten documents, typed documents? What was it that we don't have now that existed then?
A. **I can't say exactly what those documents would have been, but some form of a rating sheet for the sales.**
Q. Okay. And that rating sheet you were required to hold at least until March 2010?
A. **Five years from the date of the report.**
Q. March 2010?

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A. **I believe that's correct, yes.**
Q. When you -- Where was this rating sheet on March 17th, 2010 before the five years expired?
A. **Probably in the file room.**
Q. Is this something that you knew you were getting rid of or is this just something that was in one of the boxes that went out with a bunch of other stuff?
MR. CHAPMAN: Objection. Go ahead.
A. **I don't know what you mean by knew I was getting rid of.**
Q. Did you go into a room and did you pick up -- Did you go through each paper that got destroyed to make sure that it was appropriate to not retain?
A. **No.**
Q. What was the process under which this particular document, the rating sheet did not get retained?
MR. CHAPMAN: Objection.
Q. If you remember.
A. **I remember going into the room -- as I said, it's floor to ceiling boxes, and starting with the oldest ones, opening the cover and looking at**

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them and thinking is there anything truly unique in here that I want to save that I might be able to use again and save myself time and effort if I kept it. And that's how I started out selecting. And then that became quite cumbersome and I began carrying the entire boxes of old files out of the room for disposal.
Q. All right. Do you remember coming across documents relating to your Little Neck work?
A. **Yes.**
Q. And what do you remember doing in connection with the documents you came across from your Little Neck work?
A. **I don't really remember doing anything in particular other than possibly throwing some things out, but at that point I was in the throwing things out mode, so --**
Q. Did you consult with anybody before throwing out Little Neck materials?
A. **No.**
Q. I'm including counsel. You didn't consult with counsel before doing that?
A. **No.**
MR. PERRY: Off the record.

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(Discussion off the record.)
Q. So in your March 2005 report you indicate that at that time rents were at $3,600 as an average ground rent? I'm on Page 12.
A. **Yes.**
Q. But they were scheduled to increase to $5,000 or $5,500, depending on seasonal or year round use?
A. **Yes.**
Q. Were the transactions at that time still reflecting implied leasehold values?
A. **I believe so.**
Q. In fact, your next paragraph states, doesn't it, that the extractions indicate that the implied leasehold has increased dramatically in recent years?
A. **It does state that.**
Q. And by that time the Feoffees had stated that they intended to charge market rents, hadn't they?
MR. CHAPMAN: Objection.
A. **I don't recall their statements, but I think there was some expectation that rents would increase, yet my recollection is that the market**

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still wasn't behaving as I expected them to.
Q. And based on the continued implied leasehold values, did that lead you to conclude that rents still were not at market value?
MR. CHAPMAN: Objection.
Q. You won't find it in your report.
A. **I don't recall.**
Q. So if buyers were acting rationally at that time, that would tell us that they believed that future rents would continue to be below fair market rents, true?
MR. SHEEHAN: Objection.
A. **I can't make that statement.**
Q. Well, if buyers were paying more for a property -- If buyers were paying more for an improvement than the improvement itself was worth, then if they were acting rationally, they had to have been expecting to pay less than fair market rent for the real estate?
MR. SHEEHAN: Objection.
A. **What was happening was that the underlying land value appeared to be going up so rapidly that it was going beyond the rental value at that time.**
Q. In other words, the rents weren't keeping

up with the rise in the land value?
A. **Correct.**
Q. I want to show you -- Strike that.
MR. PERRY: May I have this document marked as Exhibit 4 please?
(LaChance Exhibit 4 marked for identification.)
Q. I've marked as Exhibit 4 a document that was produced to us by Mr. Chapman from your files. So do you recognize this as your document?
(Document handed to the witness.)
A. **Yes.**
Q. That's your handwriting it on?
A. **Yes, it is.**
Q. And I know it says 2004 in the bottom right. Do you know, did you write that recently or did you write that in the past?
A. **I'm not sure. I don't know why I would have written it in 2004, so I might have written it more recently just so I wouldn't confuse what it was.**
Q. Right. And so I actually want to call your attention to -- I want to suggest this might actually be from 1999. If you look at the

handwriting in each of the circled areas, do see where it says 50 to 75 in the yellow?
MR. CHAPMAN: It's a little hard to read, but -- (Indicating.)
A. **Okay.**
Q. So --
A. **I do, I see it.**
Q. And it says 70 to 90 in the pink and then it says 91 -- 90 or 91 to 150 in the blue?
A. **Yes, it does.**
Q. So those were intended by you to be the range of values, weren't they?
A. **Those were ranges of value in 1999.**
Q. So this chart, even though you wrote 2004 on it, it actually dates back all the way to 1999, correct?
A. **The chart does with those numbers. I'm wondering if maybe I used the same chart again.**
Q. Right.
A. **And just revised the numbers.**
Q. I agree. So just to expand upon what this document is, in the work did you in 1999 and 2004 to '5 you used a system of categorizing lots based primarily on view and location to associate

different price points with them, correct?
A. **Yes.**
Q. And under your scenario the most valuable lots were those that you rated number 1, correct?
A. **Yes.**
Q. The intermediary value ones were those that you rated 2, correct?
A. **Yes.**
Q. And then what you thought were the least valuable were those that you rated 3?
A. **Correct.**
Q. And the ones rated 1 are those that were the closest to the ocean?
A. **Not necessarily.**
Q. All right. How would you describe it?
A. **They had the best views and that was the dominant factor.**
Q. Okay. And you did a similar system in 2004 and '5 where you rated the lots and applied new values based on the substantially appreciated prices at that time?
MR. SHEEHAN: Objection.
A. **Yes.**
Q. And then in 2010 you actually followed a

similar protocol, didn't you, similar method?
A. **Yes.**
Q. And you have a chart attached to that report, as well, such as this?
MR. CHAPMAN: Such as which one, Exhibit 4?
MR. PERRY: Yes.
MR. CHAPMAN: Okay.
Q. There's a similar sketch, do you recall there being a similar sketch as part of your 2010 report?
A. **I know I did it. I just don't know if it's in the report.**
Q. Okay. Could you tell me, please, under this analysis that you did approximately how many of the parcels fell into Category 1, how many fell into Category 2 and how many fell into Category 3?
A. **I cannot.**
Q. How would one go about doing that? Would one just count the lots?
A. **Count the lots and subtract the commonly held lots.**
Q. So let's, just by way of example, for the rating number 2, how many lots did you circle? Can

you count them?
A. **I can't count them.**
Q. Why not?
A. **Because of the scale of this map.**
Q. Let me -- If I can approach, I know that some of these drawings are small.
MR. CHAPMAN: You're looking at pink, right, Steve?
MR. PERRY: Yeah, just looking at pink.
A. **Am I off the record?**
Q. Not for the moment.
MR. CHAPMAN: You're still on now.
Q. This is, I'm going to attempt to help you just count the number of lots. And this is just the total number without subtracting any that might be commonly held. But what I see in pink is 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18, 19, 20, 21, 22, 23, 24, 25, 26, 27, 28, 29, 30, 31, 32, 33, 34, 35, 36, 37, 38. Do you agree with that?
MR. SHEEHAN: Objection.
A. **I agree that's close.**
Q. Okay. And so the maximum number of, if

that count was right, the maximum number of Category 2 lots would be 38, you'd need to subtract any commonly held?
A. **If the count was right, that's true.**
Q. And we could go through the same exercise for the blue and for yellow, correct?
A. **We could.**
Q. And would you agree that the largest number of lots on this appears to be in Category 1?
A. **Yes.**
Q. Okay. And then you'd have to subtract any commonly held lots?
A. **Yes.**
Q. All right.
MR. CHAPMAN: Whenever you find a moment for a break, Steve?
MR. PERRY: All right. I'm going to do that in just a second.
Q. Let me show you for a moment the drawing that was attached to your report in 2010. We'll mark it a little later. And you again on that document have a 1, 2 and a 3 and my question to you is did you use substantially the same rating system in 2010 and if there were any differences, could you

point them out to me?
A. **I did use substantially the same rating system and that I can see there's a slight difference with these lots on the bend.**
Q. You upgraded those from 3 to 2?
A. **I did. I was more impressed with the views when I went back up river. You can see how these lots tend to bend.**
Q. Right.
A. **It gives them a little bit better exposure up the river and you get the setting sun across the water type of effect that diminishes and completely disappears as you move in.**
Q. Okay. So you have the same roughly 38 interior lots that we just counted and then there's maybe four or more that you added to Category 2 for a total of something like 42 Category 2 lots in 2010?
MR. SHEEHAN: Objection.
A. **That appears correct.**
Q. Okay. And again, in 2010 the largest number of circled lots are those designated as Category 1?
A. **Yes.**

MR. PERRY: We can take a break, Tyler.
MR. CHAPMAN: Thanks, Steve.
(Brief recess.)
Q. I may have asked you this indirectly before, but did you do any more work for Little Neck tenants or anybody else connected to Little Neck after you rendered the 2005 report and before you were asked to prepare a report in 2010?
A. **On Little Neck?**
Q. Yeah.
A. **Yeah, no, no, I did not.**
Q. 2010 you were engaged again by the Little Neck tenants to do some appraisal work?
A. **Yes.**
Q. What were you asked to do?
A. **Estimate market value.**
MR. CHAPMAN: If I can just clarify one thing, actually I engaged him, but I don't have an objection to answering your questions, but just so that you're clear.
MR. PERRY: All right. So I'll clarify that.
Could we mark as Exhibit 5 the 2010

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report, please?
(LaChance Exhibit 5 marked for identification.)
Q. Is Exhibit 5 a copy of the appraisal report you prepared in December 2010 valuing Little Neck as of November 1, 2010?
A. Yes.
Q. And that was done under an engagement you had with, according to the second page, the Little Neck Legal Action Committee care of Tyler Chapman, Esquire?
A. Yes.
Q. And you sent it to Mr. Chapman?
A. I did.
Q. The report was intended to be used by the Little Neck Legal Action Committee in connection with an investment decision, this is at Page 8, and also for possible consideration by the Feoffees and representatives of the trust's beneficiaries?
A. That's correct.
Q. And the trust beneficiaries you understand to be the, at this time, the School Committee of Ipswich?
MR. SHEEHAN: Objection.

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A. That was my understanding.
Q. At the time you prepared this report you were anticipating it would be shared with those other parties?
A. Possibly.
Q. And it was, correct, to your knowledge?
A. I don't know how it couldn't be. I think it was put on line.
Q. Okay. I want to direct your -- Strike that.
At the time you had done your report had you already seen some other appraisal reports that were done by other parties?
A. Yes.
Q. At that time had you seen all three of them, that is, an appraisal by LandVest, an appraisal by Steve Foster and an appraisal by Colliers Meredith and Grew?
A. My recollection is that I saw some of them and then more came on line as I was preparing my own report.
Q. Okay. The last you would have received was Mr. Foster's, correct?
A. I don't remember the sequence.

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Q. At Page 6 of your report you have a paragraph, and this may refresh your recollection -- I should have let you look at this before I asked you that last question, but in fact, by the time you did your report you had seen all three of these other appraisal reports, correct?
A. I think they were all in by the time I completed my work. I think I was actually in process while they were coming out.
Q. Right. But prior to the completion of the report it says that those appraisals were made public and I have read them all?
A. Yes.
Q. So that refreshes your recollection that in fact you had all three and had read them all before you did this report?
A. Before I completed this report.
Q. Right.
A. Yes.
Q. You say, 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

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marginally higher price than that likely to be paid by competing prospective buyers.
Could you tell me what you meant by that?
A. You, as a prospective buyer, you should have a feel for what other prospective buyers would be willing to pay. And while I can understand the willingness of a buyer that has somewhat stronger incentive to acquire, thereby being willing to pay more, there's a point where they have to ask themselves why am I paying more than anybody else would pay in a substantial amount.
Q. When you say, It's unlikely that a prospective buyer of real estate would "agree to a term of sale that would weaken its position", what did you have in mind when you referring to a term of sale that would weaken the position of a prospective buyer? Was that specifically in reference to the tenants or was that a hypothetical buyer? And if you can't recall, that's fine, too.
A. I can't recall.
Q. Okay. If we could turn to Page 15, I wanted to ask you some questions about some of the history you have written. Of course, you can feel

free to read as much of this as you want, but I wanted to ask you about the third paragraph on that page.
You have reviewed it, right?
A. **Yes.**
Q. Start with the first sentence where it says, Its function is effectively like a mobile home park, except that for atypically attractive location and its cottages were not mobile.
Is a mobile home park, is that also known as a trailer park?
A. **They can be known as mobile home parks or manufactured home parks. Trailer parks usually denotes something that's pulled around by a truck.**
Q. Are mobile homes that are in mobile home parks movable?
A. **Yes, they are.**
Q. And what kind of structures are those usually?
A. **Metal.**
Q. And how do you move them?
A. **With a special truck.**
Q. So if a tenant at a mobile home park decides to move his house off the property, let's

say he's behind in his rent, is there anything the owner can do to stop him?
MR. SHEEHAN: Objection.
Q. As you understand the industry.
A. **I think there probably is.**
Q. Do they typically have a lien on the structure?
A. **I couldn't tell you.**
Q. You don't know what they could do to stop the person from just moving its home off the premises?
A. **I know they could block the entrance.**
Q. Are they allowed to do that?
MR. CHAPMAN: Objection.
A. **Legally --**
MR. CHAPMAN: Go ahead.
A. **Legally I can't say, but having dealt with mobile home operators. I fully expect that they would.**
Q. Are the demographically do you know how the tenants in a mobile home park compare with the tenants at Little Neck.
MR. CHAPMAN: Objection. Go ahead.
A. **I suspect that they exhibit lower incomes.**

Q. On the whole, the tenants at the Little Neck are probably a better credit risk than the typical occupants of a mobile home park?
MR. SHEEHAN: Objection.
A. **I would guess them to be so.**
Q. And in addition, the cottages that are at Little Neck would be very difficult, if not impossible to move off the premises, correct?
A. **I think they would be very difficult.**
Q. And the fact that you can't easily move the cottages provides a landlord with a form of security as compared to a mobile park where the homes can be moved, is that true?
MR. SHEEHAN: Objection.
A. **It does, but you need to understand that there are so few sites where a mobile home could be moved to, that that element of security exists to a degree for mobile home park operators, too.**
Q. It exists to a degree, but to a lesser degree?
MR. SHEEHAN: Objection.
MR. CHAPMAN: Objection.
A. **I think it's, I think it's to a lesser degree generally, but it would be difficult to**

quantify.
Q. Now, you say in the same paragraph, Rents were reasonable and the proceeds after operational expenses were gifted annually to the school system. When you say in this paragraph, Rents were reasonable, what period of time are you referring to?
A. **Until the mid 1990's.**
Q. And we've already looked at documents that show until the, even the late 1990's the rents were low, weren't they?
A. **They were below market.**
Q. So when you say that rents were reasonable, did you mean that from the standpoint of the tenants they were reasonable?
A. **I mean --**
MR. CHAPMAN: Objection. Go ahead.
A. **You could use the word cheap for reasonable.**
Q. Okay. That's a good clarification. Now, in the -- I'd like you now to review the next paragraph and I wanted to ask you some questions especially about the sentences toward the end of it.
We've already reviewed the fact that

when rents were increased up through 2005, there was still a very large implied leasehold, correct?
MR. SHEEHAN: Objection.
A. **There was an implied leasehold. My recollection is it was substantial.**
Q. Right. But you say here, "This rent increase resulted in recapturing all or most of the implied leasehold." I assume you're talking about a rent increase that occurred after your 2005 appraisal?
A. **Yeah. Earlier in the paragraph I'm talking about the mid 2000's, so that was probably my mind-set.**
Q. What was your mind-set?
A. **That since then the rents had gone up to recapture a lot of that implied leasehold. And it's my recollection that it was made public that the rents were going to continue to increase. In fact, I think they had a chart or a publicized method of how those rents were going to increase.**
Q. And in fact, the last two sentences read together talk about a rent increase that caused financial difficulty to the tenants that remained who simply wanted to enjoy the cottage under the

former systems. So you're just talking about the rent increase to the rents of 97,000 seasonal, 10,800 year round, correct?
A. **Correct.**
Q. And you felt that that rent increase resulted in recapturing most or all of the implied leasehold?
A. **Yes.**
Q. In the next, two paragraphs down you refer to a purchase agreement under which the tenants would acquire the subject property for a price of 29 million 150.
A. **Yes.**
Q. Did you ever review the terms of that purchase to see if there were any items that needed to be adjusted as unusual terms?
A. **No.**
Q. Are you aware of -- Let me ask you if you're aware of certain elements that might need to be taken into account. This property is not currently condominiums, correct?
A. **Correct.**
Q. I think you're aware that the settlement agreement between the tenants and the Feoffees would

call upon the Feoffees to bear the expenses of condominium conversion?
A. **That's my understanding.**
Q. And that's not an expense the Feoffees would bear if they were to continue to rent the property?
A. **That's correct.**
Q. Or if they were to sell it to somebody for continued rental?
A. **Yes.**
Q. True?
A. **True.**
Q. So that's a concession by the seller that ought to be adjusted, correct?
A. **That is a concession by the seller.**
Q. Do you know how much it's going to cost to convert these units to condominiums?
A. **I do not know. And I've heard numbers that vary widely. So I tried to find out from other people that I knew what's a reasonable number. And I think I concluded about $3,000 a unit, but I had not a very strong basis for that.**
Q. Okay.
A. **So that was about a half million dollars.**

Q. So in fact, some of the numbers that have been bandied about, I think I've seen 400,000 on the low side and maybe a million on the high side. Does that sound about what you --
MR. SHEEHAN: Objection.
A. **That sounds about right.**
Q. And your own attempt to capture it came up with something in the range of 500,000?
A. **Correct.**
Q. But you didn't actually adjust for it in your work, did you?
MR. CHAPMAN: Objection. Go ahead.
A. **Well, I can't say that I didn't adjust for it, because without that stipulation, it couldn't be sold. But if you mean did I take it as an expense, no, I did not.**
Q. Right. You didn't -- If we were trying to compare sale for rental purposes to a sale as condominium you would have to subtract the half million from the 29,150, wouldn't you?
A. **Yes.**
Q. In addition, and I don't know how much you were familiar with the details, but I'll ask you, you're aware at this time, aren't you, that while

the Feoffees were charging a certain amount in rent, not everybody was paying the Feoffees all of that rent?
A. **I believe I reported in there somewhere that some amount was being put into an escrow fund.**
Q. Right. So what was going on was that some tenants had signed leases and they were presumably paying the full rents being charged, right?
A. **Yes.**
Q. And some tenants, most of the tenants had not signed leases, correct?
A. **Correct.**
Q. And they had agreed to pay a certain amount, which I think you identified in your report, to the Feoffees and the balance of what the Feoffees were claiming were put into an escrow account, right?
A. **That sounds right.**
MR. PERRY: Off the record, Bill?
(Discussion off the record.)
Q. And Mr. Sheehan has kindly advised that those numbers were 5,480 per year for seasonal use and 5,980 a year for year round use. Does that sound right to you?

A. **Yes.**
MR. SHEEHAN: That's my memory.
Q. Do you have an understanding of what happened to the differential between the amount the Feoffees were claiming for fair rent and the amount being paid to them, that is the amount being put in escrow if the sale occurred?
A. **I do not.**
Q. I'd like you to assume that under the terms of the sale the amounts in escrow are simply being applied to the purchase price, okay?
A. **Okay.**
Q. And also that from sometime in the first quarter of -- Let me start with that, with the escrow. Would you agree that to the extent the Feoffees had a valid claim for that rent, then that would be an adjustment you'd have to make against the sale price?
MR. SHEEHAN: Objection.
MR. CHAPMAN: Objection.
Q. If it were basically being rebated?
MR. SHEEHAN: Objection.
MR. CHAPMAN: Objection.
A. **My analysis doesn't address lost rent that**

happens prior to the valuation date.
Q. What I'm asking you about is an unusual condition of sale. If we assume for the moment under your analysis the Feoffees -- You agree that the Feoffees, as far as you know, had a right to collect fair market rent for these properties?
MR. CHAPMAN: Objection.
A. **I believe so.**
Q. And you calculated in this report a fair market rent of 9,700 a year for seasonal use and 10,800 for year round use, didn't you?
MR. CHAPMAN: Objection.
A. **That sounds correct.**
Q. If under the terms of the sale the Feoffees agreed to return to the tenants essentially the difference between the amounts in escrow, wouldn't that be an adjustment you'd have to make against the sale?
MR. SHEEHAN: Objection.
A. **If I were to place weight on that sale price as a value indicator, I would have to make that adjustment.**
Q. Okay. And in addition, if the tenants continued to pay the lower rent after the first

quarter of 2010 and didn't even pay it into escrow, just paid the lower rent, you'd adjust for that, as well?
THE WITNESS: Objection.
MR. CHAPMAN: Objection.
Q. As far as what this the sale price is for purposes of comparing it to a rental value?
MR. SHEEHAN: Objection.
A. **If they continued that process of escrowing a portion of the rent and a sale price were based upon a give-back, essentially, of that, yes, I would adjust that sale price if I were using it as a value indicator.**
Q. Right.
A. **Or if you were trying to evaluate what the seller was getting out of this transaction?**
MR. SHEEHAN: Objection.
A. **I think what you're getting at is what's the all cash price.**
Q. Yeah.
A. **So if that is what you're trying to ask me, then the answer is yes, I would adjust it that.**
Q. And you didn't do that because you weren't aware of those facts, correct?

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A. **That's correct.**
Q. And were you aware that as part of the agreement, anybody who signed a lease and was paying the higher rents will, at the time of closing, receive a credit for all of the excess that they paid compared to the lower amounts that the other tenants were paying?
A. **I was not aware of that.**
Q. And you didn't take that into account?
A. **I did not.**
Q. And if you had known it, you would have also adjusted this 29,150 figure to -- $29,150,000 figure to adjust for that for purposes of comparing it to the value the Feoffees could get from an alternative to this sale?
MR. SHEEHAN: Objection.
MR. CHAPMAN: Objection and his appraisal is not that it's 29,150.
MR. PERRY: I understand.
MR. CHAPMAN: Okay.
MR. PERRY: But he says that.
Q. I'm really getting at the sentence that says that the Little Neck Legal Action Committee negotiated a purchase agreement under which the

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tenants would acquire the subject for a price of 29 million 150. That's what you wrote, right?
A. **That's correct.**
Q. And when you wrote that you weren't aware that there were certain special features of the sale that might, based on adjustments, mean that the real purchase price was lower?
MR. SHEEHAN: Objection.
A. **The all cash price would need to be adjusted.**
Q. Based on any rebates, forgiveness of rent that was owed, etc., right?
MR. SHEEHAN: Objection.
A. **Yes.**
Q. Okay. On Page 17 there's discussion of, the second to last sentence, last full sentence, about the waste system. And you say the system is nearly new, has a defined flow of 50,000 gallons per day and cost is reported as $6 million. Did you have any information about the useful life of that system or how much one might have to spend ultimately for maintenance or repair of that system over and above any charges the tenants were paying?
A. **I did not have information as to the**

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useful life. I did have some operating information that was provided in financial statements.
Q. Right. But you don't know whether that system is something that would be good for 500 years or 50 years or 100 years, right?
A. **I don't know specifically the useful life of that system, but these common systems tend to last, from my experience, 25 to 40 years.**
Q. Okay. And then what happens?
A. **They need to be replaced.**
Q. You have an indication in your report about the highest and best use of property. I guess that's on Page 21. And the two uses that you ultimately considered were a sale as condominium as proposed in the settlement, correct?
A. **Yes.**
Q. And a sale to somebody who would then rent the property?
A. **Correct.**
Q. And there's, of course, also an alternative of not selling it and continuing to rent the property?
A. **That's not an alternative that I considered in a market value analysis, because it**

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implies that a sale is going to occur.
Q. In the rental scenario you have already said that no condominium conversion would be necessary, right?
A. **Correct.**
Q. When you did your rental analysis you came up with what figure for your estimate of net operating income?
A. **$1,625,418.**
Q. And that was your estimate of what could be collected in rents net of expenses?
A. **Correct.**
Q. And then you sought to turn that into a value that somebody might pay to enjoy that rental stream?
A. **Yes, I did.**
Q. And that was done by capitalizing the net operating income, true?
A. **Correct.**
Q. And a critical component of arriving at a value is to determine an appropriate capitalization rate?
A. **Yes.**
Q. And that capitalization rate should be

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chosen so that you are matching the risk inherent in this particular investment to similar, to other transactions of similar risk?
A. Generally speaking, yes.
Q. Could you tell me what work you did to try to determine a capitalization rate?
A. I looked at published surveys of capitalization rates. I looked at investment rates in general for competing investments. I looked specifically at capitalization rates from some large mobile home parks.
Q. So would you agree that the leasing of the cottages at Little Neck, once the litigation was resolved, as you assumed it is here, would be a fairly safe investment in the scheme of things?
MR. SHEEHAN: Objection.
A. I don't believe I assumed that the litigation was resolved. In fact, I took a capital expense because I fully expected that someone proposing to continue rental of Little Neck would probably be sued again.
Q. Right. So you actually had a reserve of 250,000 for litigation?
A. I did.

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Q. Okay. But when you were trying to select a cap rate you viewed the ground lease at Little Neck to be a relatively safe investment, didn't you?
MR. SHEEHAN: Objection.
A. Within the range of risk profiles I found it to be more akin to multi-family and manufactured home parks than to more risky investments such as industrial or office.
Q. And what had been the, what's been the trend for cap rates in Massachusetts for apartments over the past year?
A. Is it relevant in the last year?
Q. You're just asking that because you did this as of November 1, 2010?
A. Correct.
Q. So as of November 1, 2010 your report reflects what you found with regards to cap rates on apartments, right?
A. Correct.
Q. And what you had found was based on local rates, you had found sales of 5.9 to 6.8% for apartments?
A. Correct.
Q. Now, land is more durable than an

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apartment, right?
A. Yes, it is.
Q. And when you have an asset that's more durable, it tends to have a lower cap rate?
A. It can, but in the apartment market you also have that a lot of the buyers, I believe, are looking at an exit strategy of condominium conversion. So there's potential for significant upside in the future that puts downward pressure on those rates.
Q. And we've already discussed that there are some factors that make Little Neck less risky than the average mobile park?
MR. SHEEHAN: Objection.
A. I don't know that we determined that it was less risky. We did determine that the tenant base is probably of a higher economic standing, but they're also looking at paying a significantly higher rent, so to an extent, that negates each other.
Q. When you looked at the mobile home market where did you turn for your data?
A. My appraisal reports of mobile home parks, primarily, and then any published surveys that I

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could find.
Q. I note that you, at Page 27, the only data that you have listed are four particular mobile homes sites, right?
A. Yes.
Q. Were these sites that you yourself had previously appraised, any of them?
A. No, not me personally, but --
Q. Somebody in your firm?
A. Yes, appraised the largest, I believe it was the largest one that he appraised.
Q. So somebody in your firm in April of 2007 appraised the Lindenshire Mobile Home Park in Exeter, New Hampshire and as part of that generated the comps that are shown below that?
A. I can't say with certainly that was the park, but I think it was the park and he generated some of that data and I believe I generated some of that data. I also confirmed it all myself and visited all those parks myself.
Q. Now, would you agree with me that at the time that the Lindenshire Mobile Home Park was sold interest rates were substantially higher than they were as of November 1, 2010?

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MR. SHEEHAN: Objection.
A. **I believe they were.**
Q. Was the prime rate eight and a quarter in April 2007?
A. **I can't recall what it was exactly.**
Q. Is it three and a quarter now?
A. **It is three and a quarter now and it was three and a quarter at the date of valuation.**
Q. And treasuries at the date of valuation were in the range of 4%?
A. **That sounds right.**
Q. And they were higher in 2007, weren't they?
A. **Yes.**
Q. Did you look for any more recent data on cap rates for mobile homes at the time you did your report?
A. **Yes, I did.**
Q. And where did you look?
A. **I scanned the entire state for mobile home park sales and then I contacted people that I know, appraisers that appraise mobile home parks across the country and discussed what they were seeing. And then I called investors in mobile home parks and**

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asked them what they were looking for for rates and based upon all of that I had an idea of what the mobile home park market was with respect to rates. And while they may be considering the treasuries and prime rate, there isn't a percentage for percentage match in change in those. So I tend to place most weight upon rates from actual sales rather than rates that I build up mechanically by logic.
Q. Well, do you have any actual sales you based your rate on that were more recent than April 2007 at which time, as you have testified, treasuries and prime were much higher?
A. **Not for mobile home parks, I don't.**
Q. Is there a published source that lists mobile home park sales?
A. **There is a published report, yes.**
Q. And have you looked at it?
A. **Yes.**
Q. And did that have any sales later than 2007 in the Massachusetts area?
A. **No.**
Q. Why is it important to use Massachusetts?
MR. SHEEHAN: Objection.
Q. Is it because cap rates here are different

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from other areas of the country?
A. **I don't think it's critical that it just be Massachusetts, but I knew I wasn't going to Florida or Texas or California to see those parks and I like to see the properties whose rates I'm relying upon.**
Q. You need to know that in the mobile home park setting you would need to know that they're dealing with a park that has a high degree of occupancy, don't you?
A. **Yes.**
Q. Because you can't tell whether it's in fact, otherwise you wouldn't know if that was factored into the purchase price?
A. **I can't tell from looking at it.**
Q. Right.
A. **But as I said, I confirm them and I find out what occupancy they were at when I do that.**
Q. And you need to know that it's populated by tenants that have a reasonable prospect of paying the rent, right?
A. **That's something that you can observe when you go to the properties. You can look at how it's maintained and what type and quality of automobiles**

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are parked at each of the homes.
Q. Right. So you were comfortable that the 6.5% cap rate for Lindenshire was an appropriate comp. for Little Neck, right?
A. **Yes.**
Q. But you agree that that rate was realized at a time when interest rates and returns were much higher than they were when you, as of the date of your report?
MR. CHAPMAN: Objection.
MR. SHEEHAN: Objection.
A. **Interest rates were higher.**
Q. You said you have reviewed the LandVest report and I'm not going to mark a copy of it, but I wanted to ask you about a statement in it, which I'll share with you. If you could just take a look at Page 59 -- I'm not going to mark this as an exhibit because I'm taking it out of my exhibit book, but I think we can all identify what page I'm referring to. I'm showing the witness Page 59 from the LandVest appraisal dated October 25, 2010 valuing Little Neck as of September 11th, 2010.
I'd like you to look at the Paragraph 5 on this page, specifically the language

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below the chart.
(Document handed to the witness.)
Q. And is it your understanding that in that paragraph Mr. Monahan --
MR. SHEEHAN: Wait. May I see it?
MR. PERRY: Yes, that's fair enough.
(Document handed to counsel.)
MR. SHEEHAN: Thanks.
MR. PERRY: I don't know if I have a copy. Anybody have a copy of that whole document?
MR. CHAPMAN: I don't have it with me.
MR. SHEEHAN: Thank you.
MR. PERRY: Sorry. Do you want to see?
MR. CHAPMAN: Yeah.
MR. PERRY: Why don't you look on?
MR. CHAPMAN: That's fine, go ahead.
Q. Do you see in that paragraph that I've asked you to read Mr. Monahan refers to a capitalization rate to apply to rentals at Little Neck?
A. **Yes.**
Q. And what rate does he refer to?

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A. **4.25 to 5.25%.**
Q. Which he calls a safe rate?
A. **Yes.**
Q. Meaning, as you understand it, a rate for a relatively safe investment, right?
MR. SHEEHAN: Objection.
MR. CHAPMAN: Objection.
Q. I mean, is that how you understand the term safe rate?
MR. SHEEHAN: Objection.
A. **I think I'd be speculating to know what Mr. Monahan was thinking.**
Q. Do you think its --
A. **Excuse me. I just want to finish.**
Q. Yes.
A. **You made a statement that I reviewed the LandVest report.**
Q. Right.
A. **And the word review in an appraisal context has a particular meaning that I don't think you intended.**
Q. No, I did not. You had read the LandVest report?
A. **I read it briefly, but I focused my**

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reading more specifically on the data, because I wanted to make certain that I didn't miss any data that someone else had. And that was true for all of the appraisal reports.
Q. Right. And besides that, the fact whether you had read it from top to bottom or glanced at it is, I don't think is relevant to my question, because you obviously were doing your own independent work, correct?
A. **Yes.**
Q. My question to you, sir, is having read what Mr. Monahan says there, do you agree that it would be reasonable to utilize a capitalization rate for the rentals that was one to two points over prime?
A. **No, I disagree with that.**
Q. Is that something upon which reasonable minds can differ?
A. **I think it's weak support for a capitalization rate.**
Q. Do you think that using a 2007 mobile home park data without adjusting it for changes in interest rate is a weak, is weak support?
MR. CHAPMAN: Objection.

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A. **Collectively looking at the mobile home parks sales and the apartment rents and the surveys that I describe in my report is a much stronger basis for a capitalization rate selection than trying to build one up. And if you test rates over a period of ten or fifteen years by trying to build up a rate using a prime rate plus some risk factor, you're going to find that you're above or below what capitalization rates actually are and sometimes substantially so. And that's why that's considered to be a weak or last resort method of developing a capitalization rate.**
Q. How about using treasury rates and building up from there?
A. **Same thing.**
Q. It's what did you in 1999, though?
A. **Yeah.**
Q. Would it be reasonable, in your opinion, to conclude that the capitalization rate for Little Neck should be lower than 7%?
MR. CHAPMAN: As of what date? I'm sorry.
MR. PERRY: As of 2010.
MR. CHAPMAN: '10.

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A. **If lower, not significantly so. I look at rates as the most likely within a reasonable range and I would say that that's what that is, 7%.**
Q. So could an appraiser, in your opinion, reasonably conclude that the capitalization rate should be 5% as of November 1, 2010?
A. **I think that's too low.**
Q. Could an appraiser reasonably conclude as of November 2010 that the capitalization rate should be 5.5%?
A. **I think that's too low.**
Q. What about 6%?
A. **You're starting to get closer, but you have also got to consider that there is no reserve in the rate. At 7% it's implied within the rate rather than explicitly within a stabilized operating statement and that tends to push the rate up a little bit.**
Q. And at 6.5% you'd agree that's certainly within a reasonable range?
A. **Yes, it is.**
Q. Am I correct that your conclusion that the highest and best use was a sale would be altered if you had used a significantly lower capitalization

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rate for the rentals?
A. **Would you mind restating that? Because I'm not following your question.**
Q. Let's see. What was the price you concluded would be gained in a fair market sale?
A. **My market value estimate was $26,700,000.**
Q. Okay.
A. **The value indication by the income capitalization approach was $22,100,000.**
Q. So do you have a calculator with you?
A. **No.**
Q. Let me give you calculator. If you had used a capital -- The figure you were capitalizing was 1,625,000, is that right? Page 28, yes. You were capitalizing a figure of approximately 1,625,000, correct?
A. **Correct.**
Q. Could you tell me what the rental -- what the value on a rental basis would be had you selected a capitalization rate of 6%?
A. **I can't tell you that it's a value. I can just tell you that the number is 27,090,300.**
Q. Is that a higher value than you concluded for your sale scenario?

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A. **It's a higher number, but again, I can't say that it's a value.**
Q. Right, because you're not agreeing with the 6%?
A. **Right.**
Q. Although you have acknowledged that it's, in your words, starting to get in the range of what might be reasonable?
MR. SHEEHAN: Objection.
Q. But you think it should be higher because of the reserve?
MR. SHEEHAN: Objection.
A. **I think it should be higher and higher still because of the reserve.**
Q. And then if you put in the figure, if you use the 6.5% capitalization rate, could you give me what the number would have been for the capitalization of rental income?
A. **What was the percentage?**
Q. Six and a half, so .065.
A. **The number that results from that calculation is 25,006,430.**
Q. Thank you.
MR. PERRY: Off the record.

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(Discussion off the record.)
Q. Did you read what LandVest had done for extracting land value in its 2010 appraisal?
A. **I think I only briefly looked at that.**
Q. Did you see that LandVest had concluded in its report a number of sales from 2007 through 2009, a number of sales at Little Neck?
A. **I believe they did include some sales on Little Neck.**
Q. And did you choose to use those in your report?
A. **I don't believe I did.**
Q. Can you explain why you felt that it was of no use to use those sales at the time of doing your evaluation?
MR. SHEEHAN: Objection.
Q. Why don't you tell us why you did not choose to use those sales?
A. **The market on Little Neck was in turmoil in that time frame and trying to determine what the participants were thinking when they made those acquisitions was so unusual, I just found them to be very unreliable.**
Q. There were several different possibilities

that could have been going on, correct?
A. Yes.
Q. And one of them is that as word spread that there could be a sale of lots, people could have been buying cottages to get in on the sale, correct?
A. That's one possibility.
Q. And isn't it true that the price that individuals will be paying for a particular conceptual lot -- Strike that. The price that individuals will be paying for a condominium unit are less than the fair market value of that individual condominium unit?
MR. SHEEHAN: Objection.
A. I'm sorry, I don't understand the question.
Q. In your appraisal work didn't you appraise all of the cottages, didn't you derive a selling price, a fair market selling price for the proposed condominiums?
A. The proposed condominium lots.
Q. Yes.
A. Yes.
Q. Exclusive of the improvements?

A. Correct.
Q. And that came out to close to $40 million, didn't it?
A. Yes.
Q. But it needed to be sold over time, under your model?
A. Yes.
Q. And so the way you get from 40 million to 26 million is because you're discounting the proceeds based on a required rate of return of a hypothetical intermediary who was buying the property and then selling off the lots?
MR. SHEEHAN: Objection.
A. Even if it's not an intermediary, that should be done.
Q. Okay. But that's how you got there?
A. Yes.
Q. At the end of the day, a tenant buying a lot ends up with a lot that has a fair market value higher than he paid to the developer -- Strike that.
If you were to look at what the Feoffees are getting per lot and compare that to the fair market value that the tenants now own, what is the comparison?

A. Okay. It sounds like you're saying is the value less than the sum of the aggregate retail of those lots?
Q. Let me try it a different way. There's a schedule in the settlement agreement which says that what each tenant is going to pay for his lot, right?
A. I don't know that, but I'll take your word for it as a premise for the question.
Q. And let's assume that those prices all add up to 29,150,000 before any rebates.
MR. CHAPMAN: Objection.
Q. Okay?
A. Okay.
Q. On average, the tenants will be ending up with lots that have a fair market value higher than what they're paying, correct?
MR. SHEEHAN: Objection.
Q. Each individual tenant.
MR. SHEEHAN: Objection.
A. As an individual lot, if it's established as a lot, yes.
Q. Because after the sale occurs, if you add up the value of all the lots that have been purchased, according to your analysis it comes out

to just short of $40 million?
MR. SHEEHAN: Objection.
A. That is the aggregate retail.
Q. And that's the estimated value of what any given tenant could sell his own lot for?
MR. SHEEHAN: Objection.
Q. A tenant who wanted to then flip his property could sell it over time for the average retail, right?
MR. SHEEHAN: Objection.
A. That's the estimate behind it.
Q. Yeah.
MR. PERRY: Just give me a minute. I need to put my hands on something. What time do we have? Anybody want to break while we do that?
MR. SHEEHAN: No, I just assume to we keep going. Unless the witness wants to.
MR. CHAPMAN: I'd like to take a quick break.
MR. PERRY: Okay, that's fine.
(Brief recess.)
(LaChance Exhibit 6 marked for identification.)
Q. I've placed in front of you Pages 49

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through 56 from the LandVest report dated October 25, 2010 and we've marked that as Exhibit 6 and that's part of the document you read when you did your report, correct?
A. Yes.
Q. And the pages I've given you deal with the extraction of land values for Little Neck and I just want to ask you about some of the work done here, okay?
A. It's okay with me.
Q. If you look at the first page, it reports a sale in August 2007 of $550,000, correct?
A. It does.
Q. And if you go down to the extracted land value column at the bottom, you can see that there's a statement for the replacement cost new of 275,600, reduction for depreciation, yielding a value of improvements of 206,700, in addition for landscaping of 20,670 and the balance is said to be extracted land value, correct?
A. That is what it says.
Q. And Mr. Monahan in this chart comes up with an extracted land value of 322,630, correct?
A. Correct.

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Q. And similarly, he goes through a similar analysis on the second page and comes up with an extracted land value of 140,225, correct?
A. He does.
Q. And then he has similar value on the third page of a value of 227,905, on the fourth page, one of 267,000, right?
A. Yes.
Q. On the fifth page of this exhibit the value of 209,407 and then on the sixth page of the exhibit a value of 109,729, right?
A. That's what it says.
Q. And if you go to Page 56 of his report, which is the last page of this exhibit, you see that there's a chart that lists each of those properties, the selling prices that he's discussed and an extracted land value, which is a rounding off of the figures we just went over?
A. It appears to, yes.
Q. Okay. You told us that in order to do, if you were going to use extracted land values, you need to account for the rent that's being paid, right?
A. You need to account for the, if there's a

Page 95

leasehold interest.
Q. Right. In other words, at the time that Mr. Monahan was doing this appraisal anybody who was paying these prices to buy the cottage would also have to be paying rent to the Feoffees, unless they were able to buy the cottage, right?
A. Unless they were able to buy the lot, you mean.
Q. The lot, yes.
A. Yes.
Q. Sorry about that. So assuming for the moment that the buyers weren't contemplating a sale, you would want to capitalize future rent expectations as we discussed as an adjustment for the extracted land value, right?
A. I would not have done it the way they did, if that's --
Q. Yes. But I want to go further than that.
A. Okay.
Q. Isn't it true that in your opinion these extracted land values have not been developed in accordance with generally accepted appraising standards because they totally ignore the fact that the buyers would have to pay rent on the property

Page 96

going forward?
A. If the rent's at market, then the capitalized value of that rent should be the same as a lot value. So while I chose not to perform this method, I can't --
Q. I think we're missing something here.
A. Okay.
Q. These buyers paid, according to Mr. Monahan, more for the cottages than they were worth by the figures in the extracted lot land value column, correct?
A. I'm sorry. Would you say that again?
Q. Okay. You understand that this chart on Page 56 reflects the prices that were paid for the cottages, right?
A. Yes.
Q. And the figure at the right side of the column is how much the buyer paid in excess of the fair market value of the improvements?
A. That is what his calculation seems to be, extracted lot/land value.
Q. Right. And we just went over his methodology. He took the purchase prices, he subtracted the depreciated value of the cottages and

he arrived at, he added landscaping and he arrived at the extracted lot land value and listed them in that column, the right-hand column at Page 56 of the chart in the middle of the page, true?
A. That appears to be what he did.
Q. And those buyers, in addition to paying these figures in excess of the fair market value of the cottages, they also had to pay what you would believe to be close to full fair value rent?
A. They did have to pay that, yes.
Q. So if there were no sale on the horizon, these extractions would suggest that the rent was still far too low, wouldn't it?
MR. CHAPMAN: Objection.
MR. SHEEHAN: Objection.
A. I haven't made that analysis, so I feel a little under the gun to try to answer that question.
Q. Yes. And I'm not suggesting that you could fairly derive the rent in this fashion, because by 2007 to 2009 there was some possibility that a sale could take place that might give people the ownership of lots at less than the individual lot fair market value, right?
MR. SHEEHAN: Objection.

MR. CHAPMAN: Objection.
A. What I said was the market was in turmoil to the extent that I felt very uncomfortable relying on this data to any degree for a lot value.
Q. But when you testified to how one properly does an extracted land value, didn't you tell us that when you extract the value, you have to also adjust for the capitalized value of the rent that's going to be paid by the buyer?
MR. SHEEHAN: Objection.
A. I believe I did that within the context of showing the leasehold or the implied leasehold.
Q. Well, I believe when you look at your 1999 report you found an implied leasehold of a certain amount and then you adjusted it by capitalizing the additional rent that the buyer would still have to pay?
MR. SHEEHAN: Objection.
Q. Do you remember that?
A. I don't remember exactly what I did there.
Q. Take another look. I show you again your Exhibit 1.
(Document handed to the witness.)
MR. SHEEHAN: You're referring to

Page 17?
MR. PERRY: Page 17.
MR. SHEEHAN: Thank you.
Q. And you recall that you came out with a value for the property and you added on a value for the capitalized lease payments that were to be made?
A. I did.
Q. And you recall we had a discussion that technically that would be, if they were rational buyers, a capitalization of what they expected to pay in rent?
A. Yes.
Q. And Mr. Monahan has not made any adjustment on his land extraction for what a buyer would expect to pay in rent, has he?
A. I don't see one.
Q. And don't you agree with me that he has not, in this land extraction method, followed any generally accepted appraisal methodology that would yield any kind of reliable result?
A. I can't make that statement.
Q. Well, do you think that he has followed a generally accepted appraisal methodology in simply extracting land values and ignore the fact that the

buyers are also going to be paying rent?
A. Well, if their rent is at market, then the implication is that it equates to land value.
Q. If the rent were at market, the buyer should be paying only the price of the improvements, correct?
A. If the rent were at market, the buyer should be paying for the value associated with the improvements.
Q. And Mr Monahan has determined that even in this chart, that even though buyers are at that time being charged rent that you have concluded is market rent, that they're still paying hundreds of thousands of dollars more than the fair market value of the improvements?
MR. SHEEHAN: Objection.
MR. CHAPMAN: Objection.
A. I'd like to answer your question more definitively, but without really analyzing this person's work, I don't feel like I can pass judgement on its validity.
Q. In your opinion is there any way that one could legitimately make use of the extracted land values that he's shown here to arrive at a fair

market value of the lots?
MR. CHAPMAN: Objection.
MR. SHEEHAN: Objection.
Q. Given what was happening at Little Neck between 2007 and 2009?
A. I think it could be done, but I chose to put low reliance on it because of the difficulty in doing it.
Q. Well, how would you do it when you don't know whether the individuals are going to continue to pay $9,700 to $10,800 a year in rent or get, instead buy the lot at less than they could turn around and sell it for if they flipped it?
MR. SHEEHAN: Objection.
A. That's a good point.
Q. That's why you didn't use this data, isn't it?
MR. CHAPMAN: Objection.
MR. SHEEHAN: Objection.
A. Well, as I said, in trying to understand how that market was functioning at that time, it was in such turmoil that I didn't see a clear pattern of behavior as to how people were considering that.
Q. So are you aware of any generally accepted

appraisal methodology that would allow one to utilize this extracted land value data to arrive at a fair market value of the lots?
A. I think it could be done.
Q. How would it be done?
A. I think you'd first have to go through extraordinary verification of what the buyers were thinking when they bought it and you could then do what Mr. Monahan did in terms of a replacement new less depreciation. And if the buyers felt that the payment they were making for rent was somehow equivalent to what they'd be paying, let's say in cost of debt to acquire that land, then it would be a wash and there'd be no further calculation.
Q. Well, for example, if you were to try to verify with a buyer and the buyer said, I just expect to pay the rent that's currently being charged in perpetuity with cost of living increases, then the proper methodology would be, for the extracted land value would be to capitalize the rent and add it to the figure that Mr Monahan has on the right-hand side, correct?
A. You could do that. To come to the total property value?

Q. The total land value, yes. Just as you did in 1999.
A. Well, he's already got a land value. So if you capitalize the rent, you're adding capitalized rent value to land value.
Q. The rent is for the land?
A. Correct.
Q. The owner here, the buyer is going to have to pay rent in addition to what he's paid for the cottage?
A. Correct.
Q. So if you're trying to determine what the fair market value of the cottage is in a pure rental environment, you would, as you did in 1999, separate out the purchase price between the improvements and the land and then add what the buyer still has to pay going forward in ground rent, wouldn't you?
MR. SHEEHAN: Objection.
A. The capitalized value of that rent.
Q. Yes. And Mr Monahan didn't do that, did he?
A. He didn't, but in 1999 that was a very small amount of money.
Q. Right.

A. I don't know how that would play out in 2007 to 2009.
Q. It was a very large amount of money at that time.
A. Right. The rent was a large amount of money. I don't know how the buyers were functioning.
Q. Right. Well, as we discussed, they may have thought they were going to get to buy the units, right?
MR. SHEEHAN: Objection.
A. That's a possibility.
Q. If they didn't think that they were going to get to buy the units, these extracted -- these transactions would indicate a very high land value, wouldn't they, because people were paying hundreds of thousands of dollars for the right to pay rent of $10,000 a year?
A. That's one way to look at it.
Q. I'd like to go back to your report, if we may, of 2010. So that would be Exhibit 5. And we already had gone over in some part this chart that you did at the third to last page in which you show the ratings of the property, right?

A. **Yes.**
Q. And you recall we had counted out how many
were in the Category Number 2 and came out with a
figure that was approximately, it had been 38 in
your earlier work and maybe 42 in this work, plus or
minus a couple, right?
A. **Yes, less the commonly owned lots.**
Q. Right. Now, could you turn to your report
where you multiplied out the value of the lots? Do
you know where that is? -- Strike that.
Let me ask you a question. What you
did was you developed a three tears, Tier 1, Tier 2
and Tier 3 and you applied the prices that are
appropriate for each tier, correct?
A. **Correct.**
Q. And those tiers were reportedly shown on
that page that we've been looking at, correct?
A. **Yes.**
Q. All right. But if you look at Page 42 of
your report, you say that there's 27 Tier 1
properties, 94 Tier 2 properties and 46 Tier 3
properties?
A. **I do.**
Q. Could you please explain how that

statement corresponds to your chart where you show
the largest number of properties being Tier 1, only
40 being Tier 2 and some other number being Tier 3?
A. **I'm taking averages within those tiers.**
I'm now reducing the range that I show on top of
Page 42 and using an average number within that
range and, as a consequence, I'm coming up with just
three categories with one valuation next to them
rather than ranges. And in doing so, I looked at
them and determined that of all the groups in Tier
1, that the $375,000 value was applicable to 27 and
in Tier 2 the $230,000 valuable was applicable to 94
and in Tier 3, the $170,000 value was applicable to
46.
Q. All right. Well, let me go to the top
paragraph on Page 42 just to make sure I understand
you. It says, Based upon my analysis the subjects
three general classifications of good, better or
best expressed by rating numbers 3, 2 or 1 exhibit
the following ranges, right?
A. **Yes.**
Q. And so you had divided, it's true that you
had divided the properties into three general
categories of good, better or best?

A. **That's true.**
Q. Okay. And is it true that those were
depicted on the chart we've looked at, at the third
to last page of your report?
A. **That's generally speaking, yes.**
Q. Okay. And the, those that were 3 were
circled in green, those that were 2 were circled in
red and those that were 1 were circled in blue,
right?
A. **Correct.**
Q. And then in a given category, you then
came up with sort of an average price within that
category. So you said for Tier 1 the values would
be from three to 450, so with most about 360 and you
applied a figure of 375, right?
A. **Okay.**
Q. And Tier 2 you said the range was 200 to
300, most were around 230, and you used 230, right?
A. **Correct.**
Q. And in the Tier 3, you said the values
were in the range of 140 to 200, most about 170 and
that's what you used, right?
A. **Yes.**
Q. So I understand that, fair enough. The

question I'm asking you is where did these numbers
come from where you said that Tier 1 had 27 lots and
Tier 2 had 49 lots when as we've looked at you don't
have 94 Tier 2 lots, you have 40 Tier 2 lots.
A. **I understand your question. I drove this**
property on multiple occasions. And finally, at the
end I drove and looked at the view from each
property and the configuration of these dwellings is
such that some of the properties that are in what
looked to be when you look at a map it looks like
they'd have a nice view, you get there and they have
an obstructed view. And there's no mechanism in
this agreement that allows them to improve their
view. So while that is an accurate general
depiction of the classes or the tiers, I actually
went out there and looked at the views from every
property before I put them into this 27, 94, 46
category. So I can see how you can be misled if
you're just trying to add the number of lots on the
map and match it exactly to this, but I think if you
went out there and looked at these and looked at the
views, you would find that what I did is correct,
that some of the ones that should have a better view
don't and some of the ones that look like they

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wouldn't be in that good of a location, for reasons of topography or what other land form has a better view than you would, what you would generally expect. So it's just more accurate, these numbers on Page 42 are more accurate than the general chart.
Q. Do you have any records that reflect what lots you assigned to what category?
A. Not for this report. I think I did in the earlier report. I think I kept a chart lot by lot of values, but in this one, I think I just went out and looked at them and kept a kind of a running tally of how much are in which.
Q. When you say the earlier report, in 1999 you did list values for each of these properties, right?
A. Right.
Q. And you had gone out at that time and looked at them, too?
A. Yes, definitely.
Q. And did you do your work properly in 1999?
A. I like to think so.
Q. So in 1999 there's a record right in your report of what lot values are associated with every property, right?

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A. Correct. And that's because the client explicitly wanted a rent for each individual property, not any kind of an aggregate.
MR. CHAPMAN: I'm going to need a lunch break, by the way.
MR. PERRY: Yeah, we're almost done. It's not a problem.
MR. CHAPMAN: What did you say?
MR. PERRY: Off the record.
(Discussion off the record.)
Q. In 1999 you had prepared that exhibit that we looked at earlier that you dated 2004, but we concluded actually relates back to 1999, correct?
A. Correct.
Q. And at Page 6 of your 1999 report you have listed market values for each of the properties?
A. Correct.
Q. And you had said that the Tier 1 price in 1994 was in the range of 91,000 to 150,000 versus Tier 2 of 70,000 to 90,000?
MR. SHEEHAN: Objection to form.
Q. Right.
A. It's 90,000 to 150,000.
Q. Okay.

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A. And 70,000 to 90,000.
Q. Okay. If we were to go to Page 6 of your report, the 1999 report which has been marked as Exhibit 1, could you tell me how many of those properties you valued at in excess of 90,000? The ones that are exactly 90,000 are a little ambiguous as to which tier they go in, but let's count the ones that are in excess of 90,000.
A. What page was that?
Q. Page 6. I'm sorry. It's actually Pages 3 to 6.
A. I don't have the '99 report.
Q. Oh, that's because I have it. Here you go.
(Document handed to the witness.)
Q. Wait for me one second. That was rude, huh? On Page 3 you start listing market values for the reports and I'd like to know how many on each page are in excess of 90,000?
A. As a market value for the lot?
Q. Yes.
A. You want me to count them?
Q. Yes. There's numbers on the left that might help you, and we can take one through 29.

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A. There are 36 on that page.
Q. I got 37 in the first column, right?
A. Okay.
Q. 1 through 29 is, also a 97 at Number 31?
A. Yeah.
Q. There's 37 and then the rest --
MR. SHEEHAN: Please don't testify, Steve, because in fact you got a column on the left-hand side is missing. So I don't know why we're going through this exercise. Why don't you tell the witness what your calculation is, because we can move along rather than have him count things.
Q. I haven't done it before, but Bill's right, the numbers aren't -- There's missing numbers, so you can't use that shorthand. Looks like -- I'm coming up with 35 based on the numbers missing are 19 and 27, so on the first page, 35. Second page I got 47. I don't know about you.
A. I didn't count them.
Q. If you could just take a quick count on the second page, please?
A. 47 on Page 4?
Q. That's what I came up with, but you might want to check.

A. **44. I come up with 79 more.**
Q. So the total you come up with is somewhere over 100?
A. **Yes.**
Q. So in 1999 when you were placing, putting specific market values on lots, you came up with over 100 of them that had a value in the range of 91,000 to 150,000, right?
A. **Correct.**
Q. Which on your chart you had indicated was the higher of the Tier 1 range?
A. **Yes.**
Q. When you did your work in 2010 did you prepare any piece of paper that would show us which lots belong to which category or that would confirm that there were only 27 Tier 1 lots?
A. **No. I wish I had, but I cannot produce such a document. I can only say that I did go out and look at every one of them and I also compared them to the views at all of the sales that I used and I looked at every one of those sales, as well.**
Q. And what kind of report was the one you did in 2010?
A. **A summary.**

Q. And what are the rules for a summary report?
A. **You summarize your value conclusions. You summarize a description of the property, summarize what you did, summarize your conclusions.**
Q. Would you agree that somebody reading your report and looking at the chart on the third to last page would believe that you have divided the properties into three tiers and that those circled in blue are in Tier 1, those in red are Tier 2 and those in green are Tier 3?
MR. SHEEHAN: Objection.
A. **I can see how they would, since you did. But I've read my own report multiple times and I never noticed that.**
Q. And so in fact, there is no record of what lots you considered to be Tier 1 lots, which lots you considered to be Tier 2 lots and which lots you considered to be Tier 3 lots?
A. **Not as to specific lot numbers, no.**
Q. And you can't recreate that record, can you?
A. **I'd have to do the job again.**
Q. And then you might come out with some

different number?
MR. CHAPMAN: Objection.
A. **I might.**
Q. And if there were more Tier 1 lots versus Tier 2 lots, for example as depicted in a chart, that would dramatically change your numbers, wouldn't it?
MR. SHEEHAN: Objection.
A. **That's a stretch.**
Q. Well --
A. **Because you're saying dramatically change. If there were more, it would go up. If it were less, it would go down. How dramatic that would be I can not say.**
Q. It would depend on how many Tier 1 -- If there were as many Tier 1 lots as shown in the chart -- Strike that.
If there were as many Tier 1 lots to be valued at the higher value you used as shown in the chart and a corresponding reduction in the number of Tier 2 lots and Tier 3 lots, all as shown in your chart, that would have a very significant effect as shown in your final figure, wouldn't it?
A. **It --**

MR. SHEEHAN: Objection.
A. **It would, but as I said, after looking at all of the sales and all of the subject lots, this is what I feel to be the correct number of lots that would fall into those categories and those specific values, not the more general chart.**
Q. Okay, thank you.
MR. PERRY: Let me review my notes and then we'll see whether we have more questions and maybe need a break or whether we're all set. And, of course, Bill has the right to question.
(Brief recess.)
Q. At this time do you know of any investments where one can safely obtain a return of 7%?
MR. CHAPMAN: Please, can you tell me?
A. **I wish I knew.**
MR. SHEEHAN: Objection.
A. **I cannot say that I can think of an investment that returns 7% right now. The closest thing to it would be a Walgreen's. And I haven't checked lately, but those rates have gone up and they may be around 7% now. So I would say buy a**

Walgreen's.
Q. A Walgreen's what?
A. Pharmacy.
Q. Are you talking about?
A. The lease.
Q. The ground lease?
A. Yeah, the ground lease or.
Q. Or the lease?
A. Or the lease of the entire property. And then next to that, a McDonald's is considered to actually be the Holy Grail. If you have a McDonald's ground lease, they would be lower than a Walgreen's.
Q. Right. They were like in the fives?
A. Yes.
Q. Five and a halfs?
A. Yes.
MR. PERRY: All right. I have nothing further.
MR. SHEEHAN: I have no questions.
MR. PERRY: Okay.
(Whereupon, at 1:12 o'clock p.m., the deposition was concluded.)

C E R T I F I C A T E

I, WILLIAM A. LACHANCE, do hereby certify under the pains and penalties of perjury that I have read the foregoing transcript of my testimony given on September 15, 2011, and I further certify that said transcript is a true and accurate record of said testimony (with the exception of the following corrections listed below):

Page Line Correction/Reason

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Dated at ____________________, this ________
day of ____________________, 2011.

____
WILLIAM A. LACHANCE

CERTIFICATE

COMMONWEALTH OF MASSACHUSETTS
COUNTY OF SUFFOLK

I, CYNTHIA F. STUTZ, Certified Shorthand Reporter and Notary Public duly commissioned and qualified in and for the Commonwealth of Massachusetts, do hereby certify:

That the witness whose testimony is hereinbefore set forth, was duly sworn by me and that such testimony is a true and accurate record of my stenotype notes taken in the foregoing matter, to the best of my knowledge, skill and ability.

I further certify that I am neither attorney nor counsel for, nor related to or employed by any of the parties to the action in which this deposition is taken; and further that I am not a relative or employee of any attorney or counsel employed by the parties hereto or financially interested in the action.

IN WITNESS WHEREOF, I have hereunto set my hand this 22nd day of September, 2011.

CYNTHIA F. STUTZ, Notary Public
My Notary expires August 17, 2012

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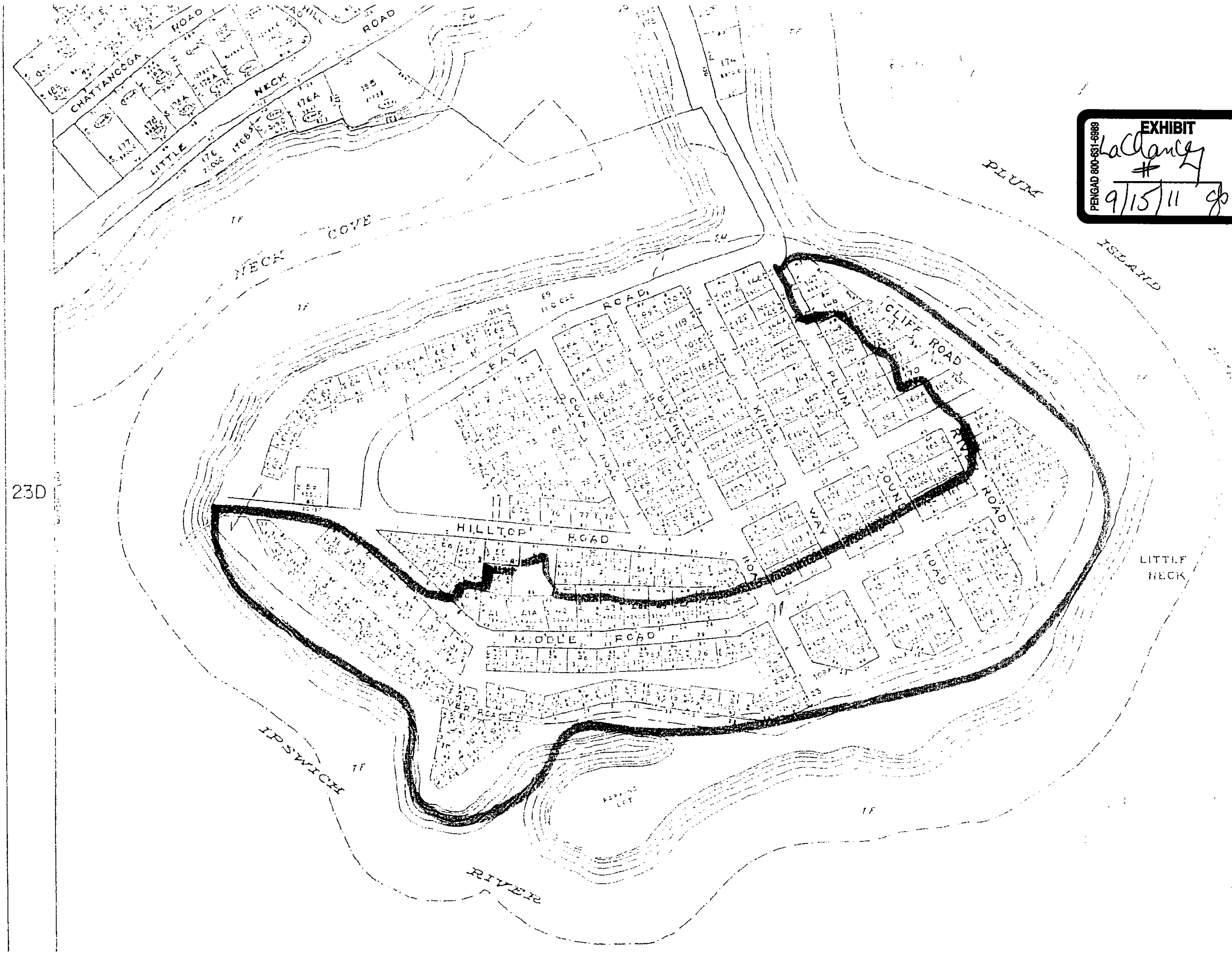
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September 15, 2011

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Re: *Alexander B.C. Mulholland, Jr., et al. v.*
Attorney General of the Commonwealth of Massachusetts, et al.
No. ES09E0094QC (Essex Probate Court)

Dear Bill and Tyler:

I am enclosing Exhibits 1-6 from William LaChance's deposition.

Please let me know if you have any questions.

Very truly yours,

Stephen M. Perry

SMP/lnm
Enclosures

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June 28, 1999

Little Neck Association
Feoffee Coordinating Committee
And, The Foeffees of the Grammar School of Ipswich
C/o Richard Doherty
3 Garden Lane
Wakefield, MA 01880

RE: Value Estimates of Land known as Little Neck, Ipswich, Massachusetts

Dear Mr. Doherty:

In accordance with your request, I respectfully submit herewith a Limited Appraisal in a Restricted Report format which sets forth my individual retail condominium "lot" value and market rent estimates, as well as a market value estimate in fee simple for the entire tract. The subject property is further identified in the attached assessing map. The date of the market value estimate is June 16, 1999.

The purpose of this appraisal is to estimate the "as is" market value of the above interests. The intended use of this appraisal is solely by the clients as part of their analyses of achievable prices through the sale of the entirety or as if the so-called lots were sold individually as an interest in a condominium or cooperative. This valuation is predicated upon general assumptions and limiting conditions as well as several additional specific assumptions, all of which are attached.

In accordance with Title XI of the Financial Institution Reform, Recovery and Enforcement Act (FIRREA) of 1989 market value is defined as follows:

> Market Value -- means the most probable price which a property should bring in competitive and open market under all conditions requisite to a fair sale, the buyer and seller, each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby: (A) buyer and seller are typically motivated; (B) both parties are well informed or well advised, and each acting in what they consider their own best interest; (C) a reasonable time is allowed for exposure in the open market; (D) payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and (E) the price represents

the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale".[1] The value reported herein is in cash.

The abbreviated report that follows presents a certification of value, assumptions and limiting conditions and a summary of the extent of data collection and analysis which formed the basis of my analysis. While much of the data and analysis is presented in summary, the full analysis and reconciliation of data are not shown in this report, which is typical for restricted reports.

This report is based on estimates, assumptions and other information developed from my research of the market, knowledge of the industry and information provided by individuals or groups considered to be reliable. Some assumptions inevitably will not materialize and unanticipated events and circumstances may occur; therefore, actual results achieved may vary from those described in the report. I have no responsibility to update the report for events and circumstances occurring after the date of this report.

After inspecting the subject property and analyzing the data, I have estimated that as of June 16, 1999, the market value of the fee simple rights in the subject land as if sold in its entirety was:

* * * $7,500,000 * * *

(SEVEN MILLION FIVE HUNDRED THOUSAND DOLLARS)

The market value estimates of the individual "lots" as if sold as an interest in a condominium or cooperative, as well as my estimates of their market rent, is presented on the following pages. My value estimates, subsequent appraisal report and the associated analyses (which are not included in this report) are intended for your information and your duly authorized agents. The report may not be referred to or quoted in any agreement or document without my written consent.

Respectfully submitted,
Petersen/LaChance Realty Advisors

William A. LaChance, MAI, SRA
Massachusetts General Certificate No. 497

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1. Rules and Regulations, Federal Register, Vol. 55, No. 165, Page 34696.

Individual Retail Market Value Estimates As Condominium "Lots"

Lot #	Address	Lot SF	Market Value	Lot #	Address	Lot SF	Market Value
1	63 River Road	3,060	$125,000	50	23 Hilltop Road	3,591	$70,000
2	61 River Road	2,843	$115,000	51	21 Hilltop Road	3,450	$65,000
3	59 River Road	3,327	$123,000	52	19 Hilltop Road	3,575	$70,000
4	57 River Road	3,400	$123,000	*53	15 Hilltop Road	3,950	$78,000
5	55 River Road	3,210	$123,000	*54	11 Hilltop Road	7,420	$85,000
6	53 River Road	3,458	$123,000	55	9 Hilltop Road	3,500	$65,000
7	49 River Road	2,400	$120,000	56	10 Middle Road	3,210	$60,000
8	47 River Road	1,980	$115,000	*57	7 Hilltop Road	3,660	$65,000
9	44 River Road	2,860	$125,000	*59	35 Bay Road	4,550	$83,000
10	46 River Road	5,160	$139,000	60	33 Bay Road	2,400	$70,000
*11	48 River Road	3,720	$150,000	61	31 Bay Road	2,160	$67,000
12	50 River Road	3,360	$120,000	62	29 Bay Road	2,400	$67,000
13	45 River Road	2,600	$105,000	*63	27 Bay Road	2,470	$73,000
14	43 River Road	2,340	$115,000	64	25 Bay Road	3,000	$60,000
15	41 River Road	2,350	$125,000	65	23 Bay Road	3,000	$60,000
16	39 River Road	2,400	$125,000	*66	19 Bay Road	3,600	$70,000
17	37 River Road	2,600	$125,000	67	I7 Bay Road	3,180	$60,000
18	35 River Road	2,500	$115,000	*68	15 Bay Road	3,230	$70,000
20	31 River Road	3,000	$125,000	*70	16 Bay Road	4,510	$73,000
21	29 River Road	3,250	$125,000	*71	18 Bay Road	4,410	$75,000
22	27 River Road	2,770	$125,000	72	5 Gala Way	3,000	$65,000
23	25 River Road	2,400	$125,000	75	8 Hilltop Road	3,000	$60,000
24	6 Bay Crest Road	3,000	$125,000	76	10 Hilltop Road	3,000	$55,000
25	31 Middle Road	2,980	$115,000	77	12 Hilltop Road	3,000	$65,000
26	29 Middle Road	3,540	$120,000	79	4 Cove Road	5,110	$65,000
28	21 Middle Road	3,000	$125,000	80	6 Cove Road	3,000	$55,000
29	19 Middle Road	3,000	$110,000	81	8 Cove Road	3,000	$60,000
30	15 Middle Road	2,000	$90,000	*82	10 Cove Road	3,000	$68,000
*31	11 Middle Road	2,780	$97,000	83	12 Cove Road	5,100	$65,000
32	9 Middle Road	4,020	$75,000	*84	12 Bay Road	4,260	$75,000
33	7 Middle Road	3,870	$70,000	85	17 Cove Road	3,000	$48,000
34	5 Middle Road	3,870	$70,000	86	15 Cove Road	3,000	$48,000
35	3 Middle Road	3,870	$60,000	87	9 Cove Road	3,000	$55,000
37	1 Hilltop Road	2,159	$48,000	89	5 Cove Road	3,000	$48,000
38	4 Middle Road	2,230	$50,000	90	3 Cove Road	3,000	$55,000
39	6 Middle Road	2,400	$55,000	91	16 Hilltop Road	1,780	$65,000
*40	8 Middle Road	4,240	$83,000	92	18 Hilltop Road	3,140	$95,000
41	12 Middle Road	3,840	$70,000	93	18 Baycrest Rd.	3,000	$70,000
*41A	14 Middle Road	4,900	$90,000	94	22 Baycrest Rd.	3,000	$65,000
42	16 Middle Road	5,300	$75,000	95	24 Baycrest Rd.	3,000	$65,000
*43	20 Middle Road	4,360	$112,000	96	26 Baycrest Rd.	3,000	$65,000
44	22 Middle Road	4,280	$100,000	97	28 Baycrest Rd.	3,000	$65,000
*45	24 Middle Road	3,590	$111,000	98	30 Baycrest Rd.	3,870	$73,000
46	26 Middle Road	3,370	$110,000	99	8 Bay Road	3,750	$73,000
47	28 Middle Road	3,240	$110,000	100	27 Baycrest Rd.	3,000	$65,000
48	30 Middle Road	3,000	$110,000	101	25 Baycrest Rd.	3,000	$65,000
*49	25 Hilltop Road	4,225	$125,000	101A	23 Baycrest Rd.	3,000	$65,000

* = Year round

Individual Retail Market Value Estimates As Condominium "Lots"

Lot #	Address	Lot SF	Market Value	Lot #	Address	Lot SF	Market Value
102	21 Baycrest Rd.	3,000	$69,000	141	26 Hilltop Road	3,000	$90,000
102A	17 Baycrest Rd.	3,000	$80,000	142	20 Plum Sound Rd.	3,000	$83,000
103	20 Hilltop Road	3000	$75,000	143	22 Plum Sound Rd.	3,000	$90,000
104	33 Hilltop Road	3,000	$90,000	144	24 Plum Sound Rd.	3,000	$83,000
105	9 Baycrest Rd.	3,000	$90,000	145	28 Plum Sound Rd.	3,000	$75,000
*106	32 Middle Road	3,000	$105,000	*146	30 Plum Sound Rd.	3,950	$90,000
107	35 Middle Road	3,000	$95,000	147	27 Plum Sound Rd.	4,490	$105,000
108	3 Baycrest Rd.	3,000	$124,000	148	25 Plum Sound Rd.	4,680	$105,000
109	21 River Road	3,000	$124,000	*149	23 Plum Sound Rd.	3,000	$120,000
110	4 Kings Way	3,000	$105,000	150	21 Plum Sound Rd.	3,000	$100,000
111	37 Middle Road	3,000	$105,000	151	19 Plum Sound Rd.	3,750	$75,000
112	8 Kings Way	3,000	$100,000	152	15 Plum Sound Rd.	3,000	$93,000
113	10 Kings Way	3,000	$100,000	153	13 Plum Sound Rd.	3,000	$93,000
114	35 Hilltop Road	3,000	$93,000	154	40 Middle Road	3,000	$100,000
*115	22 Hilltop Road	3,000	$92,000	155	43 Middle Road	3,000	$100,000
116	16 Kings Way	3,000	$72,000	156	5 Plum Sound Rd.	3,000	$105,000
116A	18 Kings Way	3,000	$72,000	157	3 Plum Sound Rd.	3,000	$115,000
117	20 Kings Way	3,000	$72,000	158	15 River Road	3,000	$134,000
118	22 Kings Way	3,000	$72,000	159	11 River Road	3,000	$133,000
118A	24 Kings Way	3,000	$72,000	160	45 Middle Road	3,000	$130,000
120	30 Kings Way	2,700	$70,000	161	42 Middle Road	3,000	$110,000
121	29 Kings Way	4,410	$73,000	162	3 River Road	3,000	$90,000
*122	27 Kings Way	3,000	$81,000	*163	43 Hilltop Road	3,000	$105,000
123	25 Kings Way	3,000	$60,000	164	2 River Road	3,500	$135,000
124	21 Kings Way	3,000	$65,000	165	6 River Road	2,470	$130,000
125	19 Kings Way	3,000	$70,000	166	10 River Road	3,325	$125,000
126	17 Kings Way	3,000	$70,000	167	12 River Road	3,000	$125,000
127	24 Hilltop Road	3,000	$90,000	168	16 River Road	7,820	$145,000
128	37 Hilltop Road	3,000	$95,000	169	2 Cliff Road	3,020	$145,000
129	11 Kings Way	3,000	$100,000	170	4 Cliff Road	4,790	$142,000
130	36 Middle Road	3,000	$100,000	171	6 Cliff Road	3,520	$137,000
131	39 Middle Road	3,000	$95,000	172	8 Cliff Road	3,700	$135,000
132	5 Kings Way	3,000	$105,000	173	10 Cliff Road	2,430	$125,000
133	3 Kings Way	3,000	$125,000				
134	2 Plum Sound Rd.	3,000	$133,000				
135	4 Plum Sound Rd.	3,000	$115,000				
136	6 Plum Sound Rd.	3,000	$115,000				
137	41 Middle Road	3,000	$100,000				
138	38 Middle Road	3,000	$95,000				
139	12 Plum Sound Rd.	3,000	$75,000				
140	14 Plum Sound Rd.	3,000	$95,000				

* = Year round

Market Rent Estimates

Lot #	Address	Market Value	Market Rent	Lot #	Address	Market Value	Market Rent
1	63 River Road	$125,000	$5,000	50	23 Hilltop Road	$70,000	$2,800
2	61 River Road	$115,000	$4,600	51	21 Hilltop Road	$65,000	$2,600
3	59 River Road	$123,000	$4,920	52	19 Hilltop Road	$70,000	$2,800
4	57 River Road	$123,000	$4,920	53	15 Hilltop Road	$78,000	$3,120
5	55 River Road	$123,000	$4,920	54	11 Hilltop Road	$85,000	$3,400
6	53 River Road	$123,000	$4,920	55	9 Hilltop Road	$65,000	$2,600
7	49 River Road	$120,000	$4,800	56	10 Middle Road	$60,000	$2,400
8	47 River Road	$115,000	$4,600	57	7 Hilltop Road	$65,000	$2,600
9	44 River Road	$125,000	$5,000	59	35 Bay Road	$83,000	$3,320
10	46 River Road	$139,000	$5,560	60	33 Bay Road	$70,000	$2,800
11	48 River Road	$150,000	$6,000	61	31 Bay Road	$67,000	$2,680
12	50 River Road	$120,000	$4,800	62	29 Bay Road	$67,000	$2,680
13	45 River Road	$105,000	$4,200	63	27 Bay Road	$73,000	$2,920
14	43 River Road	$115,000	$4,600	64	25 Bay Road	$60,000	$2,400
15	41 River Road	$125,000	$5,000	65	23 Bay Road	$60,000	$2,400
16	39 River Road	$125,000	$5,000	66	19 Bay Road	$70,000	$2,800
17	37 River Road	$125,000	$5,000	67	I7 Bay Road	$60,000	$2,400
18	35 River Road	$115,000	$4,600	68	15 Bay Road	$70,000	$2,800
20	31 River Road	$125,000	$5,000	70	16 Bay Road	$73,000	$2,920
21	29 River Road	$125,000	$5,000	71	18 Bay Road	$75,000	$3,000
22	27 River Road	$125,000	$5,000	72	5 Gala Way	$65,000	$2,600
23	25 River Road	$125,000	$5,000	75	8 Hilltop Road	$60,000	$2,400
24	6 Bay Crest Road	$125,000	$5,000	76	10 Hilltop Road	$55,000	$2,200
25	31 Middle Road	$115,000	$4,600	77	12 Hilltop Road	$65,000	$2,600
26	29 Middle Road	$120,000	$4,800	79	4 Cove Road	$65,000	$2,600
28	21 Middle Road	$125,000	$5,000	80	6 Cove Road	$55,000	$2,200
29	19 Middle Road	$110,000	$4,400	81	8 Cove Road	$60,000	$2,400
30	15 Middle Road	$90,000	$3,600	82	10 Cove Road	$68,000	$2,720
31	11 Middle Road *	$97,000	$3,880	83	12 Cove Road	$65,000	$2,600
32	9 Middle Road	$75,000	$3,000	84	12 Bay Road	$75,000	$3,000
33	7 Middle Road	$70,000	$2,800	85	17 Cove Road	$48,000	$1,920
34	5 Middle Road	$70,000	$2,800	86	15 Cove Road	$48,000	$1,920
35	3 Middle Road	$60,000	$2,400	87	9 Cove Road	$55,000	$2,200
37	1 Hilltop Road	$48,000	$1,920	89	5 Cove Road	$48,000	$1,920
38	4 Middle Road	$50,000	$2,000	90	3 Cove Road	$55,000	$2,200
39	6 Middle Road	$55,000	$2,200	91	16 Hilltop Road	$65,000	$2,600
40	8 Middle Road	$83,000	$3,320	92	18 Hilltop Road	$95,000	$3,800
41	12 Middle Road	$70,000	$2,800	93	18 Baycrest Rd.	$70,000	$2,800
41A	14 Middle Road	$90,000	$3,600	94	22 Baycrest Rd.	$65,000	$2,600
42	16 Middle Road	$75,000	$3,000	95	24 Baycrest Rd.	$65,000	$2,600
43	20 Middle Road	$112,000	$4,480	96	26 Baycrest Rd.	$65,000	$2,600
44	22 Middle Road	$100,000	$4,000	97	28 Baycrest Rd.	$65,000	$2,600
45	24 Middle Road	$111,000	$4,440	98	30 Baycrest Rd.	$73,000	$2,920
46	26 Middle Road	$110,000	$4,400	99	8 Bay Road	$73,000	$2,920
47	28 Middle Road	$110,000	$4,400	100	27 Baycrest Rd.	$65,000	$2,600
48	30 Middle Road	$110,000	$4,400	101	25 Baycrest Rd.	$65,000	$2,600
49	25 Hilltop Road	$125,000	$5,000	101A	23 Baycrest Rd.	$65,000	$2,600

Market Rent Estimates

Lot #	Address	Market Value	Market Rent	Lot #	Address	Market Value	Market Rent
102	21 Baycrest Rd.	$69,000	$2,760	141	26 Hilltop Road	$90,000	$3,600
102A	17 Baycrest Rd.	$80,000	$3,200	142	20 Plum Sound	$83,000	$3,320
103	20 Hilltop Road	$75,000	$3,000	143	22 Plum Sound	$90,000	$3,600
104	33 Hilltop Road	$90,000	$3,600	144	24 Plum Sound	$83,000	$3,320
105	9 Baycrest Rd.	$90,000	$3,600	145	28 Plum Sound	$75,000	$3,000
106	32 Middle Road	$105,000	$4,200	146	30 Plum Sound	$90,000	$3,600
107	35 Middle Road	$95,000	$3,800	147	27 Plum Sound	$105,000	$4,200
108	3 Baycrest Rd.	$124,000	$4,960	148	25 Plum Sound	$105,000	$4,200
109	21 River Road	$124,000	$4,960	149	23 Plum Sound	$120,000	$4,800
110	4 Kings Way	$105,000	$4,200	150	21 Plum Sound	$100,000	$4,000
111	37 Middle Road	$105,000	$4,200	151	19 Plum Sound	$75,000	$3,000
112	8 Kings Way	$100,000	$4,000	152	15 Plum Sound	$93,000	$3,720
113	10 Kings Way	$100,000	$4,000	153	13 Plum Sound	$93,000	$3,720
114	35 Hilltop Road	$93,000	$3,720	154	40 Middle Road	$100,000	$4,000
115	22 Hilltop Road	$92,000	$3,680	155	43 Middle Road	$100,000	$4,000
116	16 Kings Way	$72,000	$2,880	156	5 Plum Sound	$105,000	$4,200
116A	18 Kings Way	$72,000	$2,880	157	3 Plum Sound	$115,000	$4,600
117	20 Kings Way	$72,000	$2,880	158	15 River Road	$134,000	$5,360
118	22 Kings Way	$72,000	$2,880	159	11 River Road	$133,000	$5,320
118A	24 Kings Way	$72,000	$2,880	160	45 Middle Road	$130,000	$5,200
120	30 Kings Way	$70,000	$2,800	161	42 Middle Road	$110,000	$4,400
121	29 Kings Way	$73,000	$2,920	162	3 River Road	$90,000	$3,600
122	27 Kings Way	$81,000	$3,240	163	43 Hilltop Road	$105,000	$4,200
123	25 Kings Way	$60,000	$2,400	164	2 River Road	$135,000	$5,400
124	21 Kings Way	$65,000	$2,600	165	6 River Road	$130,000	$5,200
125	19 Kings Way	$70,000	$2,800	166	10 River Road	$125,000	$5,000
126	17 Kings Way	$70,000	$2,800	167	12 River Road	$125,000	$5,000
127	24 Hilltop Road	$90,000	$3,600	168	16 River Road	$145,000	$5,800
128	37 Hilltop Road	$95,000	$3,800	169	2 Cliff Road	$145,000	$5,800
129	11 Kings Way	$100,000	$4,000	170	4 Cliff Road	$142,000	$5,680
130	36 Middle Road	$100,000	$4,000	171	6 Cliff Road	$137,000	$5,480
131	39 Middle Road	$95,000	$3,800	172	8 Cliff Road	$135,000	$5,400
132	5 Kings Way	$105,000	$4,200	173	10 Cliff Road	$125,000	$5,000
133	3 Kings Way	$125,000	$5,000				
134	2 Plum Sound Rd.	$133,000	$5,320				
135	4 Plum Sound Rd.	$115,000	$4,600				
136	6 Plum Sound Rd.	$115,000	$4,600				
137	41 Middle Road	$100,000	$4,000				
138	38 Middle Road	$95,000	$3,800				
139	12 Plum Sound R	$75,000	$3,000				
140	14 Plum Sound	$95,000	$3,800				

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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, unbiased professional analyses, opinions, and conclusions.
- this appraisal assignment was not based upon a requested minimum valuation, a specific valuation, or the approval of a loan.
- I have no present or prospective interest in the property that is the subject of this report and I have no personal interest or bias with respect to the parties involved.
- my compensation is not contingent on an action or event resulting from the analyses, opinions, or conclusions of this report.
- my analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice.
- William A. LaChance inspected the subject land and the exterior of the above-grade improvements on June 16, 1999.
- No one provided significant professional assistance to the person signing this report, however, market data was provided by the client.
- I certify to the best of my knowledge and belief, 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 and the Standards of Professional Practice of the Appraisal Institute.
- I certify that the use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
- as of the date of this report, William A. LaChance has completed the requirements of the continuing education program of the Appraisal Institute.
- I do not authorize the out-of-context quoting from or partial reprinting of this appraisal report.

- further, neither all nor any part of the appraisal report shall be disseminated to the general public by the use of media for public communication without the prior written consent of the appraiser(s) signing this appraisal report.

- I certify that I am appropriately certified to appraise the subject property in the State in which it is located.

Petersen/LaChance Realty Advisors

William A. LaChance, MAI, SRA
Principal/Partner

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 exterior only of 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 LaChance, 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 so stated and should not be used for any other purpose.

3. The appraiser has made no survey of the property. Any and all maps, sketches, and site plans provided to the appraisers 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 signatory herein shall not be required to give testimony or attend court or 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, SRPA, 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 appraiser has no present or contemplated interest in the subject property.

8. Employment for this appraisal and compensation for this report is in no way contingent on the conclusions reported herein.

9. This appraisal has been made in conformance to the Code of Professional Ethics and Standards of Practice of the Appraisal Institute of which William A. LaChance is a member, and represents the best judgment of the appraiser.

10. No responsibility is taken for the effect on the subject property of changes in market conditions after the date of valuation or for the inability of the property owner to find a purchaser at the appraised value.

11. No effort has been made to determine the impact on this project of possible energy shortages or present or future federal, state, or local legislation, including any environmental or ecological matters or interpretations thereof.

12. The date of valuation to which the value estimate conclusions apply is set forth in the letter of transmittal and within the body of this report. The value is based on the purchasing power of the U.S. dollar as of the date of the report.

13. The appraisal conclusions that apply to the subject property are based on economic conditions and estimated supply and demand factors as of June 16, 1999.

14. The report does not take into consideration the possibility of 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. If the property owner has a concern over the existence of such conditions in the subject property, the appraisers consider it imperative to retain the services of a qualified engineer or contractor to determine the existence and extent of such hazardous conditions. Such consultation should include the estimated cost associated with any required treatment or removal of hazardous material.

15. 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.

16. The Americans with Disabilities Act (ADA) became effective January 26, 1992. I have not made a specific survey or analysis of this property to determine whether the physical aspects of the improvements meet the ADA accessibility guidelines. Since compliance matches each owner's financial ability with the cost to cure the property's potential physical characteristics, the real estate appraiser cannot comment on compliance to ADA. A brief summary of physical aspects is included in this report. It in no way suggests ADA compliance by the current owner. Given that compliance can change with each owner's financial ability to cure non-accessibility, the value of the subject does not consider possible non-compliance. Specific study of both the owner's financial ability and the cost to cure any deficiencies would be needed for the Department of Justice to determine compliance.

SPECIAL ASSUMPTIONS AND LIMITING CONDITIONS

1. Each designated lot or envelope can accommodate a septic system for a dwelling.

2. Buyers of individual lots or envelopes would be acquiring rights in a common ownership such as in a condominium or cooperative.

3. Dwellings present result in no contribution or deduction from land value except buyers would be limited to the building footprint and dwelling height of the current structure of a particular envelope or lot.

4. The existing deed covenant limiting 24 units to year round use and 149 to seasonal use (April 1 - November 30) shall continue in perpetuity.

EXTENT OF DATA COLLECTION AND ANALYSIS

In undertaking this appraisal assignment William A. LaChance has inspected the subject land, improvements to the land, and the exterior of the structures. The view from each dwelling was noted, rated, and considered in developing the retail value estimate for that lot[2]. I then conducted a limited market investigation in order to establish the subject property's relation to competitive properties using relevant units of comparison. Research, including a review of Little Neck sales (improvements only) and Great Neck sales (fee simple interest) in waterfront and waterview property since 1995 was conducted in order to establish a reasonably reliable estimate of market value for the subject property in its entirety as well as a retail value for each individual lot. The Little Neck sales were verified with a broker or the grantee while some of the Great Neck sales were not verified except by public records.

In arriving at my value estimate, I have relied principally on the sales comparison and income capitalization approaches to value.

The reader should be aware that this Limited Appraisal did not include the following components normally found in a Complete Appraisal:

- complete regional and national market analysis;
- in-depth highest and best use analysis[3];

Related to the above limitations, the following Standards, as contained in the Uniform Standards of Professional Appraisal Practice (USPAP), have been departed from:

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2. Herein, a lot is the location of the condominium or cooperative interest in the entirety.
3 Highest and best use was limited by the special assumptions.

1. a complete market analysis was not performed; reliance on a limited analysis of the greater North Shore residential property market has been relied upon (SR 1-4(g));

2. this appraisal assumes that the current use or a similar residential use that allows some form of individual undivided interest in a roughly defined section the land as well as use of common land and improvements is the highest and best use of the land (SR 1-3(a));

The appraiser has determined that development and use of this Limited Appraisal is not so confined as to result in a misleading or confusing report. The client has been advised of these departures and agrees the performance of a Limited Appraisal service is appropriate.

It is important to note that the reader of this report should be aware of the Assumptions and Limiting Conditions and in particular the Special Assumptions and Limiting Conditions, if any.

VALUATION SUMMARY

Local sales data was considered to provide the best indications of value. Lot sales were analyzed and land value extractions were made from improved property sales on Great Neck and Eagle Hill Road. Sales located on Little Neck were inspected and verified as previously described and Assessing, Building, and Health Department records were reviewed in order to gather information on the physical characteristics of the improvements. The reported condition of the building at the time of sale and subsequent permits were considered along with an exterior inspection. This process allowed the extraction of the value contribution of the improvements from the sale price. The residual value of the underlying land or lot was then supported.

The underlying land is not leased and tenants are at will on an annual basis with rents and rental renewals at the option of the Feoffees. This arrangement has been ongoing for hundreds of years. Although ground rents were increased $200 - $400 in 1998, they are currently $800 - $1,200 per year for waterview and waterfront “lots” that share common amenities such as a community center, ballfield, and pier.

The extractions indicate that an implied leasehold exists. For example, it is common practice for improvements (cottage and tight tank etc.) to tranfer by means of a bill of sale and for cottages to be subsequently repaired or renovated. On numerous occasions, these repairs were observed to be extensive and in some cases the cottage was entirely replaced including its foundation. Only the tight tank or cesspool remained as a contribution to the sale price or value.

The transfer of 12 Plum Sound Road in 1995 was followed by a complete replacement of the cottage in 1997 and is one example of such a sale. An analysis of that sale resulted in an implied positive leasehold interest. In other words, the property buyers paid the seller a value for land that they did not own but rented at a below market rent and which was expected, right or wrong, to continue to be low for an extended period. The extraction of current land value from this sale is illustrated below.

Land Value Extraction #13

12 Plum Sound Rd.		
Property Sale Price		$78,000
Sale Date		Jun-95
Adjusted Sale Price		$90,480
(Market Conditions)		
Dwelling Size (SF)		840
Basement Size		792
Age		45
Other Improvements		$10,000
Dwelling RCN (D-Avg.)	$53.98	$45,343
Basement (Unfin.)	$15.79	$12,506
Deck SF 100	$14.00	$1,400
Soft Costs	10.00%	$5,785
Entrepreneurial Profit	25.00%	$16,258
Total RCN		$81,292
Less Depreciation	99.00%	$80,479
RCNLD		$813
Depreciated Value of Other		$8,000
RCNLD plus Other		$8,813
Sale Price less RCNLD + Other		$81,667
Plus Value of Ground Rent		$ 8,571
Land Value		$90,238
Lot Type	Waterview	
Use	Seasonal	
Lot Size SF	3,000	
View Rating	2	

The above analysis presents that the 1995 sale price of $78,000 was land value and value attributed to a cesspool plus the obligation to pay ground rent. The sale price was adjusted upwards to reflect appreciation since the valuation date at 4% per annum, a rate that may be conservative. The capitalized value of the historic ground rent of $600 was added to the sale price less the RCNLD (replacement cost new less depreciation) of the improvements. In this case, the cottage contributed little value as it was entirely replaced within a reasonable period after the sale. The ground rent was capitalized into a value at a rate of 7%. This rate was selected as the rent is less secure than U. S. Treasuries at 5.8% is and more secure than a loan at the prime rate of 7.75%. After adding the capitalized value of the ground rent, a current market value of $90,000 is indicated for the fee simple interest in the land.

In this transaction, the bulk of the sale price accrued to the seller of the building as payment for an implied leasehold value in the land rather than to the actual landowner. The simplified analysis indicating lot value at the time of sale and the allocation of that value is as follows.

ANALYSIS OF LITTLE NECK "LOT" SALE

1995 Sale Price	$78,000	
Less 1995 Value of Improvements	$ 8,000	
Value of Land Subject to Ground Rent	$70,000	(Implied Leasehold Interest)
Plus Value of Ground Rent	$ 8,571	(Leased Fee Interest)
1995 Value of Land	$78,571	(Fee Simple Interest)

This type of analysis was prepared for 16 sales of cottages on Little Neck. The results are shown in the attached summaries. Each provides an estimate of the underlying "lot" value.

The marketability of the lots as a condominium or cooperative interest was also considered and it was concluded that due to the broader availability and possibly somewhat lower rates of financing for such a property interest versus current financing options, marketability would not be impaired. Two local brokers report maintaining a waiting list of buyers for Little Neck properties and the market should be strong, stronger in fact than the current market that is showing concern over the land rent/sale issue. It is not considered to be reasonably probable that total prices will decline. It is estimated that prices shall remain stable or improve through alleviation of current uncertainties. However, the equity that results from a sale should be directed differently, with the landowner achieving the value of the underlying land or interest.

Consideration was also given to the future requirement of a condominium or other association fee for maintenance of common facilities. In other words, what will be the condominium fee and how will it affect value?

In order to address this issue, a review was made of the current ownership's gross income and expenses for the last four (94/95 – 97/98) fiscal years. The yearly expenses exclusive of real estate taxes and gifts to the school system were approximately \$83,000, \$44,000, \$60,000, and \$84,000. The amounts covered maintenance for all items but did not include a reserve for replacement of infrastructure and common structures. I estimated a total yearly budget including reserve at \$100,000, or roughly \$600 per lot. As this represents an additional expense that is not reflected in the above analysis of a lot sale, the capitalized condominium fee must be deducted from the implied land value in fee simple. That deduction, estimated at \$8,000, was taken in developing the individual condominium interest values presented earlier.

Land values developed through extraction were compared to effective land sales such as that illustrated above. Other examples include the recent sale of a cottage at 42 North Ridge on Great Neck. The sale was recorded on October 10, 1998 and the price was \$230,000. The cottage was demolished and a new dwelling is under construction. This is a sloping 6,560 SF waterfront lot with good views comparable to the best or #1 category of views on Little Neck. This sale also had access to the channel that allowed a boat mooring. Not all waterfront sales on Little Neck offer this amenity. The implied land value was \$230,000 plus demolition expense for a lot whose dwelling will be below road grade.

The dwelling next door to that sale is under agreement for sale at $390,000 with two similar backup offers. Other sales along North Ridge and other Great Neck roads and were also analyzed. While those were fee simple acquisitions whose lot characteristics and views varied, this type of data was supportive of the values developed through analysis of Little Neck sales and has also been presented in the attached summaries.

The buyers of lots on Great Neck acquired the responsibility for the payment of real estate taxes, as did the buyers of Little Neck properties. Therefore, no adjustment or credit is supported relative to real estate taxes as the effect of that obligation was inherent in prior sale prices. The capitalized value of the annual ground rent was included as part of the lot value in fee simple as the effect of that annual fee was also inherent in the sale prices on Little Neck. Going forward, if lots are sold as condominiums, the capitalized value of the forecast $600 condominium fee should be deducted from the implied lot values as the extracted lot values did not include the adverse effect of such a fee. This deduction was made at $8,000 or $600 capitalized at 7.5%, a rate consistent with the cost for debt for such an acquisition.

The last remaining issues are seasonal lot values versus year round lot values; market ground rent, and market value of the entirety.

The year round lots were anticipated to be far more valuable however the sales data concerning year round cottages did not support that conclusion. Real estate brokers also reported that buyers were looking for a seasonal community, not a year round one. Many buyers are from beyond the region or also own large dwellings elsewhere in Essex County and would not utilize year round occupancy. This supports a conclusion that all or most value is derived from "in season" use. Lastly, based upon my review of cottage rents on Little Neck, it appeared that 85% of potential annual cottage rents are received within the allowed season of April 1 - November 30. If this is also taken as 85% of the value, mathematically this supports a 17.64% higher value for the year round lot, which has been called 15%. Therefore, a 15% premium is developed for year round lots.

Market rent for sites like those on Little Neck could not obtained. The subject has operated under conditions where the market has not been tested and the few other locations where such rentals exist (Long Beach, Conomo Point) have also operated under artificial constraints. Eagle Hill had inferior lots renting for $1,500 per year a decade ago and that were sold in a prior market cycle.

Under market conditions, ground rent typically reflects a required return on investment that includes consideration of the durability of the asset and the risk of collection loss. The subject is land and its durability risk is low. The collection risk at present is low due to below market rent, however at market rent the risk is greater. Land return data for " at market" leases of commercial sites are readily available and commonly occur at 9% -10% of the site's market value with lease terms commonly exceeding 20 years.

Residential lots are seldom leased and rentals are usually for a short term. A real estate lease or rental of short duration typically results in an adverse effect on rent and therefore a low return. I concluded that under conditions where site tenants are required to pay market rent and rental terms would truly be one year with no implied renewal, such tenants would not construct cottages. Little Neck would have evolved into a conventional single family subdivision, or prior to current zoning, a waterfront mobile home or motor home park. In other words, removal of the implied long-term use would have altered the development pattern and not caused the leasehold value now present. Therefore, while the market value of the lots or interest therein is supported as previously developed, the market return due to the individual lot owner is likely to be low. This opinion is supported by the economics of the marketplace for cottage rentals on Little Neck.

A typical or mid-range seasonal cottage on Little Neck can achieve a potential gross annual rental income of approximately $10,000 - $12,000, with a three-bedroom cottage having a good view being capable of achieving $13,000 - $15,000. A three-bedroom cottage at 22 Middle Road sold recently for $180,000. That cottage was estimated to have a PGI of $14,400 and a net operating income of $9,731. This analysis is shown below.

**Stabilized Operating Statement
22 Middle Road**

Potential Gross Income			$14,400
Less Vacancy and Collection Loss		2.00%	$288
Effective Gross Income			$14,112
Less Expenses			
real estate taxes	$1.37		$1,765
ground rent	$0.62		$800
insurance	$0.19		$250
management	2.00%		$282
building maintenance	$0.25		$321
utilities and tank pumping	$0.75		$963
Total Expenses			$4,381
Net Operating Income			**$9,731**

Dividing the NOI by the sale price of $180,000 indicates an overall rate of 5.4%. Other overall rate extractions were at 5% to 7%, or about 6%. The improvements on this sale were estimated to comprise $78,000 (43%) of the sale price and improvements most often contributed about 40%.

The rate of return estimated for the less durable portion of the asset (cottage) is 9% and its contribution to overall value is often about 40% with the land comprising the other 60% of the value. Therefore, if the typical overall rate on a Little Neck sale is 6% and the improvements are estimated to carry a 9% rate, the dividend rate to the land (annual rent as a % of value) is 4%. This indicates that the overall yield to equity results principally from the sale of the property and that the annual rent provides a small component of that yield.

PROOF OF LAND DIVIDEND RATE

Improvement contribution @ 40% x 9%	= 3.6%	(rate to the building)
Land contribution @ 60% x 4.0%	= 2.4%	(rate to the land)
	6.0%	Overall Rate

Therefore, a $100,000 lot on Little Neck should return on an annual basis roughly 4% of its value as rent. Ground rent for any of the subject "lots" can be calculated as 4% of its previously listed value. This relationship is illustrated below. Please note that real estate taxes also remain the responsibility of the buyer or tenant.

Market Value (condominum lot)	x 4%	Market Rent
$100,000	$4,000	= $4,000

Market value of the entirety was developed through use of a discounted cash flow that is premised upon a sell off of the lots or interests a market over an absorption period. The return reflects that required for a multi-million dollar investment that corresponds to a residential subdivision or condominium selloff analysis. The market value of the entirety was estimated at $7,300,000. The common structures are estimated not to contribute additional value as their affect is already reflected in the underlying lot prices. The vacant lots were likewise not considered to add value as their sale to abutters would inevitably cause use issues that would be detrimental to conditions on Little Neck. Therefore, they were assumed to be common open space.

Inventory Of Feoffee-Owned Parcels

Lot #	Lot SF	Lot#	Lot SF
0	11 acres	166B	3700
19	2,200	169A	3000
36	3,960	23A	3000
58	2,190	25A	3000
73	6,000	27A	3000
74	3,000	2713	3,380
78	2,410	27C	3,360
88	3,000	29A	3,000
119	3,000	43A	4,360
IOIB	3,000	49A	2,915
102B	3,000	52A	3,875
103A	3000	66A	3,600
109A	1500	6A	1,728
124A	3	70A	3,000
134A	1,500	71A	3,000
141A	3,000	75A	4.12
144A	3,000	87A	3,000
152A	3,000	92A	3,000
153A	3,000	93A	3,000
158A	1,250		
159A	3,000		
165A	2		
166A	3		

QUALIFICATIONS OF WILLIAM A. LACHANCE

EDUCATION:

Bachelor of Arts in Business Administration, Massachusetts College of Liberal Arts, North Adams, Massachusetts

Major: Management
Minor: Economics

Successful completion of Appraisal Institute courses:

Real Estate Appraisal Principles
Residential Valuation Procedures
Standards of Professional Practice
Basic Valuation Procedures
Capitalization Theory, and Techniques, Part A
Capitalization Theory, and Techniques, Part B
Case Studies in Real Estate Valuation
Valuation Analysis and Report Writing

Marshall-Swift Cost Service Courses, Commercial and Residential

Ethics and Counseling Regional Panel member and Admissions Committee member for the Appraisal Institute. Attendance at numerous seminars sponsored by the Appraisal Institute and various other appraisal, banking, development, and brokerage organizations.

PROFESSIONAL DESIGNATIONS AND AFFILIATIONS:

(**MAI**) Member of Appraisal Institute: Mr. LaChance has completed requirements of the Continuing Education Program of the Appraisal Institute. 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.

(**SRA**) Appraisal Institute, Senior Residential Appraiser

Certified General Appraiser, Massachusetts, License No. 497

Licensed Real Estate Broker, Commonwealth of Massachusetts, No. 104087

EXPERIENCE:

William A. LaChance, MAI, is currently a partner in the firm of Petersen/LaChance Realty Advisors. Petersen/LaChance provides high quality appraisal, consulting and evaluation services involving the general sale or acquisition of rights in real estate, but also including eminent domain, IRS reporting, and tax appeal proceedings, for commercial, industrial and residential real estate, as well as special purpose, development, and contaminated properties. Property types include regional manufacturing facilities, distribution warehouses, class A offices, apartment complexes, and shopping centers. Client and property compatible financial analysis software such as Argus© or Pro-Ject© is utilized. Mr. LaChance also has extensive experience in the appraisal of raw acreage for the purpose of residential subdivision development, placement of preservation easements, as well as special purpose property appraisals concerning automobile dealerships, gravel pits, cranberry bogs, farms, banks, hotels, gas stations and marinas.

In 1995, Mr. LaChance was selected by the Commonwealth as one of only a small group of Boston area appraisers to provide appraisals of contaminated properties proposed for acquisition by eminent domain. Mr. LaChance has also served as a primary and review appraiser for the Massachusetts Department of Food and Agriculture regarding the placement of Agricultural Preservation Restrictions on farmland since 1984 and was a guest speaker at the Department's Land Valuation Seminars in 1986 and 1994 and which focused on residential subdivision analysis as part of the valuation of acreage.

Petersen/LaChance was established in January, 1994, and is the result of the alliance with his partner, John G. Petersen, MAI. Prior to this association, Mr. LaChance was Vice President of Hunneman Appraisal & Consulting Company, where he was involved in diverse commercial, industrial and residential property appraisal and consulting from 1986 to 1993. Mr. LaChance was affiliated with R.M. Bradley and Company, Inc. as a commercial and industrial property appraiser and a real estate assessment specialist from 1982 to 1986. He was a staff appraiser with Robert J. Finnegan and Associates from 1980 to 1982 specializing in mass appraisal for Ad Valorem tax assessment under contract to various Massachusetts communities. Mr. LaChance's prior experience included real estate brokerage and construction.

COURT TESTIMONY:

Mr. LaChance has qualified as an expert witness before the Appellate Tax Board of the Commonwealth of Massachusetts, Suffolk County Superior Court, and Federal Bankruptcy Court at Worcester, Massachusetts.

REPRESENTATIVE LIST OF CLIENTS SERVED

Private

Texas Instruments
Chrysler Corporation
Toyota Motor Credit Corporation
Berkshire Hathaway
Browning-Ferris Industries
Vorelco, Inc.
Wheelabrator Technologies, Inc.
Cumberland Farms
Bechtel Parsons/Brinckerhoff
Midland Funding
REDD Investments
Copley Management
Westboro Company
Parker Brothers, Inc.
Boston Architectural Center
NYNEX
Equity Properties and Investments, Ltd.
North Shore Auto Brokers, Inc.
Primus Automotive Financial Services
Coopers and Lybrand
Ropes and Gray
Powers and Hall
Hutchins and Wheeler
Haythe and Curley
Mills, Teague and Patten
Hemenway and Barnes
Rackemann, Sawyer and Brewster
Kaye, Fialkow, Richmond and Rothstein
Rubin and Rudman LLP
Tyler and Reynolds
Foley, Hoag & Eliot
Riemer & Braunstein
Lahey Hitchcock Clinic
Trustees of Reservations
Essex County Greenbelt Association

Institutional

Sun Life of Canada
Lloyds Bank
Fleet Bank
BayBank
Bank of Boston
Beverly National Bank
East Boston Savings Bank
Central Cooperative Bank
Endicott College
Cape Cod Bank & Trust Company
Central Northern Bank
Boston Private Bank and Trust
Shawmut National Corporation
USTrust
Warren Five Savings Bank
Gloucester Bank and Trust Company
Danvers Savings Bank
Rockland Trust Company

Public Agencies

Federal Deposit Insurance Corporation
Resolution Trust Corporation
Massachusetts Department of Environmental Management
Massachusetts Bay Transportation Authority
Massachusetts Department of Public Works
Massachusetts Department of Agriculture
Massachusetts Department of Revenue
Massachusetts Department of Fisheries and Wildlife
Metropolitan District Commission
Massachusetts Division of Capital Planning and Operations
Various agencies within the following municipalities: Newton, Cambridge, Lynn, Marblehead, Salem, Danvers, Randolph, Lunenberg, Provincetown, Rutland, Bourne, Norton, Peabody, Lynnfield, and Manchester-By-The-Sea.

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John G. Petersen, MAI, SRA • William A. LaChance, MAI, SRA

March 18, 2005

Little Neck Association
Feoffee Coordinating Committee
C/o Richard Doherty
3 Garden Lane
Wakefield, MA 01880

Re: Market value estimate of land known as Little Neck, Ipswich, Massachusetts

Dear Mr. Doherty:

In accordance with your request, I respectfully submit herewith a Limited Appraisal in a Restricted Use format which sets forth my market value estimate for the fee simple interest in all of Little Neck. The property under appraisal, hereafter referred to as the subject, is further identified by the attached assessing map.

The purpose of this appraisal is to provide a market value estimate of the subject as of December 1, 2004. The intended use of this appraisal is solely by the above client (LNA) as part of their analyses. This valuation is predicated upon general assumptions and limiting conditions as well as several specific extraordinary assumptions, all of which are attached.

In accordance with Title XI of the Financial Institution Reform, Recovery and Enforcement Act (FIRREA) of 1989 market value is defined as follows:

> Market Value -- means the most probable price which a property should bring in competitive and open market under all conditions requisite to a fair sale, the buyer and seller, each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby: (A) buyer and seller are typically motivated; (B) both parties are well informed or well advised, and each acting in what they consider their own best interest; (C) a reasonable time is allowed for exposure in the open market; (D) payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and (E) the price represents the normal consideration for the property sold unaffected by special or

creative financing or sales concessions granted by anyone associated with the sale".[1] The value reported herein is in cash.

The report that follows presents a certification of value, assumptions and limiting conditions and a value indication. While some of the analysis is presented, the full analysis and reconciliation of data are not shown in this report, which is typical of restricted use reports.

This report is based on estimates, assumptions and other information developed from my research of the market, knowledge of the industry and information provided by individuals or groups considered to be reliable. Some assumptions inevitably will not materialize and unanticipated events and circumstances may occur; therefore, actual results achieved may vary from those described in the report. I have no responsibility to update the report for events and circumstances occurring after the date of this report.

After inspecting the subject property and analyzing the data, and based upon the attached assumptions, I have estimated that as of December 1, 2004 the market value of the fee simple rights in the subject land as if sold in its entirety was:

* * * $16,500,000 * * *

(SIXTEEN MILLION FIVE HUNDRED THOUSAND DOLLARS)

My value estimate, subsequent appraisal report and the associated analyses (which are not included in this report) are intended for your information and your duly authorized agents. The report may not be referred to or quoted in any agreement or document without my written consent.

Respectfully submitted,
Petersen/LaChance Realty Advisors

William A. LaChance, MAI, SRA
Massachusetts General Certificate No. 497

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1. Rules and Regulations, <u>Federal Register</u>, Vol. 55, No. 165, Page 34696.

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John G. Petersen, MAI, SRA • William A. LaChance, MAI, SRA

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, unbiased professional analyses, opinions, and conclusions.
- this appraisal assignment was not based upon a requested minimum valuation, a specific valuation, or the approval of a loan.
- I have no present or prospective interest in the property that is the subject of this report and I have no personal interest or bias with respect to the parties involved.
- my compensation is not contingent on an action or event resulting from the analyses, opinions, or conclusions of this report.
- my analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice.
- William A. LaChance inspected the subject land, visible improvements to the site, and the exterior of the buildings on various dates in November and December and including December 1, 2004.
- No one provided significant professional assistance to the person signing this report, however, market data was provided by the client.
- I certify to the best of my knowledge and belief, 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 and the Standards of Professional Practice of the Appraisal Institute.
- I certify that the use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.

- as of the date of this report, William A. LaChance has completed the requirements of the continuing education program of the Appraisal Institute.

- I do not authorize the out-of-context quoting from or partial reprinting of this appraisal report.

- further, neither all nor any part of the appraisal report shall be disseminated to the general public by the use of media for public communication without the prior written consent of the appraiser(s) signing this appraisal report.

- I certify that I am appropriately certified to appraise the subject property in the State in which it is located.

Petersen/LaChance Realty Advisors

William A. LaChance, MAI, SRA
Principal/Partner

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 exterior only of 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 LaChance, 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 so stated and should not be used for any other purpose.

3. The appraiser has made no survey of the property. Any and all maps, sketches, and site plans provided to the appraisers 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 signatory herein shall not be required to give testimony or attend court or 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, SRPA, 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 appraiser has no present or contemplated interest in the subject property.

8. Employment for this appraisal and compensation for this report is in no way contingent on the conclusions reported herein.

9. This appraisal has been made in conformance to the Code of Professional Ethics and Standards of Practice of the Appraisal Institute of which William A. LaChance is a member, and represents the best judgment of the appraiser.

10. No responsibility is taken for the effect on the subject property of changes in market conditions after the date of valuation or for the inability of the property owner to find a purchaser at the appraised value.

11. No effort has been made to determine the impact on this project of possible energy shortages or present or future federal, state, or local legislation, including any environmental or ecological matters or interpretations thereof.

12. The date of valuation to which the value estimate conclusions apply is set forth in the letter of transmittal and within the body of this report. The value is based on the purchasing power of the U.S. dollar as of the date of the report.

13. The appraisal conclusions that apply to the subject property are based on economic conditions and estimated supply and demand factors as of December 1, 2004.

14. The report does not take into consideration the possibility of 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. If the property owner has a concern over the existence of such conditions in the subject property, the appraisers consider it imperative to retain the services of a qualified engineer or contractor to determine the existence and extent of such hazardous conditions. Such consultation should include the estimated cost associated with any required treatment or removal of hazardous material.

15. 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.

16. The Americans with Disabilities Act (ADA) became effective January 26, 1992. I have not made a specific survey or analysis of this property to determine whether the physical aspects of the improvements meet the ADA accessibility guidelines. Since compliance matches each owner's financial ability with the cost to cure the property's potential physical characteristics, the real estate appraiser cannot comment on compliance to ADA. A brief summary of physical aspects is included in this report. It in no way suggests ADA compliance by the current owner. Given that compliance can change with each owner's financial ability to cure non-accessibility, the value of the subject does not consider possible non-compliance. Specific study of both the owner's financial ability and the cost to cure any deficiencies would be needed for the Department of Justice to determine compliance.

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EXTRAORDINARY ASSUMPTIONS

1. Each of the 167 "lots" are to be served by a common sewer line and holding tank. The individual service lines are to be brought to the cottage foundation. Cottages will be metered and cottages owners will pay sewer fees based on usage.

2. Buyers of individual lots would be acquiring rights in a common ownership such as in a cooperative or condominium.

3. Dwellings present result in no contribution or deduction from land value except that lot buyers are limited to a building of the current building's footprint and exterior dimensions.

4. The existing deed covenant limiting 24 of the 167 total units to year round use and 143 to seasonal use (April 1 - November 30) shall continue in perpetuity.

5. Individual lot values and Little Neck's overall market value are based upon the assumption that the current owner or the buyer of the entirety will pay for installation of the new common electric service and the common sewer line and tight tank. The $3,000,000 sewer cost was provided by the client.

6. The take off pipe from the proposed common tight tank will eventually be located on land near the gateway to Little Neck or at a similarly non-central location rather than at the ball field that may serve as an interim location. Cottages will be individually metered for septic fees.

7. Little Neck is under a DEP Order to correct its septic/cesspool issues and installation of a common tight tank is a logical result as no public sewer exists nearby and public extension does not appear reasonably probable in the near future.

8. Lot values are based upon an estimated annual cooperative or condominium budget of approximately $350,000 ($2,100 per cottage) after the first year when the budget is estimated to higher due to an anticipated $300,000 first year management and operation cost associated with a new sewer/tight tank system.

9. The lessor-owned vacant lots must remain vacant and unbuildable other than for replacement of any existing site improvements, and the community center, firehouse, and playground lots cannot be used for cottage purposes.

EXTENT OF DATA COLLECTION AND ANALYSIS

In undertaking this appraisal assignment William A. LaChance has inspected the subject land, visible improvements to the land, and the exterior of the structures. The view from each dwelling was noted, rated, and considered in developing the retail value estimate for that lot. In addition, the gross living area (GLA) and exterior dimensions of each currently existing building was noted. I then conducted a limited market investigation in order to establish the subject property's relation to competitive properties using relevant units of comparison. My research, including a review of Little Neck and Great Neck sales of waterfront and waterview property since 2000 was conducted in order to establish a reasonably reliable estimate of market value for the subject property in its entirety. The sales were verified with a broker or the grantee, or in some cases, with the recorded deed or with the contract of sale, a copy of which is on file at the Ipswich Town Clerk's office.

In arriving at my value estimate, I have relied principally on the sales comparison and income capitalization approaches to value.

The reader should be aware that this Limited Appraisal did not include the following components normally found in a Complete Appraisal:

- complete regional and national market analysis;

- in-depth highest and best use analysis[2];

Related to the above limitations, the following Standards, as contained in the Uniform Standards of Professional Appraisal Practice (USPAP), have been departed from:

1. a complete market analysis was not performed; reliance on a limited analysis of the greater North Shore residential property market has been relied upon (SR 1-4(g));

2. this appraisal assumes that the current residential use, under an individual undivided interest in a defined lot as well as shared use of common land and improvements, is the highest and best use of the land (SR 1-3(a));

The appraiser has determined that development and use of this Limited Appraisal is not so confined as to result in a misleading or confusing report. The client has been advised of these departures and agrees the performance of a Limited Appraisal service is appropriate.

It is important to note that the reader of this report should be aware of the Assumptions and Limiting Conditions and in particular the Special Assumptions and Limiting Conditions, if any.

2 Highest and best use was limited by the extraordinary assumptions.

VALUATION SUMMARY

Local sales data was considered to provide the best indication of retail value for each so called lot. Lot sales and improved sales were gathered and analyzed and land value extractions were made from improved property sales on Great Neck and Little Neck. Sales were inspected and verified as previously described and Assessing, Building, and Health Department records were reviewed in order to gather additional information on the physical characteristics of the improvements. The reported condition of the building at the time of sale and subsequent building permits were considered along with my exterior inspection and any information gathered during verification. By using replacement cost estimates provided by the Marshall & Swift Cost Service Manual and compared with estimates from local builders; and after the extraction of rates of depreciation from improved property sales, this process allowed extraction of the value contribution of the improvements from the sale price. The residual value of the underlying land or lot was supported by this process. For sales occurring on Little Neck, this lot value was then adjusted for differences in rights sold versus rights appraised and for changes in market conditions between the sale date and the valuation date. The Great Neck sales were recognized as sales of superior rights as they are fee simple sales (no ground rent or coop. fee).

The need to extract the contribution of value of the improvements from the total selling price of sales at Little Neck stems from the limited number of sales where the improvements were demolished and from the clearly apparent and positive implied leasehold value associated with the many improved sales. At Little Neck the underlying land is not leased and tenants are at will on an annual basis with rents and rental renewals at the option of the Feoffees. This arrangement has been ongoing for hundreds of years. Ground rents were in the hundreds of dollars annually in the mid to late 1990's and have been increased significantly since. In 2004 the average ground rent was $3,600, and this rent is scheduled to increase in 2005 to $5,072 (avg.) with $5,000 for seasonal lots and $5,500 for the 24 year round lots. Annual increases thereafter may be based upon a consumer price index (CPI), yet this is not assured. Tenants pay real estate taxes on their cottage as well as their assigned lot and the lessor (the Feoffees) pays the real estate taxes on common land and buildings. The tenant's share use of common amenities such as a community center, ballfield, scattered open lots, and a pier.

The extractions indicate that the implied leasehold has increased dramatically in recent years, particularly at sites offering the most desirable settings and views. For example, it is common practice for improvements (cottage and tight tank/cesspool etc.) to tranfer by means of a bill of sale and for cottages to be subsequently repaired or renovated. On numerous occasions, these repairs were observed to be extensive and in some cases the cottage was entirely replaced including its foundation. Only the tight tank or cesspool remained as a contribution to the sale price or value.

As for the value of the improvements, an estimate of depreciated cost could be developed. However, these buildings and structures do not exhibit value in exchange, or market value, as their allowed uses are so limited (residential occupancy is not permitted) and the uses allowed must be in common to all 167 cottage owners. Therefore, there is obsolescence inherent in each building. Overall, it is my opinion that applying additional value to these improvements would require the deduction of an equivalent value pro-rata retail value from each of the 167 "lots".

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In summary, the subject is a single tract rented as numerous "lots". My concluding opinion of value was based upon an estimate of gross sales over an absorption period, less expenses and profit, discounted to a present value of the subject in its entirety as of the valuation date.

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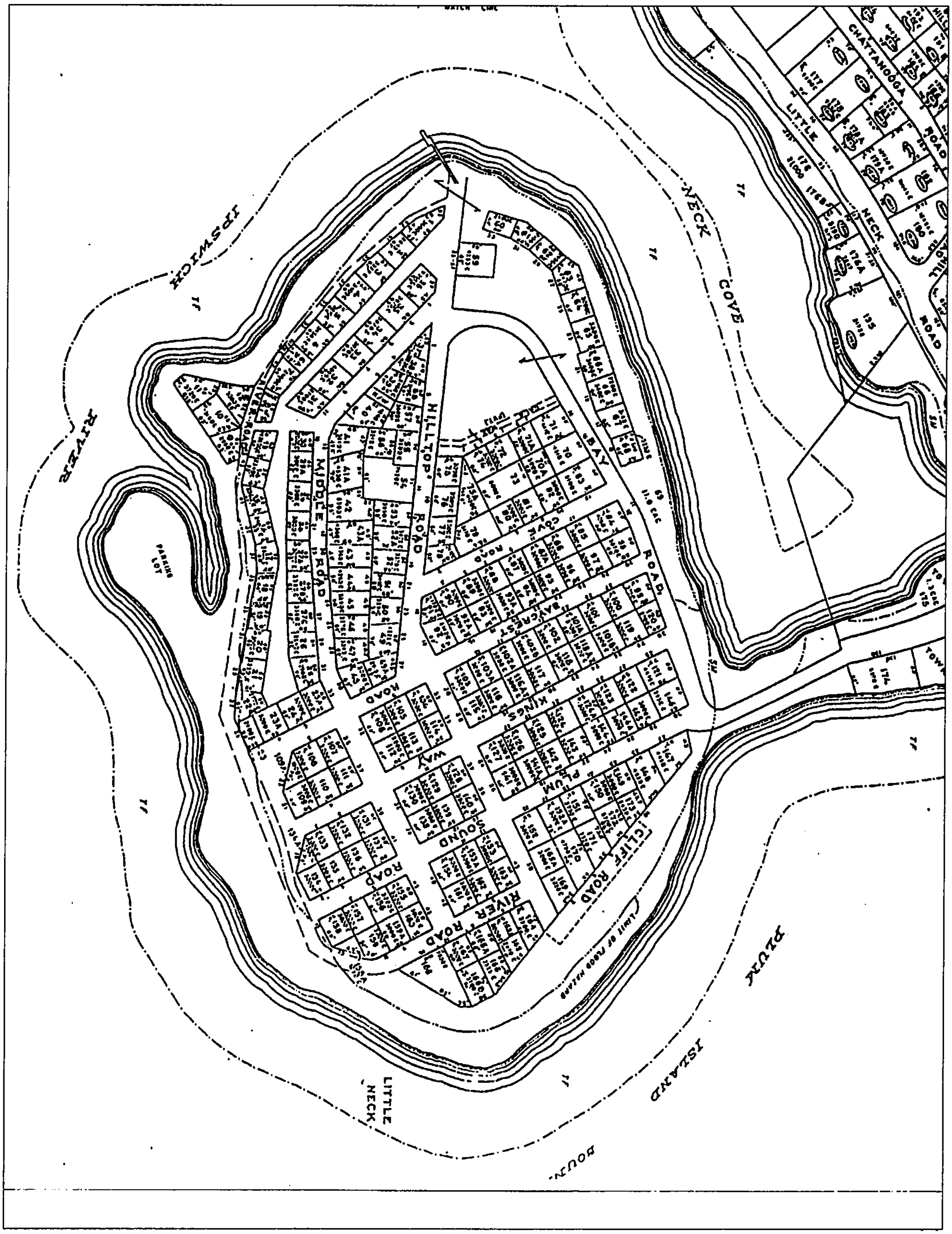

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QUALIFICATIONS OF WILLIAM A. LACHANCE

EDUCATION:

Bachelor of Science in Business Administration, Massachusetts College of Liberal Arts, North Adams, Massachusetts

Major: Management
Minor: Economics

Successful completion of Appraisal Institute courses:

Real Estate Appraisal Principles
Residential Valuation Procedures
Standards of Professional Practice
Basic Valuation Procedures
Capitalization Theory, and Techniques, Part A
Capitalization Theory, and Techniques, Part B
Case Studies in Real Estate Valuation
Valuation Analysis and Report Writing

Marshall-Swift Cost Service Courses, Commercial and Residential

Past Ethics and Counseling Regional Panel member and Admissions Committee member for the Appraisal Institute. Current Massachusetts Chapter Chairperson of Government Relations. Attendance at numerous seminars sponsored by the Appraisal Institute and various other appraisal, banking, development, and brokerage organizations.

PROFESSIONAL DESIGNATIONS AND AFFILIATIONS:

(**MAI**) Member of Appraisal Institute: Mr. LaChance has completed requirements of the Continuing Education Program of the Appraisal Institute. 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.

(**SRA**) Appraisal Institute, Senior Residential Appraiser

Certified General Appraiser, Massachusetts, License No. 497

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

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EXPERIENCE:

William A. LaChance, MAI, is currently a partner in the firm of Petersen/LaChance Realty Advisors. Petersen/LaChance provides appraisal, consulting and evaluation services involving the general sale or acquisition of rights in real estate, but also including eminent domain, IRS reporting, and tax appeal proceedings, for commercial, industrial and residential real estate, as well as special purpose, development, and contaminated properties. Property types include regional manufacturing facilities, warehouses, office, apartments, and shopping centers. Argus© financial analysis software is utilized for multi-tenanted properties requiring a discounted cash flow analysis. Mr. LaChance also has extensive experience in the appraisal of raw acreage for the purpose of residential subdivision development, commercial or industrial development, or placement of preservation or other easements. Mr. LaChance also has substantial special purpose property appraisal experience concerning easements, automobile dealerships, marinas, gravel pits, cranberry bogs, farms, and railroad rights of way.

In 1995, Mr. LaChance was selected by the Commonwealth as one of only a small group of Boston area appraisers to provide appraisals of contaminated properties proposed for acquisition by eminent domain. Mr. LaChance has also served as a primary and review appraiser for the Massachusetts Department of Food and Agriculture regarding the placement of Agricultural Preservation Restrictions on farmland since 1984 and has contributed to the Department's Land Valuation Seminars in 1986 and 1994 that focused on residential subdivision analysis as part of the valuation of acreage.

Petersen/LaChance was established in January, 1994, and is the result of the alliance with his partner, John G. Petersen, MAI. Prior to this association, Mr. LaChance was Vice President of Hunneman Appraisal & Consulting Company, where he was involved in diverse commercial, industrial and residential property appraisal and consulting from 1986 through 1993. Mr. LaChance was employed at R.M. Bradley and Company, Inc. as a commercial and industrial property appraiser and a real estate assessment specialist from 1982 to 1986. He was a staff appraiser with Robert J. Finnegan and Associates from 1980 to 1982 specializing in mass appraisal for Ad Valorem tax assessment under contract to various Massachusetts communities. Mr. LaChance's earlier experience included real estate brokerage and construction.

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 Court in Lawrence, Probate Court in Norfolk County, and Federal Bankruptcy Court at Worcester, Massachusetts.

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REPRESENTATIVE LIST OF CLIENTS SERVED

Private

Texas Instruments
Chrysler Corporation
Toyota Motor Credit Corporation
Berkshire Hathaway
Browning-Ferris Industries
Vorelco, Inc.
Wheelabrator Technologies, Inc.
Cumberland Farms
Bechtel Parsons/Brinckerhoff
Midland Funding
REDD Investments
Copley Management
Westboro Company
Parker Brothers, Inc.
Boston Architectural Center
NYNEX
Equity Properties and Investments, Ltd.
North Shore Auto Brokers, Inc.
Primus Automotive Financial Services
Coopers and Lybrand
Ropes and Gray
Powers and Hall
Hutchins and Wheeler
Haythe and Curley
Mills, Teague and Patten
Hemenway and Barnes
Rackemann, Sawyer and Brewster
Kaye, Fialkow, Richmond and Rothstein
Rubin and Rudman LLP
Tyler and Reynolds
Foley, Hoag & Eliot
Riemer & Braunstein
Lahey Hitchcock Clinic
Trustees of Reservations
Essex County Greenbelt Association

Institutional

Sun Life of Canada
Lloyds Bank
Fleet Bank
BayBank
Bank of Boston
Beverly National Bank
East Boston Savings Bank
Central Cooperative Bank
Endicott College
Cape Cod Bank & Trust Company
Central Northern Bank
Boston Private Bank and Trust
Shawmut National Corporation
USTrust
Warren Five Savings Bank
Gloucester Bank and Trust Company
Danvers Savings Bank
Rockland Trust Company

Public Agencies

Federal Deposit Insurance Corporation
Resolution Trust Corporation
Massachusetts Department of Environmental Management
Massachusetts Bay Transportation Authority
Massachusetts Department of Public Works
Massachusetts Department of Agriculture
Massachusetts Department of Revenue
Massachusetts Department of Fisheries and Wildlife
Metropolitan District Commission
Massachusetts Division of Capital Planning and Operations
Various agencies within the following municipalities: Newton, Cambridge, Lynn, Marblehead, Salem, Danvers, Randolph, Lunenberg, Provincetown, Rutland, Bourne, Norton, Peabody, Lynnfield, and Manchester-By-The-Sea.

EXHIBIT
PENGAD 800-631-6989
LaChance
#5
9/15/11 CJS

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
Danvers, MA 01923

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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*****

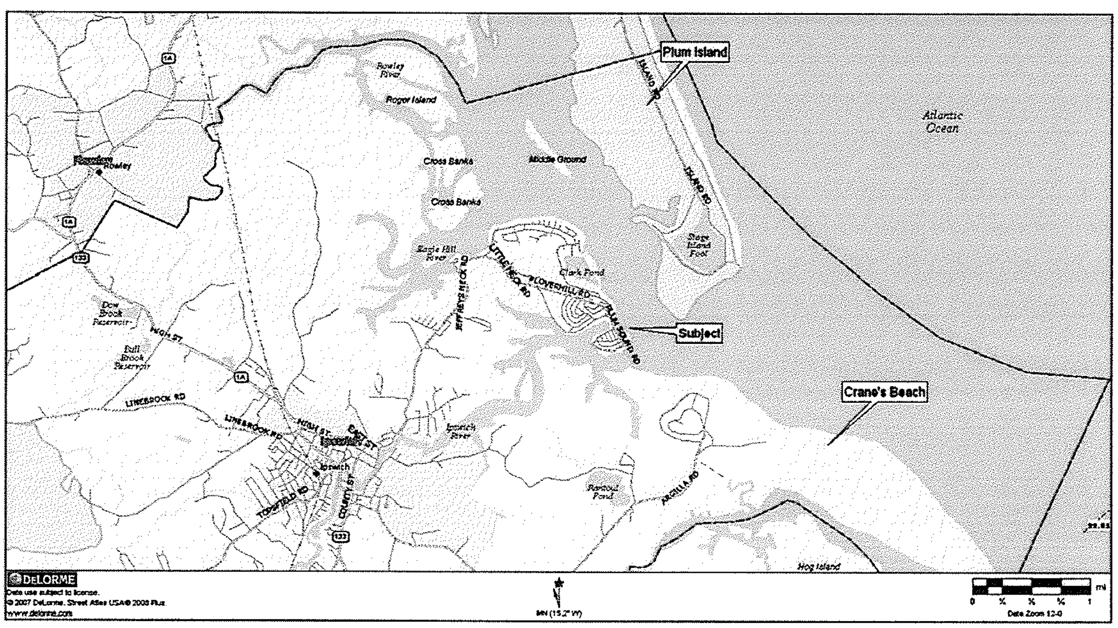
Respectfully submitted,

William A. LaChance, MAI, SRA
Massachusetts General Certified Appraiser No. 497

Table of Contents

Addenda

Subject Aerial Photograph and Map



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 though use of other data within a generally accepted valuation methodology.

Prior to completion of this report, appraisal report's 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 to 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 affect will be reflected in the value indication. In addition, calculation of a gross sales estimate within in 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.

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

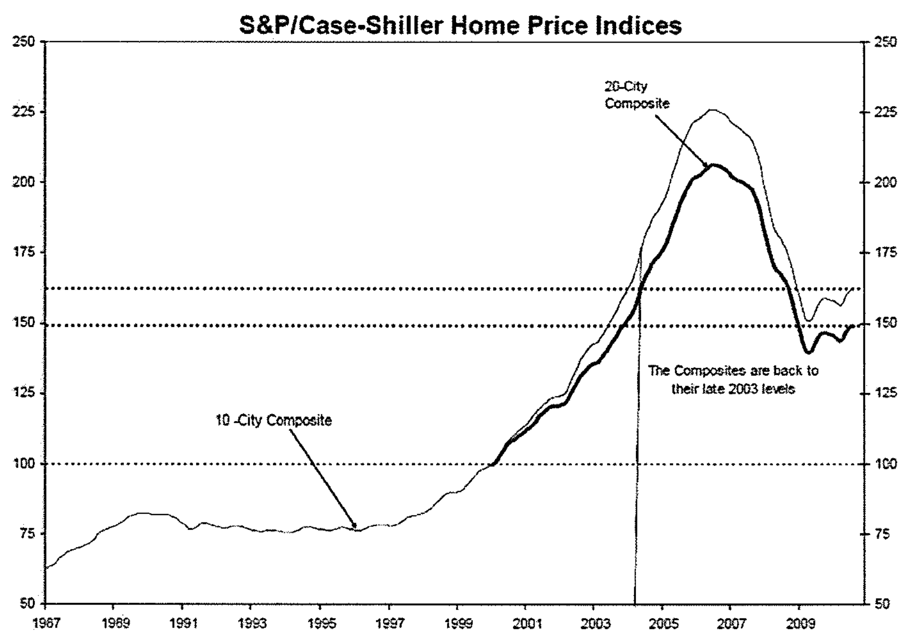
Source: by STDB OnLine

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 (<11/1)
Sales Volume	67.3M	74.3M	66.7M	59.7M	52.9M	32.9M	34.6M	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.



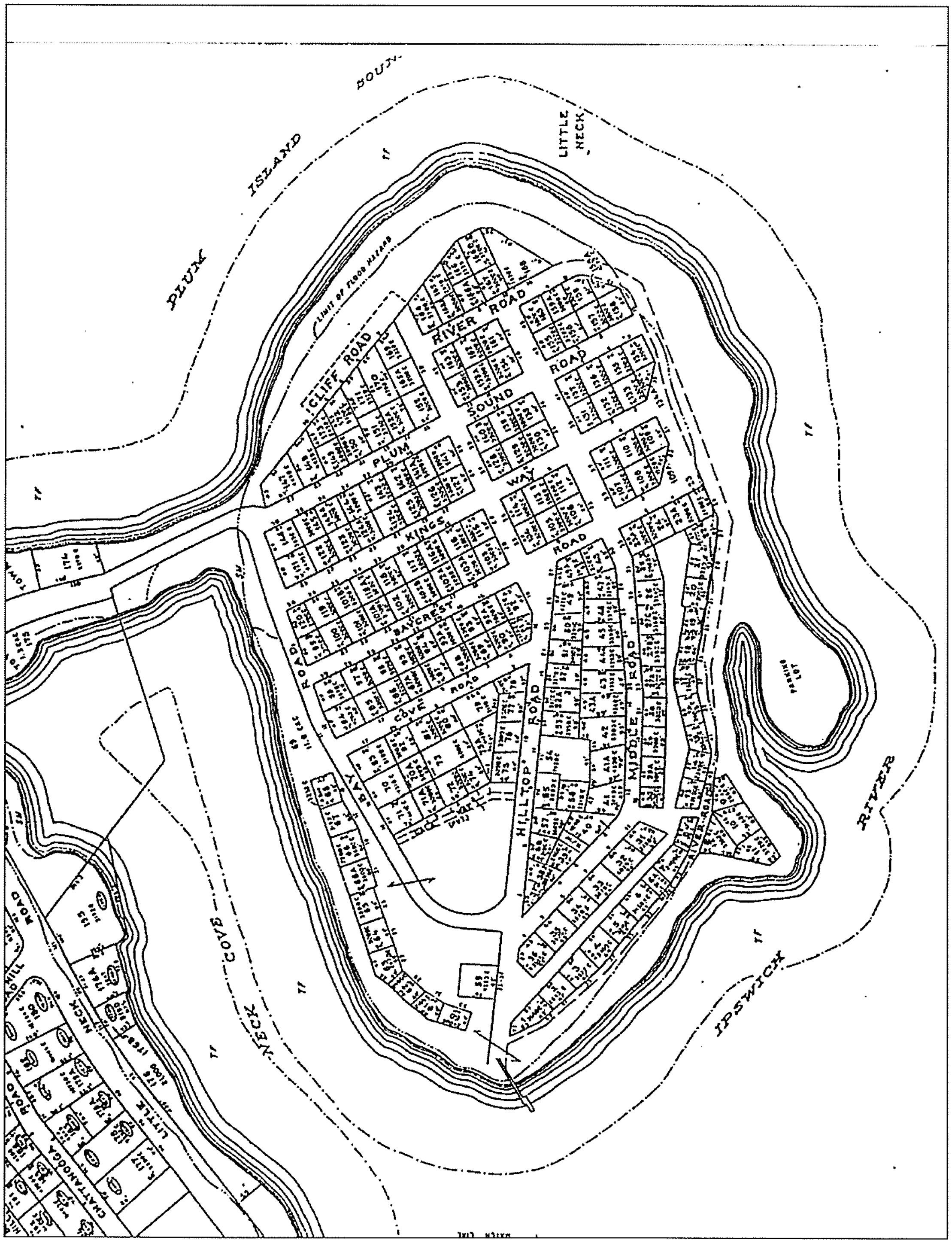
Source: Standard & Poor's and Fiserv

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.


PLUM ISLAND
LITTLE NECK
CLIFF ROAD
RIVER ROAD
PLUM
SOUND
ROAD
WAY
KINGS
BAYCREST
ROAD
COVE
BAY
HILLTOP ROAD
MIDDLE ROAD
RIVER ROAD
NECK COVE
IPSWICH RIVER
CHATTANOOGA ROAD
LITTLE NECK
LIMIT OF FLOOD HAZARD

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 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 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 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 SF	Lot#	Lot SF
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
IOIB	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.

	RRB
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.

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[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.

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.

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.

Table APT-1

OVERALL CAP RATE TRENDS

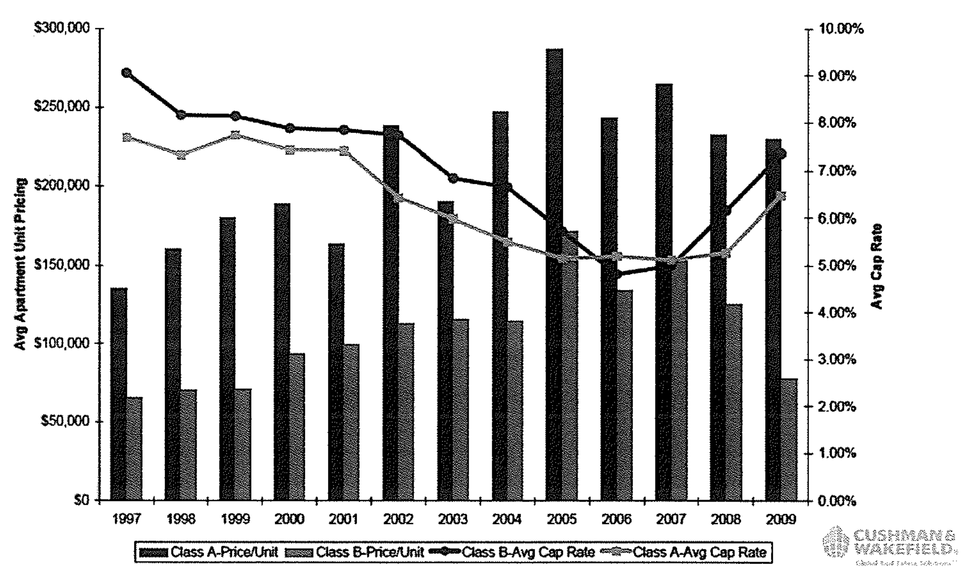
National Apartment Market

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 Survey®

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%.

Historical Cap Rates & Unit Pricing Massachusetts Apartment Sales



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.

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

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

Great Neck House Lot Sales

Sale #	Address	Assessed Lot #	Sale Date	Sale Price	Grantor Grantee	Lot SF±	Dwelling at Sale	New Home Bedrooms Square Feet	View&Setting Rating	Comments - Waterfrontage and View
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	wv 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	wv Petitioned for 2 BR

Newbury & Newburyport at Plum Island Lot Sales

Sale #	Address	Assessed Lot #	Sale Date	Sale Price	Grantor Grantee	Lot SF±	Dwelling	New Home Bedrooms Square Feet	View&Setting Rating	Comments - Waterfrontage and View
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.

Great Neck Lot Value Extractions

Sale #	Address	Assessed Lot #	Sale Date	Sale Price	Grantor Grantee	Lot SF±	Dwelling	GLA* SF 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 Pl Sound
4	106 North Ridge Rd.	15B-24	Dec-07	$775,000	Smith Laughton	7,500	Conventional	2,363 2	1	$365,000	Elevated wv 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	wv 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

Great Neck Lot Value Extractions

Sale #	Address	Assessed Lot #	Sale Date	Sale Price	Grantor / Grantee	Lot SF±	Dwelling	Square Feet / Bedrooms	View&Setting Rating	Extracted Lot Value	Comments
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

Recent Little Neck Sales

Sale #	Address	Assess. Lot #	Sale Date	Sale Price	Grantor Grantee	"Lot" SF	Dwelling	Square Feet Bedrooms	View&Setting Rating	Comments
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.

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 that 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	2002	2003	2004	2005	2006	2007	2008	2009	2010
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

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 a 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 is 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 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.

Great Neck House Lot Sales

Sale #	Address	Sale Date	Sale Price	Lot SF±	Dwelling at Sale	New Home Bedrooms Square Feet	Sale Price	Adjustments: Rights Value	Adjustments: Market Change Value	Adjustments: Location	Adjustments: Utilities	"Lot" Value Indication	View&Setting Rating
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: Rights Value	Adjustments: Market Change Value	Adjustments: Location	Adjustments: Utilities	"Lot" Value Indication	View&Setting Rating
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

Great Neck Lot Value Extractions

								Adjustments					
Sale #	Address	Sale Date	Sale Price	Lot SF±	Dwelling	GLA* SF Bedrooms	Extracted Lot Value	Rights Value	Market Change Value*	Location	Utilities	"Lot" Value Indication	View&Setting Rating
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 Chattanooga 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

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	46	x	$170,000	$7,820,000
	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 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 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	2012	2013	2014	2015
		Term 1	Term 2	Term 3	Term 4	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.

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 Wm A. LaC   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

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.

Addenda

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.

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.

Petersen/LaChance Realty Advisors
APPRAISAL EVALUATION CONSULTING

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%	$66,730
RCNLD Dwelling			$211,310
Depreciated Value of Site Imp.			$15,000
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%	$87,156
RCNLD Dwelling			$161,862
Depreciated Value of Site Imp.			$15,000
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%	$175,870
RCNLD Dwelling			$214,953
Depreciated Value of Site Imp.			$15,000
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%	$199,861
RCNLD Dwelling			$199,861
Depreciated Value of Site Imp.			$15,000
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	

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%	$257,541
RCNLD Dwelling			$257,541
Depreciated Value of Site Imp.			$15,000
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%	$116,110
RCNLD Dwelling			$270,923
Depreciated Value of Site Imp.			$15,000
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%	$53,251
RCNLD Dwelling			$188,799
Depreciated Value of Site Imp.			$20,000
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%	$119,286
RCNLD Dwelling			$145,794
Depreciated Value of Site Imp.			$20,000
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	

Petersen/LaChance Realty Advisors
APPRAISAL EVALUATION CONSULTING

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%	$46,169
RCNLD Dwelling			$308,975
Depreciated Value of Site Imp.			$20,000
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%	$150,471
RCNLD Dwelling			$16,719
Depreciated Value of Site Imp.			$5,000
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%	$133,537
RCNLD Dwelling			$89,025
Depreciated Value of Site Imp.			$10,000
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%	$46,494
RCNLD Dwelling			$139,483
Depreciated Value of Site Imp.			$10,000
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	

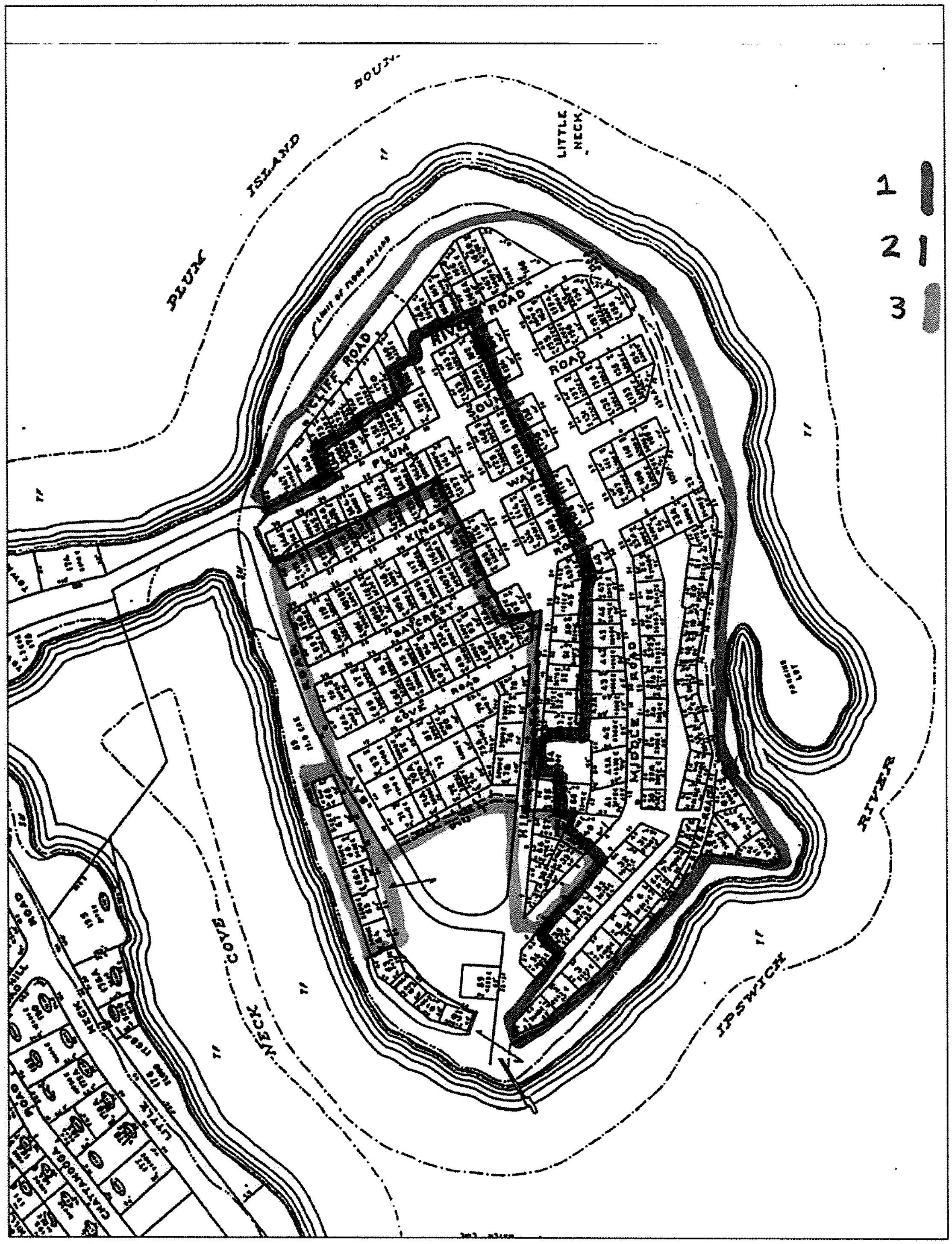
Great Neck Lot Value Extraction Sales

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%	$106,642
RCNLD Dwelling			$71,095
Depreciated Value of Site Imp.			$15,000
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%	$141,237
RCNLD Dwelling			$52,238
Depreciated Value of Site Imp.			$10,000
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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LITTLE NECK
CHATTANOOGA

DEP Letter

Assessing Data

THIS IS IT

Cooperative Lot Selloff Analysis
Little Neck

Beginning Period Date		2005	2006	2007	2008	2009
		Term 1	Term 2	Term 3	Term 4	Term 5
Retail Sales		$7,424,623	$7,206,251	$7,206,251	$7,206,251	$7,424,623
167 "lots" @ avg. price of	$218,371					
Estimate of lot sales		34	33	33	33	34
Assumed lot price change		0%	0%	0%	3%	3%
Gross retail sales		7,424,623	7,206,251	7,206,251	7,422,439	7,876,782
Ground rent (average)	$6,551	982,650	763,192	547,009	340,750	123,182
Coop Fees		35,700	109,232	185,871	267,329	354,393
Potential Gross Income		8,442,973	8,078,674	7,939,131	8,030,518	8,354,357
Less expenses						
legal		115,800	65,788	67,012	68,235	70,882
land real estate tax		271,161	230,625	169,451	105,035	35,166
commissions @ 5%		371,231	360,313	360,313	371,122	393,839
other professional fees		100,000	25,000	25,000	25,000	25,000
infrastructure cost		400,000	15,000	15,000	15,000	15,000
common sewer		3,000,000	0	0	0	0
engineering		850,000	0	0	0	0
electric		400,000	0	0	0	0
allowance for cost overrun		232,500	35,000	35,000	35,000	35,000
sewer op. & mgmt.		300,000	150,000	154,500	163,909	178,956
property maintenance, office, misc.		50,000	51,500	54,636	59,652	67,082
property management		40,000	41,200	43,709	47,722	53,665
Total expenses		6,130,692	974,425	924,620	890,675	874,590
Net income		2,312,281	7,104,249	7,014,511	7,139,843	7,479,767
Discount factor @	22.00%	0.8197	0.6719	0.5507	0.4514	0.3700
Present value of income		1,895,312	4,773,078	3,862,939	3,222,919	2,767,508
Total present value of income		16,521,756				
Market value estimate, called:		**$16,500,000**				
		0.8197	0.6719	0.5507	0.4514	0.3700
years		1	2	3	4	5
rate		0.22				

167

1.03 1.0609 1.0918 1.124554

Lessor paid RE taxes on land at $6551 = tenat paid RE taxes on ld and bldg at rents of 5K and 5.5Kcollecting land RE tax

Tenats pay own RE tax on buildings - tax on land is in rent and pais by lessor

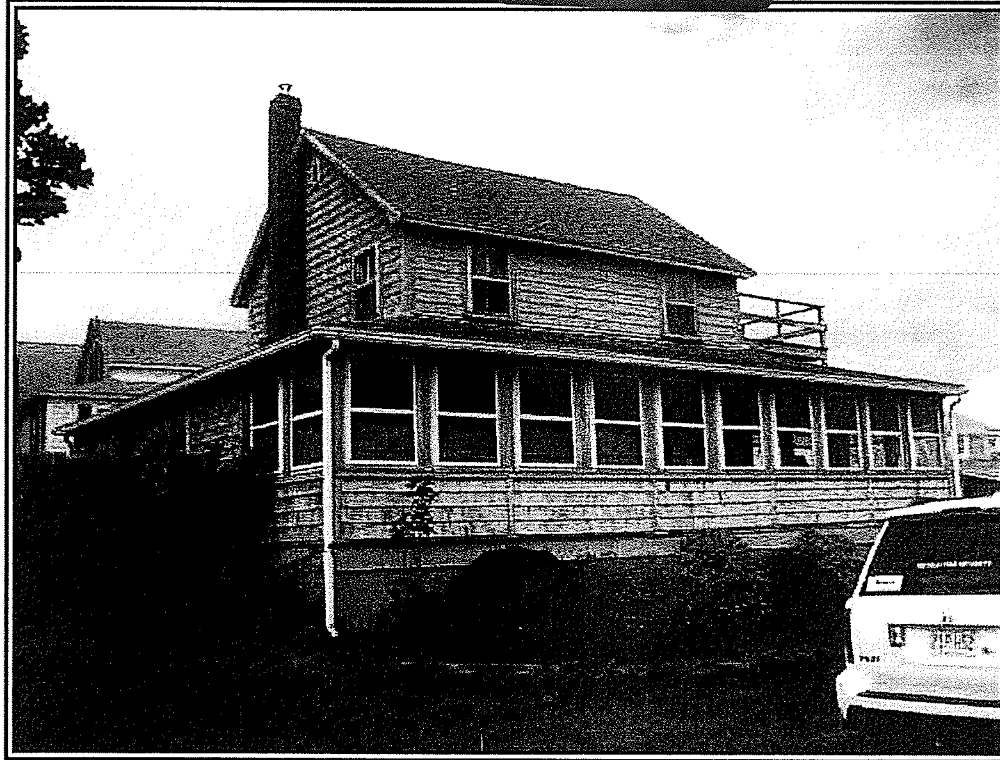
Budget
25,000 legal
totla land RE tax = $304,005 based on 04 actual +2.5% on tenant owned land omly
both= 322,551 == RE tax 2004 actual plus 2.5% on 167 lots 505,000 ld and bldg
25,000 salaries 18546 for Feofee RE tax
15,000 tot6al of all lots and Feofee RE = 322,551 not inlc 167 cottages
bldg tax = 1189

35,000
150,000
51,500
41,200
342,700 called 350000
div by 167 = 2,100 lot

Assumes
Feoffeees pay all RE tax on unsold lotsand cottages
475303 RE tax on cottages
18094 RE tax on common land and bldg's of f"s
$2,846
304005

EXHIBIT
PENGAD 800-631-6989
LaChance #6
9/15/11 cjs

LandVest®



Residence Sale #: A1

Transaction Data:			
Address:	**42 Middle Road**	*Sale Date:*	**8/31/07**
Community:	**Little Neck, Ipswich**	*Sale Price:*	**$550,000**
Assessor's Reference:	**24C 069 161**	*Grantor:*	**Not Available**
Conditions of Sale:	**Arm's Length**	*Grantee:*	**Daniel Leonard**

Property Data:			
Land Area:	**3,000 square feet**	*Mechanical Systems:*	**Electric Heat**
Residence:	**Seasonal Cottage**	*Utilities:*	**Common Sewer, Town Water**
Year Built:	**1910**	*Accessories:*	**None**
Bedrooms/Baths:	**4 / 1 ½**	*Amenities:*	**Roof deck**
Effective Living Area:	**1,378 square feet**	*Overall Condition:*	**Average**

Comments:
Listed at $575,000, sold after 852 days on market. Assessment at sale date: $345,500 ($132,200 building, $213,300 land).

Extracted Land Value:						
G.L.A.	*Condition*	*Replacement Cost New*	*Depreciation*	*Value of Improvements*	*Landscape @ 10%*	*Extracted Land Value*
1,378 s.f.	Average	$275,600	25%	$206,700	$20,670	***$322,630***

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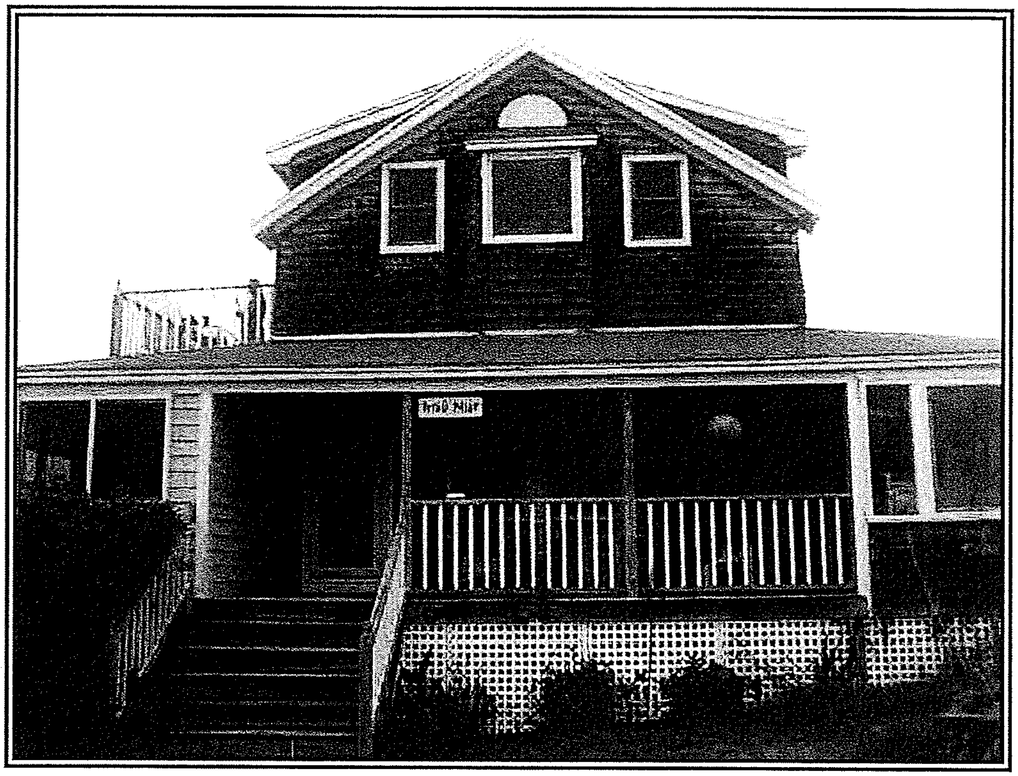


Residence Sale #: A2

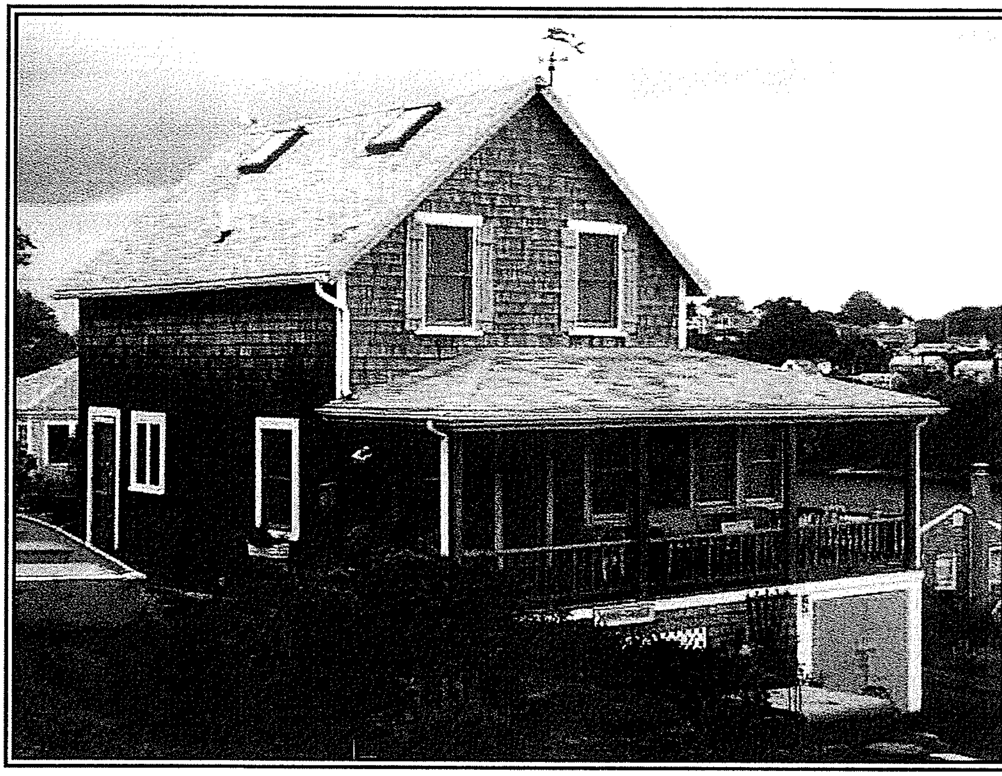
Transaction Data:			
Address:	**9 Cove Road**	*Sale Date:*	**10/12/07**
Community:	**Little Neck, Ipswich**	*Sale Price:*	**$339,000**
Assessor's Reference:	**24C 069 87**	*Grantor:*	**Not Available**
Conditions of Sale:	**Arm's Length**	*Grantee:*	**George P. Sousa**

Property Data:			
Land Area:	**3,000 square feet**	*Mechanical Systems:*	**Gas Heat**
Residence:	**Seasonal Cottage**	*Utilities:*	**Common Sewer, Town Water**
Year Built:	**1910**	*Accessories:*	**None**
Bedrooms/Baths:	**2 / 1 ½**	*Amenities:*	**Upper deck, porch**
Effective Living Area:	**1,473 square feet**	*Overall Condition:*	**Very Good**

Comments:
Sold fully furnished at full asking price after 15 days on market. Assessment at sale date: $423,800 ($210,500 building, $213,300 land).

Extracted Land Value:

Improvements G.L.A.	*Condition*	*Replacement Cost New*	*Depreciation*	*Value of Improvements*	*Landscape @ 10%*	*Extracted Land Value*
1,473 s.f.	V. Good	$257,775	30%	$180,442	$18,044	***$140,225***



Residence Sale #: A3

Transaction Data:			
Address:	**24 Plum Sound Road**	*Sale Date:*	**4/14/08**
Community:	**Little Neck, Ipswich**	*Sale Price:*	**$400,000**
Assessor's Reference:	**24C 069 144**	*Grantor:*	**Stephen H. Moore**
Conditions of Sale:	**Arm's Length**	*Grantee:*	**Kerri McDonald-Shaub**

Property Data:			
Land Area:	**3,000 square feet**	*Mechanical Systems:*	**Gas Heat**
Residence:	**Seasonal Cottage**	*Utilities:*	**Common Sewer, Town Water**
Year Built:	**1910**	*Accessories:*	**None**
Bedrooms/Baths:	**3 / 1 ½**	*Amenities:*	**Wrap around porch**
Effective Living Area:	**1,392 square feet**	*Overall Condition:*	**Average - Good**

Comments:
Recently renovated and well maintained, sold fully furnished. Listed at $445,000. Sold after 185 days on market. Assessment at sale date: $291,400 ($105,900 building, $185,500 land).

Extracted Land Value:

Improvements G.L.A.	*Condition*	*Replacement Cost New*	*Depreciation*	*Value of Improvements*	*Landscape @ 10%*	*Extracted Land Value*
1,392 s.f.	Avg./Good	$208,600	25%	$156,450	$15,645	***$227,905***

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Residence Sale #: A4

Transaction Data:			
Address:	**3 King's Way**	*Sale Date:*	**11/6/08**
Community:	**Little Neck, Ipswich**	*Sale Price:*	**$465,000**
Assessor's Reference:	**24C 069 133**	*Grantor:*	**Julia Collins**
Conditions of Sale:	**Unknown**	*Grantee:*	**Michael Torrisi**

Property Data:			
Land Area:	**3,000 square feet**	*Mechanical Systems:*	**None**
Residence:	**Seasonal Cottage**	*Utilities:*	**Common Sewer, Town Water**
Year Built:	**1920**	*Accessories:*	**None**
Bedrooms/Baths:	**3 / 1**	*Amenities:*	**Screened porch**
Effective Living Area:	**912 square feet**	*Overall Condition:*	**Average - Good**

Comments:
Assessment at sale date: $362,700 ($72,400 building, $290,300 land). House includes inordinate ratio of Gross building area to effective living area (G.B.A.: 2,200 s.f.). Accounted for in replacement cost analysis.

Extracted Land Value:

G.L.A.	*Condition*	*Replacement Cost New*	*Depreciation*	*Value of Improvements*	*Landscape @ 10%*	*Extracted Land Value*
912 s.f. 1,308 (semi finished)	Avg./Good	$225,000	20%	$180,000	$18,000	***$267,000***

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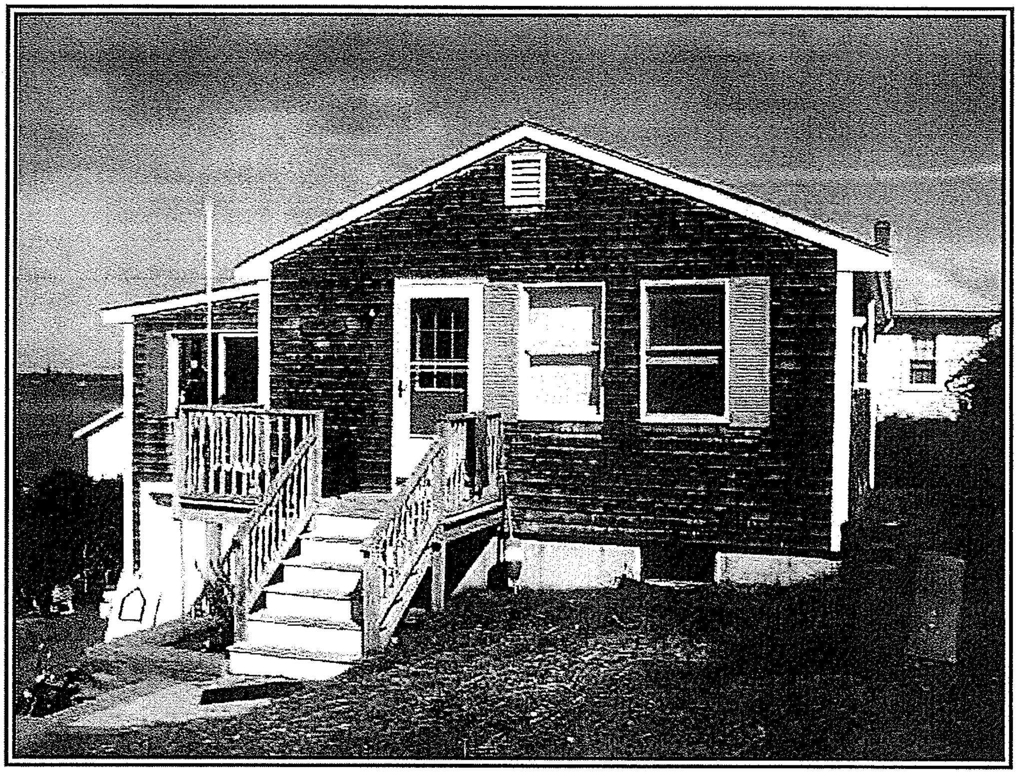


Residence Sale #: A5

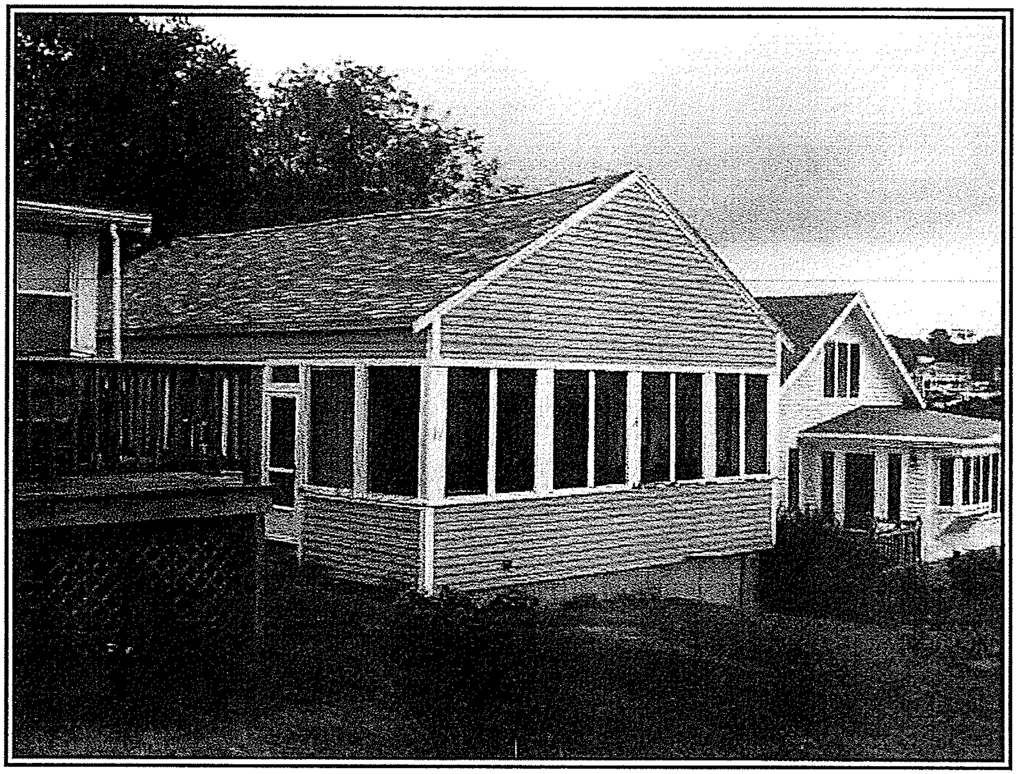
Transaction Data:			
Address:	**27 King's Way**	*Sale Date:*	**7/23/08**
Community:	**Little Neck, Ipswich**	*Sale Price:*	**$335,000**
Assessor's Reference:	**24C 069 122**	*Grantor:*	**John Cook**
Conditions of Sale:	**Unknown**	*Grantee:*	**Karl Ruhland**

Property Data:			
Land Area:	**3,000 square feet**	*Mechanical Systems:*	**Oil Heat**
Residence:	**Seasonal Cottage**	*Utilities:*	**Common Sewer, Town Water**
Year Built:	**1936**	*Accessories:*	**None**
Bedrooms/Baths:	**2 / 1**	*Amenities:*	**Screened porch**
Effective Living Area:	**892 square feet**	*Overall Condition:*	**Very Good**

Comments:
Assessment at sale date: $284,600 ($104,500 building, $180,100 land).

Extracted Land Value:

Improvements G.L.A.	*Condition*	*Replacement Cost New*	*Depreciation*	*Value of Improvements*	*Landscape @ 10%*	*Extracted Land Value*
892 s.f.	V. Good	$142,720	20%	$114,176	$11,417	***$209,407***



Residence Sale #: A6

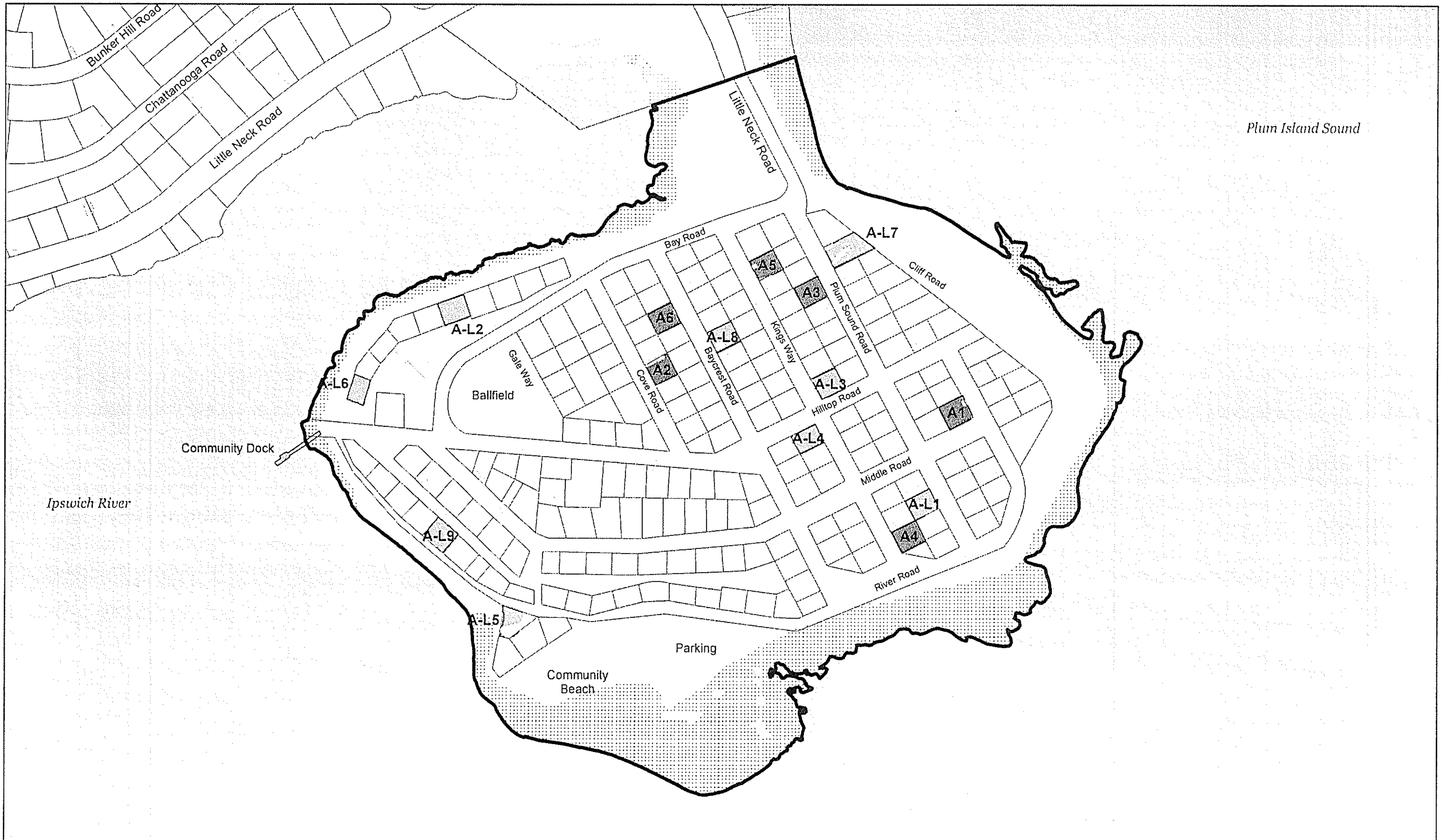
Transaction Data:			
Address:	**26 Baycrest Road**	*Sale Date:*	**12/16/09**
Community:	**Little Neck, Ipswich**	*Sale Price:*	**$165,000**
Assessor's Reference:	**24C 069 96**	*Grantor:*	**Not Available**
Conditions of Sale:	**Unknown**	*Grantee:*	**Not Available**

Property Data:			
Land Area:	**3,000 square feet**	*Mechanical Systems:*	**None**
Residence:	**Seasonal Cottage**	*Utilities:*	**Common Sewer, Town Water**
Year Built:	**1930**	*Accessories:*	**None**
Bedrooms/Baths:	**3 / 1**	*Amenities:*	**Screened porch**
Effective Living Area:	**892 square feet**	*Overall Condition:*	**Very Good**

Comments:
Listed at $319,000, reduced six times, sold after 541 days on market. Assessment at sale date: $255,000 ($74,900 building, $180,100 land).

Extracted Land Value:

Improvements G.L.A.	*Condition*	*Replacement Cost New*	*Depreciation*	*Value of Improvements*	*Landscape @ 10%*	*Extracted Land Value*
892 s.f.	V. Good	$124,880	20%	$99,904	$9,990	***$109,729***



Legend

- Subject Property
- Closed Sales
- Current Listings
- Wetlands
- Open Water

Little Neck
Ipswich, Massachusetts

Project Number: 8954

Date: September 29, 2010

This plan is conceptual only and is not represented as an engineered plan.

Scale: 1" = 200'
0 100 200 400 Feet

LandVest
Ten Post Office Square, Boston, MA 02109

Market Data Location Plan

3. Extracted Lot/Land Value Analysis – Little Neck Closed Sales

The table below summarizes pre-adjusted, extracted lot/land rights values from each of the six closed sales on *Little Neck*. This method is deemed reliable as it utilizes the most accurate value estimates for the improvements value. This process also begins to clarify approximate value levels for various lot types in the neighborhood. These values will be considered in fee simple and condominium conversion options for the property.

Extracted Land/Lot Values – Little Neck Sales

Sale #	Price	Sale Date	Lot Type	Extracted Lot / Land Value*
A1 – 42 Middle Road	$550,000	8/31/07	Interior – Avg.- Good View	***$320,000***
A2 – 9 Cove Road	$339,000	10/12/07	Interior – Marginal View	***$140,000***
A3 – 24 Plum Sound Rd	$400,000	4/14/08	Interior – Avg.-Good View	***$230,000***
A4 – 3 King's Way	$465,000	11/6/08	Interior – Avg. - Good View	***$265,000***
A5 – 27 King's Way	$335,000	7/23/08	Interior – Avg. – Good View	***$210,000***
A6 – 26 Baycrest Road	$165,000	12/16/09	Interior – Marginal View	***$110,000***

* Pre-adjusted, rounded totals.

Based on Ipswich median residential value trends from 2007, sales occurring in 2007 have been adjusted downward some 19%. Sales in 2008 warrant a downward adjustment of only 1.3% and sales in 2009 do not require any adjustment for time/market conditions.

The time-adjusted, extracted lot values from the *Little Neck* sales are summarized as follows:

Sale #	Sale Date	Time Adjustment	Adjusted Lot/Land Value
A1	8/31/07	*-19%*	***$260,000***
A2	10/12/07	*-19%*	***$115,000***
A3	4/14/08	*-1.3%*	***$225,000***
A4	11/6/08	*-1.3%*	***$260,000***
A5	7/23/08	*-1.3%*	***$210,000***
A6	12/16/09	*0*	***$110,000***

This extraction analysis indicates an average lot value of approximately $196,666; an average of $238,750 for average-good view lots and $112,500 for marginal view lots. In my opinion, sales *A3* and *A5* provide the best indication of current value for average-good view lots as they are relatively current and solidly classified in the lot tier gradation. They indicate an average value of $217,500, rounded up to $220,000.