

APPRAISAL CONSULTING REGARDING:
MARKET LEASE RATES AT CONOMO POINT

LOCATION:

Conomo Point
Essex, Essex County, MA 01938

EFFECTIVE DATE OF ESTIMATES

April 28, 2011

PREPARED FOR:

Mr. Brendhan Zubricki
Town Administrator
Essex Town Hall
30 Martin Street, 2nd floor
Essex, MA 01929

PREPARED BY:

KEYSTONE CONSULTING GROUP

Stephen M. Dylag, Principal



April 28, 2011

Mr. Brendhan Zubricki
Town Administrator
Essex Town Hall
30 Martin Street, 2nd floor
Essex, MA 01929

RE: Real estate appraisal consulting presented in a summary report format, regarding market lease rates for typical Conomo Point North and Conomo Point South properties, Essex, MA.

Dear Mr. Zubricki:

Keystone Consulting Group has conducted appraisal consulting work and prepared the attached summary report for the purpose of providing estimates of market oriented lease rates for representative properties in the northern and southern section of Conomo Point.

The function of this appraisal consulting assignment is to assist the town and its advisors (the intended users) in the analysis of representative Conomo Point properties for guidance in estimating market oriented lease rates that can be used in negotiations between the owner (lessor) and the lessees (intended use).

The subject of this appraisal consulting assignment is two representative properties provided to Keystone Consulting Group by the town of Essex, and these properties are located at 7 Cogswell Road, Essex, MA and 25 Robbins Island Road, Essex, MA.

The analysis and conclusions within the attached report are based upon field research, interviews with market participants, and publicly available data collected by Keystone Consulting Group. To the best of our ability, the accompanying report has been prepared in accordance with the ***Uniform Standards of Professional Appraisal Practice***, as promulgated by the Appraisal Foundation and the Appraisal Institute's Standards of Professional Appraisal Practice and the Code of Professional Ethics. Included is a description and analysis of the real estate and a summary of pertinent data, valuation methodology, supporting relevant exhibits.

Mr. Brendhan Zubricki
Essex Town Hall
April 28, 2011
Page Two

Considering all factors affecting value, it is my opinion that the “as is” market rent for the lot addressed as 7 Cogswell Road, Essex, MA, as if vacant, as of April 28, 2011, was:

\$8,550 per year, triple net terms, with annual CPI increases based on Boston area residential real estate values

Considering all factors affecting value, it is my opinion that the “as is” market rent for the lot and all building and site improvements, addressed as 7 Cogswell Road, Essex, MA, as of April 28, 2011, was:

\$13,275 per year, triple net terms, with annual CPI increases based on Boston area residential real estate values

Considering all factors affecting value, it is my opinion that the “as is” market rent for the lot addressed as 25 Robbins Island Road, Essex, MA, as if vacant, as of April 28, 2011, was:

\$9,450 per year, triple net terms, with annual CPI increases based on Boston area residential real estate values

Considering all factors affecting value, it is my opinion that the “as is” market rent for the lot and all building and site improvements, addressed as 25 Robbins Island Road, Essex, MA, as of April 28, 2011, was:

\$15,075 per year, triple net terms, with annual CPI increases based on Boston area residential real estate values

Given the town’s stipulated lease terms, we conclude that whether a lessee had the right to renew a lease at market rent, or buy a property at market value, at the end of the lease period, has no effect on the current market rent for a 5 year bridge lease.

Extraordinary Assumptions:

- It is assumed that any bridge lease will be for a 1 year term, renewable by the lessee, for four (4) additional one year terms.
- It is assumed that the lessees in the southern section of Conomo Point, as defined by the town of Essex, will have the right to purchase the leased property at market value at the end of the 5 year bridge lease period.
- It is assumed that the lessees in the northern section of Conomo Point, as defined by the town of Essex, will have at a minimum, the right to lease the leased property at market rents at the end of the 5 year bridge lease period, and that the new lease will be at least 15 years.
- That reliable and potable municipal water is available to the properties.
- That all on site septic systems are functional and in compliance with Title V.

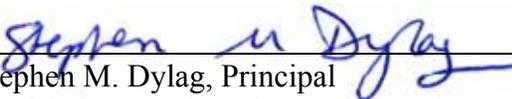
Hypothetical Conditions - The market value estimates herein assumes the following hypothetical conditions: 1) that the subject properties could be sold today and they are not encumbered by leases.

Mr. Brendhan Zubricki
Essex Town Hall
April 28, 2011
Page Three

This appraisal consulting report may not be used or relied upon by anyone other than the referenced intended users for any purpose whatsoever, without the express written consent of Stephen M. Dylag and Keystone Consulting Group.

Respectfully submitted,

KEYSTONE CONSULTING GROUP



Stephen M. Dylag, Principal
Certified General Real Estate Appraiser – Commonwealth of Massachusetts #1711

SMD/DLB:nwc

Keystone File No. 11-167M

TABLE OF CONTENTS

SUBJECT PHOTOGRAPHS

APPRAISAL CONSULTING REPORT

Identification of Real Estate.....	1
Ownership and Sales History.....	1
Purpose and Function.....	1
Real Property Interest Appraised.....	1
Effective Date of the Estimated Rent.....	1
Definition of Market Value.....	1
Scope and Description of the Appraisal Process.....	2
Competency Provision.....	2
Market Analysis.....	3
Description of Real Estate.....	6
Highest and Best Use Analysis.....	6
Valuation Analysis.....	6
Sales Comparison Approach.....	7
Capitalization Analysis.....	19
Reconciliation and Final Opinions of Market Rent.....	21

CERTIFICATE OF APPRAISAL

Certification.....	22
Statement of General and Limiting Conditions.....	23
Extraordinary Assumptions and Hypothetical Conditions.....	24

ADDENDUM

Qualifications of the Consultant

IDENTIFICATION OF REAL ESTATE

The town of Essex presented me with 4 representative properties, two in the southern section of Conomo Point and two located in the northern section of Conomo Point. I chose one property from each section and valued the site, or lot, as if vacant, and I valued the site, as improved with the existing dwelling unit. The properties considered for this assignment are as follows:

7 Cogswell Road, Essex, MA
25 Robins Island Road, Essex, MA

OWNERHSIP AND SALES HISTORY

To the best of my knowledge, neither of the representative properties has been sold in the past three years, or is listed for sale.

PURPOSE AND FUNCTION

The purpose of this appraisal consulting assignment is to assist the town and its advisors (the intended users) in the analysis of representative Conomo Point properties for guidance in estimating market oriented lease rates that can be used in negotiations between the owner (lessor) and the lessees (intended use).

General Assumptions, Limiting Conditions, Extraordinary Assumptions and Hypothetical Conditions applicable to this appraisal consulting report are presented at the end of this report.

REAL PROPERTY INTEREST APPRAISED

We have provided opinions of the market value of the fee simple interest in the subject properties. Fee simple interest is defined as:

“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.”¹

EFFECTIVE DATE OF THE ASSIGNMENT

The effective date of the estimates in this report is April 28, 2011.

DEFINITION OF MARKET VALUE

The definition of market value is as follows:

The most probable price which a property should bring in a 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 are the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

¹ *Dictionary of Real Estate Appraisal*, Third Edition, Appraisal Institute, 1993, Page 140.

1. buyer and seller are typically motivated,
2. both parties are well informed or well advised, and acting in what they consider their own best interest,
3. a reasonable time is allowed for exposure in the open market,
4. payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto and,
5. 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.²

SCOPE AND DESCRIPTION OF THE APPRAISAL PROCESS

Collection and Analysis of Data: The town of Essex and I agreed to a limited scope assignment. I did not personally inspect the subject properties or the leases and rental properties considered and used in this assignment. I inspected these properties using satellite imagery. Tax assessment information, including property record cards for the representative properties, were provided to me by the town of Essex.

I reviewed information on the town's website regarding Conomo Point and its history. After developing an understanding of the subject properties we surveyed the competitive market, including the residential market in Essex and the waterfront/water oriented residential market on the North Shore. Various public records and publications were utilized to assist in the collection of pertinent data, and numerous brokers were interviewed.

In arriving at the fee simple values for the representative properties we used the Sales Comparison Approach.

Confirmation of Data: Information obtained from the town of Essex and information contained within public documents or published articles were typically assumed to be true and accurate; however, Keystone Consulting Group makes no representation as to the accuracy of information/data obtained from other sources. No individual piece of information has been relied upon exclusively in estimating the final market value herein.

Reporting of Data: This appraisal consulting assignment is presented in a summary report. To the best of our ability this assignment has been prepared and reported in conformance with the Uniform Standards of Professional Appraisal Practice.

COMPETENCY PROVISION

Keystone Consulting Group and the signatories hereto have experience in the appraisal of properties similar to the subject and are deemed qualified by education, training and experience in the preparation of such reports to comply with the competency provisions of USPAP. The professional qualifications of the individuals who prepared this report are included for specific reference.

² *Rules and Regulations*, Federal Register, Vol. 55, No. 165, Page 34696.

MARKET ANALYSIS

General Trends in the National Residential Market

Per the **pwc *Emerging Trends in Real Estate 2011***, the recovery of the housing market is expected to be gradual. Time, deleveraging, population growth and low interest rates will eventually bring the market back to equilibrium. However, this report projects that it will take until 2012 or 2013 until foreclosures and resale product are cleared. At that point homebuilders could commence development, although at prices 30 to 40 percent off peak. Fewer people are expected to be able to afford homes or to feel comfortable buying them. Developers are urged to avoid: tract mansions; car-dependent areas; and commodity subdivisions. Developers are urged to concentrate on: urban infill locations and attached homes.

General Trends in the National Vacation Residential Market

According to a **CNNMoney** article dated March 30, 2011, the median price of a vacation home was \$150,000 in 2010, down 11.2% from a year earlier. The fall in prices has opened opportunities for more families to enter the second-home market," said Lawrence Yun, NAR's chief economist. Still, vacation homes accounted for just 10% of all sales last year, and investment properties made up another 17%. Those percentages were little changed for 2010 as home sales declined across the board. There were 543,000 vacation homes sold, down from 553,000 in 2009; investment purchases fell to 867,000 from 940,000. One factor depressing sales was the difficulty in getting mortgages due to tight credit markets. Buyers often did an end-around this problem by paying cash. Nearly 40% of vacation home sales were cash deals, while nearly 60% of investment deals were handled that way. Those buyers who did get mortgages brought big down payments to the closing tables, according to Walter Molony, a NAR spokesman. For vacation homes, the average was 30%, far more than the standard 20% down. Investment buyers with financing paid an average of 32% down. Many of the second homebuyers targeted distressed properties. About 17% of investment purchases were foreclosures, while vacation homebuyers chose distressed prosperities 10% of the time, NAR said. Only 10% of families buying primary residences last year went with foreclosures.

Greater Boston Residential Market

According to an article by the Massachusetts Association of Realtors (MAR) dated March 29, 2011, after two straight months of increases, single-family home sales were down compared to the same time last year. Median prices fell less than one percent. Condominium sales and median prices were also down in February. There were 1,647 detached single-family homes sold this February, a 12.5 percent decrease from the 1,883 homes sold the same time last year. On a month-to-month basis, home sales were down 23.3 percent from 2,146 homes sold this past January. Single-family sales typically experience drops from January to February. The median selling price for single-family homes in February was \$270,000 a decrease of less than one percent (-0.7) compared to \$271,900 in February 2010. This is the third year-over-year decrease in a row. On a month-to-month basis, the February 2011 median selling price was down 5.2 percent from \$284,750 in January. The February 2011 condominium market was down 17.2 percent compared to the same time last year (from 792 units sold in 2010 to 656 units sold in 2011). On a month-to-month basis, condominium sales were down 18.5 percent compared to the 805 units sold this past January. Similar to single-family sales, condominium sales typically experience decreases from January to February. Condominium median selling prices in February 2011 were down 3.3 percent from the February 2010 median price (from \$240,000 to \$232,000). On a month-to-month basis, the median selling price of a condominium was down 6.5 percent from a January 2011 median of \$248,000.

According to the same MAR article, the inventory of single-family homes as of February 28, 2011 decreased 3.0 percent from February 2010 (24,434 listings in 2010 to 23,690 listings in 2011) which translates into 14.4 months of supply in February 2011. This is up from 13.0 months of supply last year and up from 11.0 months in January. This was the first year-over-year decrease in inventory after 11th straight months of gains. The inventory of condominiums on the market in January went down 11.0 percent compared to the year before (10,362 listings in 2010 to 9,231 listings in 2011), which translates into 14.1 months of supply, which is up from 13.1 months in February 2010 and up from 11.1 months in January. Detached single-family homes stayed on the market an average of 152 days in February 2011 compared to an average of 137 days in February 2010. Condos stayed on the market an average of 150 days, up from an average of 142 days in February 2010. On a month-to-month basis, days on market for single-family homes were up from 143 days in January, while condos were down from 150 days.

Town of Essex Building Permit Statistics

Year	Single-family Dwellings (Estimates)	Total Units (Estimates)
2010	15	15
2009	7	7
2008	1	3
2007	7	9
2006	13	19
<i>Source: US Census Bureau/Essex Building Inspector's Office</i>		

According to the information presented above provided by the U.S. Census Bureau and information provided by the Essex Building Inspector's office, permits for single-family dwellings decreased from 2006 to 2008, but improved from 2008 to 2010. Per information provided by the Essex Building Inspector's office, no single-family permits for new dwellings have been pulled in 2011.

Essex Residential Statistics

Number of Sales Per Annum Trends – Essex, MA

Year	Months	1-Family	Condo	All Sales
2011	Jan - Mar	4	1	9
2010	Jan - Dec	36	5	55
2009	Jan - Dec	18	3	36
2008	Jan - Dec	16	1	26
2007	Jan - Dec	23	5	35
2006	Jan - Dec	28	4	42
2005	Jan - Dec	29	4	63
2004	Jan - Dec	25	7	45
2003	Jan - Dec	29	7	49
2002	Jan - Dec	37	1	60
2001	Jan - Dec	23	--	37
<i>Source: The Warren Group</i>				

As noted in the preceding table, sales volume of single-family homes peaked in 2002 and declined steadily until 2008. Sales volume then increased from 2008 to 2010. In 2010, the number of single-family home sales was 36, as compared to 37 in 2002. Sales of condominiums in the town of Essex are limited, but experienced the greatest volume in 2003-2004.

Median Residential Sales Price Per Annum – Essex, MA

Year	Months	1-Family	Condo	All Sales
2011	Jan - Mar	\$477,500	--	\$385,000
2010	Jan - Dec	\$507,500	\$525,000	\$500,000
2009	Jan - Dec	\$439,500	\$330,000	\$373,500
2008	Jan - Dec	\$407,500	--	\$372,500
2007	Jan - Dec	\$449,000	\$685,000	\$465,000
2006	Jan - Dec	\$516,000	\$254,000	\$505,000
2005	Jan - Dec	\$485,000	\$587,500	\$460,000
2004	Jan - Dec	\$485,000	\$219,000	\$448,000
2003	Jan - Dec	\$379,000	\$156,000	\$379,000
2002	Jan - Dec	\$363,200	--	\$345,000
2001	Jan - Dec	\$355,000	--	\$325,000
<i>Source: The Warren Group</i>				

As indicated in the preceding table, the median sale price of a single-family home in Essex peaked in 2006 and declined through 2008. Median sales prices increased from 2008 through 2010.

Competitive Position

The subject property competes with waterfront property on leased land in Little Neck, Ipswich, MA and Long Beach, Rockport, MA. According to local area brokers, the subject's failing septic systems and small sized lots adversely impact its market appeal. Similarly, other waterfront properties on owned land in surrounding communities are perceived superior to the subject's lots as a result of the leased land and restrictions on town water year round.

According to the *Multiple Listing Service*, there are currently two active listings of property on Conomo Point. These listings are on the leased land, they represent the offering of the lessee's interest, and the list prices are \$75,000 and \$150,000. Both are waterfront lots and are located in the north section of the subject. Additional listings of property on leased land can be found on Little Neck in Ipswich. MLS reports five active listings of property on Little Neck with asking prices ranging from \$259,900 to \$599,000; an average of \$478,740. Average marketing time for these listings is 730 days and the properties range in proximity to water and view. MLS reports two closed sales of property on leased land in Long Beach in Rockport, MA in the past 12 months. Both sales are of waterfront, or "front row" cottages with sales prices of \$716,500 (7/14/2010) and \$701,000 (4/05/2011). There is currently one active listing of a property on Long Beach with obstructed views (2nd row) and an asking price of \$699,000.

Conclusions

The market for housing, and seasonal second home housing has not recovered from the recent downturn but most market participants believe we are at the bottom of the market and will be trending upward.

DESCRIPTION OF REAL ESTATE

7 Cogswell Road

Based on the assessor’s property record card provided to me, this property consists of a 7,000 square foot interior lot. The lot appears to be mostly level. This lot is served by municipal water. Electric, cable and telephone service are available to the lot, and serve the neighborhood via overhead utility poles. The site is served by an on-site septic system which is assumed to comply with Title V.

The residential building improvements were constructed circa 1954. The house is of 1-story, wood frame construction. The house has 4 rooms, 2 bedrooms and 1 bathroom. There is partial basement, and a 388 square foot (SF) deck.

25 Robbins Island Road

Based on the assessor’s property record card provided to me, this property consists of a 9,600 square foot lot. The lot appears to be mostly level. The lot abuts a tidal marsh and has views of the Essex River. This lot is served by municipal water. Electric, cable and telephone service are available to the lot, and serve the neighborhood via overhead utility poles. The site is served by an on-site septic system which is assumed to comply with Title V.

The residential building improvements were constructed circa 1911. The house is of 1- and 2- story, wood frame construction. The house has 4 rooms, 2 bedrooms and 1 bathroom. There is a small enclosed porch and a screened-in porch.

HIGHEST AND BEST USE ANALYSIS

For the purposes of this assignment, we have assumed that the highest and best use of the subject properties, and their maximally productive use is their current seasonal, single family residential use.

VALUATION ANALYSIS

In arriving at the “as is” value we used the Sales Comparison Approach. The value of the subject lots, as if vacant, is presented first, followed by the valuation of the land and building.

SALES COMPARISON APPROACH

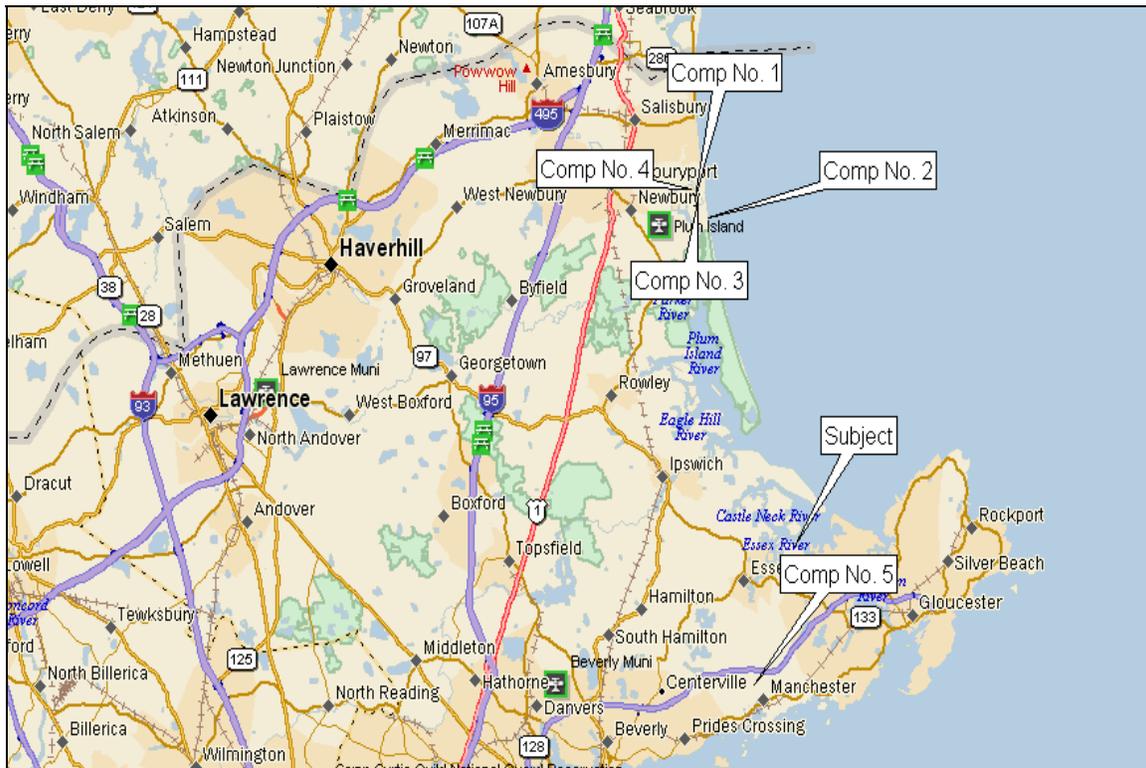
The Sales Comparison Approach is the process of comparing and analyzing prices paid for properties having a satisfactory degree of similarity to the subject property. This approach is based upon the principle of substitution which implies that a prudent purchaser would not pay more to buy a property than it would cost to buy a comparable substitute property in a similar location.

We have estimated the lot sales prices based upon the following analysis of lot sales in comparable waterfront communities. Of those lot sales researched, we believe that these comparables provide the best indication of value for the subject property's individual lots in the current market environment. A discussion of our adjustments to the sales is presented after the sales grid. Our cumulative adjustments are presented first, followed by a discussion of the additive adjustments. Our analysis of a Southern Section lot is presented first, followed by our analysis of a Northern Section lot presented subsequently thereafter.

SALES SUMMARY AND ADJUSTMENT GRID						
<i>South Residential Lot, Conomo Point, MA</i>						
	<i>Subject</i>	<i>Comparable No. 1</i>	<i>Comparable No. 2</i>	<i>Comparable No. 3</i>	<i>Comparable No. 4</i>	<i>Comparable No. 5</i>
Location	SOUTH LOT Essex, MA	97 Old Point Road Newbury, MA	27 Annapolis Way Newbury, MA	4 Cinder Avenue Newbury, MA	1 P Street Newburyport, MA	18 Old Essex Road Manchester, MA
Sale Price		\$180,000	\$299,000	\$208,500	\$285,000	\$210,000
Date of Sale			30-Nov-10	30-Jul-10	24-Oct-09	01-Oct-09
Grantor		Toner Trustee	Drinkwater	Turner	Aubbard	Daniels Family Trust
Grantee			C&L Homes LLC	O'Brien	McDermott	Chareas
Assessor's Plat / Lot		5/12	2/33	5/86	75/151	56/25
Title Reference		Listing	30018/247	29640/205	29012/0009	28967/309
Property Data						
Site size (square feet)	7,000	5,164	15,289	9,557	12,675	15,004
Site size (acre)	0.16	0.12	0.35	0.22	0.29	0.34
Zoning	RS2	AR-4	AR-4	AR-4	R3	B
Utilities - Water/Sewer	Town Water,Septic	Public, Public	Public, Public	Public, Public	Public, Public	Public, Public
Median 2010 Single Family Sales Price	\$507,500	\$393,250	\$393,250	\$393,250	\$415,250	\$750,250
Median 2010 Household Income	\$87,770	\$97,216	\$97,216	\$97,216	\$76,178	\$93,667
Lot Price Per Unit		\$180,000	\$299,000	\$208,500	\$285,000	\$210,000
Cumulative Adjustments						
Property Rights Transferred adjustment		Fee Simple 0.0%	Fee Simple 0.0%	Fee Simple 0.0%	Fee Simple 0.0%	Fee Simple 0.0%
Adjusted Unit Value		\$180,000	\$299,000	\$208,500	\$285,000	\$210,000
Financing adjustment		Cash equivalent 0.0%	Cash equivalent 0.0%	Cash Equivalent 0.0%	Cash Equivalent 0.0%	Cash Equivalent 0.0%
Adjusted Unit Value		\$180,000	\$299,000	\$208,500	\$285,000	\$210,000
Conditions of Sale adjustment		Listing -5.0%	Typical 0.0%	Typical 0.0%	Typical 0.0%	Typical 0.0%
Adjusted Unit Value		\$171,000	\$299,000	\$208,500	\$285,000	\$210,000
Expenditures After Sale adjustment		Demolition \$5,000	Demolition \$5,000	Demolition \$5,000	None \$0	None \$0
Adjusted Unit Value		\$176,000	\$304,000	\$213,500	\$285,000	\$210,000
Market Conditions/Time adjustment		Similar 0.0%	Similar 0.0%	Similar 0.0%	Inferior 5.0%	Inferior 5.0%
Adjusted Unit Value		\$176,000	\$304,000	\$213,500	\$299,250	\$220,500
Additive adjustments						
Lot Location		5.0%	-25.0%	-5.0%	-20.0%	10.0%
Size		0.0%	-5.0%	0.0%	-5.0%	-5.0%
Utilities		-5.0%	-5.0%	-5.0%	-5.0%	-5.0%
Appeal/Neighborhood/Community		0.0%	0.0%	0.0%	0.0%	-10.0%
Total Adjustments		0.0%	-35.0%	-10.0%	-30.0%	-10.0%
Adjusted Price Per Lot		\$176,000	\$197,600	\$192,150	\$209,475	\$198,450

Source: Keystone Consulting Group

COMPARABLE LOT SALES LOCATION MAP



Property Rights Transferred: All of the sales represent the transfer of a fee simple interest, requiring no adjustments for property rights transferred.

Financing/Cash Equivalency: We have not adjusted the sales for this factor as our research indicates all sales were cash or cash equivalent.

Conditions of Sale: The comparable sales all transferred under typical conditions; therefore, we have not adjusted the sales for this factor. We adjusted the listing downward because we assume a buyer will either negotiate the purchase price downward or obtain some other type of concession. Market evidence supports this adjustment.

Expenditures After Sale: We have adjusted Comparables No. 1, 2, and 3 upward by \$5,000 to account for demolition costs associated with razing the single family improvements located on the sites. These costs were paid by the buyer.

Market Conditions/Time: The comparable sales all took place between October 2009 and November 2010. Comparables No. 4 and 5 required an upward adjustment as market conditions have improved since 2009.

Additive Adjustments

Comparable No. 1 is an active listing of a 0.12± acre lot located on Old Point Road, Plum Island in Newbury, MA. The property fronts Old Point Road, the single access road in the northwestern portion of Plum Island. This comparable has obstructed water views and no direct waterfront access. The site is currently improved with a 612± square foot cottage in poor condition and deemed a tear down by the listing broker. We made an upward adjustment for this inferior lot location on Old Point Road. This property is comparable to the subject in size and required no adjustment. A downward adjustment was warranted for superior municipal sewer and water servicing this property. No adjustment was warranted for neighborhood appeal. After adjustments, this comparable property indicates a per lot value for a typical lot in the subject's southern neighborhood of \$176,000±.

Comparable No. 2 is the sale of a 0.35± acre lot located on Annapolis Way, Plum Island in Newbury, MA. The property has a direct waterfront location, beach access and unobstructed views. The site is currently improved with a 1,600± square foot single family home that, according to the broker, was sliding into the ocean and needed to be razed. The buyer plans to demolish the current improvement and construct a new single family home closer to the street. We made a downward adjustment for this comparable's superior beachfront location. This property is larger than the subject and warranted a downward size adjustment. A downward adjustment was warranted for superior municipal sewer and water servicing this property. No adjustment was warranted for neighborhood appeal. After adjustments, this comparable property indicates a per lot value for a typical lot in the subject's southern neighborhood of \$197,600±.

Comparable No. 3 is the sale of a 0.22± acre lot located on Cinder Avenue, Plum Island in Newbury, MA. This property has a beach neighborhood location with obstructed views. The site is currently improved with a 650± square foot cottage in poor condition and deemed a tear down by the listing broker. According to the broker, the buyer plans to raze the improvement. We made a downward location adjustment for this property's superior beach access. This property is comparable to the subject in size and requires no adjustment. A downward adjustment was warranted for superior municipal sewer and water servicing this property. No adjustment was warranted for neighborhood appeal. After adjustments, this comparable property indicates a per lot value for a typical lot in the subject's southern neighborhood of \$192,150±.

Comparable No. 4 is the sale of a 0.29± acre vacant lot located on P Street at the northern point of Plum Island in Newburyport, MA. The property has unobstructed views and nearby beach access, although does not have direct water frontage. We made a downward adjustment for this comparable's superior lot location. This property is larger than the subject and warranted a downward size adjustment. A downward adjustment was warranted for superior municipal sewer and water servicing this property. No adjustment was warranted for neighborhood appeal. After adjustments, this comparable property indicates a per lot value for a typical lot in the subject's southern neighborhood of \$209,500±.

Comparable No. 5 is the sale of a 0.34± acre vacant lot located on Old Essex Road in Manchester, MA. The property has no water views and is approximately 1.2 miles from the nearest oceanfront access. We made an upward adjustment for this comparable's inferior lot location. This property is larger than the subject and warranted a downward size adjustment. A downward adjustment was warranted for superior municipal sewer and water servicing this property. A downward adjustment was warranted to reflect the superior community appeal of the Manchester area, characterized by a

higher median household income and higher median single family sales price. After adjustments, this comparable property indicates a per lot value for a typical lot in the subject's southern neighborhood of \$198,500±.

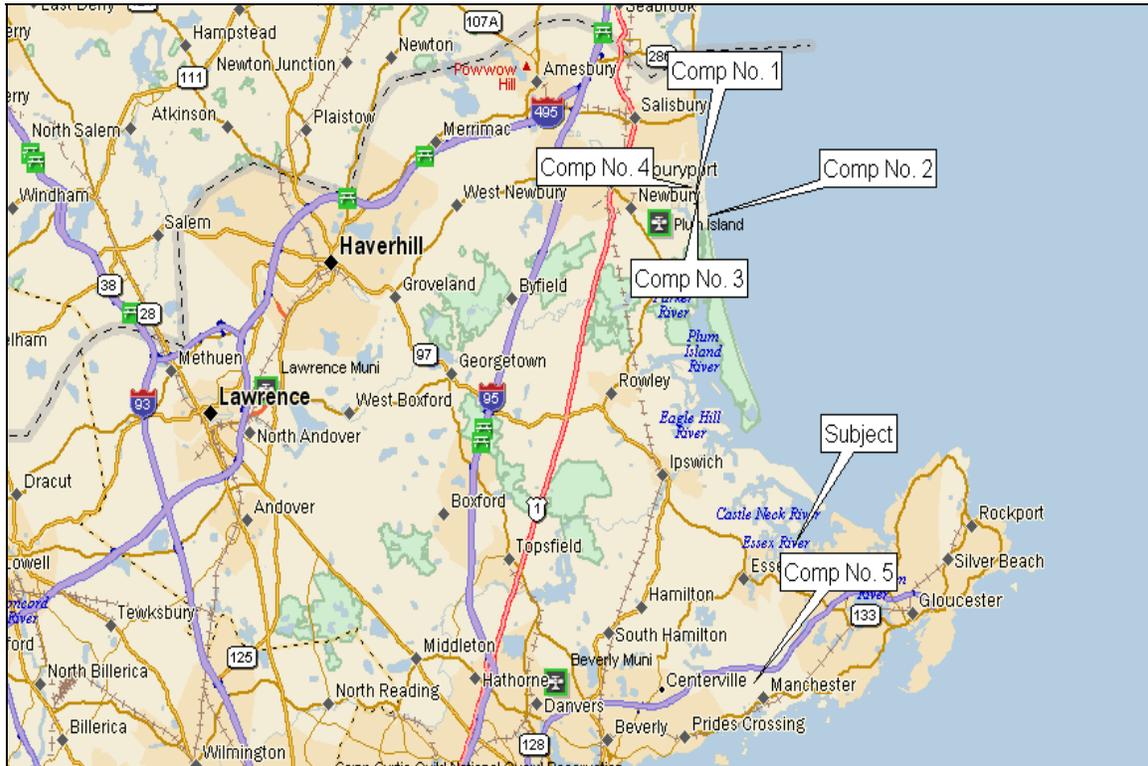
Reconciliation of Analysis of Fee Simple Lot Value

The comparable lot sales exhibit an adjusted value indication from \$176,000± to \$209,500± per lot. The median value per lot is \$197,600± and the average value per lot is \$194,735±. We have considered the range indicated by the comparable sales, the subject site conditions, and current market conditions, in reconciling a market value for an average lot in the Southern Section at the subject property of **\$190,000** per lot via the Sales Comparison Approach.

Our analysis of a Northern Section lot, located at 25 Robbins Island Road, is presented on the following pages.

SALES SUMMARY AND ADJUSTMENT GRID						
North Residential Lot, Conomo Point, MA						
Subject	Comparable No. 1	Comparable No. 2	Comparable No. 3	Comparable No. 4	Comparable No. 5	
Location	25 Robbins Island Rd. Essex, MA	97 Old Point Road Newbury, MA	27 Annapolis Way Newbury, MA	4 Cinder Avenue Newbury, MA	1 P Street Newburyport, MA	18 Old Essex Road Manchester, MA
Sale Price		\$180,000	\$299,000	\$208,500	\$285,000	\$210,000
Date of Sale			30-Nov-10	30-Jul-10	24-Oct-09	01-Oct-09
Grantor		Toner Trustee	Drinkwater	Turner	Aubbard	Daniels Family Trust
Grantee			C&L Homes LLC	O'Brien	McDermott	Chareas
Assessor's Plat / Lot		5/12	2/33	5/86	75/151	56/25
Title Reference		Listing	30018/247	29640/205	29012/0009	28967/309
Property Data						
Site size (square feet)	9,600	5,164	15,289	9,557	12,675	15,004
Site size (acre)	0.22	0.12	0.35	0.22	0.29	0.34
Zoning	RS2	AR-4	AR-4	AR-4	R3	B
Utilities - Water/Sewer	Town Water,Septic	Public, Public	Public, Public	Public, Public	Public, Public	Public, Public
Median 2010 Single Family Sales Price	\$507,500	\$393,250	\$393,250	\$393,250	\$415,250	\$750,250
Median 2010 Household Income	\$87,770	\$97,216	\$97,216	\$97,216	\$76,178	\$93,667
Lot Price Per Unit		\$180,000	\$299,000	\$208,500	\$285,000	\$210,000
Cumulative Adjustments						
Property Rights Transferred adjustment		Fee Simple 0.0%	Fee Simple 0.0%	Fee Simple 0.0%	Fee Simple 0.0%	Fee Simple 0.0%
Adjusted Unit Value		\$180,000	\$299,000	\$208,500	\$285,000	\$210,000
Financing adjustment		Cash equivalent 0.0%	Cash equivalent 0.0%	Cash Equivalent 0.0%	Cash Equivalent 0.0%	Cash Equivalent 0.0%
Adjusted Unit Value		\$180,000	\$299,000	\$208,500	\$285,000	\$210,000
Conditions of Sale adjustment		Listing -5.0%	Typical 0.0%	Typical 0.0%	Typical 0.0%	Typical 0.0%
Adjusted Unit Value		\$171,000	\$299,000	\$208,500	\$285,000	\$210,000
Expenditures After Sale adjustment		Demolition \$5,000	Demolition \$5,000	Demolition \$5,000	None \$0	None \$0
Adjusted Unit Value		\$176,000	\$304,000	\$213,500	\$285,000	\$210,000
Market Conditions/Time adjustment		Similar 0.0%	Similar 0.0%	Similar 0.0%	Inferior 5.0%	Inferior 5.0%
Adjusted Unit Value		\$176,000	\$304,000	\$213,500	\$299,250	\$220,500
Additive adjustments						
Lot Location		10.0%	-20.0%	0.0%	-15.0%	15.0%
Size		5.0%	-2.5%	0.0%	-2.5%	-2.5%
Utilities		-5.0%	-5.0%	-5.0%	-5.0%	-5.0%
Appeal/Neighborhood/Community		0.0%	0.0%	0.0%	0.0%	-10.0%
Total Adjustments		10.0%	-27.5%	-5.0%	-22.5%	-2.5%
Adjusted Price Per Lot		\$193,600	\$220,400	\$202,825	\$231,919	\$214,988
Source: Keystone Consulting Group						

COMPARABLE LOT SALES LOCATION MAP



Property Rights Transferred: All of the sales represent the transfer of a fee simple interest, requiring no adjustments for property rights transferred.

Financing/Cash Equivalency: We have not adjusted the sales for this factor as our research indicates all sales were cash or cash equivalent.

Conditions of Sale: The comparable sales all transferred under typical conditions; therefore, we have not adjusted the sales for this factor. We adjusted the listing downward because we assume a buyer will either negotiate the purchase price downward or obtain some other type of concession. Market evidence supports this adjustment.

Expenditures After Sale: We have adjusted Comparables No. 1, 2, and 3 upward \$5,000 to account for demolition costs associated with razing the single family improvements located on the sites. These costs were paid by the buyer and increased the all in acquisition cost.

Market Conditions/Time: The comparable sales all took place between October 2009 and November 2010. Comparables No. 4 and 5 required an upward adjustment as market conditions have improved since 2009.

Additive Adjustments

Comparable No. 1 is an active listing of a 0.12± acre lot located on Old Point Road, Plum Island in Newbury, MA. The property fronts Old Point Road, the single access road in the northwestern portion of Plum Island. This comparable has obstructed water views and no direct waterfront access. The site is currently improved with a 612± square foot cottage in poor condition and deemed a tear down by the listing broker. We made an upward adjustment for this inferior lot location on Old Point Road. This property is inferior to the subject in size and required an upward adjustment. A downward adjustment was warranted for superior municipal sewer and water servicing this property. No adjustment was warranted for neighborhood appeal. After adjustments, this comparable property indicates a per lot value for a typical lot in the subject's northern neighborhood of \$193,600±.

Comparable No. 2 is the sale of a 0.35± acre lot located on Annapolis Way, Plum Island in Newbury, MA. The property has a direct waterfront location, beach access and unobstructed views. The site is currently improved with a 1,600± square foot single family home that, according to the broker, was sliding into the ocean and needed to be razed. The buyer plans to demolish the current improvement and construct a new single family home closer to the street. We made a downward adjustment for this comparable's superior beachfront location. This property is larger than the subject and warranted a slight downward size adjustment. A downward adjustment was warranted for superior municipal sewer and water servicing this property. No adjustment was warranted for neighborhood appeal. After adjustments, this comparable property indicates a per lot value for a typical lot in the subject's northern neighborhood of \$220,400±.

Comparable No. 3 is the sale of a 0.22± acre lot located on Cinder Avenue, Plum Island in Newbury, MA. This property has a beach neighborhood location with obstructed views. The site is currently improved with a 650± square foot cottage in poor condition and deemed a tear down by the listing broker. According to the broker, the buyer plans to raze the improvement. We conclude that this property's superior beach access is offset by the subject's unobstructed views. No lot location adjustment was warranted. This property is comparable to the subject in size and requires no adjustment. A downward adjustment was warranted for superior municipal sewer and water servicing this property. No adjustment was warranted for neighborhood appeal. After adjustments, this comparable property indicates a per lot value for a typical lot in the subject's northern neighborhood of \$202,800±.

Comparable No. 4 is the sale of a 0.29± acre vacant lot located on P Street at the northern point of Plum Island in Newburyport, MA. The property has unobstructed views and nearby beach access, although does not have direct water frontage. We made a downward adjustment for this comparable's superior lot location. This property is larger than the subject and warranted a slight downward adjustment for size. A downward adjustment was warranted for superior municipal sewer and water servicing this property. No adjustment was warranted for neighborhood appeal. After adjustments, this comparable property indicates a per lot value for a typical lot in the subject's northern neighborhood of \$232,000±.

Comparable No. 5 is the sale of a 0.34± acre vacant lot located on Old Essex Road in Manchester, MA. The property has no water views and is approximately 1.2 miles from the nearest oceanfront access. We made an upward adjustment for this comparable's inferior lot location. This property is larger than the subject and warranted a slight downward size adjustment. A downward adjustment was warranted for superior municipal sewer and water servicing this property. A downward adjustment was warranted to reflect the superior community appeal of the Manchester area, characterized by a higher median household income and higher median single family sales price. After adjustments, this comparable property indicates a per lot value for a typical lot in the subject's northern neighborhood of \$215,000±.

Reconciliation of Analysis of Fee Simple Lot Value

The comparable lot sales exhibit an adjusted value indication from \$193,600± to \$232,000± per buildable lot. The median value per lot is \$215,000± and the average value per lot is \$212,750±. We have considered the range indicated by the comparable sales, the subject site conditions, and current market conditions, in reconciling a market value for an average lot in the Northern Section at the subject property of **\$210,000** per lot via the Sales Comparison Approach.

The value difference of the preceding analyses can be attributed to the larger size and superior lot location of the subject's Northern lots. The unobstructed views and larger lot size has superior appeal will likely command a higher market price than the subject's Southern lots.

In support of these preceding value estimates is the sale of a lot with a "tear down" residence on the site at the time of sale in Little Neck, Ipswich, MA with an address of 26 Bay Crest Road. This lot did not have great views, and the leasehold estate sold for \$165,000 on December 16, 2009.

Valuation of Land & Building Improvements

On the following pages we have presented our analysis of the fee simple estate in the land and improvements for each representative property. Of note is that we chose what we concluded are the best, most comparable sales available.

ITEM	SUBJECT			HOUSE SALE #1			HOUSE SALE #2			HOUSE SALE #3			HOUSE SALE #4		
Address	7 Cogswell Road Conomo Point Essex, MA			51 North Ridge Road Near Great Neck Ipswich, MA			6 Bull's Eye Road Great Neck Ipswich, MA			5 Lufkin Street South Essex, Near Conomo Pt. Essex, MA			16 Raymond Street Clark Pond/Magnolia Harbor Manchester by the Sea, MA		
Proximity to Subject				10± miles			11± miles			1.2± miles			7.2± miles		
Sales Price	n/a			\$370,000			\$285,000			\$253,600			\$380,000		
Price/Gross Liv. Area	n/a /SF			\$449.03 /SF			\$334.51 /SF			\$220.14 /SF			\$333.33 /SF		
Date &/or ver. Sources & marketing data.	Plans & specifications, deemed reliable.			MLS #71038663, deemed reliable. 243 days on market			MLS #71163015 deemed reliable. 59 days on market			MLS #71092508 deemed reliable. 51 days on market			MLS #30520762, deemed reliable. 25 days on market		
VALUE ADJUSTMENTS	DESCRIPTION			DESCRIPTION +/- Adjust.			DESCRIPTION +/- Adjust.			DESCRIPTION +/- Adjust.			DESCRIPTION +/- Adjust.		
Sales or financing concessions				Cash equivalent			Cash equivalent			Cash equivalent			Cash equivalent		
Date of Sale/Time				4-Feb-11			25-Jan-11			10-Sep-10			6-Jul-10		
Location	Comono Point			Near Great Neck			Great Neck			South Essex			Clark Pond/Mag. Hrbr		
Site	7,000 SF house lot			12,632 SF house lot (20,000)			6,970 SF house lot			5,400 SF house lot			10,367 SF house lot (5,000)		
View, Site Conditions	Neighborhood, seasonal			Plum Island Sound (27,750)			Plum Island Sound (14,250)			None noted			Clark Pond (19,000)		
Utilities	Town water/Private sewage			Town water/Private sewage			Town water/Private sewage			Town water/Town sewage			Town water/Private sewage		
Design & Appeal	Ranch/Avg			Ranch/Avg			Ranch/Avg			Cape/Avg			Ranch/Avg		
Quality of Construction	Avg			Avg			Avg			Avg			Avg		
Age or Year Built	YB = 1954			YB = 1950			YB = 1957			YB = 1953			YB = 1955		
Overall Condition	Avg			Avg			Avg/Fair			Avg			Avg/Good		
Above Grade Room Count	Rms	Bdrms	Baths	Rms	Bdrms	Baths	Rms	Bdrms	Baths	Rms	Bdrms	Baths	Rms	Bdrms	Baths
	4	2	1.0	5	1	1.0	5	2	2.0	5	4	1.0	6	3	1.0
Gross Living Area	1,144 Sq.Ft.			824 Sq.Ft.			852 Sq.Ft.			1,152 Sq.Ft.			1,140 Sq.Ft.		
Basement & Finished Rooms Below Grade	Partial unfinished			Partial unfinished			Full, finished walkout			Full, unfinished			Slab		
	856 Sq.Ft.			Sq.Ft.			936 Sq.Ft.			0			0 Sq.Ft.		
Functional Utility	Good			Good			Good			Good			Good		
Heating/Cooling	Heating only			Oil heat/Wall AC			Oil heat			Oil heat, new			Oil heat		
Parking Garage	Paved drive			Paved drive			Paved drive			Paved drive			Paved drive		
	0			0 car			0 car			0 car			0 car		
Porch, Patio, Deck	front deck			deck			deck			None noted			None noted		
Fireplaces, etc.	0 fireplace			1 fireplace			1 fireplace			0 fireplace			1 fireplace		
Site Improvements	septic			None noted			Shed			shed			None noted		
Appliances	gas stove														
Net Adjustment (total)				(\$18,250)			\$1,700			\$39,560			(\$78,100)		
Adjusted Sales Price of Comparable Sales				Gross 22%	\$426.88		Gross 30%	\$336.50		Gross 18%	\$254.48		Gross 23%	\$264.82	
				Net -5%	/SF	\$351,750	Net 1%	/SF	\$286,700	Net 16%	/SF	\$293,160	Net -21%	/SF	\$301,900

ITEM	SUBJECT	HOUSE SALE #1			HOUSE SALE #2			HOUSE SALE #3			HOUSE SALE #4		
Address	25 Robbins Island Road Conomo Point Essex, MA	35 Plover Hill Road Great Neck Ipswich, MA			24 Eagle Hill Road Near Great Neck Ipswich, MA			10 Riverfront Parker River Newbury, MA			32 Lakeshore Drive Chebacco Lake Essex, MA		
Proximity to Subject		7± miles			10± miles			16± miles			7± miles		
Sales Price	n/a	\$460,000			\$405,000			\$460,000			\$315,000		
Price/Gross Liv. Area	n/a /SF	\$471.79 /SF			\$288.26 /SF			\$548.93 /SF			\$288.46 /SF		
Date &/or ver. Sources & marketing data.	Plans & specifications, deemed reliable.	MLS #71153655 deemed reliable. 30 days on market			MLS #71075508, deemed reliable. 165 days on market			MLS #71152996 deemed reliable. 4 days on market			MLS #70932169, deemed reliable. 454 days on market		
VALUE ADJUSTMENTS	DESCRIPTION	DESCRIPTION	+(-) Adjust.	DESCRIPTION	+(-) Adjust.	DESCRIPTION	+(-) Adjust.	DESCRIPTION	+(-) Adjust.	DESCRIPTION	+(-) Adjust.		
Sales or financing concessions		Cash equivalent		Cash equivalent	0	Cash equivalent		Cash equivalent		Cash equivalent			
Date of Sale/Time		3-Feb-11	0	28-Dec-10	0	22-Nov-10	0	30-Sep-10	22,050				
Location	Comono Point	Great Neck	0	Near Great Neck	0	Parker River	0	Chebacco Lake	31,500				
Site	9,600 SF house lot	18,295 SF house lot	(20,000)	3,049 SF house lot	10,000	26,340 SF house lot	(30,000)	5,000 SF house lot	5,000				
View, Site Conditions	Marsh/river view	Some unobstructed views	(46,000)	Eagle Hill River	0	Riverfront/dock	(46,000)	Lakefront	(31,500)				
Utilities	Town water/Private sewage	Town water/Private sewage	0	Town water/Private sewage	0	Private Water/Private sewage	5,000	Town water/Private sewage	0				
Design & Appeal	Bungalow/Avg	Cottage	0	Conventional/Good	0	Cottage	0	Cottage	0				
Quality of Construction	Avg	Avg	0	Avg	0	Avg	0	Avg	0				
Age or Year Built	YB = 1911	YB = 1940		YB = 1999	(40,500)	Space heater		YB = 1956	0				
Overall Condition	Avg	Good	(46,000)	Avg	0	Avg	0	Avg	0				
Above Grade Room Count	Rms 4 Bdrms 2 Baths 1.0	Rms 5 Bdrms 3 Baths 1.0	0	Rms 5 Bdrms 2 Baths 1.5	(7,500)	Rms 4 Bdrms 2 Baths 1.0	0	Rms 5 Bdrms 2 Baths 1.0	0				
Gross Living Area	930 Sq.Ft.	975 Sq.Ft.	(4,500)	1,405 Sq.Ft.	(47,500)	838 Sq.Ft.	9,200	1,092 Sq.Ft.	(16,200)				
Basement & Finished Rooms Below Grade	None noted	Full unfinished	0	None noted	0	None noted	0	Full, part finished	0				
Functional Utility	Good	Good	0	Good	0	Good	0	Good	0				
Heating/Cooling	None noted	Oil heat	(4,875)	Oil heat	(7,025)	Space heater	0	Oil heat	(5,460)				
Parking Garage	Unpaved drive 0	Paved drive 0 car attached	0	Unpaved drive 0 car attached	0	Paved drive 0 car	0	Paved drive 0 car	0				
Porch, Patio, Deck	Enclosed & screened porch	Rear deck	1,000	None noted	2,500	Porch & deck	1,000	Deck	1,000				
Fireplaces, etc.	0 fireplace	0 fireplace	0	1 fireplace	(2,500)	1 fireplace	(2,500)	0 fireplace	0				
Site Improvements	septic	None noted	0	None noted	0	None noted	0	None noted	0				
Appliances	wood stove		0		0		0		0				
Net Adjustment (total)			(\$121,375)		(\$92,525)		(\$63,300)		\$3,890				
Adjusted Sales Price of Comparable Sales		Gross 27% Net -26%	\$347.31 /SF	\$338,625	Gross 29% Net -23%	\$222.40 /SF	\$312,475	Gross 19% Net -14%	\$473.39 /SF	\$396,700	Gross 37% Net 1%	\$292.02 /SF	\$318,890

7 Cogswell Road

All comparable sales were adjusted by \$15,000 for a bathroom; \$7,500 for a half bath; \$100 per each square foot difference in the house's above grade building area; \$5,000 per garage bay; and \$2,500 per fireplace.

We also adjusted for neighborhood, lot size, views, utilities, building condition, basements and finished basement area; decks and porches, and heating systems.

For 7 Cogswell Road the adjusted sales indicate a range of \$287,000± to \$351,000±, with three of the four sales in a rather tight range of \$287,000± to \$302,000±.

We reconcile to a value of **\$295,000**.

25 Robins Island Road

All comparable sales were adjusted by \$15,000 for a bathroom; \$7,500 for a half bath; \$100 per each square foot difference in the house's above grade building area; \$5,000 per garage bay; and \$2,500 per fireplace.

We also adjusted for neighborhood, lot size, views, utilities, building condition, basements and finished basement area; decks and porches, and heating systems.

For 25 Robins Island Road the adjusted sales indicate a range of \$312,500± to \$397,000±, with three of the four sales having an adjusted value of \$339,000± or below.

We reconcile to a value of **\$335,000**.

Direct Capitalization

A capitalization rate was used to estimate the market rent for the representative properties.

A capitalization rate or an over-all rate of return (OAR) has the following relationship to value (V) and net operating income (NOI):

$$\text{NOI divided by OAR} = V \text{ or } \text{NOI/OAR} = V$$

$$\text{And, } V \times \text{OAR} = \text{NOI.}$$

The significance of the above is that with a residential property, which is typically leased on triple net terms, where the lessee pays for all real estate taxes, insurance, maintenance and other operating expenses, the NOI and the annual rent are equivalent.

Estimate of the Capitalization Rate

We have referred to the *pwc Real Estate Investor Survey, First Quarter 2011*, which indicated overall capitalization rates as follows.

INVESTOR SURVEY – CAPITALIZATION RATES		
Property Type/Market	Cap Rate Range	Avg. Cap Rate (Institutional Grade)
National Apartment	4.0% – 10.0%	6.29%
National Net Lease	6.25% – 12.0%	8.5%

In light of its residential use we believe that apartment capitalization rates are most relevant for the subject. But, apartments are purchased by income oriented investors and seasonal and 2nd homes are not. Seasonal and 2nd homes are purchased for their recreational amenities and the desired monetary rate of return is lower than it is for commercial properties and apartments.

The “Band of Investment” technique was also employed to develop a capitalization rate based upon financing and equity requirements. Based on an interview with a mortgage lender at a Boston area bank current mortgage interest rates for 2nd homes are 4.875%, with 0 points, and with a 30 year amortization schedule. The input assumptions for the band-of-investment technique are as follows:

MORTGAGE EQUITY ANALYSIS	
Mortgage Interest Rate:	4.875%
Amortization Period:	30 years
Mortgage Term:	30 years
Mortgage Constant	6.35%
Loan to Value Ratio:	70%
Equity Dividend Rate	0%
Overall Capitalization Rate:	4.45%
Rounded to	4.5%

The equity dividend rate, or cash on cash return considers that a buyer of a second home is not seeking a financial return in the form of an annual cash dividend, but the buyer gets a return from the recreational amenities, or even the shelter amenity of the property. Thus an equity dividend rate of 0 (zero) was selected.

Use of the Cap Rate to Estimate Market Oriented Annual Rent

We have multiplied our estimated cap rate of 4.5% by our estimated market values in order to estimate market rent.

7 Cogswell Road

Land Value, as if vacant = $\$190,000 \times 4.5\% = \$8,550$ rent per year, triple net

Land & Building Value = $\$295,000 \times 4.5\% = \$13,275$ rent per year, triple net

25 Robbins Island Road

Land Value, as if vacant = $\$210,000 \times 4.5\% = \$9,450$ rent per year, triple net

Land & Building Value = $\$335,000 \times 4.5\% = \$15,075$ rent per year, triple net

Comparable Rental Data

In order to test the reasonableness of the estimated land lease rates we considered a variety of peripheral data that we summarized below:

- We considered seasonal campground rentals as an indicator of the lowest end of the viable land rental range for the subject. We reviewed a couple properties in the Cape Ann area and several on Cape Cod. The typical season was May through October and rates for full hook-up pads were in the range of \$3,500 to \$4,500, plus some ancillary fees. The land rents for the subject lots should be materially higher than these figures.
- The land lease rate for lots on Little Neck in Ipswich, owned by the Feoffees of the Grammar School, are \$9,700 for a lot used on a seasonal basis and \$10,800 for a lot used year round. These are triple net terms with the lessee paying all expenses.
- The town of Rockport currently leases lots at Long Beach for \$2,425.70 per year, triple net for the first row, and \$1,501.62 for the 2nd row, also triple net.

Conclusion

Given the town's stipulated lease terms, we conclude that whether a lessee had the right to renew a lease at market rent, or buy a property at market value, at the end of the lease period, has no effect on the current market rent for a 5 year bridge lease.

The estimated market rents should be increased annually based on the consumer price index for residential real estate in the Boston area, or the equivalent.

RECONCILIATION AND FINAL OPINIONS OF VALUE

In this appraisal consulting assignment we have relied on the Sales Comparison Approach to estimate the market value of the fee simple interest of representative properties on Conomo Point. We have then used these values, and a capitalization technique to estimate current market rent, under current market conditions. We believe that used of this methodology is reasonable. There is not sufficient comparable rental data to extract a reliable market rent from comparable rental data.

Given the data and analysis within this report, and in my file, I have arrived at the following estimates for market rent.

Considering all factors affecting value, it is my opinion that the “as is” market rent for the lot addressed as 7 Cogswell Road, Essex, MA, as if vacant, as of April 28, 2011, was:

\$8,550 per year, triple net terms, with annual CPI increases based on Boston area residential real estate values

Considering all factors affecting value, it is my opinion that the “as is” market rent for the lot and all building and site improvements, addressed as 7 Cogswell Road, Essex, MA, as of April 28, 2011, was:

\$13,275 per year, triple net terms, with annual CPI increases based on Boston area residential real estate values

Considering all factors affecting value, it is my opinion that the “as is” market rent for the lot addressed as 25 Robbins Island Road, Essex, MA, as if vacant, as of April 28, 2011, was:

\$9,450 per year, triple net terms, with annual CPI increases based on Boston area residential real estate values

Considering all factors affecting value, it is my opinion that the “as is” market rent for the lot and all building and site improvements, addressed as 25 Robbins Island Road, Essex, MA, as of April 28, 2011, was:

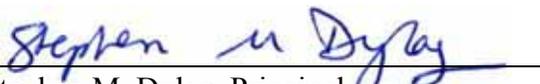
\$15,075 per year, triple net terms, with annual CPI increases based on Boston area residential real estate values

Given the town’s stipulated lease terms, I conclude that whether a lessee had the right to renew a lease at market rent, or buy a property at market value, at the end of the lease period, has no effect on the current market rent for a 5 year bridge lease.

Certification:

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

- The statements of fact reported and used in the valuation process 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, and conclusions;
- 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;
- I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
- The opinions of value and/or rent found within were not based upon a requested minimum valuation, a specific valuation, or the approval of a loan;
- Dan Bonomo, MA Real Estate Appraiser Trainee #103373 provided research assistance to the undersigned.
- 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 consulting report;
- My analyses, opinions and conclusions were developed, and this report has been prepared in conformity with the requirements of the *Code of Professional Ethics* and *Standards of Professional Appraisal Practice* of the Appraisal Institute, and the *Uniform Standards of Professional Appraisal Practice (USPAP)*, as promulgated by the Appraisal Foundation;
-
- As of the date of this report, Stephen M. Dylag has completed the Standards and Ethics Education Requirement of the Appraisal Institute for Associate Members;
- This report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives;
- My engagement was not contingent upon developing or reporting pre-determined results;
- I have not personally inspected the subject property.



Stephen M. Dylag, Principal
Certified General Real Estate Appraiser – Commonwealth of Massachusetts #1711
Expires: 11/17/11

Statement of General and Limiting Conditions:

This report has been prepared under the following assumptions and limiting conditions:

- Information furnished by others is assumed to be true, factually correct, and reliable. No effort has been made to verify such information and the appraisers assume no responsibility for its accuracy. *Should there be any material error in the assumptions in this report, the results of this report are subject to review and revision.*
- All mortgages, liens and encumbrances have been disregarded unless so specified within this report. The subject property is analyzed as though under responsible ownership and competent management. It is assumed in this analysis that there were no hidden or unapparent conditions of the property, subsoil, or structures that would render it more or less valuable. No responsibility is assumed for such conditions or for engineering, which may be required to discover them. No responsibility is assumed for legal matters existing or pending, nor is opinion rendered as to title, which is assumed to be good.
- It is assumed that there is full compliance with all applicable federal, state, and local environmental regulations and laws unless non-compliance is noted.
- It is assumed that all applicable zoning and use regulations and restrictions have been complied with, unless nonconformity has been stated, defined and considered in the analysis.
- It is assumed that all required licenses, consents or other legislative or administrative authority from any local, state or national governmental or private entity or organization have been or can be obtained or renewed for any use on which the value estimate contained in this report is based.
- Possession of this report, or a copy thereof, does not carry with it the right of publication.
- The appraisers assumed that there is no hazardous waste contaminating the subsoils. The appraisers are not qualified to detect such substances on the property or to evaluate the effect of such substances on the value of the property.
- Unless prior arrangements have been made, the appraisers, by reason of this report, are not required to give further consultation or testimony, or to be in attendance in court with reference to the property that is the subject of this report.
- The conclusions apply only to the property specifically identified and described herein.
- The appraisers have made no legal survey nor have they commissioned one to be prepared. Therefore, reference to a sketch, plat, diagram or previous survey appearing in the report is only for the purpose of assisting the reader to visualize the property.

Statement of General and Limiting Conditions: (Cont'd)

- Disclosure of the contents of this report is governed by the Bylaws and Regulations of the Appraisal Institute.
- The signatory of this appraisal consulting report is a fully qualified commercial appraiser who has been involved in the valuation and/or review of many similar properties. The education and experience in valuing and reviewing similar properties satisfies the competency provision of USPAP.

Extraordinary Assumptions and Hypothetical Conditions:

Extraordinary Assumptions:

- It is assumed that any bridge lease will be for a 1 year term, renewable by the lessee, for four (4) additional one year terms.
- It is assumed that the lessees in the southern section of Conomo Point, as defined by the town of Essex, will have the right to purchase the leased property at market value at the end of the 5 year bridge lease period.
- It is assumed that the lessees in the northern section of Conomo Point, as defined by the town of Essex, will have at a minimum, the right to lease the leased property at market rents at the end of the 5 year bridge lease period, and that the new lease will be at least 15 years.
- That reliable and potable municipal water is available to the properties.
- That all on site septic systems are functional and in compliance with Title V.

Hypothetical Conditions:

The market value estimates herein assumes the following hypothetical conditions: 1) that the subject properties could be sold today and they are not encumbered by leases.

ADDENDA

QUALIFICATIONS OF THE CONSULTANT



COMMERCIAL
REAL ESTATE SERVICES

STEPHEN M. DYLAG
Principal

EDUCATION

Columbia University Graduate School of Business, MBA, Real Estate Finance/Accounting
Trinity College, Hartford, Connecticut, B.A. English

REAL ESTATE EDUCATION

Appraisal Institute Courses:

Real Estate Appraisal Principles
Basic Valuation Procedures
Capitalization Theory and Techniques, Parts A & B
Standards of Professional Practice
R. E. Law & the R. E. Appraiser (seminar)
Case Studies in Real Estate Valuation
Report Writing and Valuation Analysis
Various seminars sponsored by the Appraisal Institute and the MBREA

MEMBERSHIPS & LICENSES

Commonwealth of Massachusetts Certified General Appraiser, License #1711
State of Connecticut Certified General Appraiser, License #RCG.0001065
State of New Hampshire Certified General Appraiser, License #NHCG-689
State of Rhode Island Certified General Appraiser, License #A00280G
State of Vermont Certified General Appraiser, License #080.0064045
Associate Member of the Appraisal Institute

EMPLOYMENT HISTORY

Keystone Consulting Group
North Attleborough, Massachusetts, Principal

Guest Lecturer, Real Estate Finance, Bryant University
Smithfield, RI

Fleet Bank of Massachusetts
Boston, Massachusetts, Assistant Vice President & Team Leader

Bank of New England - Appraisal Department
Boston and Brockton, Massachusetts, Assistant Vice President & Regional Manager

Old Stone Bank - Real Estate Investment Group
Providence, Rhode Island, Appraisal Officer and Loan Analyst

CURRENT CLIENTS

Lenders

Citizens Bank
Bank of America, N.A.
Sovereign Bank
Rhode Island Housing & Mortgage Finance Corp.
Wells Fargo
Bank Rhode Island
Citibank
Webster Bank
Brookline Bank
Washington Trust
Rockland Trust
The Bank of Canton
Walpole Cooperative Bank
Wrentham Cooperative Bank
Navigant Credit Union
Bank Newport
TD Banknorth, N.A.
People's United Bank
Silver Hill Financial/Mercury Financial/BayView Financial
UPS Capital
Bristol County Savings Bank
Massachusetts Housing & Finance
Eastern Bank

Not for Profits/Housing Agencies

U.S. Department of Housing & Urban Development
Cumberland Housing Authority
South Shore Housing
West Elmwood Housing & Development Corp.
Woonsocket Neighborhood Development Corp.
Preservation of Affordable Housing
U.S. Fish & Wildlife
Audubon Society
The Nature Conservancy
Archdiocese of Fall River

Private Residential Developers/Owners

Ranne Warner/Riverlofts LLC
Peregrine Group
Cornish Associates
Ferland
Picerne Real Estate
Struever Brothers Eccelles & Rouse
The Property Advisory Group
Guardian Property Management
Walsh Construction

PROJECTS

Partial List of Residential Condominiums:

River Lofts, Pawtucket, RI
Eagle Square, Providence, RI
Monohasset Mills, Providence, RI
The Ocean House, Watch Hill, RI
Royal Mills at River Point, West Warwick, RI
The Grant's Block, Providence, RI
Stone Harbour, Thames Street, Bristol, RI
333 Atwells Avenue, Providence, RI
Laurelwood, North Smithfield, RI
Emerald Court, Tewksbury, MA
Wise Living @ Falmouth, Falmouth, MA
The Lawrence Mills, Lowell, MA
Brown & Howard Wharf, Newport, RI
Red Mill Village, Norton, MA

Partial List of Affordable Housing Projects:

Riverside Gateway, Olneyville/Providence, RI
Smith Hill Visions, Providence, RI
Newport Heights, Newport, RI
Williams Woods, Providence, RI
Driftwood Apartments, Narragansett, RI
Colony House Apartments, Providence, RI
St. Elizabeth Place, Providence, RI
Cherry Hill Apartments, Johnston, RI
Heritage Village, North Kingstown, RI

Partial List of Market Rate Apartment Properties:

Royal Crest, Warwick, RI
Briarwood Meadows, Warwick, RI
River Bend Apartments market study, Woonsocket, RI
Wood's Edge Apartments, Attleboro, MA
Granville at the Common Apartments, South Kingstown, RI

Partial List of Mixed Use Properties:

Dynamo House at Providence Point, Providence, RI
Rising Sun Mills, Providence, RI
The Plant, Providence, RI
American Locomotive, Providence, RI
The Alice Building, Providence, RI
The Peerless Building, Providence, RI
Pearl Street Lofts, Providence, RI
Sockanosset Crossroads, Cranston, RI
Thames Street Landing, Bristol, RI

Partial List of Office Properties:

One Citizens Plaza, Providence, RI
56 Exchange Terrace, Providence, RI
321 Fortune Boulevard, Milford, MA
58 & 62 Summer Street, Boston, MA
180 South Main Street, Providence, RI

Partial List of Retail Properties:

7-Eleven portfolio, Rhode Island
Honey Dew Donuts portfolio, New England
Walgreen's Plaza, North Smithfield, RI
Shaw's anchored center, New Bedford, MA

Partial List of Automobile Dealerships:

Columbia Buick/Pontiac/GMC, Hanover, MA
Inskip Auto Corner/AutoMax, Warwick, RI
Inskip Infiniti/Lexus, Warwick, RI
Inskip Mercedes, Middletown, RI
Newport Imports Auto Center/BMW/VW, Middletown, RI
Proposed Jaguar/Land Rover dealership, Norwood, MA

Partial List of Lodging Properties:

Best Western Atlantic Beach, Middletown, RI
Vanderbilt Hall Hotel, Newport, RI
Water's Edge Resort, Westbrook, CT
Crowne Pointe Inn, Provincetown, MA
Proposed Holiday Inn Express, Warwick, RI
Proposed Hampton Inn, Manchester, CT
Proposed Hampton Inn, Westford, MA
Proposed Hampton Inn, Raynham, MA
Proposed Hampton Inn, Plymouth, MA
Proposed Hampton Inn, Mystic, CT
Proposed Holiday Inn Express, Middletown, RI
Bristol Harbor Inn, Bristol, RI
Daniel Webster Inn, Sandwich, MA
John Carver Inn, Plymouth, MA