

**REAL ESTATE
APPRAISAL REPORT**

23+/- Acres of Land
Southern Conomo Point Subdivision Project
Conomo Point Road
Essex, Massachusetts

Prepared for:
Conomo Point Planning Committee
Town of Essex
30 Martin Street
Essex, Massachusetts 01929

Prepared by:
Petersen/LaChance Realty Advisors
100 Conifer Hill Drive
Danvers, Massachusetts 01923

Under Contract to:
Horsley Witten Group, Inc.
90 Route 6A
Sandwich, Massachusetts 02563

Date of Value:
April 30, 2009

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100 Conifer Hill Drive

Danvers, Massachusetts 01923

(978) 750-6667 • fax (978) 750-0456

August 10, 2009

Conomo Point Planning Committee
Town of Essex
30 Martin Street
Essex, Massachusetts 01929

RE: Appraisal of a 41-Lot Subdivision on 23+/- Acres of Land at Southern
Conomo Point, Essex, Massachusetts

Dear Members of the Conomo Point Planning Committee:

In accordance with your request, I respectfully submit a narrative appraisal report that sets forth my fee simple market value estimate of approximately 23+/- acres of land located south of Robbins Island Road and mostly west of Conomo Point Road in the Conomo Point district of Essex, Massachusetts. This appraisal addresses the value of Concept Plan B.1, as presented to the Committee on April 30, 2009. Concept B.1 shows 41 lots, comprised of 16 year-round lots and 25 seasonal lots.

This is a Summary Report, intended to comply with Standards Rule 2-2(b) of the Uniform Standards of Professional Appraisal Practice. This represents a full-scope analysis in a summary report. As such, the scope of this assignment has not been limited, but the data, analyses and conclusions are presented in a summary format.

After inspecting the property and analyzing the data as presented, I estimate the fee simple market value of the 23+/- acres of land, known as Concept Plan B.1, as of April 30, 2009 to be:

* * * \$3,900,000 * * *

(THREE MILLION NINE HUNDRED THOUSAND DOLLARS)

My value estimates and related analyses are subject to the Extraordinary Assumptions and Hypothetical Conditions presented on pages 12 and 13 of this report. The report is presented as the final valuation component in the scope of work for consulting services contract between Horsley Witten Group, Inc. and the Town of Essex.

Respectfully submitted,

John G. Petersen, MAI, SRA
Massachusetts General Certificate No. 837

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Executive Summary

Property Description

Location	South side of Robbins Island Road and mostly west side of Conomo Point Road, Essex, Massachusetts
Type	Land approved for a 41-lot single family subdivision
Site	Approximately 23+/- acres of land comprised of mostly uplands, but some wetlands; level to gently rolling topography
Improvements	No above ground improvements exist, except the public and private infrastructure (i.e., paved ways, above ground utility lines, seasonal water lines and sewage disposal systems) necessary to support single family development of 41 lots exist
Ownership	Town of Essex
Zoning	Southern Conomo Point Zoning District (SCPZD)

Appraisal Assignment

Purpose	Estimate market value
Intended Use	Disposition of the Town-owned land subsequent to the termination of leasehold rights as of January 1, 2012
Intended Users	Conomo Point Planning Committee and others as directed by the Board of Selectmen for the Town of Essex
Interests Appraised	Fee simple

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Date of Value

April 30, 2009

Highest and Best Use

Immediate development and sellout of a
41-lot single family subdivision

Indications of Value

Cost Approach

Not Applicable

Sales Comparison Approach

Not Applicable

Development Approach

\$3,900,000

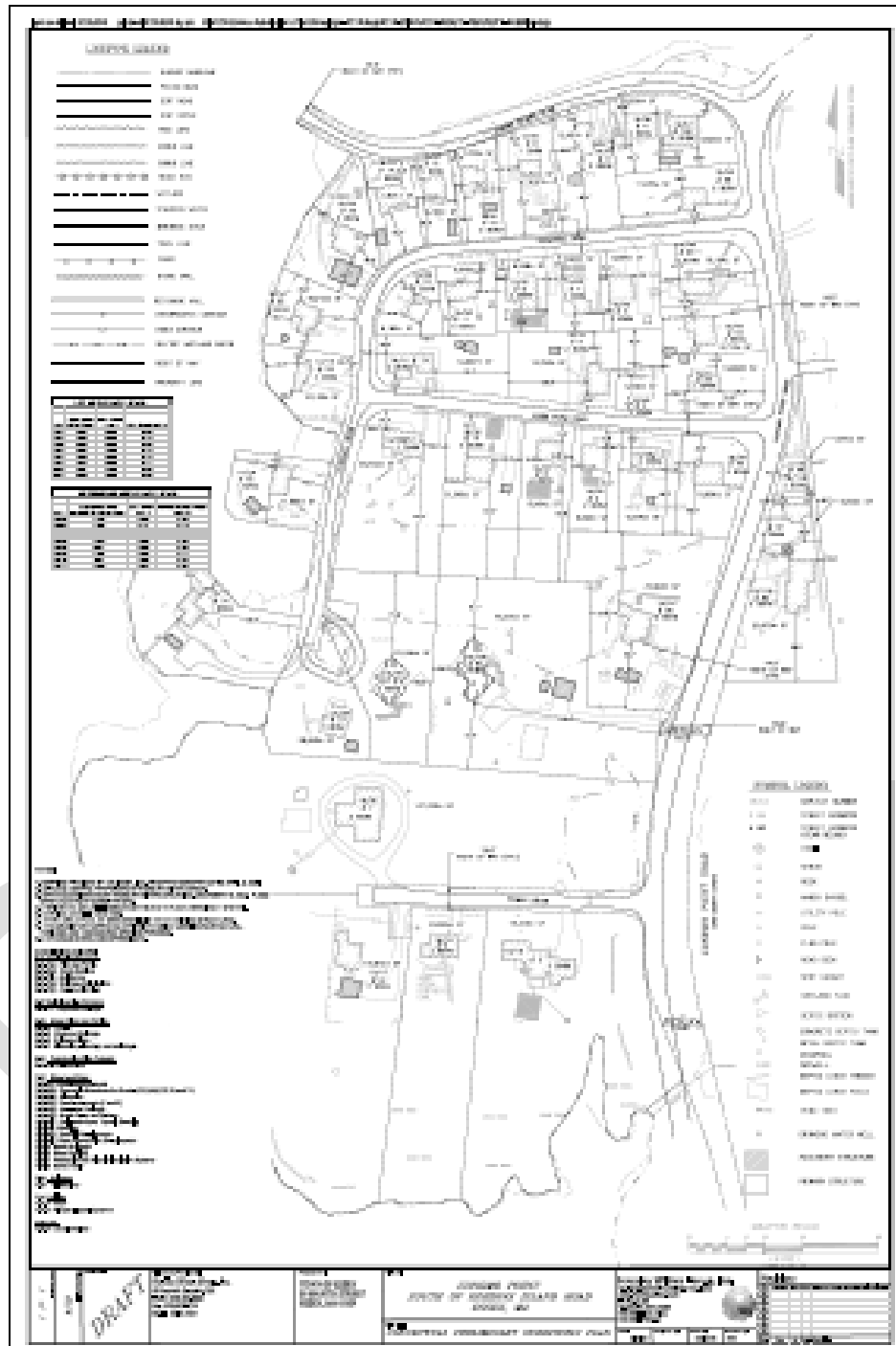
Final Value Estimate

\$3,900,000

Value Attributed to Non-Realty

None

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CONOMO POINT CONCEPTUAL PRELIMINARY SUBDIVISION PLAN

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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;
- ❑ 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 have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment;
- ❑ my engagement in this assignment was not contingent upon developing or reporting predetermined results;
- ❑ 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;
- ❑ my analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice;
- ❑ I, John G. Petersen, inspected the subject property on several occasions during January through April, 2009. For the purpose of this appraisal, the date of value is April 30, 2009;

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- ❑ no one provided significant professional assistance to the person signing this report;
- ❑ this assignment was not based on a requested minimum valuation, a specific valuation, or the approval of a loan.

John G. Petersen, MAI, SRA

Massachusetts General Real Estate Appraiser #837

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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. John Petersen, 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 so stated and should not be used for any other purpose.

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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 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, SRPA, RM 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 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, remediation 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.
8. Legal and regulatory requirements were not ascertained, 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.

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9. The Americans with Disabilities Act (ADA) became effective January 26, 1992. We 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 appraisers 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 and Hypothetical Conditions

The valuation analyses and conclusions are premised on the following conditions and/or assumptions, as defined under Uniform Standards of Professional Appraisal Practice. Relevant definitions follow.

Extraordinary Assumption -- An assumption, directly related to a specific assignment, which, if found to be false, could alter the appraiser's opinions or conclusions.¹

Hypothetical Condition -- That which is contrary to what exists but is supposed for the purpose of analysis.²

Extraordinary Assumptions:

1. Concept Plan B.1 includes 16 year-round and 25 seasonal lots. It is assumed that the year-round lots will be served by private wells (at a cost estimated at \$176,400) and that the seasonal lots would be served by the existing seasonal water line. It is further assumed that occupancy of the seasonal lots will be restricted to April 15 to October 15.
2. Although the date of this report is contemporaneous with the writing of this report, the effective date of value, April 30, 2009, is consistent with the date the market value of the selected concept plan, B.1, was presented to the Conomo Point Planning Committee.

Hypothetical Conditions:

1. The 41 lots that comprise the subject property are encumbered by individual ground leases between the Town of Essex and 41 tenants, all of which terminate on 12/31/2011. For the purpose of this analysis, the ground leases are assumed to not exist as of the effective date of value. This is contrary to fact, but assumed for the purpose of this appraisal.

¹ Uniform Standards of Professional Appraisal Practice and Advisory Opinions, 2005 Edition, by the Appraisal Standards Board of the Appraisal Foundation, page 3.

² Ibid., page 3.

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2. As of the effective date of value, this analysis assumes that all of the leasehold structures have been removed from the leased premises. This is contrary to fact, since each of the 41 lots which comprise the subject property contains either a seasonal cottage or year-round house.
3. The Southern Conomo Point Zoning District, which establishes density, dimensional and use controls specifically for the 41 lots in the subject site, is assumed to have been approved by the Essex Town Meeting and Massachusetts Attorney General as of the effective date of value. This is contrary to fact, but assumed for the purpose of this appraisal.
4. The 41 lots being valued in this appraisal are shown in a plan of land entitled, Conomo Point South of Robins Island Road, Essex, MA, PRELIMINARY SUBDIVISION PLAN (undated). This appraisal assumes that the Essex Planning Board has granted Definitive Approval, and that all necessary permits are in hand for subdivision of the subject land consistent with the plan. This is contrary to fact, but assumed for the purpose of this appraisal.

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Scope of Analysis

In undertaking this appraisal assignment John Petersen has inspected the subject property, viewed conceptual land plans and reviewed relevant public documents. John Petersen has investigated market trends by undertaking surveys of similar residential development projects and properties in the subject's market area. Information gathered from this investigation was used as a basis for understanding the achievable prices for land, lots and houses available for development.

Site conditions and infrastructure costs were relied upon and/or provided by Horsley Witten Group, Inc. Further, cost manuals, engineers and developers were consulted with regard to building costs and infrastructure costs in order to estimate the feasibility of developing the land. Research was conducted in order to establish levels of market demand in relation to supply to estimate the highest and best use of the subject property in its entirety.

The sales comparison approach has been utilized to estimate individual lot values as a component part of development project estimated to be the highest and best use of the site. A development technique was employed to value the subject land. Sales of approved subdivisions were analyzed in an attempt to develop a tract sales analysis; however, due to the unusually small size and seasonal nature of a significant number of lots in the subject subdivision, development of this approach was not feasible.

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Subject Property Identification

The subject site consists of approximately 23+/- acres of land. The site has been subdivided into 41 lots comprised of 16 year-round lots and 25 lots restricted to occupancy from April 15 to October 15.

The property being appraised is owned by the Town of Essex. Although all 41 of the lots are encumbered by land leases, they are assumed to be unencumbered for the purpose of this appraisal. Reportedly, there are no pending sales, lease extensions or other encumbrances on the property.

Purpose, Intended Use and Intended User of the Report

The purpose of this appraisal is to estimate the market value of the subject property. The intended use of this appraisal is to assist in the disposition of the Town-owned land subsequent to the termination of leasehold rights as of January 1, 2012. The intended users of this report include the Conomo Point Planning Committee and others as directed by the Board of Selectmen for the Town of Essex, or lawfully deemed to be a user by court of law.

All real property associated with the property rights appraised is included in this valuation.

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Market Value Definition

In accordance with generally recognized appraisal guidelines and as required by 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.³

Estimated Exposure Time

A condition implicit in the definition of value is that the property is exposed to the open market for a reasonable amount of time. The hypothetical sale of the subject property in its entirety within a 12-month period appears to be reasonable.

Property Rights Appraised

Property rights appraised herein include all benefits to which fee simple ownership is entitled as of the date of value. "Fee Simple" is defined as:

³ Rules and Regulations, Federal Register, Vol. 55, No. 165, Page 34696.

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Absolute ownership unencumbered by any other interest or estate; subject only to the limitations of eminent domain, escheat, police power and taxation.⁴

Date of Appraisal

The date of value of the subject property is April 30, 2009. The subject property was inspected by John G. Petersen, MAI, on several occasions during the first quarter of 2009. The date of this report is August 10, 2009.

⁴ The Dictionary of Real Estate Appraisal, Second Edition, The American Institute of Real Estate Appraisal, 1989, Page 120.

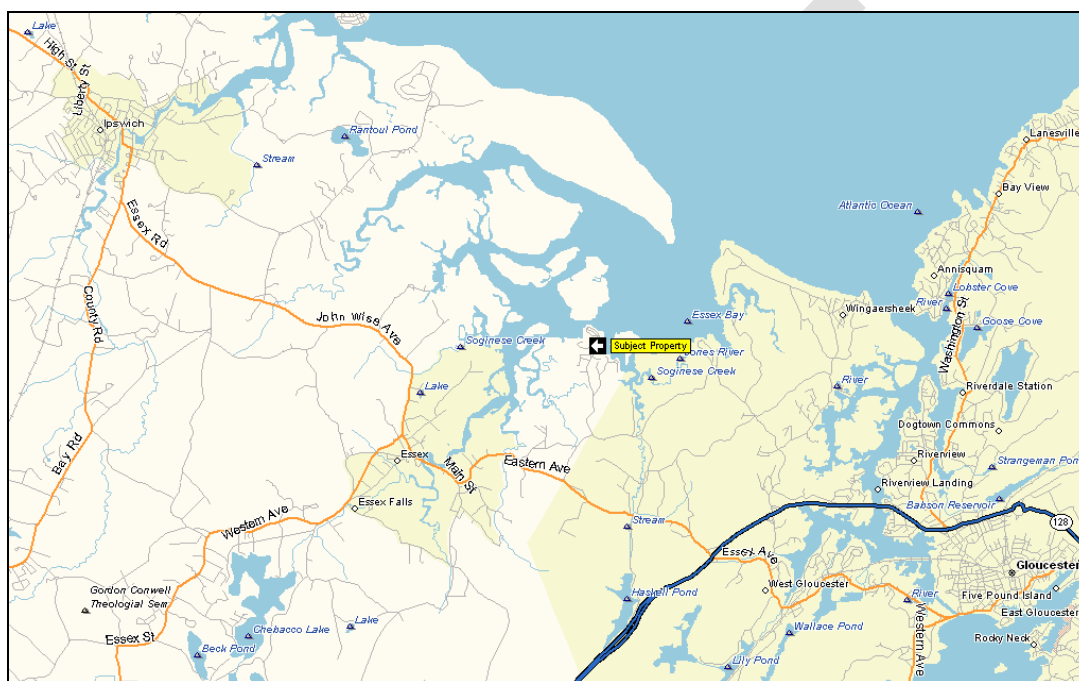
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ESSEX AND ENVIRONS MAP

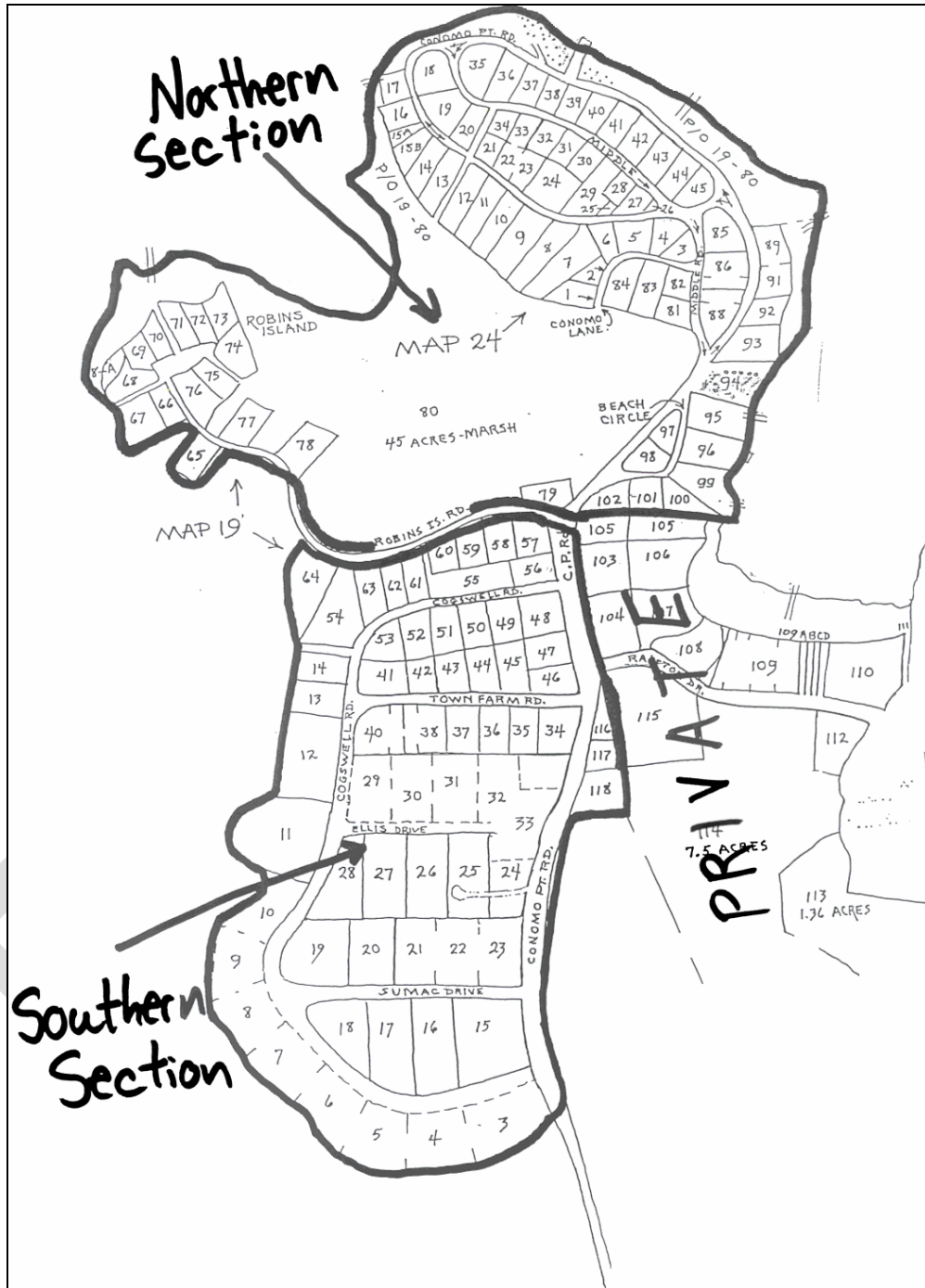
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NEIGHBORHOOD MAP

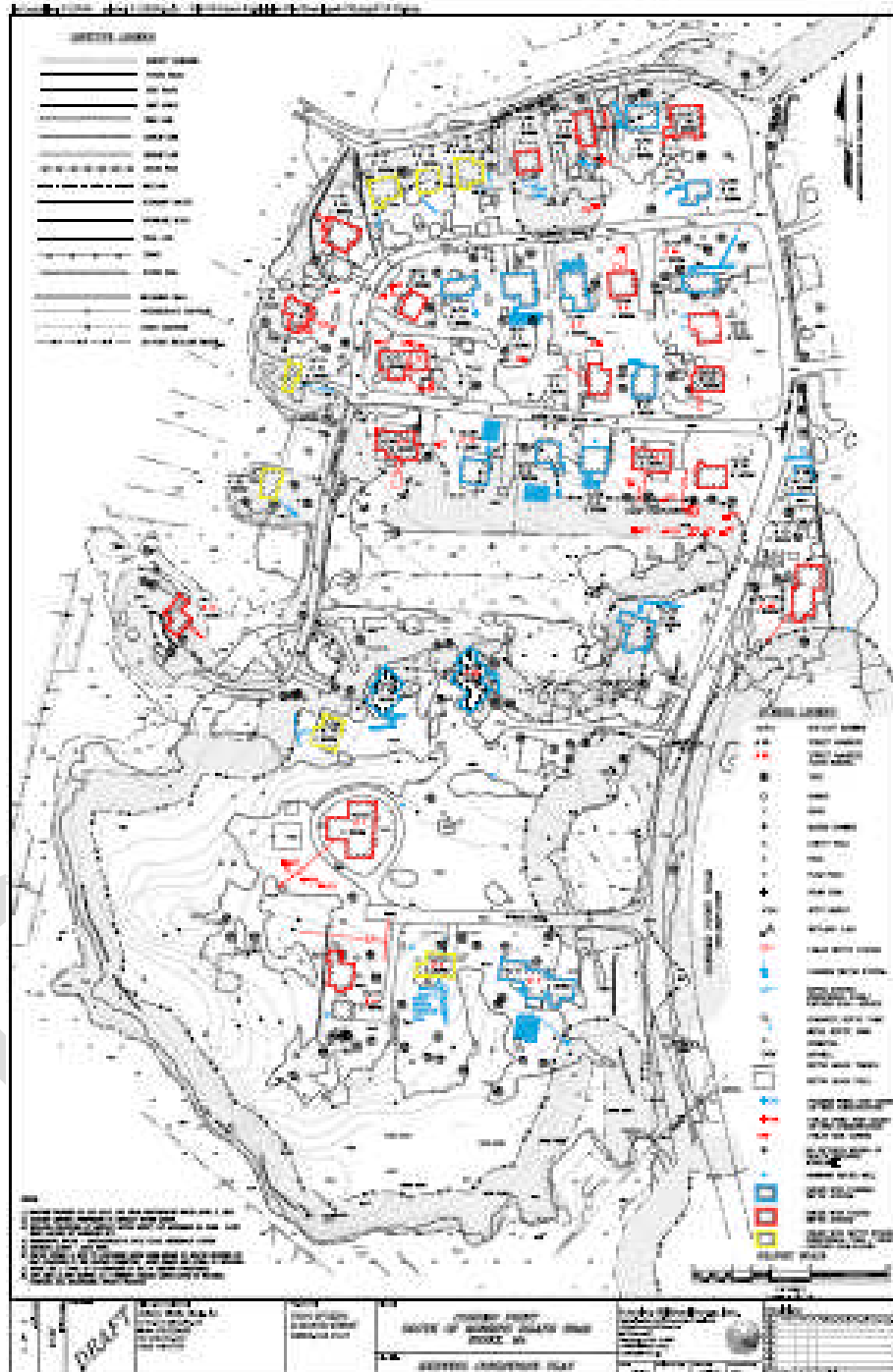
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SOUTHERN CONOMO POINT EXISTING CONDITIONS PLAN

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Regional, Municipal and Neighborhood Summary

The town of Essex is located in Essex County in northeastern Massachusetts, 25 miles north of Boston. It is bordered on the northwest by the town of Ipswich, on the west by Hamilton, on the south by the town of Manchester-By-The-Sea, on the southeast by the city of Gloucester and on the northeast by the Atlantic Ocean.

Essex has a land area of 14.16 square miles and a population of approximately 3,300 persons. The town is predominantly a "bedroom" community, with the largest land use category being designated for residential and limited agricultural development. Essex is more sparsely developed than some of the surrounding communities. Local public education is provided for grades Kindergarten through 12 by the Manchester-Essex Regional School District.

State Routes 133 and 22 serve Essex and surrounding communities. The nearest limited access highways are Interstate 95, approximately ten miles west of Essex, and Route 128 in Gloucester and Manchester to the south.

Lack of town-wide utilities, such as water and sewage, limit the town's growth potential. Approximately 10 years ago, the Massachusetts Department of Environmental Protection (DEP) ordered Essex to inspect all septic systems in the community and bring into compliance all failed systems. The Town continues to work to bring sewage disposal systems up to State standards.

The subject property is located in the Conomo Point neighborhood. Conomo Point is an enclave of 106 residential structures on land owned by the Town of Essex. It is located in the northeast corner of the town, overlooking Essex Bay. Approximately two-thirds of the structures are seasonal cottages restricted to occupancy from April 15 to October 15. Approximately one-quarter of the structures are year-round homes and the balance are seasonal cottages that have leases extending municipal water rights and occupancy from April 1 to November 1.

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The infrastructure in the neighborhood consists of secondary streets and lanes, most of which are surfaced with bituminous concrete. The paved widths vary from around 12 feet to 18 feet. Utilities serving the neighborhood include telephone, electricity and cable TV on poles. Municipal water is extended to all structures, albeit most are limited to seasonal access and use.

In conclusion, the national economy officially entered a recession during December of 2007. Most major stock markets have lost nearly 40% of their value since peaking in October 2007. The national unemployment rate is 8.1%; it is projected to reach double digits by the end of 2009. Most informed observers speculate that the economy will reach its nadir during 2009 and begin to improve in late 2009 or 2010.

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Site and Improvements Summary

Location -- The subject land is located on the south side of Robins Island Road and mostly the west side of Conomo Point Road in the Conomo Point district of Essex, Massachusetts.

General Description -- The subject land area is 23+/- acres. It has approximately 1,300 feet of frontage on the west side of Conomo Point Road and approximately 500 hundred feet of frontage on the south side of Robins Island Road. Conomo Point Road is accessed off the north side of Eastern Avenue (State Route 133), via Harlow Street, near the Gloucester municipal line.

The site has been approved for a 41-lot subdivision.

Topography, Shape and Drainage -- The shape of the site is irregular. All of the subdivision lots are contained within the existing layout of streets, including Conomo Point Road, Robins Island Road, Cogswell Road, Town Farm Road and Sumac Drive. Although all of the roads within the subject tract have been considered public ways, a surveyed layout indicating acceptance by the Town may not exist. Thus, a formal subdivision approval process has been used to establish the 41 lots and delineation of the ways.

The topography of the subject site is mostly level to gently rolling. Overall, the average elevation is marginally above sea level and the site is bordered on the north and west by tidelands and marshlands associated with Essex Bay. Wetlands were delineated by Horsley Witten Group, Inc., in December, 2008. Statutory wetlands not only surround most of the site, but exist in several locations within the site.

The most of the land surrounding the subject site appears to be located in a Zone A district, according to the Flood Insurance Rate Map prepared by the Federal Emergency Management Agency, Community-Panel Number 250077 0007 C, dated

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7/2/92.⁵ A small section of Zone A encroaches on the subject site off the west side of Cogswell Road.

Vegetation -- The subject site is sparsely wooded with various species of deciduous and conifer trees, as well as other, mostly scrub-type vegetation.

Utilities and Infrastructure -- The site has access to electricity, telephone and cable TV. These utilities are above ground on poles.

Each of the 41 lots in the subdivision has some form of on-site sewage disposal. Eighteen of the 41 lots have septic systems that have failed Title VI tests and seven more have "conditionally passed". Failed systems must be upgraded.

A seasonal water line serves all of the 25 lots that are available for seasonally use within the subdivision. The 16 lots that are eligible for year-round use will require private wells for potable water.

No improvements to the roadway infrastructure (i.e., curbing, sidewalks, drainage, etc.) are required as a part of the subdivision approval.

Easements, Encroachments, Etc. -- No adverse easements or encroachments were observed during inspection of the site.

Site Improvements -- Again, most of the existing roadway infrastructure will remain with no significant improvements. Although not constructed to Subdivision Control Law standards, the ways function adequately and provide access for vehicular traffic consistent with their intended single family residential use. Failed septic systems will need to be upgraded to Title V standards and lots eligible for year-round use will require installation of on-site wells.

Conclusion -- In conclusion, the subject site appears reasonably well suited for single family development under land-use standards specified in a new zoning district.

⁵ Zone C is defined as "areas of minimal flooding" by the Federal Emergency Management Agency. Zone B is defined as "areas between limits of the 100-year flood and 500-year flood; or certain areas subject to 100-year flooding with average depths of less than one (1) foot or where the contributing drainage area is less than one square mile; or areas protected by levees from the base flood. Zone A is defined as "areas of 100-year flood" (Where the Zone A designation is followed by a numerical sub-designation, the 100-year flood area includes "base flood elevations and flood hazard factors".)

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Zoning and Land Use Regulations

The subject property is located entirely within the newly created Southern Conomo Point Zoning District in Essex. Two Subdistricts are delineated within the District. The Single Family Subdistrict covers the southern section of the subject site. The Cottage Subdistrict covers the northern portion of the site.

The only allowable uses within the District are: single family dwellings; seasonal cottages; home occupations; accessory structures. Dimensional controls for both Subdistricts are shown in the following table.

Sub-District		A	B
Dimensional Controls		Single Family Sub-District	Seasonal Cottage Sub-District
1	Minimum Lot Size	30,000	6,000
2	Minimum Frontage	100	60
3	Minimum Frontyard Setback	25	15
4	Minimum Sideyard Setback	25	10
5	Minimum Rearyard Setback	25	25
6	Maximum Height	20	15
7	Maximum Floor Area Ratio	10	20
8	Maximum Lot Coverage	5	15
9	Maximum Impervious Surface	10	20
10	Maximum Number of Stories	2	1.5

Land can be legally partitioned either through a formal subdivision approval process based on local subdivision regulations, as provided under Chapter 41, §81K – §81GG of Massachusetts General Laws (The Subdivision Control Law), or through a specific section of Chapter 41, known as the Approval Not Required (ANR) process (also called “Form A” lots), as defined under Chapter 41, §81P. Both processes are under the purview of the local Planning Board. The Approval Not Required process is a

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non-discretionary endorsement of a plan that shows lots containing sufficient frontage on a way to conform to local zoning requirements. The formal subdivision process involves a public hearing, in-depth review and discretionary approval, approval with conditions, or disapproval by the Board. It was determined that subdivision of the subject site through the formal subdivision process was required in order to achieve the 41 lots.

Several waivers from the Subdivision Regulations have been granted with respect to the subject subdivision. The list of waivers is shown in the following table.

<u>SUBDIVISION WAIVERS:</u>
<u>6.01 Application Procedure</u>
6.01.1(c) Plan and Profile
6.01.0(d) Cross Sections
6.01.1(j) Soil Survey
6.01.1(g) Drainage Calculations
6.01.1(k) Construction Plan
<u>6.02 Definitive Plan Contents</u>
6.02.12 Proposed Drainage
<u>6.03 Street Plans and Profiles</u>
6.03.4 Profile
6.03.6 Proposed Drainage
6.03.6 Drainage Plans
6.03.7 Sidewalks, bikeways and walkways
<u>6.04 Construction Plan Contents</u>
6.04.1-8 All Sections
<u>7.02 Street and Ways</u>
7.02.2(j) Dead-end turnaround
7.02.4(a) Geometric Standards for Streets (1,2,3,4,6,7,9,10,and 11)
7.02.4(b) Sidewalks
7.02.4(c) Dead-end streets (1 and 3)
7.02.4(g) Adequate Drainage
7.02.4(h) Street Curbs and Gutters
7.02.4(i) Esplanade Area, Topsoil, Seeding
7.02.4(j) Seeding
7.02.4(k) Material Requirements
7.02.4(l) Other Construction Requirements
7.02.5 Street Drainage
7.02.6 Street Curbing
7.02.7 Pedestrian and Bicycle Circulation Systems
7.02.8 Street Trees
<u>7.03 Drainage</u>
7.03 All Sections
<u>7.04 Utilities</u>
7.04.1 Water
7.04.2 Private Disposal Systems
<u>7.06 Lots</u>
7.06.1 Lot Dimensions

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Highest and Best Use Summary

Highest and best use is defined as:

The 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.⁶

The subject site consists of 23+/- acres of land. It has approximately 1,300 feet of frontage on the west side of Conomo Point Road and approximately 500 hundred feet of frontage on the south side of Robins Island Road.

The land is contained entirely within the Southern Conomo Point Zoning District. The District was created exclusively for the 23+/- acres that comprise the subject property within southern Conomo Point. For the purpose of this appraisal, it has been assumed that the site has received all necessary approvals for a 41-lot single-family subdivision.

All of the lots within the Cottage Subdistrict have at least 60 feet of street frontage and contain at least 6,000 square feet of area. All of the lots within the Single Family Subdistrict have at least 100 feet of frontage and 30,000 square feet of lot area.

There are only seven lots within the Single Family Subdistrict, with the remaining 34 in the Cottage Subdistrict. Although all seven lots in the Single Family Subdistrict are eligible for year-round occupancy, there are also nine lots within the Cottage Subdistrict that are year-round. The remaining 25 lots in the Cottage Subdistrict are restricted to seasonal use.

The single family house and lot market has changed dramatically over the past several years. After experiencing rapid appreciation from 2002 through 2005, prices have stabilized or declined in most communities in Essex County over the last 24 to 36 months. By most informed accounts, the single family home market will reach its nadir

⁶ The Appraisal of Real Estate, 12th edition. Appraisal Institute, 2001.

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by mid-2009. The market appears capable of supporting a moderate number of house lots.

In consideration of physical, legal and market issues, it appears that the highest and best use of the site is the proposed and approved 41-lot subdivision. The most likely buyer of the subject site would be a local or regional builder-developer with experience in single-family house development. Homes on the smaller lots located in the Cottage Subdistrict would be cottage-style. Homes on the larger lots would be colonial-style. Twenty-five of the lots in the Cottage Subdistrict would be restricted to seasonal use.

Notwithstanding the above, a number of development scenarios were analyzed for the subject 23-acre site prior to concluding the current (proposed) use to be the highest and best. Among these were three plans developed by Horsley and Witten, known as Concept Plan A, Concept Plan B and Concept Plan C.

Plan A represented a low-density, single family development. It contained 16 house lots, all of which were capable of conforming to the underlying zoning district's 40,000-square foot lot area and 150 feet of frontage. This plan would have been consistent with subdivisions proposed elsewhere in Essex. It presented the advantage of higher average lot values, but at the expense of considerably lower development density. The market value estimated for Concept Plan A was \$2,400,000.

Plan B depicted the "existing conditions" scenario: 41 lots, comprised of larger lots capable of supporting year-round houses and smaller lots for mostly seasonal use. Eventually, Plan B was divided into Plan B.1 and B.2. Plan B.1 was the 41 lots comprised of 16 year-round lots and 25 seasonal lots. Plan B.2 assumed 41 year-round lots. The market value estimated for B.1 was \$3,900,000; the value for B.2 was \$2,300,000. Although the gross sellout (i.e., sum of all the lot values, prior to deductions for development expenses and discounting) of B.2 was higher than B.1, Plan B.2 required \$2.67 million in new water line costs to serve the year-round

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occupancies that were not required for Plan B.1. Therefore, the net value was higher under B.1.

Plan C was somewhat of a hybrid between Plans A and B, creating nine year-round lots with open space on the southern portion of the site and 30 seasonal lots on the northern portion. The market value estimated for this plan was \$2,000,000.

Discounted cash flow analyses for each of the scenarios are included in the Addenda of this report.

Methodology

The three standard approaches to estimate value include the cost approach, the sales comparison (market data) approach and the income capitalization approach.

The development technique, which is a variation of the income capitalization approach, will be used to estimate the value of the subject 23+/- acres of land, where the most productive use of the land is concluded to be a 41-lot subdivision, with 25 of the lots restricted to seasonal use. Insufficient sales of approved subdivisions containing small, seasonal lots were available for analysis in order to develop the sales comparison approach.

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Development Analysis

The following analysis addresses the valuation of the proposed and approved, 41-lot subdivision on the 23+/-acre site. It represents the value of the land with all approvals in place. The analysis is based on the premise that the value of the entire subject site can only be realized upon the development and sale of individual parts of the whole. Although a prospective buyer would be purchasing the property (i.e., the site) in its entirety, he or she would analyze it on the basis of its individual components (i.e., house lots). Consequently, the value is a reflection of the income and expenses associated with selling off the parts that comprise the subject property in its highest and best use.

The following analysis addresses the income, expenses, time and management associated with developing the 41-lot residential subdivision, created through the subdivision approval process.

Residential Lot Sales Analysis -- The lot sales on the following page were used to estimate the value of lots in the approved subdivision.

SUMMARY OF HOUSE LOT SALES

Sale #	Address	Book/Page	Grantor	Grantee	Land Area (SF)	Utilities	Sale Date	Sale Price	Comments
1	59 Choate St. Essex	28461/485	Peter Fortune	Eric McNiff	174,676	t, e	4/2/2009	\$257,000	Wooded, 4.01-acre lot located on the north side of Choate St., abutting conservation land and salt marsh. Private, paved drive provides access to lot.
2	44 Choate St. Essex	28056/512	Elizabeth P. Guerin	Catherine Stavrakas	33,519	t, e	9/24/2008	\$240,000	Lightly wooded, 0.76-acre lot on the south side of Choate St.; 3-bedroom septic system included in price.
3	21 Turtleback Rd. Essex	L.C. 70257	Peter Van Wyck		43,124	t, e	pending	\$260,000	Wooded lot on a cul de sac off Apple St.; part of a small, recently approved subdivision.
4	144 Summer St. Manchester	28005/1	Michael Lee Eisgran	David S. Campbell	11,080	w, s, t, e	8/26/2008	\$200,000	Small, sparsely wooded lot located a short distance from town. Foundation permit in place. Had 470 sq. ft. 1948 cottage on site.
5	176 Elm St. Newbury	21325/383	Colby Village		7,599	w, t, e	listing	\$175,000	Small, level lot; part of the Colby Village Condominium. This lot is available for construction of a SF house, but not restricted to 55 or over age.
6	18 Sadler St. Gloucester	26690/28	Robert W. Day	Mark T. Vadals	6,750	w, s, t, e	3/29/2007	\$167,000	Small, nearly rectangular lot; located on the north side of Sadler St., approximately one mile to Good Harbor Beach. Oversized garage on lot.
7	200 Leslie Rd. Rowley	27918/235	Deutsche Bank	Kenneth Hamilton	10,980	t, e	7/15/2008	\$120,000	Small lot improved with a 697 sq. ft. ranch in poor condition. House contributed little or no value to the land.
8	38 Valley Rd. Gloucester	25955/173	Marie J. Perry Estate	James M. Amero	11,600	t, e	8/3/2006	\$175,000	Small lot improved with a 735 sq. ft. ranch in poor condition. House contributed little or no value to the land. Located near the beach.
9	343 Essex Ave. Gloucester	27396/152	Marilyn A. Ryan	Nick L. Taormina	18,900	w, t, e	12/17/2007	\$175,000	Wooded lot improved with a 1,504 sq. ft. 2-story house in poor condition. House contributed little or no value to the land. Deeded rights to Little River.

Analysis and Reconciliation of Lot Sale Data -- The table on the preceding page summarizes the most recent single family lot sale data in Essex and surrounding communities. Although it appears that some correlation exists between the size of the lot and the price, analysis on the basis of price per square foot is not meaningful; the sales are analyzed on a whole dollar basis.

Sales #1 through #3 are average size lots for Essex. They are representative of the larger lots at the subject subdivision, particularly those on the southern part of the site, within the Single Family Subdistrict.

Sales #4 through #9 are smaller lots, some of which were improved with cottages at the time of sale, which added little or no value to the land. These sales are generally representative of the smaller lots found in the northern portion of the site, within the Cottage Subdistrict.

In addition to these sales, land values were extracted from sales of seasonal cottages on Little Neck in Ipswich over the past several years. The Little Neck community is comprised of 143 seasonal use lots and 24 year-round use lots. Several sets of paired sales analyses indicated ratios of seasonal use lot prices to year-round use lot prices ranging from 80% to 82%. Seasonal use lots on Little Neck are restricted to occupancy from April 1 to November 30, which is slightly longer than seasonal lots at Conomo Point. In recognition of the slightly longer season at Little Neck, a ratio of 75% was applied to some of the year-round lot values estimated for Conomo Point, to estimate values for some of the seasonal lots at the subject subdivision.

In addition, capitalized rental income from seasonal cottages on the North Shore was analyzed. Rental rates ranged from approximately \$650 per week for a small, two-bedroom cottage with distant water views to around \$2,500 for a three or four bedroom cottage with water frontage. These rates would be applicable to an eight to 10-week season. Shorter term rentals during the later half of August (i.e., after Greenhead Fly season) can generate weekly rents in excess of \$1,500 per week. Brokers report

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moderate demand for seasonal rentals during the past few years. Operating expenses varied dramatically, but capitalization rates averaged around 4%.⁷

CONOMO POINT LOT SUMMARY
CONCEPT B1, EXISTING CONDITIONS (16 YEAR-ROUND, 25 SEASONAL LOTS) SUBDIVISION PLAN

Map & Lot #	Street Address	Assigned Lot #	Description	Lot Area (SF)	Septic System Compliance	Estimated Retail Lot Value
19/15	2 Sumac Drive	1	Year-round, 3-bedroom Cape house	75,336	Passed	\$240,000
19/16	6 Sumac Drive	2	Year-round, 2-bedroom ranch house	40,496	Conditional	\$225,000
19/17	8 Sumac Drive	3	Year-round, 2-bedroom ranch house	118,572	Failed	\$250,000
19/20	7 Sumac Drive	4	Year-round, 3-bedroom colonial house	131,020	Failed	\$250,000
19/26	82 Conomo Point Road	5	Year-round, 2-bedroom ranch house	62,335	Passed	\$225,000
19/33	86 Conomo Point Road	6	Year-round, 2-bedroom Cape house	37,393	Passed	\$215,000
19/118	85 Conomo Point Road	7	Year-round, 2-bedroom ranch house	20,370	Failed	\$175,000
19/117	87 Conomo Point Road	8	Seasonal, 2-bedroom cottage	4,042	?	\$112,500
19/116	89 Conomo Point Road	9	Seasonal, 2-bedroom cottage	4,249	Passed	\$131,250
19/34	90 Conomo Point Road	10	Seasonal, 2-bedroom cottage	10,899	Failed	\$131,250
19/46	92 Conomo Point Road	11	Seasonal, 3-bedroom cottage	10,498	Failed	\$112,500
19/47	94 Conomo Point Road	12	Seasonal, 3-bedroom cottage	8,713	Failed	\$112,500
19/48	96 Conomo Point Road	13	Year-round, 3-bedroom cottage	10,124	Passed	\$160,000
19/56	98 Conomo Point Road	14	Seasonal, 2-bedroom cottage	11,232	Passed	\$120,000
19/57	100 Conomo Point Road	15	Seasonal, 5-bedroom cottage	8,622	Failed	\$120,000
19/35	4 Town Farm Road	16	Year-round, 2-bedroom cottage	10,496	Failed	\$165,000
19/36	6 Town Farm Road	17	Year-round, 2-bedroom cottage	8,803	Passed	\$160,000
19/37	8 Town Farm Road	18	Seasonal, 2-bedroom cottage	13,964	Passed	\$120,000
19/38	10 Town Farm Road	19	Year-round, 2-bedroom cottage	21,566	Passed	\$165,000
19/40	12 Town Farm Road	20	Year-round, 2-bedroom cottage	26,703	Failed	\$175,000
19/45	3 Town Farm Road	21	Seasonal, 2-bedroom cottage	6,648	Passed	\$112,500
19/44	9 Town Farm Road	22	Seasonal, 2-bedroom cottage	13,756	Failed	\$123,750
19/41	13 Town Farm Road	23	Year-round, 2-bedroom cottage	12,997	Failed	\$170,000
19/49	5 Cogswell Road	24	Year-round, 2-bedroom cottage	8,566	Failed	\$150,000
19/50	7 Cogswell Road	25	Seasonal, 2-bedroom cottage	7,563	Passed	\$112,500
19/51	9 Cogswell Road	26	Seasonal, 3-bedroom cottage	6,528	Passed	\$112,500
19/52	11 Cogswell Road	27	Seasonal, 2-bedroom cottage	6,946	Passed	\$112,500
19/53	19 Cogswell Road	28	Seasonal, 2-bedroom cottage	6,180	Failed	\$112,500
19/58	4 Robins Island Road	29	Year-round, 2-bedroom cottage	6,300	Passed	\$160,000
19/59	6 Robins Island Road	30	Seasonal, 3-bedroom cottage	12,451	Failed	\$123,750
19/60	8 Robins Island Road	31	Seasonal, 1-bedroom cottage	10,794	Failed	\$123,750
19/61	10 Robins Island Road	32	Seasonal, 2-bedroom cottage	7,705	Conditional	\$123,750
19/62	12 Robins Island Road	33	Seasonal, 2-bedroom cottage	6,103	Conditional	\$123,750
19/63	14 Robins Island Road	34	Seasonal, 2-bedroom cottage	7,831	Conditional	\$131,250
19/54	20 Cogswell Road	35	Seasonal, 2-bedroom cottage	14,524	Failed	\$146,250
19/14	22 Cogswell Road	36	Seasonal, 3-bedroom cottage	10,215	Failed	\$138,750
19/13	24 Cogswell Road	37	Seasonal, 2-bedroom cottage	10,136	Conditional	\$157,500
19/12	28 Cogswell Road	38	Seasonal, 1-bedroom cottage	11,585	Conditional	\$168,750
19/27	31 Cogswell Road	39	Seasonal, 3-bedroom cottage	27,399	Passed	\$146,250
19/28	33 Cogswell Road	40	Seasonal, 3-bedroom cottage	26,290	Conditional	\$131,250
19/11	34 Cogswell Road	41	Year-round, 1-bedroom cottage	26,500	Failed	\$250,000
Gross Sellout						\$6,296,250
Average Retail Lot Value						\$153,567

Reconciling the data, the most supportable prices for the subject lots are as shown in the table on this page. Three methodologies were used to estimate lot values at Conomo Point. With respect to year-round lots at the subject subdivision, greater emphasis was placed on the lot sales shown in the prior table. The market values of the seasonal lots primarily were based on recent lot sales, but secondarily on applying

⁷ Sales of seasonal and year-round cottages on leased land on Little Neck, an oceanfront neighborhood in the abutting town of Ipswich, indicated overall rates typically in the 3% to 5% range. Although the ground leases on Little Neck were all one-year tenancies-at-will, unlike the Town of Essex, the Feoffees (the lessor) continue to renew leases, thereby maintaining market demand for the leasehold estates.

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a ratio of 75% to comparable, year-round sales (as suggested by the paired sales data from Little Neck). Significantly less emphasis was placed on the capitalized seasonal rental value in reconciling the seasonal data.

Estimated Gross Revenues -- There are 41 lots in the subject project with a projected gross sellout estimated at \$6,296,250. The average lot price of all 41 lots is \$153,567.

Growth Rates -- Residential lot appreciation had been moderate to rapid from 2002 through 2005, in many cases exceeding double digits. This rate of appreciation was not sustainable. Lot prices have been flat to declining over the past 24 months, however. Based on the assumption that the date of value marks the approximate nadir of the housing market, a modest 5.0% annual rate of appreciation is applied to the lot sales revenue beginning in Year 2 of the analysis.

Absorption -- Lots sales (and new home sales) in competing subdivisions have been analyzed in order to forecast the most supportable sell-out scenario for the subject subdivision. Absorption rates in subdivisions that have been completed over the past few years have varied from a high of two lot sales per month to a low of .17 lot sale per month. More recent subdivision absorption data indicate lot sales ranging from .46 lots per month to 1.27 lots per month.

There appears to be some correlation between the time frame and market conditions during which lots in a particular subdivision were being marketed and the rate of sales; the more recent data suggest absorption rates well below one lot per month. Quantifiable absorption rates are virtually non-existent over the past 12 months, however, due to the lack of sales activity.

Based on historical absorption and projected demand and supply, a seven-year sellout is forecasted. This is based on six sales per year for the 41-lot Southern Conomo Point Subdivision Project. Since the subject subdivision is assumed to be fully permitted as of the date of value, absorption is projected to begin in Year 1 of the analysis.

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Expense Estimates -- A purchaser of the subject would incur the following expenses as the subdivision is developed. These expenses would be deducted from the gross sales revenue. All expenses are projected to grow at 3.0% annually, except those expenses that are based on a percentage of gross sales.

Sales Expense — The selling expense would consist of commissions paid to brokers, or allowed to the property owner, for efforts involved in selling the lots. In this market area, the commission is often 4% to 5% for an entire project listing. A 5.0% sales expense has been applied to the adjusted lot sales revenue for each year of the analysis.

Legal — Legal fees are estimated at \$750 per lot. This addresses the developer's closing costs associated with each lot sale. In addition, the \$4.56 (per thousand dollar of lot sale price) conveyance tax is included in this line-item.

Real Estate Taxes — The entire 41-lot subdivision is anticipated to sellout in seven years. The current, actual tax burden for the subject land has been input as an expense for the first year of the analysis, under the assumption that the local assessments lag actual conditions by at least one year. Following the first 12 months, the estimated market value of the lots is multiplied by the tax rate (after dividing by 1,000) and applied to the remaining, unsold (based on the prior year) lots. This reflects the assumption that the approved subdivision will be taxed on the basis of the individual value of the lots in the second year of the analysis.

Sewage Disposal Improvements — The subdivision plan for the 41-lot subdivision assumes that septic systems that have passed Title V would be available for use to develop the lots with either seasonal or year-round houses. Those that failed Title V would require upgrading or replacement. Horsley Witten Group's engineers have estimated the cost to bring all failed systems up to standard at \$543,900. Half of this amount has been applied to each of the first two years of the analysis (with Year 2 increased by the expense growth rate).

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Water Supply Improvements — The subdivision plan assumes that seasonal cottages will continue to use the existing seasonal water supply lines for domestic water. Since no year-round water supply exists, this analysis assumes that the year-round lots will require new wells. Horsley Witten Group's engineers have estimated the cost to install wells on the 16 year-round lots at \$176,400. The entire amount has been applied to Year 1 of the analysis.

Supervision & Overhead — The cost to oversee the sewage disposal improvements is estimated at 5% of the estimated hard cost. These costs are shown in Years 1 and 2 of the analysis.

Survey and Engineering — The surveying and engineering expense for a project of this size could be expected to run in excess of \$100,000. Considerable expenses would have already been incurred in preparing and filing the Preliminary and Definitive Subdivision Plans (with modifications) with the Planning Board and filing a Notice of Intent and obtaining an Order of Conditions from the Conservation Commission.

In addition, "as built" plans and street acceptance plans will need to be surveyed and drawn. Further, the developer would likely be charged inspection fees for the Town's engineer or consulting engineer to confirm that work has been performed according to the subdivision regulations and approved plans.

Since most but the inspection fees and "as built" and street acceptance plans have been completed (and assumed expensed), only \$35,000 is carried for this expense. Twenty-five thousand dollars is shown in Year 1, to reflect remaining surveying and engineering, with \$10,000 of this expense charged in the final year of the analysis, to address the expenses for setting bounds, preparing "as built" plans, street acceptance plans, and close-out inspection fees.

Developer's Profit — This expense represents the amount of money that is necessary to attract a competent investor or developer to the project. It is necessary to compensate the developer for his or her entrepreneurial efforts in taking on such a project. The amount of compensation is a function of the perceived risk, which

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fluctuates with the development stage of the project, the applied retail lot prices, and the size of the project. According to residential developers, a projected profit of roughly 30% is appropriate for projects of this size, complexity and risk profile.

There are many definitions of “developer’s profit”. Contrary to popular belief, most developers do not measure profit as a percentage of gross sales. More often, developers express profit as a percentage of development costs (i.e., hard costs, plus soft costs, plus land acquisition cost). A variation on this is shown in the following formula: $(PGI / (TDC + LAC)) - 1 = P$, where PGI represents potential gross income from lot sales, TDC represents total development costs (exclusive of “developer’s profit”), LAC represents land acquisition cost and P is profit. In this analysis, Developer’s Target Profit (which represents a percentage of gross sales) in combination with the Annual Discount Rate are used to develop an implied profit rate, based on the above formula. This is an iterative process, whereby the Developer’s Target Profit rate is adjusted until the market-based profit rate is achieved. In this case, a Developer’s Target Profit rate of 5% in conjunction with an Annual Discount Rate of 7%, results in an Indicated (“actual”) Profit of 31.97%.

Discounting Future Income -- Typically, appraisers apply a discount rate to reflect the fact that net operating income to be received over the absorption period is diluted over time. The discount rate, in the case of the subject development project, accounts for the time-value relationship of money (i.e., erosion of purchasing power due to inflation), illiquidity and opportunity costs associated with real estate investments. (Note: the *risk* associated with gaining approvals, constructing and selling the lots that comprise the subject project is contained within the *developer’s target profit*.) In this analysis, the discount rate is based on a relatively safe rate, which can be equated with a “cost of funds” rate. The discount rate is estimated at 7%.

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The subdivision technique cash flow analysis is summarized on the following page. The market value of the subject property by the development technique, in fee simple, is estimated at \$3,936,524, rounded to \$3,900,000.

* * * \$3,900,000 * * *

(THREE MILLION NINE HUNDRED THOUSAND DOLLARS)

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SUBDIVISION ANALYSIS - CONOMO POINT, ESSEX, MA
CONCEPT B.1 (16 YEAR-ROUND, 25 SEASONAL LOTS) - SUBDIVISION PLAN

VALUATION DATE	4/30/2009
NUMBER OF LOTS	41
GROSS SELLOUT (inflated \$)	\$7,296,272
GROSS SELLOUT (constant \$)	\$6,296,250
INITIAL AVG. LOT PRICE	\$153,567
ANNUAL SALES GROWTH RATE	5.00%
ANNUAL EXPENSE GROWTH	3.00%
SALES AND MARKETING	5.00%
LEGAL (per lot)	\$750
SUPERVISION & OVERHEAD	5.00%
DEVELOPER'S TARGET PROFIT	5.00%
ANNUAL DISCOUNT RATE	7.00%

VALUATION SUMMARY

INDICATED VALUE (rounded)	\$3,900,000
INDICATED VALUE PER LOT	\$95,122

YEAR	1	2	3	4	5	6	7	TOTALS
Number of Lots Sold Per Period	6	6	6	6	6	6	5	
Cumulative Lots Sold	6	12	18	24	30	36	41	
Remaining Lots	35	29	23	17	11	5	0	
UNADJUSTED SALES REVENUES	\$921,402	\$921,402	\$921,402	\$921,402	\$921,402	\$921,402	\$767,835	\$6,296,250
GROWTH ADJUSTED SALES REVENUES	\$921,402	\$967,473	\$1,015,846	\$1,066,638	\$1,119,970	\$1,175,969	\$1,028,973	\$7,296,272
DEVELOPMENT EXPENSES								
Sales and Marketing	\$46,070	\$48,374	\$50,792	\$53,332	\$55,999	\$58,798	\$51,449	\$364,814
Legal and Administration	8,702	9,047	9,406	9,781	10,172	10,579	9,170	66,857
R.E. Taxes on Land	130,511	0	0	0	0	0	0	130,511
R.E. Taxes on Unsold Lots	0	65,880	56,223	45,929	34,966	23,304	10,910	237,211
Sewage Disposal Improvements	271,950	280,109	0	0	0	0	0	552,059
Private Wells for Year-Round Lots	176,400	0	0	0	0	0	0	176,400
Supervision & Overhead	13,598	14,005	0	0	0	0	0	27,603
Survey & Engineering	25,000	0	0	0	0	0	11,941	36,941
Developer's Profit	46,070	48,374	50,792	53,332	55,999	58,798	51,449	364,814
TOTAL EXPENSES	\$718,300	\$465,787	\$167,214	\$162,374	\$157,135	\$151,480	\$134,918	\$1,957,208
NET INCOME	\$203,102	\$501,685	\$848,632	\$904,265	\$962,836	\$1,024,489	\$894,055	
ANNUAL DISCOUNT FACTORS	0.93458	0.87344	0.81630	0.76290	0.71299	0.66634	0.62275	
DISCOUNTED CASH FLOWS	\$189,815	\$438,191	\$692,736	\$689,859	\$686,489	\$682,660	\$556,772	
PRESENT LAND VALUE	\$3,936,524							
INDICATED PROFIT	31.97%							
VALUE / GROSS SELLOUT	62.52%							

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ADDENDA

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Professional Qualifications

JOHN G. PETERSEN, MAI, SRA

John G. Petersen is a partner in 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 form Petersen/LaChance in 1994.

Prior to establishing Petersen/LaChance, Mr. Petersen was affiliated with Byrne McKinney & Associates, Inc., a real estate appraisal and consulting firm in Boston, where he was a Senior Associate. Prior to this, he was Vice President/Senior Review Appraiser with Home Owners Federal Savings, one of the largest savings and loan associations in the Northeast. Other professional experience includes appraisal and brokerage positions as well as community development and city planning positions with local governments in Massachusetts. His real estate appraisal and consulting career began in 1982, with a continuous practice spanning over 25 years.

John Petersen also served as Regional Appraiser for Region 1 (New England) of the General Services Administration. Under the broad administrative oversight of the Director, Portfolio Management Division, he was responsible for the development and application of real estate appraisal principles and practices in support of GSA's Public Building Service, which includes over 10 million square feet of space in 56 federally owned buildings in New England. He had direct control of the Fair Annual Rent Program for Region 1 and assisted Central Office (Washington) in rewriting appraisal policy for the program. He served as the regional expert in the valuation of real estate for a broad range of projects within GSA. This included providing technical reviews and consulting services for Border Station land acquisitions, redevelopment and exchanges under Special Operations and projects under the purview of the Disposal Division in facilitating the sale and reuse of surplus federal property.

Mr. Petersen personally has completed more than 3,000 appraisals and 5,000 appraisal reviews. Property types include (but are not limited to) apartment and condominium projects, residential properties, industrial facilities, biotechnology facilities, food processing facilities, gas stations, convenience stores, retail centers, office properties, hotels, motels, car washes, marinas, boat yards, salvage yards, nursing homes, assisted living facilities, airports, self-storage facilities, mobile home parks, farms, schools, skating rinks, special use properties, undevelopable land, and land development and redevelopment projects.

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In addition, Mr. Petersen has experience in highest and best use studies, marketability and feasibility studies. Further, he has experience in the valuation of full and partial interests for eminent domain, such as easements and leaseholds, in conformance with Uniform Appraisal Standards for Federal Land Acquisitions. Mr. Petersen has valued several undivided fractional interests, including those requiring discounts for lack of control and/or marketability. He has extensive experience in complex, multi-tenant property valuation and evaluation assignments and is proficient in both Pro-Ject® and Argus® financial analytical software. He has also consulted on several land development projects for private and public entities.

John Petersen is a member of the Appraisal Institute, having been awarded both the MAI and SRA designations. The Appraisal Institute is the oldest and largest professional appraisal organization in the country and the MAI and SRA are widely regarded to be the most prestigious general and residential appraisal designations, respectively, conferred in North America.

Mr. Petersen has been active in professional appraisal organizations for over two decades. He has served in several leadership capacities in the Appraisal Institute, including: chair, (National) Experience (peer) Review Committee; chair, Chapter Government Relations Committee. He served two, three-year terms on the Board of Directors of the Massachusetts Chapter of the Appraisal Institute. He has held every chapter officer position, including President, and served as a Regional Representative to the Institute.

He holds a Bachelor of Science degree in Sociology with a Concentration in Urban Studies from Northeastern University. The core curriculum in this program included courses in Urban Economics, Urban Geography, Economic Geography, Community Analysis, Transportation Management and Environmental Studies.

John Petersen served on the Amesbury Planning Board from 1986 to 1994 and chaired the Board for two terms. He is the former chair of the Amesbury Industrial Development Commission. He is licensed by the Commonwealth of Massachusetts as a Construction Supervisor (#019079) and Real Estate Broker (#9062031). Mr. Petersen is a state certified-general appraiser in Massachusetts (#837), New Hampshire (#405) and Maine (#1297) and has qualified as an expert witness before the Federal Bankruptcy Court, Essex County Superior Court and the Massachusetts Appellate Tax Board. He holds a Private Pilot License and owns a single engine aircraft.

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**SUBDIVISION ANALYSIS - CONOMO POINT, ESSEX, MA
CONCEPT A - CONVENTIONAL SUBDIVISION PLAN**

VALUATION DATE	4/30/2009
NUMBER OF LOTS	16
GROSS SELLOUT (inflated \$)	\$4,438,594
GROSS SELLOUT (constant \$)	\$4,250,000
INITIAL AVG. LOT PRICE	\$265,625
ANNUAL SALES GROWTH RATE	5.00%
ANNUAL EXPENSE GROWTH	3.00%
SALES AND MARKETING	5.00%
LEGAL (per lot)	\$750
SUPERVISION & OVERHEAD	5.00%
DEVELOPER'S TARGET PROFIT	15.00%
ANNUAL DISCOUNT RATE	7.00%

VALUATION SUMMARY

INDICATED VALUE (rounded)	\$2,400,000
INDICATED VALUE PER LOT	\$150,000

YEAR	1	2	3	TOTALS
Number of Lots Sold Per Period	6	6	4	
Cumulative Lots Sold	6	12	16	
Remaining Lots	10	4	0	
UNADJUSTED SALES REVENUES	\$1,593,750	\$1,593,750	\$1,062,500	\$4,250,000
GROWTH ADJUSTED SALES REVENUES	\$1,593,750	\$1,673,438	\$1,171,406	\$4,438,594
DEVELOPMENT EXPENSES				
Sales and Marketing	\$79,688	\$83,672	\$58,570	\$221,930
Legal and Administration	11,768	12,266	8,524	32,558
R.E. Taxes on Land	130,511	0	0	130,511
R.E. Taxes on Unsold Lots	0	32,558	13,414	45,971
Sewage Disposal Improvements	194,773	200,616	0	395,389
Private Wells for Year-Round Use	176,400	0	0	176,400
Supervision & Overhead	18,559	10,031	0	28,589
Survey & Engineering	25,000	0	10,609	35,609
Developer's Profit	239,063	251,016	175,711	665,789
TOTAL EXPENSES	\$875,760	\$590,158	\$266,828	\$1,732,746
NET INCOME	\$717,990	\$1,083,279	\$904,578	
ANNUAL DISCOUNT FACTORS	0.93458	0.87344	0.81630	
DISCOUNTED CASH FLOWS	\$671,019	\$946,178	\$738,405	
PRESENT LAND VALUE	\$2,355,602			
RETURN ON TOTAL COSTS	29.69%			
VALUE / GROSS SELLOUT	55.43%			

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SUBDIVISION ANALYSIS - CONOMO POINT, ESSEX, MA
CONCEPT B.2 (41 YEAR-ROUND LOTS) - EXISTING SUBDIVISION PLAN

VALUATION DATE	4/30/2009
NUMBER OF LOTS	41
GROSS SELLOUT (inflated \$)	\$8,517,387
GROSS SELLOUT (constant \$)	\$7,350,000
INITIAL AVG. LOT PRICE	\$179,268
ANNUAL SALES GROWTH RATE	5.00%
ANNUAL EXPENSE GROWTH	3.00%
SALES AND MARKETING	5.00%
LEGAL (per lot)	\$750
SUPERVISION & OVERHEAD	5.00%
DEVELOPER'S TARGET PROFIT	5.00%
ANNUAL DISCOUNT RATE	7.00%

VALUATION SUMMARY

INDICATED VALUE (rounded)	\$2,300,000
INDICATED VALUE PER LOT	\$56,098

YEAR	1	2	3	4	5	6	7	TOTALS
Number of Lots Sold Per Period	6	6	6	6	6	6	5	
Cumulative Lots Sold	6	12	18	24	30	36	41	
Remaining Lots	35	29	23	17	11	5	0	
UNADJUSTED SALES REVENUES	\$1,075,610	\$1,075,610	\$1,075,610	\$1,075,610	\$1,075,610	\$1,075,610	\$896,341	\$7,350,000
GROWTH ADJUSTED SALES REVENUES	\$1,075,610	\$1,129,390	\$1,185,860	\$1,245,153	\$1,307,410	\$1,372,781	\$1,201,183	\$8,517,387
DEVELOPMENT EXPENSES								
Sales and Marketing	\$53,780	\$56,470	\$59,293	\$62,258	\$65,371	\$68,639	\$60,059	\$425,869
Legal and Administration	9,405	9,785	10,182	10,595	11,027	11,477	9,955	72,425
R.E. Taxes on Land	130,511	0	0	0	0	0	0	130,511
R.E. Taxes on Unsold Lots	0	76,905	65,633	53,615	40,818	27,204	12,736	276,912
Sewage Disposal Improvements	271,950	280,109	0	0	0	0	0	552,059
Water Main Extension	1,333,000	1,372,990	0	0	0	0	0	2,705,990
Supervision & Overhead	80,248	82,655	0	0	0	0	0	162,902
Survey & Engineering	25,000	0	0	0	0	0	11,941	36,941
Developer's Profit	53,780	56,470	59,293	62,258	65,371	68,639	60,059	425,869
TOTAL EXPENSES	\$1,957,674	\$1,935,383	\$194,401	\$188,726	\$182,585	\$175,958	\$154,750	\$4,789,477
NET INCOME	(\$882,064)	(\$805,992)	\$991,459	\$1,056,427	\$1,124,825	\$1,196,822	\$1,046,433	
ANNUAL DISCOUNT FACTORS	0.93458	0.87344	0.81630	0.76290	0.71299	0.66634	0.62275	
DISCOUNTED CASH FLOWS	(\$824,359)	(\$703,985)	\$809,326	\$805,943	\$801,985	\$797,493	\$651,666	
PRESENT LAND VALUE	\$2,338,069							
INDICATED PROFIT	27.09%							
VALUE / GROSS SELLOUT	31.81%							

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SUBDIVISION ANALYSIS - CONOMO POINT, ESSEX, MA
CONCEPT C - OPEN SPACE SUBDIVISION PLAN

VALUATION DATE	4/30/2009
NUMBER OF LOTS	39
GROSS SELLOUT (inflated \$)	\$8,391,587
GROSS SELLOUT (constant \$)	\$7,300,000
INITIAL AVG. LOT PRICE	\$187,179
ANNUAL SALES GROWTH RATE	5.00%
ANNUAL EXPENSE GROWTH	3.00%
SALES AND MARKETING	5.00%
LEGAL (per lot)	\$750
SUPERVISION & OVERHEAD	5.00%
DEVELOPER'S TARGET PROFIT	10.00%
ANNUAL DISCOUNT RATE	7.00%

VALUATION SUMMARY

INDICATED VALUE (rounded)	\$2,000,000
INDICATED VALUE PER LOT	\$51,282

YEAR	1	2	3	4	5	6	7	TOTALS
Number of Lots Sold Per Period	6	6	6	6	6	6	3	
Cumulative Lots Sold	6	12	18	24	30	36	39	
Remaining Lots	33	27	21	15	9	3	0	
UNADJUSTED SALES REVENUES	\$1,123,077	\$1,123,077	\$1,123,077	\$1,123,077	\$1,123,077	\$1,123,077	\$561,538	\$7,300,000
GROWTH ADJUSTED SALES REVENUES	\$1,123,077	\$1,179,231	\$1,238,192	\$1,300,102	\$1,365,107	\$1,433,362	\$752,515	\$8,391,587
DEVELOPMENT EXPENSES								
Sales and Marketing	\$56,154	\$58,962	\$61,910	\$65,005	\$68,255	\$71,668	\$37,626	\$419,579
Legal and Administration	9,621	10,012	10,420	10,846	11,290	11,753	6,118	70,060
R.E. Taxes on Land	130,511	0	0	0	0	0	0	130,511
R.E. Taxes on Unsold Lots	0	75,711	63,803	51,114	37,605	23,240	7,979	259,451
Sewage Disposal Improvements	271,950	280,109	0	0	0	0	0	552,059
Water Main Extension	1,333,000	1,372,990	0	0	0	0	0	2,705,990
Supervision & Overhead	80,248	82,655	0	0	0	0	0	162,902
Survey & Engineering	25,000	0	0	0	0	0	11,941	36,941
Developer's Profit	112,308	117,923	123,819	130,010	136,511	143,336	75,252	839,159
TOTAL EXPENSES	\$2,018,791	\$1,998,361	\$259,952	\$256,975	\$253,661	\$249,997	\$138,915	\$5,176,652
NET INCOME	(\$895,714)	(\$819,130)	\$978,240	\$1,043,127	\$1,111,446	\$1,183,365	\$613,600	
ANNUAL DISCOUNT FACTORS	0.93458	0.87344	0.81630	0.76290	0.71299	0.66634	0.62275	
DISCOUNTED CASH FLOWS	(\$837,116)	(\$715,460)	\$798,535	\$795,797	\$792,446	\$788,526	\$382,119	
PRESENT LAND VALUE	\$2,004,848							
RETURN ON TOTAL COSTS	32.31%							
VALUE / GROSS SELLOUT	27.46%							