THE FEOFFEES' OF IPSWICH GRAMMAR SCHOOL
35± Acres of Land
Little Neck, Ipswich, Essex County,
Massachusetts 01938

Real Estate Consulting Report

Prepared For:
The Beneficiary Group on behalf of
The School Children of Ipswich

Addressed To:
Mr. Mark E. Swirbalus
Day Pitney LLP
One International Place #17
Boston, MA 02110

VALUATION & ADVISORY SERVICES

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January 27, 2012

Mr. Mark E. Swirbalus
Day Pitney LLP
One International Place #17
Boston, MA 02110

RE: The Feoffees of Ipswich Grammar School
35± Acres of Land
Little Neck, Ipswich, Massachusetts

Dear Mr. Swirbalus:

At your request and authorization, CBRE/New England (CBRE) has prepared a Real Estate Consulting Report involving the "fate of the nation's oldest land trust"[1] - the 35 acres of land on Little Neck in Ipswich.

The nature of the problem to be solved dictates that a consulting format be followed:

> "**Consulting**: the act of providing information analysis and recommendations for a proposed real estate decision."[2]

In this case, the "problem" centers around the land trust created by William Payne involving the referenced "Little Neck of Land at Ipswich to be and remain to the benefit of the said School of Ipswich forever"[3]. The management of the "Little Neck of land" for centuries has been assigned to Feoffees', all of whom are Ipswich residents as required by statute within the Commonwealth of Massachusetts, governing the authority of the Feoffees' and their administration of the trust.

The problem in part is that under their management, the distributions in support of the Ipswich schools have been far below what investments should produce:

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[1] Kathleen Brill, Final Paper, Cover Page, May 19, 2010

[2] <u>Real Estate Handbook</u>, Published by Barron's, 6th Edition, P. 211

[3] Will of William Payne, 1660

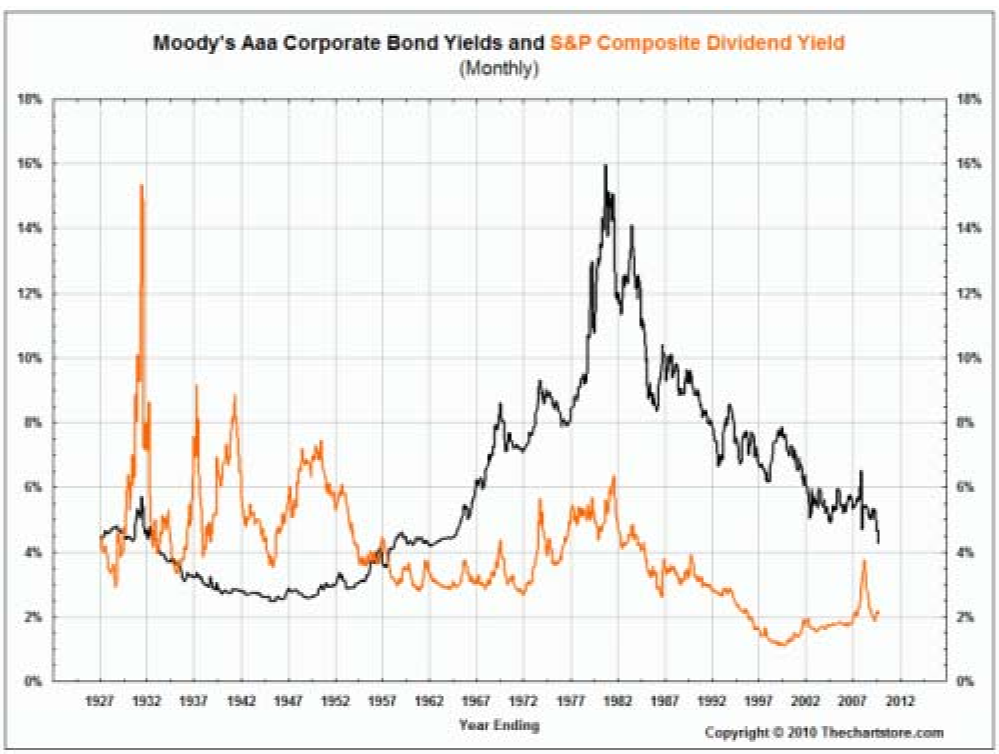
The Feoffees' support of the Ipswich schools

- **The Feoffees have made the following payments to the schools since 1976, according to their financial statements in the annual Town Report::**

FY			
FY	1976	$7,500	
	1977	7,500	
	1978	0	(i.e. no "gift" is indicated)
	1978	0	(i.e. no "gift" is indicated)
	1979	7,500	
	1980	7,500	
	1981	2,500	
	1982	0	
	1983	0	
	1984	0	
	1985	2,500	
	1986	No Feoffees financial statement	
	1987	0	
	1988	0	
	1989	0	
	1990	0	
	1991	0	
	1992	0	
	1993	4,761	
	1994	0	
	1995	25,000	
	1996	50,000	
	1997	50,000	
	1998	173,000	
	1999	0	(but transfer of $21,000 to "School Acct")
	2000	25,000	(+ $25,000 "transfer to School Acct.")
	2001	Financial statement not yet published, 3/27/02	

[4]

In comparison, safe and secure Moody's Aaa Corporate Bonds and S&P Composite Dividends show a completely different pattern of return.



4 Colliers Appraisal, June 25, 2010, P. 14

Clearly, the Feoffees' have not properly complied with their fiduciary duties under the nation's oldest land trust. A spin off their actions has been that historically low rents caused tenants to act as if they owned the land and were not just tenants. There has been no mechanism in place to keep rent at market. This report's recommendation presents a mechanism for fair market rent.

The word fiduciary is also a defined real estate term:

> "Fiduciary – one who acts, in a legal role, in the best interest of others. Examples: a broker is a fiduciary for the seller; a banker is a fiduciary for the bank's depositors; an attorney may be a fiduciary for the client; a trustee is a fiduciary for the beneficiaries."[5]

In completing this assignment, CBRE has:

- Studied the location and neighborhood, and at your specific request, not been on the property.
- Analyzed the alternatives presented by review of appraisals. The alternatives considered are:
    - The sale of the property to the tenants – suggested price $26,700,000 (Peterson/LaChance appraisal)
    - Condominium conversion – suggested price $25,400,000 (LandVest appraisal)
    - Aggregate value of 167 "condominium" land parcels – suggested price $42,325,000 (Colliers Meredith & Grew appraisal); (Peterson/LaChance appraisal - $39,565,000 gross sellout); (LandVest appraisal - $37,675,000 gross sellout)
- Analyzed the Colliers appraisal suggesting tenants pay rents of:

Land Type	Rent/Yr.
Waterfront A 3 BR	$18,700
Waterfront A 2 BR	$15,300
Waterfront B 3 BR	$16,575
Waterfront C 3 BR	$12,750
Waterfront D 3 BR	$12,750
Waterfront E 2 BR	$8,075
North Interior 2 BR	$7,225
South Interior 2 BR	$7,650
Interior A 3 BR	$12,750
Interior B 3 BR	$11,688
Total Rent - 167 Lots	$42,325,000
Rate of Return	4.25%
Total Rental Value	**$1,798,813**

Source: Colliers Meredith & Grew

[5] Real Estate Handbook, Published y Barron's, Pg. 273

- Reviewed the class action complaint and Amicus brief in opposition to motion for partial summary judgment.

- Applied applicable real estate counseling standards and methodology.

- Analyzed recent ground lease documents available on a confidential basis to the writer of this report.

- Interviewed market professionals and managers involved in part with real estate.

- Reached the following recommendation and conclusions.

RECOMMENDATION AND CONCLUSIONS

CBRE has concluded that:

1. It is feasible to continue William Payne's land trust for the benefit of The School Children of Ipswich.

2. There are trusts which exist where management of assets similar to "Little Neck" continue to this day.

3. Professional management with specific administrative duties and power to manage the land is available in the market to provide the level of service required to produce a realistic rate of return and at a reasonable cost for management.

4. A standard ground lease structure (of 60 years) as recommended herein is necessary in order to provide security to ground lessees over the long term to insure use and occupancy.

5. The level of rents recommended in the Colliers Meredith & Grew appraisal, as adjusted herein, are a realistic starting point with a CPI adjustment in 5-year increments.

6. The ground leases would contain options to renew at market rent.

7. A ground lease option is a far better option than the sale alternative for the reasons presented.

CBRE has concluded that this is an example of the public sector being unable to fairly and properly administer the long term best interests of a private sector donor.

The most recent similar example is the Woodward School for Girls case where the donor of lands was John Adams, second President of the United States.

If you have any questions, CBRE would be pleased to respond.

Respectfully submitted,

CBRE, Inc. - VALUATION & ADVISORY SERVICES

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INTRODUCTION

> "Counseling, in general, is a service that offers informed opinion based upon an organized body of knowledge unavailable or unfamiliar to the layman. It involves collecting and analyzing data within the framework of existing knowledge, from which conclusions are formed, conveyed, and interpreted to the individual being counseled. The person offering such counsel must consider the problem from the client's position and offer such recommendations or alternatives as will work to his best interest within the social, economic and legal framework within which he must operate.
>
> The job of the real estate counselor is not only to present the alternatives available but also to indicate the probable results of following each. In all instances, the client must make the final decision. The counselor functions only as an advisor."[6]

In this case, CBRE's client is the School Children of Ipswich, with services paid for by the Children's Beneficiary Group.

PROPERTY IDENTIFICATION

The property is a waterfront "neck" of land attached to the main land by a connector causeway and road. A site plan from the LandVest appraisal is on the following page.

There are 167 houses on the plan, 24 of which are improved year-round dwellings with the balance being summer/seasonal cottages in use from April 1 to December 31.

Under the will of William Payne, Little Neck is legally only one lot. The lot configurations that exist are non-conforming parcels created over time by those who have been using the land.

Their configuration has been recognized for purpose of assigning ground rent, to be paid and assessing real estate taxes.

Because the land is one lot, concepts that there could be 209 to 211 "lots" implying that the property is a subdivision is not legally correct.

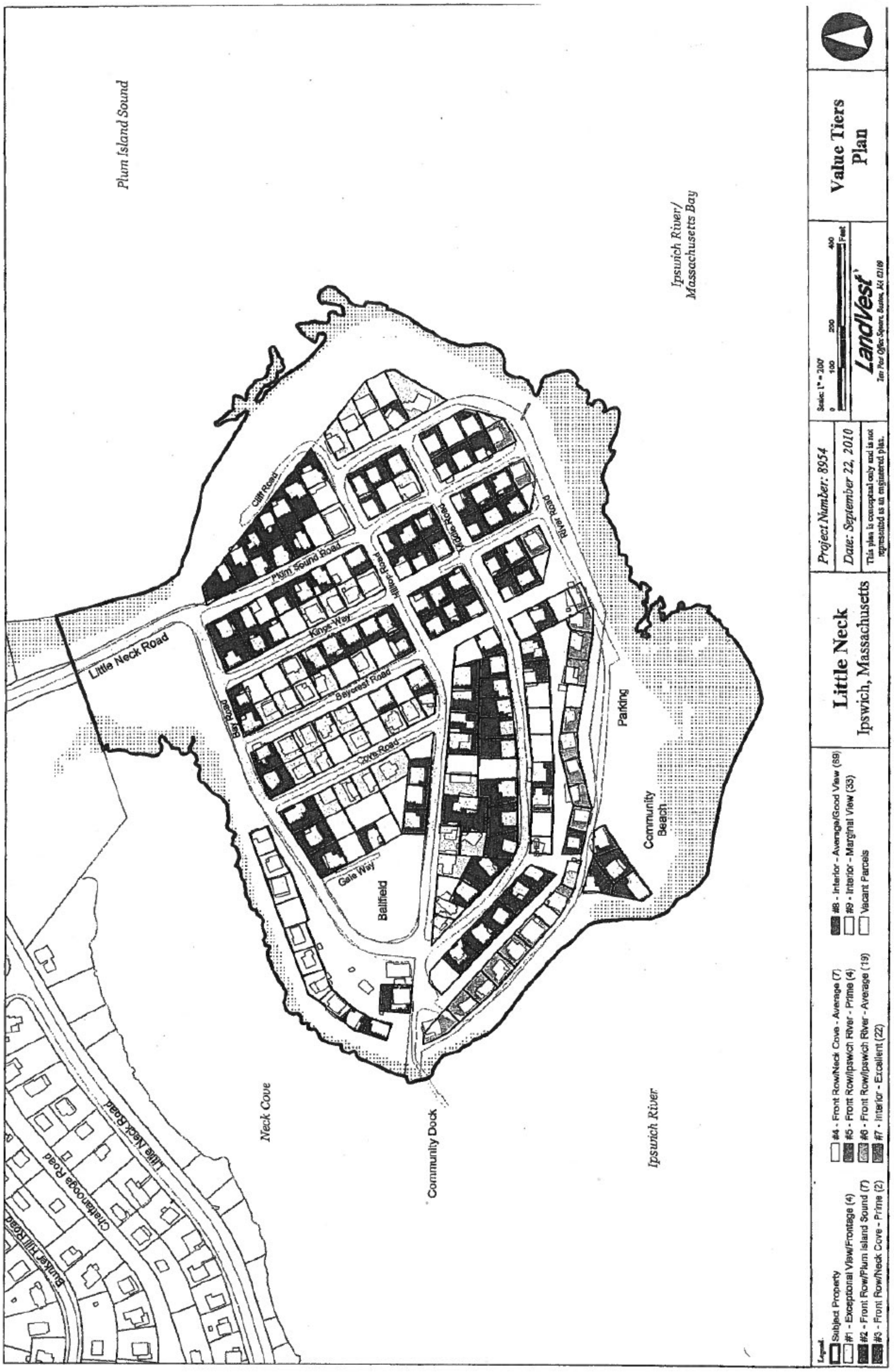
The underlying control of land use is the sewage system which is tied to 462 bedrooms or 2.77 bedrooms per house, on average.

Thus, further build-out is unlikely given the existing houses in place.

THE NATURE OF THE PROBLEM

As addressed in the letter of transmittal, the gap between what the Feoffees' have produced for the benefit of Ipswich School Children and what should have been received is widely apart.

[6] The Real Estate Counselor, Published by the American Society of Real Estate Counselors, Chicago, IL, 1963, P. 9


Plum Island Sound
Ipswich River/
Massachusetts Bay
Neck Cove
Ipswich River
Community Dock
Community Beach
Parking
Ballfield
Little Neck Road
Plum Sound Road
Cliff Road
Kings Way
Baycrest Road
Bay Road
Cove Road
Gale Way
Middle Road
River Road
Chattanooga Road
Bunker Hill Road
Legend:
Subject Property
#1 - Exceptional View/Frontage (4)
#2 - Front Row/Plum Island Sound (7)
#3 - Front Row/Neck Cove - Prime (2)
#4 - Front Row/Neck Cove - Average (7)
#5 - Front Row/Ipswich River - Prime (4)
#6 - Front Row/Ipswich River - Average (19)
#7 - Interior - Excellent (22)
#8 - Interior - Average/Good View (69)
#9 - Interior - Marginal View (35)
Vacant Parcels
Little Neck
Ipswich, Massachusetts
Project Number: 8954
Date: September 22, 2010
This plan is conceptual only and is not represented as an engineered plan.
Scale: 1" = 200'
LandVest
Value Tiers Plan

The reasons are many. Tenant rents were well-below market.

Tenants acting like land owners resulted in a class action suit against the Feoffees filed December 8, 2006. Claims were made of the Feoffees' "attempting to extract money" from the tenants to which they are "not entitled" (P.3 of complaint). A history of tenancy actions outlines the actions of tenants in financing, renovating, and rebuilding homes. The Feoffees' increasing of rents has been classified as "unjust enrichment".

Next, the Feoffees' themselves were conflicted. 50% of the lifetime Feoffees' owned property on Little Neck during the period of unusually low rents.

They wore two hats. They benefited by well below market rent and could not provide the independence of a fiduciary in their actions.

Finally, the Feoffees' were neither professional managers or good managers. This is proven by the lease the Feoffees' proposed to tenants for signing. Exhibit "A" to that lease which is included in the addenda states that every three years:

> "The annual rent shall be determined in the sole discretion of the landlord…"

CBRE suggests that no tenant would ever sign a lease with this clause. The CBRE recommendation attached herein places a CPI cap not exceeding 3% per year on the lease solution presented.

Several other solutions have been presented to solve the problem or to present an alternative to the problem:

1. Sale of the land at a suggested price of $26,700,000.
2. Condominium conversion and purchase of the interest of The School Children of Ipswich for $25,400,000.
3. Create a 167 unit condominium owned by The School Children of Ipswich and ground rent each condominium unit to the tenants.

ANALYSIS OF ALTERNATIVES

Alternative #1

Alternative #1 is the tenants' alternative. The firm of Peterson/LaChance Realty Advisors' "extraordinary assumptions" were that:

- "The Probate Court will ultimately allow the conversion to condominiums and sale to the tenants".

- All cottages will be allowed year-round use.
- The seller (The Children of Ipswich) would pay for condominium conversion.
- 32 cottage long-term leases will void them to "achieve a sale".
- $900,000 in erosion repair would be a conversion cost.
- The value is $26,700,000 and the "under agreement price of $29,150,000 reflects tenants giving back value in a transaction."[7]

The problem with this alternative is lack of feasibility under highest and best use. Further, the firm recognized that highest and best use under their assumptions is a hypothetical condition.

A 5-year sellout is projected.

Under the will of William Payne, and the statute governing the trust, the above plan is contrary to that which exists, is an extraordinary assumption unto itself and does not apply. The plan does provide meaningful data as the gross sellout of parcels totals $39,565,000.

Alternative #2

Alternative #2 is the Feoffees' alternative. This alternative is represented by the LandVest report.

The LandVest report was prepared for the Feoffees' as:

- "A current market value for financing purposes and possible submission to the Essex County Probate and Family Court in connection with the Feoffees' complaint for deviation."

The LandVest report assumes a "condominium conversion" plus "the third party value as though vacant (land).

The further commentary presented is that the report does not address investment value. Like in Alternative #1, highest and best use of "a condominium conversion of the underlying land only by the Feoffees is not legally feasible."

Under the will of William Payne, and the statute governing the trust, the LandVest plan is contrary to that which exists, is an extraordinary assumption unto itself and does not apply. The plan does provide meaningful data in that the "total retail value" of the 167 parcels is $37,675,000. Their $25,400,000 net present value, like Alternative #1, is not applicable.

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[7] The referenced agreement between the school committee and the Feoffees' reflects an additional $3,000,000 "uise and occupancy" beyond $29,150,000 and is in dispute.

Alternative #3

Alternative #3 is the Town of Ipswich's Finance Committee Plan. This alternative is represented by the Colliers Meredith & Grew report. Three options are presented:

- Sale of individual lots under a condominium form of ownership - $42,325,000
- Bulk Sale - $35,000,000
- Aggregate Ground Rent - $1,798,813
- Average annual ground rent - $10,771/parcel

Under highest and best use, their highest and best use is:

> "To restructure the form of ownership to a condominium and sale of the individual units, exclusive of the cottage"; again, not a legal use.

This use presents the highest amount of money to "The Children of Ipswich".

CONCLUSION OF ANALYSIS OF ALTERNATIVES

Basic and fundamental in the analysis of alternatives is the condominium assumption. The William Payne will states:

> "I give unto the free School of Ipswich, the Little Neck of land at Ipswich…to be an remain to the benefit of the said School of Ipswich forever…the said land not to be sold or wasted".

In short, the sale of any part of the land as a condominium does not comply with the will. The central issue is:

> Are there any alternatives which can comply with the will of William Payne and the statute governing the trust, which does not allow for the sale of the land?

The answer is yes.

A PRACTICAL SOLUTION

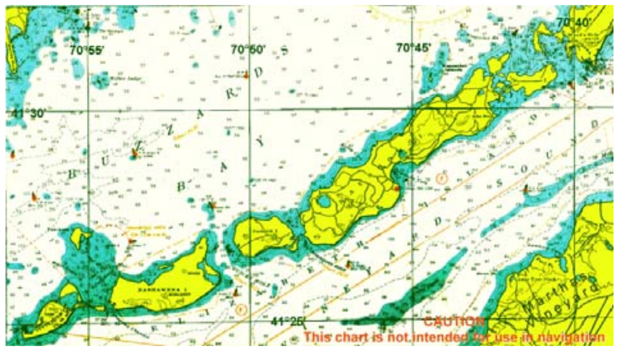
Land for centuries has been one of the most valuable and highly sought after assets in the world. The importance of land holdings dates from the 13 colonies through to the present.

The value of land has been recognized in New England through a number of alternative structures.

- The Boston Ground Rent Trust was formed as a Massachusetts trust in 1886 to invest in ground leases.

- Within Boston, some of the most valuable properties today are on ground leased land where ownership, like William Payne, wishes to hold that land in perpetuity.
- The March 1885 report presented by the Feoffees' to the Town of Ipswich indicates a$2,000 value for Little Neck. Over the succeeding 125 years, the Children of Ipswich have seen their land grow to $40,615,250, an 8.25% compounded rate of return.

The CBRE recommendation is to continue the land in trust. As an example, land has been placed in trust in perpetuity with an excellent example being Naushon Island.



Naushon is located between Buzzards Bay and Vineyard Sound. It is a 7-mile long island with an average width of 1 mile. The beneficiaries are the heirs of the 5 children of JM Forbes, a prominent Boston businessman. Upon his death in 1898, the land was placed in trust in perpetuity. The beneficiaries today are very similar in numbers to those involved with Little Neck.

Each user pays rent for use with that rent, set by those who administer the trust, known as Naushon Island Trust, Inc. The land is professionally managed. The trust structure enhances the prestige of the land and prevents divisive action often part of condominium associations management where individual owners have a vote.

The continuation of the trust with a 60-year ground lease structure as outlined in the Letter of Transmittal is believed the best possible use for the following reasons:

- A trust structure in place is the only structure allowed under the will of William Payne.
- The management of the trust can be placed in the hands of independent, impartial, and objective management firms (not banks or investment firms) that flow from the centuries old "old Boston Trustee". Trust management has been in place for centuries.
- Interview has taken place with such prominent firms as:
    - Welch & Forbes
    - JM Forbes & Co.
    - Howland Capital Management

Enough feedback has been received to indicate that professional management is feasible. Alternatively, major real estate management firms could provide a similar service. A typical management fee would be 3% - 4% of revenues collected.

Administration would be based on ground lease terms set by the Feoffees', with instruction from the Essex Probate Court on market rent, if necessary.

The basic financial analysis and side-by-side comparison with other investment alternatives now follows.

FINANCIAL ANALYSIS

The three referenced appraisals plus a Lincoln Property Company Appraisal suggests the following schedule of lot value and rents:

APPRAISAL ANALYSIS
35± ACRES OF LAND

Appraiser	Gross Lot Values	Annual Rent/Lot	Imputed Gross Return
LandVest	$37,675,000	$10,741	4.76%
Peterson/LaChance	$39,565,000	$10,800	4.56%
Colliers Meredith & Grew	$42,325,000	$10,771	4.25%
Lincoln	$42,500,000	$12,500	4.91%
Average	**$40,516,250**	**$11,230**	**4.62**

Compiled by CBRE

By themselves, the four appraisals when taken together provide a strong indication of the lot values in place. Where the appraisals differ is in "bulk" value but not "lot" value. The percentage difference in lot values is amazingly consistent.

PERCENTAGE VARIATION
LOT VALUE

High	$42,500,000	-7.01%
Average	$40,516,250	0.00%
Low	$37,675,000	4.67%

Source: CBRE

Through the use of the four appraisals, it is possible to assign a fair and equitable rent to each lot.

Stated another way, due to the depth of study that has taken place, it is possible to start with a level playing field in terms of market rent.

CBRE, on a confidential basis, has in its files a number of ground leases. These leases typically are from 60 years to upwards of 99 years. These leases have adjustments over time. In certain instances, they are annual. In other instances, there are at 5 to 10 year intervals.

In this case, and based on the terms of 5 ground leases held in file, the recommended term is a 60-year lease:

RECOMMENDED CONDITIONS IN A 60-YEAR GROUND LEASE	
Term:	60 Years
Options to Renew:	Yes - In Perpetuity
Rent:	Market rent set by Feoffees', with possible guidance from the Probate Court on the proper level of rent if necessary.
Adjustments to Rent:	CPI every 5 years not exceeding 3%/year
Type of Lease:	NNN
Tenant Obligations:	Payment of pro-rata share of maintenance costs for utilities and infrastructure.

Source: CBRE

In terms of return, the School Children of Ipswich would receive a 4.62% return on the current value of their asset adjusted for inflation.

In terms of comparison with alternative investments, CBRE's Global Economic Outlook states:

> "Across the economic landscape since the demise of Lehman Brothers in 2008, occasional signs of improvement in the global economies in recent years have contrasted with equally frequent setbacks and new challenges to market stability. With the hindsight of these last few years, the outlook for 2012 appears particularly cloudy, no matter the asset class or industry. Market volatility is pervasive across listed stock and equity markets, and it is macro events, rather than economic fundamentals, that are driving market sentiment. In fact, one pundit characterized the outlook for the forthcoming year as a "crapshoot".

Based on the economic times in which we live, ground leases secured by valuable assets above land alone, with inflation protection provides as good and potentially even better alternatives than those which exists in the market. The Baseline economic outlook for the US economy published by PNC suggests the following:

Baseline U.S. Economic Outlook, Summary Table*

	1Q'11a	2Q'11a	3Q'11a	4Q'11f	1Q'12f	2Q'12f	3Q'12f	4Q'12f	2010a	2011f	2012f	2013f
Output & Prices												
Real GDP (*Chained 2005 Billions $*)	13228	13272	13332	13435	13517	13602	13682	13764	13088	13317	13641	13982
Percent Change Annualized	**0.4**	**1.3**	**1.8**	**3.2**	**2.5**	**2.5**	**2.4**	**2.4**	**3.0**	**1.7**	**2.4**	**2.5**
CPI (*1982-84 = 100*)	222.3	224.5	226.2	226.8	228.0	229.3	230.6	232.0	218.1	225.0	230.0	235.3
Percent Change Annualized	**5.2**	**4.1**	**3.1**	**1.0**	**2.2**	**2.2**	**2.3**	**2.4**	**1.6**	**3.2**	**2.2**	**2.3**
Labor Markets												
Payroll Jobs (*Millions*)	130.5	131.0	131.3	131.7	132.2	132.6	133.0	133.4	129.8	131.2	132.8	134.5
Percent Change Annualized	**1.3**	**1.4**	**0.9**	**1.3**	**1.4**	**1.2**	**1.2**	**1.2**	**-0.7**	**1.0**	**1.3**	**1.3**
Unemployment Rate (*Percent*)	9.0	9.0	9.1	8.7	8.6	8.5	8.4	8.3	9.6	9.0	8.4	8.1
Interest Rates (Percent)												
Federal Funds	0.16	0.09	0.08	0.07	0.10	0.10	0.10	0.10	0.17	0.10	0.10	0.28
Treasury Note, 10-year	3.46	3.21	2.43	2.05	1.96	2.14	2.33	2.51	3.21	2.79	2.23	3.09

*a = actual f = forecast p = preliminary * Please see the Expanded Table for more forecast series.*

The "going-in yield" of 4.62% in comparison with PNC numbers and an actual 10-year treasury yield of 2.05% for January 20, 2012, indicates that the continuance of the ground lease provides a stronger return than that suggested above.

CBRE RECOMMENDATION

CBRE recommends that the Colliers rental schedule, which creates tiers of value based on location is the most reasonable rental structure. CBRE has:

- Applied the Colliers rental structure.
- Adjusted the rent structure down to the average of suggested rental value.
- Applied a 4.62% rate of return.
- Derived a yearly rental value for each type of lot.

Type of Lot	Base Price Per Lot Group	Adjustment to Average (4.27%)	Rate of Return	Indicated Net Annual Rental Value
Waterfront A 3 BR	$440,000	$421,000	4.62%	$19,450
Waterfront A 2 BR	$360,000	$345,000	4.62%	$15,900
Waterfront B 3 BR	$390,000	$373,000	4.62%	$17,200
Waterfront C 3 BR	$300,000	$287,000	4.62%	$13,300
Waterfront D 3 BR	$300,000	$287,000	4.62%	$13,300
Waterfront E 2 BR	$190,000	$182,000	4.62%	$8,400
North Interior 2 BR	$170,000	$163,000	4.62%	$7,500
South Interior 2 BR	$180,000	$172,000	4.62%	$7,900
Interior A 3 BR	$300,000	$287,000	4.62%	$13,300
Interior B 3 BR	$275,000	$263,000	4.62%	$12,200

Source: Colliers, CBRE

The condominium/bulk sale alternatives priced at $26,700,000, $25,400,000, and $35,000,000, when invested at rates similar to the array of yields presented in the PNC baseline US Economic Outlook would produce half or less to the Children of Ipswich than the ground lease alternative.

The above recommended rental schedule is based on fair market rent. Of the 167 parcels, 24 are year-round and 143 are seasonal. CBRE concurs with the reasonableness of the 10% rent discount for seasonal occupants as represented by the $10,800 annual/$9,700 seasonal rate set by the Feoffees'.

In its analysis of the Little Neck land, CBRE recognizes the importance of continuation of the seasonal lease for 143 parcels. We view the sale alternative as an option that would adversely impact the ground rent analysis contained herein.

The rent analysis in the Colliers report implies year-round occupancy. In itself, this is problematic as if the leases were allowed to be year-round, there would be a negative impact on the effective rate of return:

- Year-round Ipswich residents average 0.4 children per household
- The cost per student in Ipswich is at the $11,000 per student level.

- Annual student costs to the town for 143 year-round houses would then total $629,200 per year.
- $629,200 is a 1.55% annual reduction in the 4.62% rate of return for an effective rate of 3.07% per year.
- Alternatively, even if all rents were reduced 10% for seasonality, the worst case would still be a significantly higher 4.16%.

Overall, the ground lease alternative parallels the wishes of William Payne, produces greater revenue than other alternatives presented, and carries inflation protection moving forward into the future.

If there are any questions, CBRE would be pleased to provide a response.

ASSUMPTIONS AND LIMITING CONDITIONS

1. Unless otherwise specifically noted in the body of the report, it is assumed that title to the property or properties is clear and marketable and that there are no recorded or unrecorded matters or exceptions to title that would adversely affect marketability or value. CBRE, Inc. is not aware of any title defects nor has it been advised of any unless such is specifically noted in the report. CBRE, Inc., however, has not examined title and makes no representations relative to the condition thereof. Documents dealing with liens, encumbrances, easements, deed restrictions, clouds and other conditions that may affect the quality of title have not been reviewed. Insurance against financial loss resulting in claims that may arise out of defects in the subject's title should be sought from a qualified title company that issues or insures title to real property.
2. Unless otherwise specifically noted in the body of this report, it is assumed: that the existing improvements on the property or properties being appraised are structurally sound, seismically safe and code conforming; that all building systems (mechanical/electrical, HVAC, elevator, plumbing, etc.) are in good working order with no major deferred maintenance or repair required; that the roof and exterior are in good condition and free from intrusion by the elements; that the property or properties have been engineered in such a manner that the improvements, as currently constituted, conform to all applicable local, state, and federal building codes and ordinances. CBRE, Inc. professionals are not engineers and are not competent to judge matters of an engineering nature. CBRE, Inc. has not retained independent structural, mechanical, electrical, or civil engineers in connection with this appraisal and, therefore, makes no representations relative to the condition of improvements. Unless otherwise specifically noted in the body of the report: no problems were brought to the attention of CBRE, Inc. by ownership or management; CBRE, Inc. inspected less than 100% of the entire interior and exterior portions of the improvements; and CBRE, Inc. was not furnished any engineering studies by the owners or by the party requesting this appraisal. If questions in these areas are critical to the decision process of the reader, the advice of competent engineering consultants should be obtained and relied upon. It is specifically assumed that any knowledgeable and prudent purchaser would, as a precondition to closing a sale, obtain a satisfactory engineering report relative to the structural integrity of the property and the integrity of building systems. Structural problems and/or building system problems may not be visually detectable. If engineering consultants retained should report negative factors of a material nature, or if such are later discovered, relative to the condition of improvements, such information could have a substantial negative impact on the conclusions reported in this appraisal. Accordingly, if negative findings are reported by engineering consultants, CBRE, Inc. reserves the right to amend the appraisal conclusions reported herein.
3. Unless otherwise stated in this report, the existence of hazardous material, which may or may not be present on the property was not observed by the consultants. CBRE, Inc. has no knowledge of the existence of such materials on or in the property. CBRE, Inc., however, is not qualified to detect such substances. The presence of substances such as asbestos, urea formaldehyde foam insulation, contaminated groundwater or other potentially hazardous materials may affect the value of the property. The value estimate is predicated on the assumption that there is no such material on or in the property that would cause a loss in value. No responsibility is assumed for any such conditions, or for any expertise or engineering knowledge required to discover them. The client is urged to retain an expert in this field, if desired.

   We have inspected, as thoroughly as possible by observation, the land; however, it was impossible to personally inspect conditions beneath the soil. Therefore, no representation is made as to these matters unless specifically considered in the appraisal.
4. All furnishings, equipment and business operations, except as specifically stated and typically considered as part of real property, have been disregarded with only real property being considered in the report unless otherwise stated. Any existing or proposed improvements, on or off-site, as well as any alterations or repairs considered, are assumed to be completed in a workmanlike manner according to standard practices based upon the information submitted to CBRE, Inc. This report may be subject to amendment upon re-inspection of the subject subsequent to repairs, modifications, alterations and completed new construction. Any estimate of Market Value is as of the date indicated; based upon the information, conditions and projected levels of operation.
5. It is assumed that all factual data furnished by the client, property owner, owner's representative, or persons designated by the client or owner to supply said data are accurate and correct unless otherwise specifically noted in the appraisal report. Unless otherwise specifically noted in the appraisal report, CBRE, Inc. has no reason to believe that any of the data furnished contain any material error. Information and data referred to in this paragraph include, without being limited to, numerical street addresses, lot and block numbers, Assessor's Parcel Numbers, land dimensions, square footage area of the land, dimensions of the improvements, gross building areas, net rentable areas, usable areas, unit count, room count, rent schedules, income data, historical operating expenses, budgets, and related data. Any material error in any of the above data could have a substantial impact on the conclusions reported. Thus, CBRE, Inc. reserves the right to amend conclusions reported if made aware of any such error. Accordingly, the client-addressee should

carefully review all assumptions, data, relevant calculations, and conclusions within 30 days after the date of delivery of this report and should immediately notify CBRE, Inc. of any questions or errors.

6. The date to which any of the conclusions and opinions expressed in this report apply, is set forth in the Letter of Transmittal. Further, that the dollar amount of any value opinion herein rendered is based upon the purchasing power of the American Dollar on that date. This report is based on market conditions existing as of the date applicable to this assignment. Under the terms of the engagement, we will have no obligation to revise this report to reflect events or conditions which occur subsequent to the date of the appraisal. However, CBRE, Inc. will be available to discuss the necessity for revision resulting from changes in economic or market factors affecting the subject.
7. CBRE, Inc. assumes no private deed restrictions, limiting the use of the subject in any way.
8. Unless otherwise noted in the body of the report, it is assumed that there are no mineral deposit or subsurface rights of value involved in this appraisal, whether they be gas, liquid, or solid. Nor are the rights associated with extraction or exploration of such elements considered unless otherwise stated in this appraisal report. Unless otherwise stated it is also assumed that there are no air or development rights of value that may be transferred.
9. CBRE, Inc. is aware of legal restrictions in place which impact the property.
10. Any cash flows included in the analysis are forecasts of estimated future operating characteristics are predicated on the information and assumptions contained within the report. Any projections of income, expenses and economic conditions utilized in this report are not predictions of the future. Rather, they are estimates of market expectations. The achievement of the financial projections will be affected by fluctuating economic conditions and is dependent upon other future occurrences that cannot be assured. Actual results may vary from the projections considered herein. CBRE, Inc. does not warrant these forecasts will occur. Projections may be affected by circumstances beyond the current realm of knowledge or control of CBRE, Inc.
11. Unless specifically set forth in the body of the report, nothing contained herein shall be construed to represent any direct or indirect recommendation of CBRE, Inc. to buy, sell, or hold the properties at the rental value stated. Such decisions involve substantial investment strategy questions and must be specifically addressed in consultation form.
12. Also, unless otherwise noted in the body of this report, it is assumed that no changes in the present zoning ordinances or regulations governing use, density, or shape are being considered. The property is analyzed assuming that all required licenses, certificates of occupancy, consents, or other legislative or administrative authority from any local, state, nor national government or private entity or organization have been or can be obtained or renewed for any use on which the value estimates contained in this report is based, unless otherwise stated.
13. This study may not be duplicated in whole or in part without the specific written consent of CBRE, Inc. nor may this report or copies hereof be transmitted to third parties without said consent, which consent CBRE, Inc. reserves the right to deny. Exempt from this restriction is duplication for the internal use of the client-addressee and/or transmission to attorneys, accountants, or advisors of the client-addressee. Also exempt from this restriction is transmission of the report to any court, governmental authority, or regulatory agency having jurisdiction over the party/parties for whom this appraisal was prepared, provided that this report and/or its contents shall not be published, in whole or in part, in any public document without the express written consent of CBRE, Inc. which consent CBRE, Inc. reserves the right to deny. Finally, this report shall not be advertised to the public or otherwise used to induce a third party to purchase the property or to make a "sale" or "offer for sale" of any "security", as such terms are defined and used in the Securities Act of 1933, as amended. Any third party, not covered by the exemptions herein, who may possess this report, is advised that they should rely on their own independently secured advice for any decision in connection with this property. CBRE, Inc. shall have no accountability or responsibility to any such third party.
14. Any value estimate provided in the report applies to the entire property, and any pro ration or division of the title into fractional interests will invalidate the value estimate, unless such pro ration or division of interests has been set forth in the report.
15. No opinion is intended to be expressed on matters which may require legal expertise or specialized investigation or knowledge beyond that customarily employed by real estate consultants. Values and opinions expressed presume that environmental and other governmental restrictions/conditions by applicable agencies have been met, including but not limited to seismic hazards, flight patterns, decibel levels/noise envelopes, fire hazards, hillside ordinances, density, allowable uses, building codes, permits, licenses, etc. No survey, engineering study or architectural analysis has been made known to CBRE, Inc. unless otherwise stated within the body of this report. If the Consultant has not been supplied with a termite inspection, survey or occupancy permit, no responsibility or representation is assumed or made for any costs associated with obtaining same or for any deficiencies discovered before or after they are obtained. No representation or warranty is made concerning obtaining these items. CBRE, Inc. assumes no responsibility for any costs or consequences arising due to the need, or the lack of need, for flood hazard insurance. An agent for the Federal Flood Insurance Program should be contacted to determine the actual need for Flood Hazard Insurance.

16. Acceptance and/or use of this report constitutes full acceptance of the Contingent and Limiting Conditions and special assumptions set forth in this report. It is the responsibility of the Client, or client's designees, to read in full, comprehend and thus become aware of the aforementioned contingencies and limiting conditions. Neither the Consultant nor CBRE, Inc. assumes responsibility for any situation arising out of the Client's failure to become familiar with and understand the same. The Client is advised to retain experts in areas that fall outside the scope of the real estate appraisal/consulting profession if so desired.
17. CBRE, Inc. assumes that the subject analyzed herein will be under prudent and competent management and ownership; neither inefficient or super-efficient.
18. It is assumed that there is full compliance with all applicable federal, state, and local environmental regulations and laws unless noncompliance is stated, defined and considered in this appraisal report.
19. No survey of the boundaries of the property was undertaken. All areas and dimensions furnished are presumed to be correct. It is further assumed that no encroachments to the realty exist.
20. The Americans with Disabilities Act (ADA) became effective January 26, 1992. Notwithstanding any discussion of possible readily achievable barrier removal construction items in this report, CBRE, Inc. has not made a specific compliance survey and analysis of this property to determine whether it is in conformance with the various detailed requirements of the ADA. It is possible that a compliance survey of the property together with a detailed analysis of the requirements of the ADA could reveal that the property is not in compliance with one or more of the requirements of the ADA. If so, this fact could have a negative effect on the value estimated herein. Since CBRE, Inc. has no specific information relating to this issue, nor is CBRE, Inc. qualified to make such an assessment, the effect of any possible non-compliance with the requirements of the ADA was not considered.
21. Client shall not indemnify Consultant or hold Consultant harmless unless and only to the extent that the Client misrepresents, distorts, or provides incomplete or inaccurate appraisal results to others, which acts of the Client approximately result in damage to Consultant. Notwithstanding the foregoing, Consultant shall have no obligation under this Section with respect to any loss that is caused solely by the active negligence or willful misconduct of a Client and is not contributed to by any act or omission (including any failure to perform any duty imposed by law) by Consultant. Client shall indemnify and hold Consultant harmless from any claims, expenses, judgments or other items or costs arising as a result of the Client's failure or the failure of any of the Client's agents to provide a complete copy of the appraisal report to any third party. In the event of any litigation between the parties, the prevailing party to such litigation shall be entitled to recover, from the other, reasonable attorney fees and costs.
22. The report is for the sole use of the client; however, client may provide only complete, final copies of the report in its entirety (but not component parts) to third parties who shall review such reports in connection with loan underwriting or securitization efforts. Please note that our consent to allow a consulting report prepared by CBRE, Inc. or portions of such report, to become part of or be referenced in any public offering, the granting of such consent will be at our sole discretion and, if given, will be on condition that we will be provided with an Indemnification Agreement and/or Non-Reliance letter, in a form and content satisfactory to us, by a party satisfactory to us. We do consent to your submission of the reports to rating agencies, loan participants or your auditors in its entirety (but not component parts) without the need to provide us with an Indemnification Agreement and/or Non-Reliance letter.

ADDENDA

ADDENDUM A

GLOSSARY OF TERMS

assessed value Assessed value applies in ad valorem taxation and refers to the value of a property according to the tax rolls. Assessed value may not conform to market value, but it is usually calculated in relation to a market value base. †

cash equivalency The procedure in which the sale prices of comparable properties sold with atypical financing are adjusted to reflect typical market terms.

contract rent The actual rental income specified in a lease. ‡

disposition value The most probable price which a specified interest in real property is likely to bring under all of the following conditions: 1) Consummation of a sale will occur within a limited future marketing period specified by the client; 2) The actual market conditions currently prevailing are those to which the appraised property interest is subject; 3) The buyer and seller is each acting prudently and knowledgeably; 4) The seller is under compulsion to sell; 5) The buyer is typically motivated; 6) Both parties are acting in what they consider their best interests; 7) An adequate marketing effort will be made in the limited time allowed for the completion of a sale; 8) Payment will be made in cash in U.S. dollars or in terms of financial arrangements comparable thereto; and 9) 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.‡

effective rent The rental rate net of financial concessions such as periods of no rent during the lease term; may be calculated on a discounted basis, reflecting the time value of money, or on a simple, straight-line basis. ‡

excess land In regard to an improved site, the land not needed to serve or support the existing improvement. In regard to a vacant site or a site considered as though vacant, the land not needed to accommodate the site's primary highest and best use. Such land may be separated from the larger site and have its own highest and best use, or it may allow for future expansion of the existing or anticipated improvement. *See also* surplus land. ‡

extraordinary assumption An assumption directly related to a specific assignment, which, if found to be false, could alter the appraiser's opinions or conclusions. Extraordinary assumptions presume as fact otherwise uncertain information about physical, legal, or economic characteristics of the subject property; or about conditions external to the property such as market conditions or trends; or about the integrity of data used in an analysis. *See also* hypothetical condition. ‡

fee simple estate 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. ‡

floor area ratio (FAR) The relationship between the above-ground floor area of a building, as described by the building code, and the area of the plot on which it stands; in planning and zoning, often expressed as a decimal, e.g., a ratio of 2.0 indicates that the permissible floor area of a building is twice the total land area; also called *building-to-land ratio*. ‡

full service lease A lease in which rent covers all operating expenses. Typically, full service leases are combined with an *expense stop*, the expense level covered by the contract lease payment. Increases in expenses above the expense stop level are passed through to the tenant and are known as *expense pass-throughs*.

going concern value Going concern value is the value of a proven property operation. It includes the incremental value associated with the business concern, which is distinct from the value of the real estate only. Going concern value includes an intangible enhancement of the value of an operating business enterprise which is produced by the assemblage of the land, building, labor, equipment, and marketing operation. This process creates an economically viable business that is expected to continue. Going concern value refers to the total value of a property, including both real property and intangible personal property attributed to the business value. †

gross building area (GBA) The total floor area of a building, including below-grade space but excluding unenclosed areas, measured from the exterior of the walls. Gross building area for office buildings is computed by measuring to the outside finished surface of permanent outer building walls without any deductions. All enclosed floors of the building including basements, mechanical equipment floors, penthouses, and the like are included in the measurement. Parking spaces and parking garages are excluded. ‡

hypothetical condition That which is contrary to what exists but is supposed for the purpose of analysis. Hypothetical conditions assume conditions contrary to known facts about physical, legal, or economic characteristics of the subject property; or about conditions external to the property, such as market conditions or trends; or about the integrity of data used in an analysis. *See also* extraordinary assumption. ‡

investment value Investment value is the value of an investment to a particular investor based on his or her investment requirements. In contrast to market value, investment value is value to an individual, not value in the marketplace. Investment value reflects the subjective relationship between a particular investor and a given investment. When measured in dollars, investment value is the price an investor would pay for an investment in light of its perceived capacity to satisfy his or her desires, needs, or investment goals. To estimate investment value, specific investment criteria must be known. Criteria to evaluate a real estate investment are not necessarily set down by the individual investor; they may be established by an expert on real estate and its value, that is, an appraiser. †

leased fee
See leased fee estate

leased fee estate An ownership interest held by a landlord with the right of use and occupancy conveyed by lease to others. The rights of the lessor (the leased fee owner) and the leased fee are specified by contract terms contained within the lease.‡

leasehold
See leasehold estate

leasehold estate The interest held by the lessee (the tenant or renter) through a lease conveying the rights of use and occupancy for a stated term under certain conditions.‡

liquidation value The most probable price which a specified interest in real property is likely to bring under all of the following conditions: 1) Consummation of a sale will occur within a severely limited future marketing period specified by the client; 2) The actual market conditions currently prevailing are those to which the appraised property interest is subject; 3) The buyer is acting prudently and knowledgeably; 4) The seller is under extreme compulsion to sell; 5) The buyer is typically motivated; 6) The buyer is acting in what he or she considers his or her best interests; 7) A limited marketing effort and time will be allowed for the completion of a sale; 8) Payment will be made in cash in U.S. dollars or in terms of financial arrangements comparable thereto; and 9) 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. ‡

market rent The most probable rent that a property should bring in a competitive and open market reflecting all conditions and restrictions of the specified lease agreement including term, rental adjustment and revaluation, permitted uses, use restrictions, and expense obligations; the lessee and lessor each acting prudently and knowledgeably, and assuming consummation of a lease contract as of a specified date and the passing of the leasehold from lessor to lessee under conditions whereby: 1) lessee and lessor are typically motivated; 2) both parties are well informed or well advised, and acting in what they consider their best interests; 3) a reasonable time is allowed for exposure in the open market; 4) the rent payment is made in terms of cash in U.S. dollars and is expressed as an amount per time period consistent with the payment schedule of the lease contract; and 5) the rental amount represents the normal consideration for the property leased unaffected by special fees or concessions granted by anyone associated with the transaction. ‡

market value Market value is one of the central concepts of the appraisal practice. Market value is differentiated from other types of value in that it is created by the collective patterns of the market. Market value means 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 is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby: 1) A reasonable time is allowed for exposure in the open market; 2) Both parties are well informed or well advised, and acting in what they consider their own best interests; 3) Buyer and seller are typically motivated; 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.§

marketing period The time it takes an interest in real property to sell on the market subsequent to the date of an appraisal. ‡

net lease Lease in which all or some of the operating expenses are paid directly by the tenant. The landlord never takes possession of the expense payment. In a *Triple Net Lease* all operating expenses are the responsibility of the tenant, including property taxes, insurance, interior maintenance, and other miscellaneous expenses. However, management fees and exterior maintenance are often the responsibility of the lessor in a triple net lease. A *modified net lease* is one in which some expenses are paid separately by the tenant and some are included in the rent.

net rentable area (NRA) 1) The area on which rent is computed. 2) The Rentable Area of a floor shall be computed by measuring to the inside finished surface of the dominant portion of the permanent outer building walls, excluding any major vertical penetrations of the floor. No deductions shall be made for columns and projections necessary to the building. Include space such as mechanical room, janitorial room, restrooms, and lobby of the floor. *

occupancy rate The relationship or ratio between the income received from the rented units in a property and the income that would be received if all the units were occupied.‡

prospective value opinion A forecast of the value expected at a specified future date. A prospective value opinion is most frequently sought in connection with real estate projects that are proposed, under construction, or under conversion to a new us, or those that have not achieved sellout or a stabilized level of long-term occupancy at the time the appraisal report is written. ‡

reasonable exposure time The estimated length of time the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal; a retrospective opinion based upon an analysis of past events assuming a competitive and open market. ††

rent
See
full service lease
net lease
market rent
contract, coupon, face, or nominal rent
effective rent

shell rent The typical rent paid for retail, office, or industrial tenant space based on minimal "shell" interior finishes (called plain vanilla finish in some areas). Usually the landlord delivers the main building shell space or some minimum level of interior build-out, and the tenant completes the interior finish, which can include wall, ceiling, and floor finishes; mechanical systems, interior electric, and plumbing. Typically these are long-term leases with tenants paying all or most property expenses. ‡

surplus land Land not necessary to support the highest and best use of the existing improvement but, because of physical limitations, building placement, or neighborhood norms, cannot be sold off separately. Such land may or may not contribute positively to value and may or may not accommodate future expansion of an existing or anticipated improvement. *See also* excess land. ‡

usable area 1) The area actually used by individual tenants. 2) The Usable Area of an office building is computed by measuring to the finished surface of the office side of corridor and other permanent walls, to the center of partitions that separate the office from adjoining usable areas, and to the inside finished surface of the dominant portion of the permanent outer building walls. Excludes areas such as mechanical rooms, janitorial room, restrooms, lobby, and any major vertical penetrations of a multi-tenant floor. *

use value Use value is a concept based on the productivity of an economic good. Use value is the value a specific property has for a specific use. Use value focuses on the value the real estate contributes to the enterprise of which it is a part, without regard to the property's highest and best use or the monetary amount that might be realized upon its sale. †

value indication An opinion of value derived through application of the appraisal process. ‡

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† *The Appraisal of Real Estate*, Thirteenth Edition, Appraisal Institute, 2008.

‡ *The Dictionary of Real Estate Appraisal*, Fourth Edition, Appraisal Institute, 2002.

§ Office of Comptroller of the Currency (OCC), 12 CFR Part 34, Subpart C – Appraisals, 34.42 (g); Office of Thrift Supervision (OTS), 12 CFR 564.2 (g); Appraisal Institute, *The Dictionary of Real Estate Appraisal*, 4th ed. (Chicago: Appraisal Institute, 2002), 177-178. This is also compatible with the RTC, FDIC, FRS and NCUA definitions of market value as well as the example referenced in the *Uniform Standards of Professional Appraisal Practice (USPAP)*.

* 2000 BOMA Experience Exchange Report, Income/Expense Analysis for Office Buildings (Building Owners and Managers Association, 2000)

†† *Statement on Appraisal Standard No. 6*, Appraisal Standards Board of The Appraisal Foundation, September 16, 1993, revised June 15, 2004.

ADDENDUM B

MARCH 1885 REPORT TO THE GRAMMAR SCHOOL OF IPSWICH

ADDENDUM C

EXHIBIT A TO PROPOSED FEOFFEES' TENANT LEASE

ADDENDUM D

QUALIFICATIONS