APPRAISAL REPORT

Property of:
State of Vermont
43 Randall Street
Waterbury, Vermont

Martin Appraisal Services, Inc.

MARTIN APPRAISAL SERVICES, INC.
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November 30, 2012

Mr. Allen Palmer
State of Vermont
Division of Property Management
4 Governor Aiken Ave.
Montpelier, Vermont 05633-7001

Appraisal Report - Property of
State of Vermont
43 Randall Street, Waterbury, Vermont

Dear Mr. Palmer:

In accordance with your request, I have completed an appraisal report for the purpose of estimating market value of the Fee Simple Interest in the property indicated above, referred to as the subject property. I personally inspected the property, which was estimated at 0.32 acres, but currently is part of the larger State Office complex, and is improved with a 3,038 square foot office building.

Based upon the facts and matters contained in the attached report, including all limiting conditions as outlined, it is my professional opinion that Market Value of the subject property in "as is" condition, as of November 15, 2012 is

One Hundred Forty-Five Thousand Dollars ($145,000)

The indicated market value assumes that there are no environmental problems or limitations. As a real estate appraiser I am not qualified to determine if there is any contamination. It is also assumed that all permits are in place for the existing improvements and current use of the property.

The appraisal has been prepared exclusively for our client, State of Vermont. This appraisal may neither be used nor relied upon by anyone other than the client, for any purpose whatsoever, without the express written consent of the appraiser. The following report contains the results of my study and investigations, and is subject to the Statement of Limiting Conditions that is attached and included in the addendum to this report.

Respectfully submitted,

Lawrence K. Martin, MAI
Certified General Real Estate Appraiser
State of Vermont License #80-0000019

Lucas K. Martin
Certified General Real Estate Appraiser - Trainee
State of Vermont License #080-0086387-TRNE

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SUMMARY OF APPRAISAL & CONCLUSIONS

Identification of Property – 43 Randall Street, Waterbury, Washington County, Vermont

Owner of Property – State of Vermont

Property Type – Office

Land – Estimated at 0.32 Acres, based on an extraordinary assumption that the lot would be subdivided from the State Office Complex

Building – Two story, wood frame office building containing approximately 3,038 SF

Zoning – Village Mixed Residential

Highest & Best Use – Continued use as an office building

Purpose of Appraisal - To estimate market value of the fee simple interest of the subject property as of the date of the appraisal.

Opinion of Value in "As Is" Condition:

Indicated Value by the Cost Approach	N/A
Indicated Value by the Sales Comparisons Approach	$145,000
Indicated Value by the Income Approach	N/A

Final Opinion of Market Value – As Is Condition	$145,000

Date of Inspection and Value Opinion – November 15, 2012

PHOTOGRAPHS OF SUBJECT PROPERTY

Front of Subject

Rear of Subject

STREET SCENE

Randall Street Looking North

Park Row Looking West

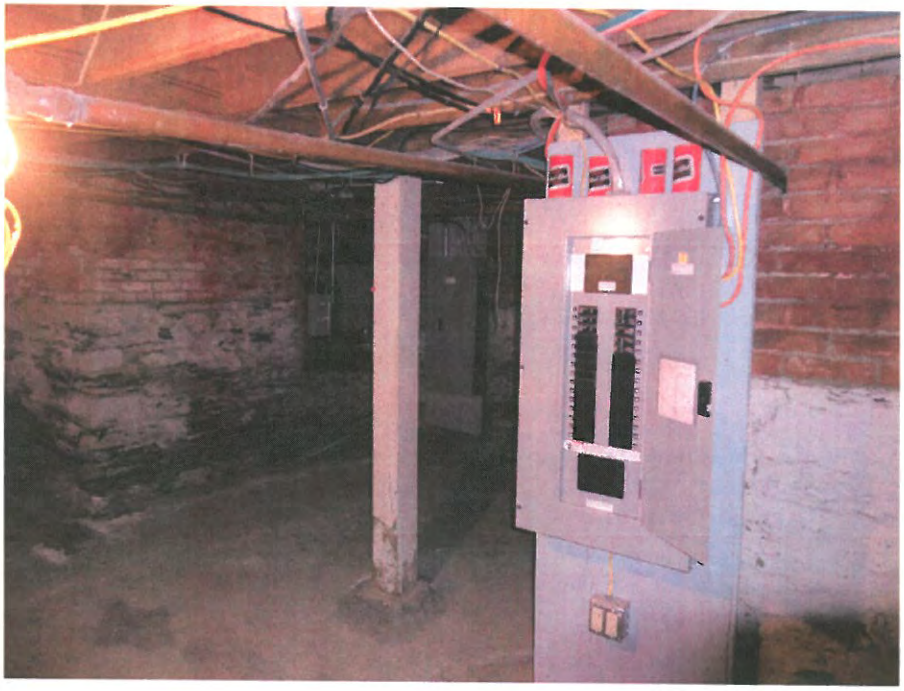
INTERIOR PHOTOGRAPHS

First Floor Office Area

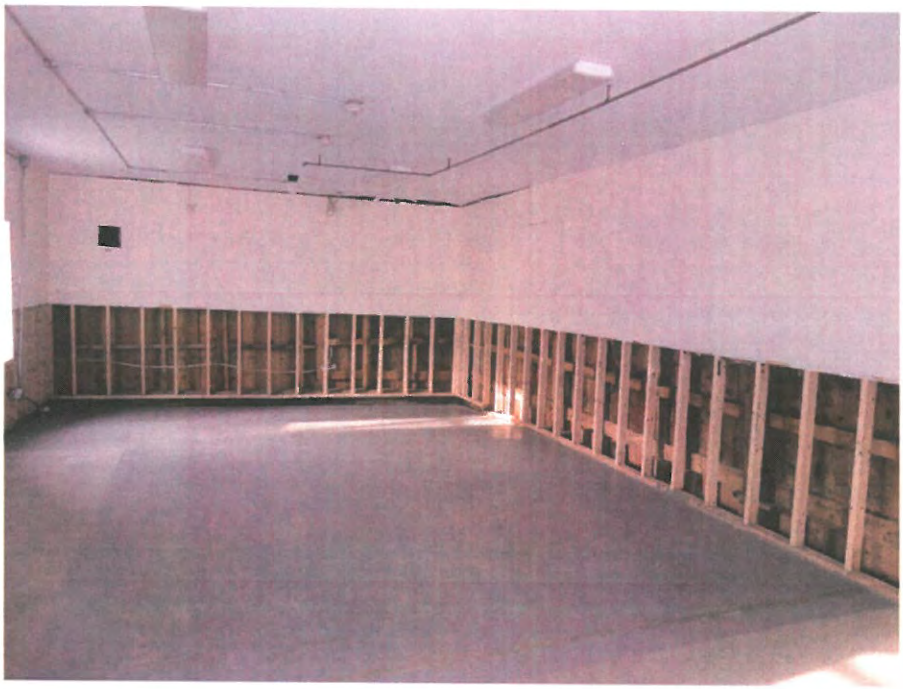
First Floor Private Office

Second Floor Office Area

Attic Space



Basement Area



Detached Garage

IDENTIFICATION OF PROPERTY

Location: 43 Randall Street, Waterbury, Washington County, Vermont
Tax Map: Part of 19-409.000 (State Complex)

A copy of the legal description has been included in the addendum to this report. As a real estate appraiser, I am not qualified to make judgments of a legal nature, and it is assumed that a marketable title for the property will be provided.

CLIENT & INTENDED USERS

The appraisal has been prepared for our client, State of Vermont. This appraisal may neither be used nor relied upon by anyone other than the client, for any purpose whatsoever, without the express written consent of the appraiser.

PURPOSE OF THE APPRAISAL

This appraisal has been completed to estimate Market Value of the Fee Simple Estate for the property being appraised, referred to as the subject property.

INTENDED USE OF THE APPRAISAL

The intended use of the appraisal can also be referred to as the function of the report. In this instance, it is the appraisers understanding that the intended use of this appraisal report is to assist in collateral valuation, loan underwriting or portfolio management.

REPORTING OPTION

This appraisal has been completed in conformance with the Uniform Standards of Professional Appraisal Practice (USPAP.) The appraisal has been reported in a "Summary Appraisal Report" format based on the requirements of the Uniform Standards of Professional Appraisal Practice (USPAP.)

PROPERTY RIGHTS APPRAISED

This appraisal has been made with the understanding that the ownership of the property is not encumbered by a lease agreement. Therefore, the Fee Simple Estate has been estimated.

Fee Simple Estate can be defined as, "absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat."[1]

[1] The Dictionary of Real Estate Appraisal, Appraisal Institute, Third Edition, 1993, page 140

MARKET VALUE DEFINED

"The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition are the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

1. buyer and seller 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. payment is made in terms of cash in United States dollars or in terms of financial arrangements comparable thereto; and
5. the price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale."[2]

EXTRAORDINARY ASSUMPTION DEFINED

"An assumption, directly related to a specific assignment, as of the effective date of the assignment results, which, if found to be false, could alter the appraiser's opinions or conclusion."[3] The use of an extraordinary assumption could impact the assignment results.

The subject property is part of a large State Office complex at present, and this appraisal is based on the extraordinary assumption that this parcel is legally subdivided and could be sold as a separate parcel containing approximately 0.32 acres.

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[2] Federal Register, Part VI, Department of the Treasury, December 10, 2010

[3] Uniform Standards of Professional Appraisal Practice, Appraisal Standards Board, 2012-2013, Page U-3

SCOPE OF THE WORK

Scope of the Work can be defined as "the type and extent of research and analyses in an assignment."[4]

The collection process starts by collecting data regarding the subject property from the client or property owner and then physically inspecting the property. The inspection by the appraiser is not an engineering inspection, environmental screening, or survey. The property is inspected to determine general physical conditions that affect value. The next step is to research the other conditions that may affect the value of the subject property. This includes obtaining the previous deed on the property, checking existing zoning, flood hazard maps, inspecting the neighborhood, and gathering data on the local market area. The most significant data that will impact value are reported in the appraisal. This information is the foundation on which the appraisal is constructed, and is needed to accurately value the property.

The next step is to research market data to support the approaches to value. Municipal sales records were researched to obtain meaningful sales data. The appraiser's files, property owners, real estate brokers, and others familiar with the market were also sources of market data. The transactions most similar to the subject were researched and the data confirmed, with a party involved in the transaction when possible. The most meaningful market data were reported in the appraisal to support the approaches to value. The market data may include sales of similar properties, leases for similar properties, and sales of vacant land that would be similar to the subject as if vacant when applicable.

The appraisal is based on the acceptable appraisal approaches to derive an estimated value for the subject property analyzing the available data. The approaches that were most meaningful for the subject property were considered and in some instances, certain approaches may not have been relied upon to estimate the value of the property.

The last step in the scope of the appraisal is to compile the report. The report includes the most meaningful information and is an attempt to communicate the analysis that led the appraiser to the estimated value of the property. As requested, this appraisal has been presented in as a "summary" report. The information that has been relied upon was summarized, and not fully developed in the report.

[4] Uniform Standards of Professional Appraisal Practice 2012-2013, Appraisal Standards Board, page 4

AREA DATA

The subject property is located in the Town of Waterbury, Washington County, Vermont. This is a small community, which has a commercial area surrounded by rural residential type neighborhoods.

Waterbury is conveniently located at the intersections of U.S. Route 2, State Highway Route 100, and Interstate 89. Therefore, it is a convenient location for businesses and residents. It is also within 10 miles of Montpelier, the State's Capital; 20 miles from Barre, which is known for its granite production; and 25 miles from Burlington, the largest city in Vermont. In addition, it is located between two resort communities, Stowe to the north and Warren/Waitsfield to the south. There are major ski areas in each of these communities, which attract significant numbers of tourists to this area.

The following population figures were obtained from the U.S. Census Bureau and can provide an indication of the general market area:

Area	1990 Population	% Change from 1980	2000 Population	% Change from 1990	2010 Population	% Change from 2000
Waterbury Town	4,589	2.80%	4,915	7.10%	5,064	3.03%
Washington County	54,928	4.80%	58,039	5.66%	59,534	2.58%
Vermont	562,738	10.00%	608,827	8.19%	625,741	2.78%

Statewide the rate of growth in population has been increasing at a modest rate. The population in Waterbury Town has been increasing at a relatively similar rate, but the overall rate of growth has been limited over the past 10 years.

The Village of Waterbury consists of commercial uses along Route 100, and primarily one to four family type older residential dwellings on the interior streets. The village is dominated by the presence of the State Office Complex on South Main Street. This facility was originally constructed as the State Hospital for the mentally ill, but this use had been scaled back to a small percentage of the overall facility, and State had taken over the complex with over 1,500 state employees working at this office complex at one time. In August 2011, Hurricane Irene caused major flooding in Waterbury. The State was forced to close this facility and relocated all but roughly 200 of their employees. The State has leased a considerable amount of office space in this area to temporarily replace some of the building area lost by the flooding. This has reduced the vacancy rate for commercial space in this market area. The long term plan for this facility is to redevelop the complex, but this is a long-term project that would take at least two years to complete, if not longer. This could have a significant impact on the village.

The Village is surrounded by the Town of Waterbury, which is a more rural residential area. There has been some new development in the town with primarily good to very good quality single-family homes. This area has good appeal for single family houses because it is an attractive setting between two mountain ranges, has easy access to the resort areas to the south and north, and easy access to Interstate 89. There are a number of lots available for continued growth and this new residential development should increase the demand for commercial space in the village over the long term.

The regional economy is stable, with the State of Vermont being the largest employer. In addition, National Life Insurance Company in Montpelier, Blue Cross and Blue Shield of Vermont in Berlin, and several other insurance companies provide a significant number of jobs. Many residents of Waterbury commute to the Burlington area, which has a more diverse economy. Tourism is also a major employer in this area. Waterbury is not a resort area, but it is convenient to two resort communities and four major ski areas.

In addition to the State of Vermont, Waterbury has several other major employers who create jobs for the local residents. Ben & Jerry's Ice Cream is one of the best known, operating a manufacturing plant in Waterbury. There is an industrial park in the village, which has attracted a number of specialty food manufacturers including Green Mountain Coffee Roasters which is a rapidly expanding business.

The Village of Waterbury has a full time police department. Municipal services are above average because many of the more rural communities have limited services. Local government is adequate and should not have a significant impact on value.

Recreational opportunities are above average and will attract future residents to this community. Stowe Ski Area, Sugarbush Ski Area, Bolton Valley Ski Area, and Mad River Glen Ski Area are all within 20 miles of Waterbury. These areas provide recreation for the local residents, and tourist traffic through Waterbury helps local businesses. In addition, there are several golf courses, numerous hiking trails, and other outdoor recreational opportunities in the area.

Public transportation is limited throughout the state and residents rely primarily on private automobiles. Interstate 89 is one of only two interstate highways in Vermont and this highway has an interchange in Waterbury. Access to Interstate 89 decreases the travel time to the major commercial areas in the region and makes Waterbury more attractive to commercial enterprise. In addition, Route 100 is the major access highway to both Stowe and Sugarbush, while Route 2 provides access to Bolton Ski Area.

The following data was obtained from the State of Vermont, Department of Taxes for the Town of Waterbury:

Property Category - # of Valid Sales

Waterbury	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**
Residential <6 Acres	65	70	64	37	39	46	28	48
Vacation <6 Acres	1	1	1	2	1	0	0	1
Commercial	7	10	8	6	6	5	5	3
Open Land	33	52	13	13	5	7	7	8

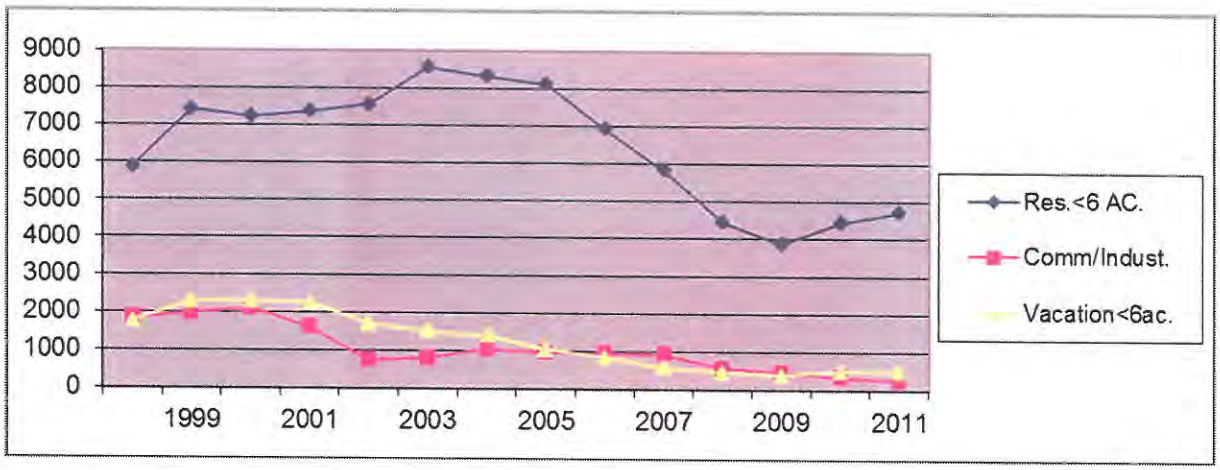
Median Sales Price

Property Category	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**
Single Family <6 Ac	$199,000	$248,750	$243,250	$270,000	$255,000	$224,500	$244,000	$210,000

Activity has fluctuated in Waterbury, but the market slowed considerably starting in 2007 with a decrease in the number of sales after several very active years in the residential real estate market. This trend is common for the region. This community experienced a significant improvement in sales activity in 2011 after a very slow 2010, however; the median sale price decreased. The median sale price has also fluctuated over the past several years; however, the median in 2011 is the lowest since 2004, which could suggest declining values. The sample size is limited and this may not be a good guide to market trends. Therefore the state has been considered as a whole to provide additional support for the real estate market trends.

The following market data was obtained from the Vermont Department of Taxes and is a general guide to the real estate market.

NUMBER OF VALID SALES IN VERMONT



The market was quite active during the period from 1999 through 2005. However, in 2006 the residential market activity slowed considerably and this trend continued through 2009. The residential market has experienced an increase in activity in 2010 and 2011, but it has not made a full recovery. Sales activity remains considerably below the peak years. The market for vacation houses has had a similar pattern but basically the activity did not increase in 2011. The commercial activity had been relatively stable, but it has decreased considerably from 2008 through 2011. The following table provides the actual figures and the percentage change for each category.

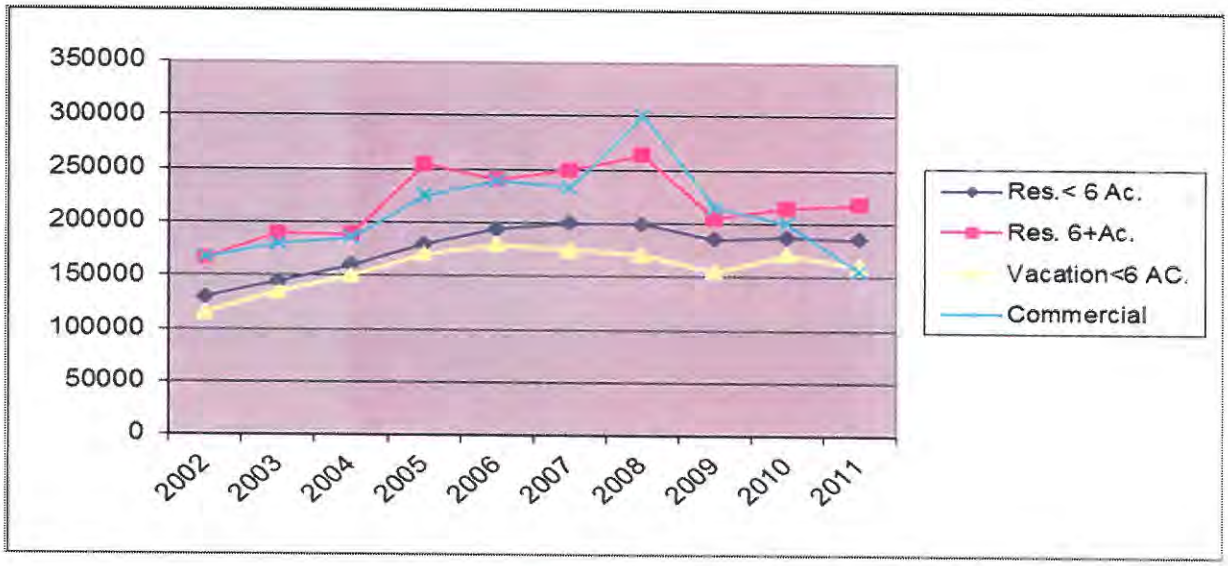
Year	2003	2004	2005	2006	2007	2008	2009	2010	2011
Res.<6 AC.	8557	8318	8120	6919	5820	4455	3873	4449	4727
% Change		-2.79%	-2.38%	-14.79%	-15.88%	-23.45%	-13.06%	14.87%	6.25%
Comm./Industrial	794	1037	961	951	918	565	464	340	252
% Change		30.60%	-7.33%	-1.04%	-3.47%	-38.45%	-17.88%	-26.72%	-25.88%
Vacation<6ac.	1496	1396	1048	831	579	450	385	497	487
% Change		-6.68%	-24.93%	-20.71%	-30.32%	-22.28%	-14.44%	29.09%	-2.01%

The improvement in the number of residential sales could indicate a slow recovery after several very slow years in the real estate market in Vermont. However, the number of residential sales in 2011 remains considerably below the active years of 2003 - 2005. The recovery does not appear to have impacted the commercial market with the number of transactions continuing to decline in 2011. The significant decline in the number of transactions over the past two years is a concern for the commercial market.

During the first nine months of 2012 there have been 4,071 transactions of residential properties on less than 6 acres. This would reflect an average of 452 sales per month, which indicates a slight improvement over the average for 2011 of 394 sales per month. The number of commercial & industrial sales during the first nine months of 2012 is 462 or 51 transactions per month. This is up considerably from the averages of 21 sales per month in 2011 and 28 transactions per month in 2010. This is a positive indication for this market, but it remains considerably below the active years of 2004 - 2007.

The Vermont Department of Taxes also reports median sales prices by category, and this data was also considered as a general guide to market trends.

MEDIAN SALE PRICES – STATE OF VERMONT



The values for most types of real estate were increasing steadily through 2006, and then started to level off, with a decline reflected for 2009. A slight correction was indicated by the figure for residential properties in 2010, but the values have remained relatively stable for 2011. The actual median sale prices are indicated on the following table for primary residences on less than six acres.

	2003	2004	2005	2006	2007	2008	2009	2010	2011
Res.< 6 Ac.	$145,000	$159,900	$180,000	$194,000	$200,000	$199,000	$185,000	$187,000	$185,000
% Change		10.66%	12.57%	7.78%	3.09%	-0.50%	-7.04%	1.08%	-1.07%

The slight increase in the median sale price for 2010 was offset by the slight decline in 2011. Basically, the median sale prices for residential properties over the past three years have remained relatively stable. During the first nine months of 2012, the median sale price was reported at $180,000 which is slightly lower than the previous year. The median sale price for the commercial properties was not heavily relied upon because the sample size remains fairly small and the property values vary widely within this category. However, the following table reflects the reported median sale price for just commercial properties.

	2003	2004	2005	2006	2007	2008	2009	2010	2011
Commercial	$175,000	$185,000	$225,000	$239,000	$232,841	$300,000	$215,000	$199,900	$155,000
% Change		2.78%	21.62%	6.22%	-2.58%	28.84%	-28.33%	-7.02%	-22.46%

The decrease in activity is a major concern for the commercial market, and the median sale price indicates a considerable decline since 2008. While this rate of decline was not relied upon as the actual rate of decrease, it does indicate that the market conditions are deteriorating for commercial properties. The median sale price for the first nine months of 2012 was $200,000 which is up from 2011 and similar to the medium for 2010.

These statistics for Vermont reflect the trends for the country which entered a significant economic recession in 2008. The slowing trend in the real estate market was considered to be one of the major causes of this recession. The real estate market is considered to be slow at present in Vermont, but there have been some recent signs of improvement.

In conclusion, Waterbury is a small commercial center for a rural region, but has a stable economic base and a very convenient location. The easy access to Montpelier and Burlington, as well as several resorts should increase the demand for both residential and commercial properties over the long term. However, the uncertain status of The State Office Complex in Waterbury could be a concern. It is my opinion that this is a community that will continue to see residential development, as well as some commercial growth and redevelopment over the long term. However, the real estate market remains slow at present, and it is unlikely that there will be any significant growth over the next year.

NEIGHBORHOOD DATA

The subject neighborhood can be defined as the Village of Waterbury. This is an older area developed some 100 years ago. It is nearly fully developed with a mixture of uses. There are several older one to four family type dwellings that occupy the majority of the community.

In 2011, Hurricane Irene caused massive flooding and damage to the downtown area of Waterbury. As a result many businesses in the area have suffered with several having to close. This flood may still have a significant impact on the economy in the downtown area as residents continue to recover from the disaster.

There are some smaller retail stores and a small grocery store. These uses provide neighborhood type commercial services for the residents, but most residents travel to Chittenden County for most services. There is a limited amount of commercial space in this community and a continual demand for any available units.

Most of the commercial uses are located on Main Street (Route 100) and Stowe Street. The surrounding streets are developed primarily with one to four family older houses. These are generally average quality houses in average overall condition. There is a strong demand for housing in Waterbury, but the better quality houses are located north of the village.

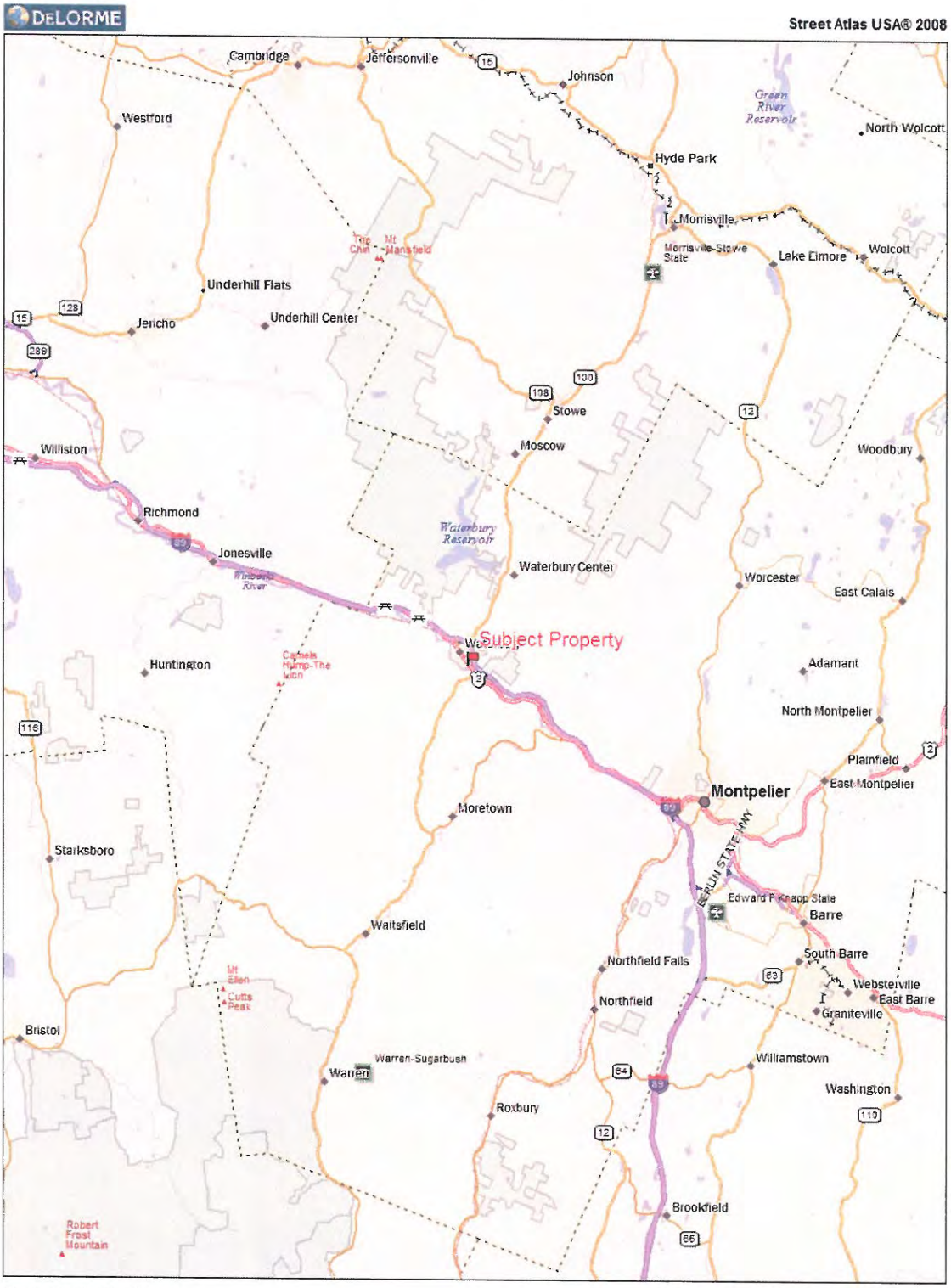
The village has also been influenced by the development and expansion of Pilgrim Park. This is a small modern industrial park located in an area that at one time was a railroad yard. The tracks separate this area from the commercial center, but Park Row is a public street that crosses the railroad and provides access to this park. The park is dominated by Green Mountain Coffee Roasters, which is an expanding business with its headquarters, manufacturing facilities, and main warehouse located in this park. This company recently completed a major expansion of their facility in the park, adding a large warehouse. Located at the entrance to the industrial park on Park Street is the original railroad station. The Town of Waterbury has completed major renovations to this historic building. This has improved the overall appearance of the entrance to the park.

The village is nearly fully developed. This limits the potential for new development, but there may be some redevelopment. The proximity to I-89 and the stable economic base should insure a continual demand for commercial real estate. Although the flood has had a negative impact on many of the businesses in Waterbury the presence of two successful manufacturing facilities, Green Mountain Coffee Roasters and Ben & Jerry's Ice Cream, should help maintain a stable economic base in the area. The success of these businesses is an indication that this can be a good location for some manufacturing operations, and may be a benefit in attracting other companies in the future.

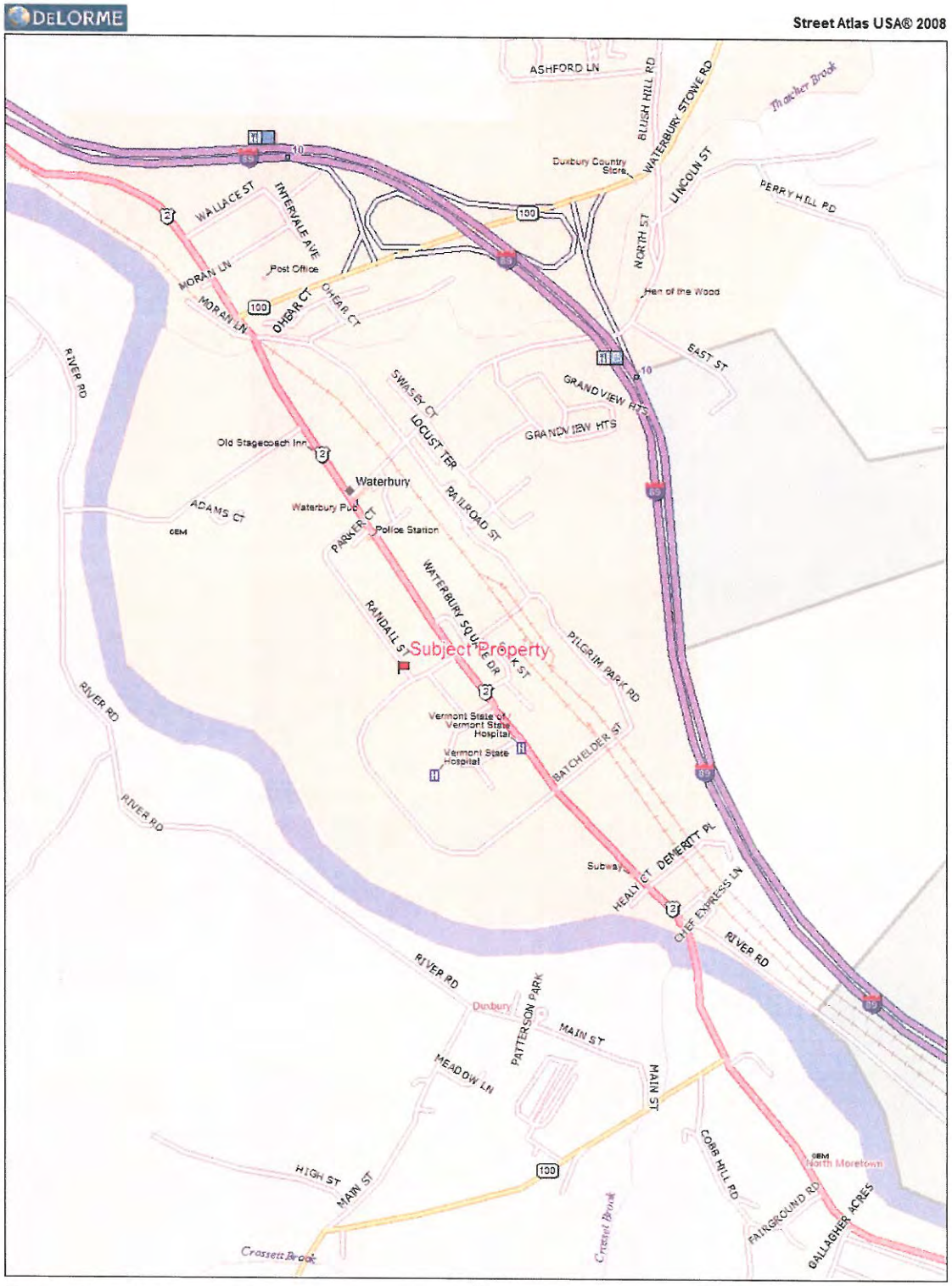
The subject property is located on the northern end of the State Complex on the corner of Randall Street and Park Row, just south of the central business district of Waterbury, but on the northern end of the State Office Complex. Randall Street is nearly fully developed with primarily residential housing and some offices. There are some commercial uses in the neighborhood, but these are generally along South Main Street. The building is across the street from the State Office Complex.

In conclusion this is a mixed use village location. There is demand for commercial space in this area due to the close proximity to I-89. The recent flood has significantly impacted the downtown area with many businesses still trying to recover from the losses. The closing of many of the state buildings has reduced the number of employees in this community and this has impacted the local economy. There is a plan to renovate the complex and move many of the employees back to this neighborhood, but this will be a time consuming process. Waterbury is a convenient commercial location that over the long term should see continued redevelopment and limited growth, however; over the short term the closing of the majority of the State Office Complex is likely to have a negative impact on the local economy.

REGIONAL MAP



NEIGHBORHOOD MAP



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www.delorme.com

MN (14.7° W)

Data Zoom 14-1

DESCRIPTION OF SUBJECT PROPERTY

HISTORY OF SUBJECT PROPERTY

Owner of Record: State of Vermont
Last Date of Transfer: N/A
Deed Book/Page: N/A
Sale Price: N/A
Current Status: Not currently on the market for sale

The subject is part of a much larger complex owned and operated by the State of Vermont. The municipal records have merged the entire State Complex, making it difficult to obtain specific information regarding this particular property. It was considered beyond the scope of this appraisal assignment to attempt to research the legal title and history of just this portion of the overall complex. It will be necessary for a lawyer to research the title, and this appraisal is based on the extraordinary assumption that legal title will be provided for this property as described.

SITE DESCRIPTION

Size – Estimated at 0.32 Acres

Shape – Assume rectangular

Frontage & Access – Average, corner lot with approximately 100' of frontage on Randall Street plus assumes some 140' of frontage on Park Row

Visibility – Limited, side street

View – Local/average

Topography – Mostly level

Utilities – Municipal water and sewer, public electrical service

Flood Hazard – Yes, the subject is located in Flood Zone AE as shown on FIRM Map 500122 0001 C, dated April 6, 1998. It should be noted that the property experienced significant flood damage from Hurricane Irene in August, 2011.

Easements, R.O.W., etc.: None known or represented that would have a significant impact on value at present. I have assumed that with the subdivision from the State Office Complex, the buyers of this site would be given a right of way over Park Row which is a private driveway owned by the State. This ROW would provide access to the back of the subject lot and may allow for a new owner to expand the onsite parking.

Comments – This is a relatively level site located on the corner of Randall Street and Park Row, on the northern edge of the State Complex. Given that this parcel is part of the State Complex the actual size of the subject lot is unknown and has been estimated based on very general measurements. The lot will have to be subdivided and the exact size may vary slightly.

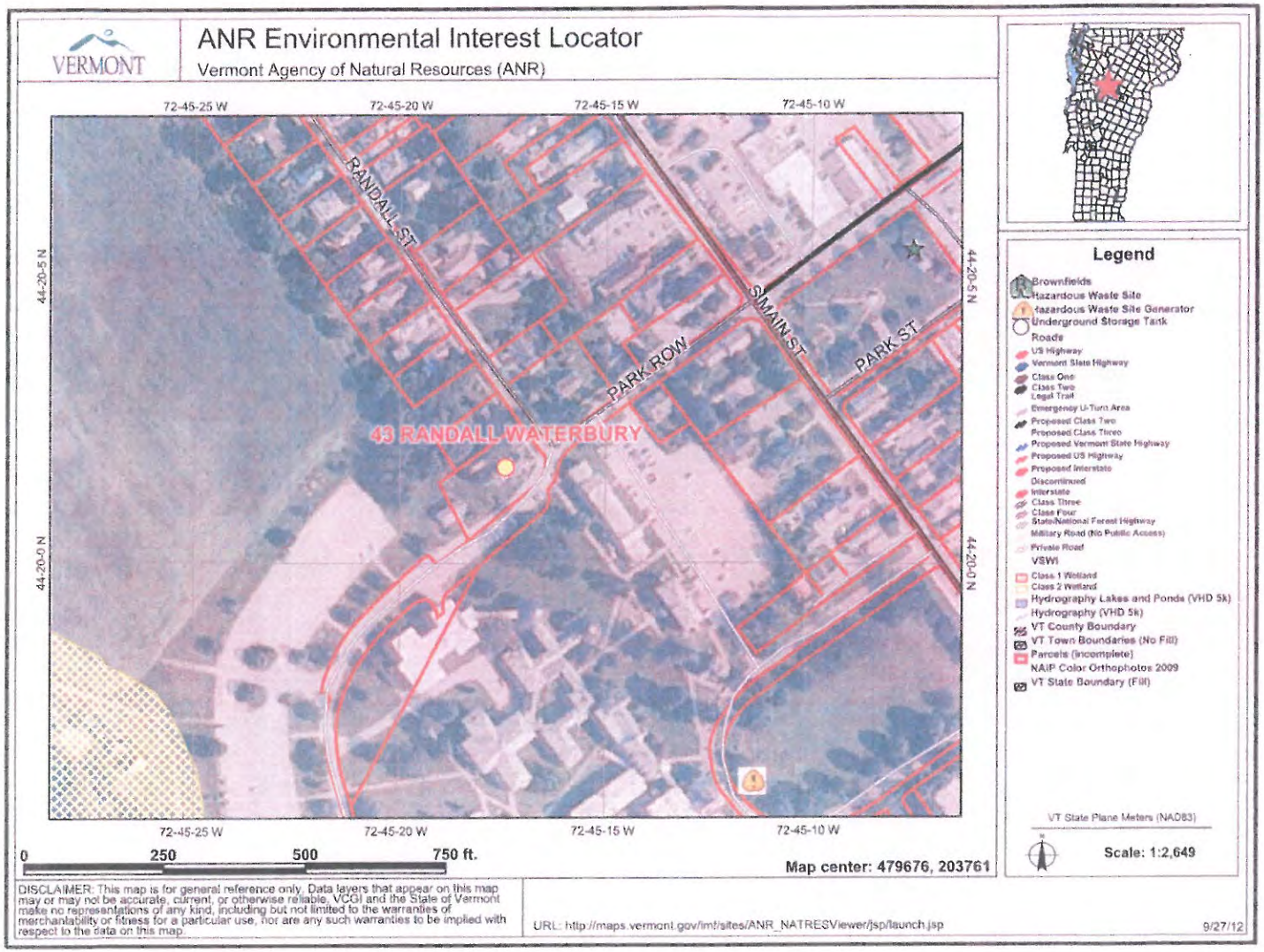
The State Complex has its own water and sewage system, but it was represented that this property is connected directly to the town's water and sewer. Therefore, it is assumed that a new connection is not necessary.

There is a driveway on Randall Street and a small parking area for 2± vehicles. It is roughly two vehicles wide and it may be possible to park 4 cars on the site if they are tandem. The limited parking could be an issue in marketing the subject as a separate property. It may be possible to expand or developed additional parking behind the building.

The indicated value assumes that there are no environmental problems or limitations. As a real estate appraiser I am not qualified to determine if there is any contamination. An ANR Environmental Interest Locater Map obtained from the State of Vermont, Agency of Natural Resources is provided as a reference, but I take no responsibility for the accuracy of this map.

FLOOD MAP

NATIONAL FLOOD INSURANCE PROGRAM
FIRM
FLOOD INSURANCE RATE MAP
VILLAGE OF
WATERBURY,
VERMONT
WASHINGTON COUNTY
ONLY PANEL PRINTED
COMMUNITY-PANEL NUMBER
500122 0001 C
MAP REVISED:
APRIL 6, 1998
Federal Emergency Management Agency
APPROXIMATE SCALE
400
0
400 FEET
ZONE X
ZONE AE
ZONE X
CENTRAL
VERMONT
RAILWAY
MOODY COURT
PARK ROW
PARK STREET
WARREN COURT
SOUTH MAIN ST
RANDALL STREET
FOUNDRY STREET
BATCHELDER
HOSPITAL MAIN ENTRANCE ROADS
ACCESS ROAD
RM4


VERMONT
ANR Environmental Interest Locator
Vermont Agency of Natural Resources (ANR)
72-45-25 W
72-45-20 W
72-45-15 W
72-45-10 W
44-20-5 N
44-20-0 N
RANDALL ST
PARK ROW
S MAIN ST
PARK ST
43 RANDALL WATERBURY
0
250
500
750 ft.
Map center: 479676, 203761
Legend
Brownfields
Hazardous Waste Site
Hazardous Waste Site Generator
Underground Storage Tank
Roads
US Highway
Vermont State Highway
Class One
Class Two
Legal Trail
Emergency U-Turn Area
Proposed Class Two
Proposed Class Three
Proposed Vermont State Highway
Proposed US Highway
Proposed Interstate
Discontinued
Interstate
Class Three
Class Four
State/National Forest Highway
Military Road (No Public Access)
Private Road
VSWI
Class 1 Wetland
Class 2 Wetland
Hydrography Lakes and Ponds (VHD 5k)
Hydrography (VHD 5k)
VT County Boundary
VT Town Boundaries (No Fill)
Parcels (Incomplete)
NAIP Color Orthophotos 2009
VT State Boundary (Fill)
VT State Plane Meters (NAD83)
Scale: 1:2,649
DISCLAIMER: This map is for general reference only. Data layers that appear on this map may or may not be accurate, current, or otherwise reliable. VCGI and the State of Vermont make no representations of any kind, including but not limited to the warranties of merchantability or fitness for a particular use, nor are any such warranties to be implied with respect to the data on this map.
URL: http://maps.vermont.gov/imf/sites/ANR_NATRESViewer/jsp/launch.jsp
9/27/12

ANR MAP

ZONING

The subject is located in the "Village Mixed Residential" district. Permitted uses in this district include single and two-family dwellings, offices, some agriculture uses and churches. Conditional uses include multi-family dwellings, rooming houses, veterinary clinics, inns, recreation and public utilities. The current use as an office is a permitted use in this district.

The dimensional requirements are as follows:

Minimum Lots Size: 20,000 SF
Minimum Frontage: N/A
Setback Requirements:
Front – 40'
Side – 25'
Rear – 50'
Maximum Building Height: 35'
Maximum Lot Coverage: 25%

The estimated lot size is smaller than the minimum lot size requirement, and therefore, it is assumed that the owner would be able to obtain a variance for this subdivision. No attempt was made to verify the permitting process, such as certificate of occupancy, or the setback requirements. These would be legal issues, which are beyond the scope of this appraisal assignment. As a real estate appraiser, I am not qualified to provide a legal opinion, and therefore, no attempt was made to determine if all of the necessary approvals are in place or if all of the conditions of the permits have been met.

TAXES & ASSESSMENTS

The subject property is currently owned by the State of Vermont, and therefore, is tax exempt. There is no separate assessment for this property. The actual tax rates in Waterbury for non-residential properties, over the past several years have been as follows:

Year	Tax Rate Town	Tax Rate Village	Common Level of Appraisal
2012	$1.7397	$1.8897	N/A
2011	$1.7268	$1.8768	99.30%
2010	$1.7050	$1.8250	98.00%
2009	$1.6658	$1.7821	97.20%
2008	$1.5007	$1.6796	103.09%
2007	$2.4147	$2.7547	62.60%

The decrease in the rate for 2008 is the result of a re-assessment of all of the properties in this community. The common level of appraisal is based upon a comparison of actual sale prices of valid sales to the assessed values of those properties. A common level of appraisal of 100% would suggest that on average, the assessed values are similar to sale prices in this community. In general, it would appear that the assessed values are very similar to market values in Waterbury.

IMPROVEMENT DESCRIPTION

Type of Construction – Two story, wood frame older residential dwelling converted for office use

Age – Built in 1936

Size – Approximately 3,038 SF

Exterior Description – Average quality in average condition
Foundation – Stone and masonry
Exterior Walls – Wood clapboard
Roof – Primarily slate, part metal
Doors & Windows – Wood doors on the house, with a metal frame glass entry door on the garage, and old wood frame, double hung windows

Interior Description – Average quality in poor condition
Basement – Full, unfinished
Interior Floors – Wood on first floor, carpet on second floor
Interior Walls – Mixture of sheetrock, pressboard and plaster with lower 4' on first floor exposed insulation
Insulation – Fiberglass in walls
Interior Ceilings – Acoustical tile on first floor, and plaster on second floor

Mechanical Systems –
Heating – Gas, hot water with new boiler
Air Conditioning – Yes, but not functional at present
Electric – 250 amp service with new breaker box in basement
Plumbing – Assumes that the plumbing will need upgrading
Sprinkler System – None
Special Features (Elevator, alarm systems, etc.): Front porch, storage attic

Comments: The main building is an older residential dwelling converted for office use, and was significantly damaged by the flooding from Hurricane Irene. The first floor needs new floor covering, sheetrock on the bottom 4', baseboard heating units, and upgrades to the electrical system. There are seven rooms on the first floor, but it would need extensive renovations.

The second floor was not damaged by the flooding. It has older carpet, with plaster and low cost wall board covering the walls and ceilings. There are seven rooms on this level and it can be accessed from two staircases. There is also an unfinished attic that can be used for storage.

There is a full, unfinished basement with concrete floors and stone and masonry walls. The basement contains a new gas fired hot water boiler and new electrical panel. It is assumed the basement is structurally sound after the flooding.

There is a detached garage that had been finished for use as additional office space. It is a one story, wood frame building on a concrete slab. The interior was significantly damaged by the flooding. The slab was shifted by the water and the back portion of the building has sunk by approximately 6". This would need to be repaired if the building were to be used. There is no bathroom in this building, and the only heat is an overhead electric unit. In "as is" condition, it is considered unfinished area and was not included in the overall square footage. However, it could be renovated into additional office space if desired.

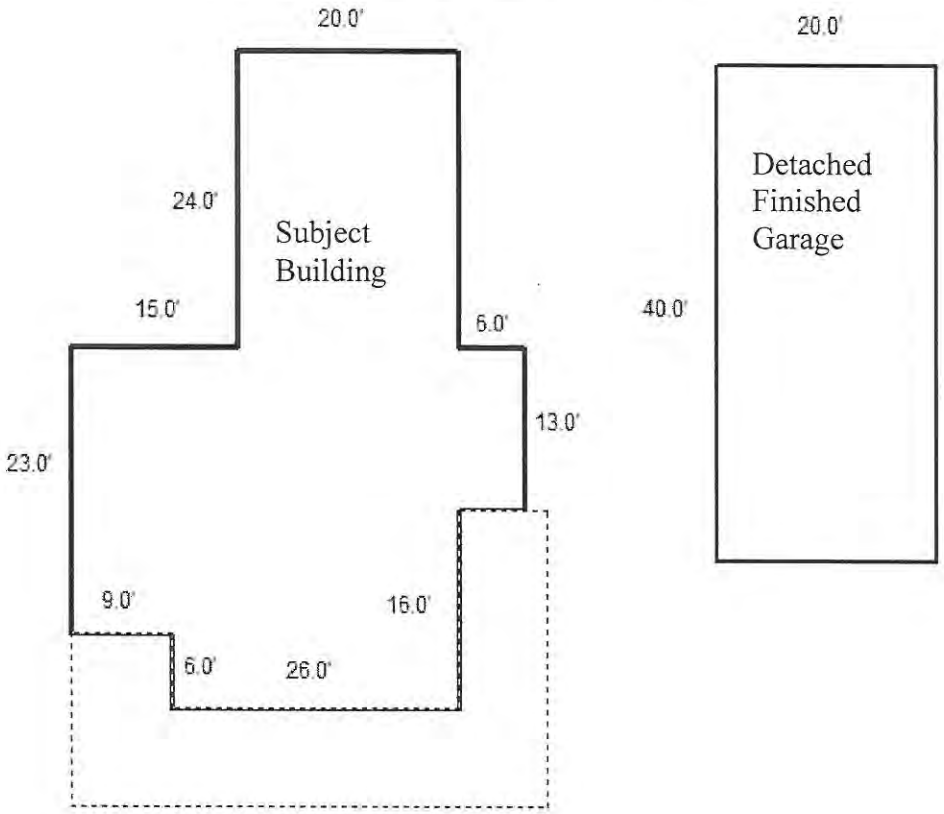
The value estimated by this report assumes that the building is structurally sound and that the current mechanical systems are operational and adequate to serve the property with the exception of the items noted. It is recommended that the building be inspected by a qualified engineer to determine if there are any physical limitations. As a real estate appraiser, I am not qualified to determine the extent of the physical damages cause by the flooding. This is an important issue impacting the current value of the property and it is recommended that a potential buyer have an engineer and/or contractor inspect the building to determine more specifically the repairs needed and the cost of these repairs. At minimum the repairs and renovations for use of these buildings as a separate facility would require the following:

1. Repair slab on garage
2. Repair interior walls & new floor covering in garage (for office use)
3. Expand the parking area
4. Repair floor structure and new floor coverings on first floor of main building
5. Repair interior walls on first floor of main building
6. Install new baseboard plumbing for the heating system on the first floor
7. Upgraded first floor wiring and electric outlets as necessary
8. New plumbing fixtures
9. Upgraded employee kitchen on first floor

With the completion of the work, the quality and condition would remain only fair to average. The windows are old and not energy efficient and the second floor finish is rather dated. However, the exterior of the building has a historic appeal with a large covered porch and a slate roof. The new boiler and electric panel would be an advantage to a potential buyer.

The building may not meet the basic requirements for ADA accessibility. Determination of compliance with this act is beyond the scope of this appraisal, as well as the expertise of the appraiser. Compliance with this act depends upon the use of the property and the number of employees, and a future owner may not be required to make any changes to the property to meet these requirements. However, a potential buyer should be aware of the American's with Disabilities Act (ADA) and consider the possibility that changes may be required in the future.

BUILDING SKETCH



SKETCH CALCULATIONS		Perimeter	Area
Garage Area			
Detached Garage			800.0
Porch Area			
Porch			526.0
Building Area			
First Floor			1519.0
Second Floor			1519.0
	Total Building Area		**3038.0**
Basement Area			
Basement			1519.0

WinSketch by Jammin Software

HIGHEST AND BEST USE

Highest and best use may be 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." 4

The first step is to consider the land as if vacant. This step is necessary to support a value estimate of the land if required for the Cost Approach. In addition, a land value may be necessary for an improved property to determine if the improvements added to the overall value of the property. In some instances, the land may be more valuable for an alternative use as opposed to the present use with existing improvements and redevelopment could be the highest and best use of an improved parcel.

The second step requires determining the highest and best use of the property as improved. This step is not necessary for vacant land. The use that maximizes an investment property's value is the highest and best use of the property and may not be the existing use in all circumstances.

A process of elimination can be used to determine the highest and best use of the property as if vacant or as improved. The first consideration is to determine the uses that will be physically possible on the site. The size of the lot, topography and soil conditions can physically limit the potential uses of any property.

The second consideration is to determine which of the uses that are physically possible are also legally permissible. Zoning will often limit the types of uses for a site and consideration must be given to other items such as deed restrictions or existing long-term leases that would limit the potential uses of a property.

The third step is to determine which uses would be financially feasible. This requires consideration of the demand for each potential use and the supply of existing properties that could serve that use. The location of a property can also be an important consideration in determining if certain uses would be financially feasible for a certain property.

The last step is to decide which of the uses that are still potential uses of the property will be maximally productive or would generate the highest value for the property. This step requires considerable analysis to determine which types of uses are in the greatest demand and can generate the greatest productivity for the specific property being appraised.

The following is a summary of the considerations regarding the subject property. A table was used to reflect a summary of the process of elimination to determine the highest and best use of this property. Potential uses are considered in broad categories, and a process of elimination is used based on the four criteria to establish the highest and best use. Once a use category is eliminated, it is no longer considered as a potential highest and best use for this property.

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4 The Appraisal of Real Estate, Appraisal Institute, 10th Edition, page 275.

Highest & Best Use Summary - Land as if Vacant				
Potential Use	Physical Possible	Legally Permissible	Financially Feasible	Maximally Productive
Agricultural	Too Small	---	---	---
Forestry	Too Small	---	---	---
Land Holding	Yes	Yes	Yes	Yes
Recreation	Yes	Yes	No	---
Single Family	Yes	Yes	Yes	No
Multi-Family	Yes	Yes	No	---
Retail	Yes	No	---	---
Office	Yes	Yes	Yes	Yes
Parking	Yes	Yes	Yes	Yes
Industrial	No	---	---	---

Given the unknown status of the State Complex at this time, it is likely that the highest and best use of the lot as though vacant would be a landholding for future development. This lot could be used for office development, and the State Complex may create a demand for this use in this neighborhood. The future status of the State Complex is unknown at present, and therefore, it is unlikely that anyone would develop this lot based on speculation. Additionally the lot is located in a flood plain, and therefore, any development would have to be raised above the flood elevation, which can add considerably to the cost of development. This lot could be used for parking for the State Complex, which would likely be the maximally productive interim use until the status of the State facility is known.

Highest & Best Use Summary - AS IMPROVED				
Potential Use	Physical Possible	Legally Permissible	Financially Feasible	Maximally Productive
Agricultural	No	---	---	---
Forestry	No	---	---	---
Single Family	Yes	Yes	Yes	No
Multi-Family	Yes	Yes	No	---
Retail	Yes	No	---	---
Office	Yes	Yes	Yes	Yes
Industrial	No	---	---	---
Redevelopment				
Single Family	Yes	Yes	No	---
Multi-Family	Yes	Yes	No	---
Commercial	Yes	Yes	No	---
Industrial	Yes	No	---	---

The highest and best use of the subject as improved would be as an office building. This was the former use of the subject, and it is well suited for this use. The proximity to the State Office Complex would improve the appeal of this building for this use. There may be some specialized commercial uses that would be suitable for this building, such as a daycare. The value of the property for these uses would be similar to the value for office use. The site does not have the visibility necessary for a retail type use.

The building could be renovated for use as a house. However, the proximity to the State Office Complex would limit the appeal of this building for this specific use. It would also require more extensive plumbing and a full kitchen installed. This would increase the cost of renovations considerably. In addition, the second floor would most likely require extensive renovations if it were to be converted to a residential use. While this use is possible, the close proximity to a large office complex would limit the appeal and in my opinion it is not the maximally productive use. However; it does provide an alternative use for the property.

APPRAISAL APPROACH

The appraisal process typically involves applying three generally accepted appraisal approaches to estimate the value of a property. These three approaches are known as the Cost Approach, the Sales Comparison Approach, and the Income Approach. Each of these approaches is considered for each appraisal; however, not all are applicable for every property and only the approaches that are considered to reflect market considerations are used to value the subject property.

The Cost Approach

This approach is based upon the principle of substitution, which assumes that a prudent purchaser would not pay more for an existing structure than it would cost to purchase a vacant lot and build a similar structure of equal quality, less depreciation. The Cost Approach requires the appraiser to first estimate the value of the land as if vacant. The value of the land is typically estimated based on a sales comparison approach in which recent sales of similar lots are compared to the subject property as if vacant. The cost to replace the existing improvements is then estimated. The final step is to estimate the amount of depreciation to the existing improvements from all causes including physical deterioration, functional obsolescence and economic obsolescence. The estimated accrued depreciation is deducted from the replacement cost of the improvements plus the value of the land as if vacant to arrive at a value estimate by the Cost Approach.

The Sales Comparison Approach

This approach to value is also based upon the principle of substitution. In this approach, it is presumed that the market value of a property will approximate the sales price of similar properties offering similar utility. Recently sold similar type properties are compared to the subject property. These sales are analyzed and adjustments made to compare each sale to the subject property with respect to many factors such as location, condition, size, and market conditions. After adjustments, each comparable sale provides an indicated value for the subject property, and these indicated values are correlated to provide an estimate of value by the Sales Comparison Approach.

Income Approach

A value can be derived for an income producing type property based on the anticipated benefits. This requires the appraiser to first estimate the anticipated benefits or the income that can reasonably be anticipated to be generated from the property. The potential gross income is first estimated based on existing leases and recent leases for similar type space. The expenses and potential vacancy and rent loss must be estimated based on the operating history of the property, as well as what is typical in the market. The net operating income is then used to derive a value estimate for the property.

The conversion of net income to value can be accomplished by either direct capitalization or a discounted cash flow method. Direct capitalization is a method of converting a single year's income into value in one step. This method is reliable when the income is anticipated to remain relatively stable.

In cases where income is anticipated to vary considerably, a discounted cash flow method can be used. This method considers the future benefits over the typical holding period, which includes an annual cash flow plus the reversion or sale of the property at the end of the holding period. The anticipated cash flow is discounted to present value to reflect the anticipated return required by investors in the market. This approach typically reflects the considerations of real estate investors; however, it requires speculative projections regarding future market conditions that can limit the reliability of this approach.

Final Reconciliation

The last step in the appraisal process is to consider the separate values indicated by the approaches used for the property, and determine a final value for the property. A weighted average is generally used to derive the final value estimate. The approaches with the most market support or the approach that most closely reflects the considerations of buyers for these types of properties are given the greatest weight. Other approaches may be given considerably less weight depending on the type of property and support for each of the approaches used to value the subject property.

LAND VALUATION

The value of the land as if vacant can be provided as a guide to determining the highest and best use and for use as one of the components to the Cost Approach. The value of the land is estimated as if the site was vacant and the land was purchased to be used to its highest and best use.

There are several techniques that can be used in estimating land value; however, the Sales Comparison Approach is the most common and is preferred when recent sales of similar lots are available. This approach requires the appraiser to research sales of similar vacant parcels and then compare those properties to the subject property to derive an estimate of value for the subject as if vacant. This approach is often limited because of a lack of sales data.

Other methods for valuing land include allocation, extraction, subdivision development, land residual, and ground rent capitalization. These methods are generally only considered under special circumstances or when there is insufficient data to support a value by the Sales Comparison Approach.

In this instance a separate value for the land as if vacant was not considered necessary. The subject property is located in an older, fully developed neighborhood, and this limits the amount of market data available to support a value for the land as if vacant. The cost approach was not relied upon, and therefore, a separate value for the land as if vacant was not necessary. The existing building is old, but it adds to the overall value of this site. Therefore, a separate land value was not necessary to support the highest and best use conclusions.

In summary, there is a lack of market data available to support a reliable value for the land as if vacant, and a value for the land as if vacant was not necessary to produce a credible appraisal for the property as improved.

COST APPROACH

The Cost Approach is one of the three basic approaches to value for real estate. This basically is a four-step process to derive a value estimate.

1) Estimate the value of the land as if vacant.

2) Estimate the cost to replace the existing improvements with improvements offering similar utility and of similar overall quality.

3) Determine the amount of depreciation of the improvements. Depreciation includes physical deterioration, functional obsolescence, and economic obsolescence.

4) Subtract the accrued depreciation from the replacement cost of all improvements and add the estimated value of the land to derive a value estimate by the Cost Approach.

This approach is most reliable when the improvements are new and there is a demand for this use in the market. In this instance the Cost Approach was not relied upon as a guide to value for the subject property for the following reasons.

1. There is a lack of market data available to support a value for the land as if vacant. Land value is an important component to the value indicated by the Cost Approach. The lack of support for the land value would reduce the reliability of the value indicated by this approach.
2. The building is quite old, and it is difficult to provide accurate replacement cost figures for this type of older historic building.
3. Depreciation is a subjective estimate for a building of this age. The need to make a substantial adjustment for physical deterioration would limit the reliability of the value conclusion by the Cost Approach.
4. The typical buyer of this type of property would not consider new construction. Therefore, the cost approach would not reflect the considerations of a typical buyer and was not relied upon as a guide to value.

SALES COMPARISON APPROACH

The Sales Comparison Approach is based upon the assumption that a potential buyer will pay no more for a property than other buyers paid for similar properties. There are five basic steps in this approach to value.

1) Research the market and obtain data regarding recent transactions and current offerings of properties that are similar to the subject property.

2) Verify the information to determine if the data is accurate and the transaction reflects an arm's-length market sale.

3) Select an appropriate unit of comparison and develop a comparative analysis.

4) Compare the subject and the comparable sales according to elements of comparison and adjust the sale price of each comparable to reflect differences between the subject property and the comparable sale.

5) Reconcile the values indicated by each of the comparables to arrive at an overall value indicated by the Sales Comparison Approach.

This approach reflects the actions of buyers and sellers in the market and generally is the most reliable guide to value. It can be limited by a lack of sales of similar type properties, particularly if the subject property is unique.

In this instance, the Sales Comparison Approach was considered as the only reasonable guide to market value. There have been some recent sales of offices in this market area, which were considered as a good guide to value. However; the number of transactions in this market has been limited, and therefore, some older sales and sales from a larger geographic area were considered.

COMPARABLE SALE #1

Location: 1080 Waterbury-Stowe Road, Waterbury, Vermont
Grantor: Jesse Pelton, Executor of the Estate of Joan Pelton
Grantee: EM Properties, LLC
Date of Sale: May 21, 2012 — Deed Book/Page: 315/75
Sale Price: $375,000 — Sale Price/SF: $100.43/SF

Site Description: Size: Approx. 0.33 acres — Land to Building Ratio: 3.85 to 1
Visibility: Good – AADT 15,600 — Access & Frontage: Average
Utilities: Municipal water & sewer — Zoning: "Rt. 100 District" - Commercial

Improvements: Age: Built in 1850 Size: 3,734 SF Approx. Bsmt: Full, Unfin.
Description: Two story, wood frame commercial building on a stone foundation. It has a slate shingle roof. The interior has hardwood flooring, and the heat is propane, baseboard hot water. There is gravel parking lot with adequate parking. The building is considered to be a good quality office building in good overall condition at the time of sale.

Transaction Data: Terms of Sale: Cash to Seller
Comments: The property transferred ownership to the estate in April 2012: however, this was not an arm's length transaction. The buyers intend to occupy most of the building and there is one additional tenant at this time.

Source: Municipal records, Broker

COMPARABLE SALE #2

Location: 137 South Main Street, Waterbury, Vermont
Grantor: Jayne & William Collins
Date of Sale: July 9, 2010
Sale Price: $273,000

Grantee: JNK Pro Properties, LLC
Deed Book/Page: 279/696
Sale Price/SF: $102.09

Site Description: Size: Approx. 0.33 Acres
Visibility: Good
Utilities: Municipal Water & Sewer

Land to Building Ratio: 5.38 to 1
Access & Frontage: Adequate
Zoning: Commercial

Improvements: Age: Built 1910 Size: Approx. 2,674 SF Bsmt: Unfin.
Description: Two story, wood frame residential building that was converted to a professional office on the first floor with an apartment on the second floor. There is a detached garage that is finished and contains 1,026 SF and is used as an additional 1 bedroom apartment. The building has baseboard hot water heat and central a/c in the office unit. It is an average quality building in average overall condition.

Transaction Data: Terms of Sale: Cash to seller
Comments: The first floor is a physical therapy office and there are two apartments. It is located on Route 100, but in an area that is primarily residential with a few offices.

Source: Municipal records

COMPARABLE SALE #3

Location: 30 Crosstown Road & Route 100, Waterbury, Vermont
Grantor: Joel & Michelle Baker
Date of Sale: Jan. 6, 2009
Sale Price: $334,500

Grantee: Joseph & Pamela Greene
Deed Book/Page: 267/191
Sale Price/SF: $121.55

Site Description: Size: Approx. 0.12 Ac.
Visibility: Good – AADT 14,500
Utilities: Municipal water & sewer

Land to Building Ratio: 1.9 to 1
Access & Frontage: Good – Corner Lot
Zoning: Commercial

Improvements: Age: 100+ yrs/Renov. in late 1980's Size: Approx. 2,752 SF Bsmt: Unfin.
Description: Two story, wood frame, older residential dwelling that was completely renovated into good quality office space. It has wood exterior siding, standing seam metal roof and an attractive covered porch. The building has oil fired hot water heat and central a/c. This is a good quality office building in good overall condition at the time of sale.

Transaction Data: Terms of Sale: Cash to seller
Comments: It is a corner lot with good visibility on Route 100 near access to Interstate 89. It was purchased by a tenant, but the value was considered to reflect market values.

Source: Municipal records, Grantor

COMPARABLE SALE #4

Location: 147 State Street, Montpelier, VT
Grantor: Snyder, etal
Grantee: Linden Street Property, LLC
Date of Sale: September 8, 2010
Sale Price: $450,000
Sale Price/SF: $95.66

Site Description: Size: Approx. 0.31 ac
Visibility: Good – AADT -9,400
Utilities: Municipal water & sewer .
Flood Zone: Yes "A-10"
Land to Building Ratio: 2.87 to 1
Access & Frontage: Good – Corner lot
Zoning: CB – II

Improvements: Age: Built 1855 Size: Approx. 4,704 SF Bsmt: Full, Unfin.
Description: Two story, wood frame, older residential dwelling converted to a real estate office on the first floor with two apartments on the second floor. It has an oil fired steam heating system, and only windows a/c units. There is covered porch, two fireplaces, and a detached three bay garage containing an additional 600 SF. This is an average quality office building in average to good overall condition.

Transaction Data: Terms of Sale: Cash to seller
Comments: The buyers will be occupying the second floor as their offices; however, the Grantee represented that this change in use required minimal renovations.

Source: Municipal records, Grantor, Grantee

COMPARABLE SALE #5

Location: 113 Church Street, St. Johnsbury, Vermont
Grantor: Daniel Brodkowitz
Date of Sale: May 12, 2009
Sale Price: $164,000

Grantee: 113 Church Street, LLC
Deed Book/Page: 339/270
Sale Price/SF: $35.98

Site Description: Size: Approx. 0.24 Ac.
Visibility: Average – Side Street
Utilities: Municipal Water & Sewer

Land to Building Ratio: 2.3 to 1
Access & Frontage: Good – Corner
Zoning: Residential

Improvements: Age: Built 1850 Size: Approx. 4,558 SF Bsmt: Full - Unfinished
Description: Two and a half story, wood frame former house converted to offices on the first floor with two apartments on the upper levels. It has oil fired hot water heat, large covered porch, second floor porch, 4 fireplaces, and a 213 SF garage. The second floor contains a 3 bedroom apartment with a 1 bedroom unit on the third floor. It is an average quality older building, but at the time of sale was in below average condition. It was renovated in the 1970's but had not been upgraded since that date and it was in need for renovations.

Transaction Data: Terms of Sale: Cash to seller
Comments: It had been used by an owner occupied Orthodontics' office and was purchased for this continued use. There was some personal property, but it is my understanding that this was a separate agreement.

Source: Municipal records, Grantor

COMPARABLE SALE #6

Location: 420 Washington Street (Route 302) Barre, Vermont
Grantor: Project Independence, Inc. Grantee: Leo & Joyce Dutil
Date of Sale: Jan. 26, 2011 Deed Book/Page: 263/28
Sale Price: $70,000 Sale Price/SF: $20.35

Site Description: Size: Approx. 13.74 Ac. Land to Building Ratio: 175 to 1
Visibility: Above Avg. – AADT – 6,200 Access & Frontage: Limited
Utilities: Municipal Water & Sewer Zoning: Commercial & Residential
Comments: Very irregular shaped lot that slopes up steeply

Improvements: Age: Old – 100+/- yrs. Size: Approx. 3,440 SF Bsmt: None
Description: One and part two story, wood frame building that had been used as large meeting room with offices. It has vinyl siding and a shingle roof. There is a large open meeting room on the interior and several smaller rooms used as offices and 3 bathrooms on the first floor. The building has oil hot water heat and a central a/c to the meeting room only. It is an average quality building in below average condition at the time of sale.

Transaction Data: Terms of Sale: Cash to seller – On the market for approximately 1 year with an asking price starting at $129,900.
Comments: It is located in both Barre City and Barre Town with the building in the City and zoned for commercial use. There is approximately 10 acres in Barre Town that is zoned residential and has limited utility because of the shape, access, and topography. The building was in need of renovations at the time of sale with a new foundation needed under the one story addition and a new roof cover needed.

Source: Municipal records, Broker (Nancy Gale)

COMPARABLE SALE #7

Location: 215 Pleasant Street, Bennington, Vermont
Grantor: American Red Cross
Grantee: Green Mountain Community Network
Date of Sale: May 13, 2009
Deed Book/Page: 463/280
Sale Price: $167,000
Sale Price/SF: $45.63

Site Description: Size: Approx. 0.6 Ac.
Land to Building Ratio: 7.1 to 1
Visibility: Average
Access & Frontage: Average – 141'
Utilities: Municipal Water & Sewer
Zoning: Central Business District

Improvements: Age: Old – 100+ yrs. Size: Approx. 3,660 SF Bsmt: Part/Unfin.
Description: Two story, wood frame residential type building that in the 1980's had been renovated and converted to an office type use. It has wood exterior siding and a slate roof. The interior finish is with older wood floors, mostly plaster walls, older windows and doors. The building has oil fired hot air heat and central a/c. There is a covered porch, 2 detached garages, and an attached greenhouse. It is an average quality office building that was in below average condition at the time of sale.

Transaction Data: Terms of Sale: Cash to seller
Comments: Both parties are non-profits with many of the same principals involved with both organizations. However, the sales price was based on market values.

Source: Municipal records, Grantee's representative

COMPARABLE SALE #8

Location: 4 South Main Street, Hardwick, Vermont
Grantor: Valley Lake Development Corp. Grantee: Cornerstone Restoration Corp, LLC
Date of Sale: April 7, 2009 Deed Book/Page: 133/108
Sale Price: $140,000 Sale Price/SF: $19.55

Site Description: Size: Approx. 0.4 Ac Land to Building Ratio: 2.43 to 1
Visibility: Good Access & Frontage: Good - Corner
Utilities: Municipal Water & Sewer Zoning: Commercial
Comments: There is a small parking lot behind the building, but parking is limited for a building of this size.

Improvements: Age: 100+ yrs. Size: Approx. 7,160 SF Bsmt: Unfinished – 3,580 SF
Description: Three story, wood frame, historic building that at one time was hotel. The third floor has not been used for some 60 years and is basically storage. The building has oil hot air heat and a large covered porch. It is a historic building in need of renovations. The roof leaks, the interior finish is old and the buyer completely renovated the building.

Transaction Data: Terms of Sale: Cash to seller
Comments: The building has a prime location with this rural village, but it is in need of major renovations. The only tenant at the time of sale was a boxing club that was not paying rent.

Source: Municipal records, Grantee

SALES COMPARISON GRID

	SUBJECT	Comparable #1		Comparable #2		Comparable #3		Comparable #4	
Identification	43 Randall St. Waterbury, VT	1080 Route 100 Waterbury, VT		137 South Main St. Waterbury, VT		30 Route 100 Waterbury, VT		147 State Street Montpelier, VT	
Sale Price	N/A		$375,000		$273,000		$334,500		$450,000
Property Rights	Fee Simple	Similar	---	Similar	---	Similar	---	Similar	---
Financing	Assume Typical	Similar	---	Similar	---	Similar	---	Similar	---
Conditions of Sale	Assume Typical	Similar	---	Similar	---	Similar	---	Similar	---
Market Conditions	Nov-12	May-12	0.00%	Jul-10	-7.50%	Jan-09	-15.00%	Sep-10	-6.67%
Adjusted Price	---		$375,000		$252,525		$284,325		$419,985
Price/SF			$100.43		$94.44		$103.32		$89.28
Land to Building Ratio	Assumes 4.6 to 1	3.85 to 1	---	5.38 to 1	---	1.9 to 1	---	2.87 to 1	---
Location	Average	Superior	-$10.00	Similar	---	Superior	-$10.00	Superior	-$10.00
Frontage/Access	Average	Similar	---	Similar	---	Similar	---	Similar	---
Visibility - AADT	Limited	Superior	-$5.00	Superior	-$4.50	Superior	-$5.00	Superior	-$4.50
Design/Appeal	2 St./Frame	2 St./Frame	---	2 St./Frame	---	2 St./Frame	---	2 St./Frame	---
Age/Condition	76 yrs./Poor	Old/Good	-$25.00	Old/Avg.	-$15.00	Old/Good	-$25.00	Old/Avg-Gd	-$20.00
Size - SF	3,038	3,734	$2.00	2,674	-$1.00	2,752	-$1.00	4,704	$5.00
Heat - A/C	Gas/New - Non-Oper.	Gas - None	$2.00	Gas - Part Cent.	$1.00	Oil - Central	---	Oil - None	$2.00
Quality	B. Avg.	Good	-$5.00	Average	---	Good	-$5.00	Average	---
Basement	Full, Unfin.	Similar	---	Similar	---	Similar	---	Similar	---
Functional Utility	Average	Similar	---	Similar	---	Similar	---	Similar	---
Flood Zone	Yes	No	-$10.00	Yes - Sup.	-$5.00	No	-$10.00	Similar	---
Att/Det. Buildings	Garage - 800 SF	None	$4.00	1026 SF Fin.	-$10.00	None	$4.00	Det. 600 SF	---
Parking	Limited	Average	-$5.00	Average	-$5.00	Average	-$5.00	Average	-$5.00
Other	Porch, Attic	Cov. Porch	$0.00	Porch, Ramp	$0.00	Cov. Porch	$0.00	Cov. Porch	$0.00
Net Adjustments			-$52.00		-$39.50		-$57.00		-$32.50
Indicated Value			**$48.43**		**$54.94**		**$46.32**		**$56.78**

SALES COMPARISON GRID

	SUBJECT	Comparable #5		Comparable #6		Comparable #7		Comparable #8	
Identification	43 Randall St. Waterbury, VT	113 Church St. St. Johnsbury, VT		420 Washington St. Barre, VT		215 Pleasant St. Bennington, VT		4 South Main St. Hardwick, VT	
Sale Price	N/A		$164,000		$70,000		$167,000		$140,000
Property Rights	Fee Simple	Similar	---	Similar	---	Similar	---	Similar	---
Financing	Assume Typical	Similar	---	Similar	---	Similar	---	Similar	---
Conditions of Sale	Assume Typical	Similar	---	Similar	---	Similar	---	Similar	---
Market Conditions	Nov-12	May-09	-13.33%	Jan-11	-4.58%	May-09	-13.33%	Apr-09	-13.75%
Adjusted Price	---		$142,139		$66,794		$144,739		$120,750
Price/SF			$31.18		$19.42		$39.55		$16.86
Land to Building Ratio	Assume 4.6 to 1	2.3 to 1	---	175 to 1	---	7.1 to 1	---	2.43 to 1	---
Location	Average	Inferior	$15.00	Inferior	$15.00	Inferior	$10.00	Inferior	$10.00
Frontage/Access	Average	Similar	---	Similar	---	Similar	---	Similar	---
Visibility - AADT	Limited	Similar	---	Superior	-$1.00	Similar	---	Superior	-$1.00
Design/Appeal	2 St./Frame	2.5 St./Frame	---	1.5 St./Frame	---	2 St./Frame	---	3 St./Frame	---
Age/Condition	Old/B. Avg.	Old/Sim.	---	Old/Inf.	$15.00	Old/Sim.	---	Old/Inf.	$10.00
Size - SF	3,038	4,558	$4.50	3,440	$1.00	3,660	$2.00	7,160	$12.50
Heat - A/C	Gas/New - Non-Oper.	Oil - None	$2.00	Oil - Part Cent.	$1.00	Oil - Central	---	Oil - None	$2.00
Quality	Average	Similar	---	Similar	---	Similar	---	Similar	---
Basement	Full, Unfin.	Similar	---	None	$5.00	Similar	---	Similar	---
Functional Utility	Average	Similar	---	Similar	---	Similar	---	Similar	---
Flood Zone	Yes	No	-$10.00	No	-$10.00	Yes - Sup.	-$5.00	No	-$10.00
Att/Det. Buildings	Garage - 800 SF	None	$4.00	None	$4.00	Garages	---	None	$4.00
Parking	Limited	Average	-$5.00	Average	-$5.00	Average	-$5.00	Limited	---
Other	Porch, Attic	Cov. Porch	$0.00	Porch	$0.00	Greenhouse	$0.00	Cov. Porch	$0.00
Net Adjustments			$10.50		$25.00		$2.00		$27.50
Indicated Value			**$41.68**		**$44.42**		**$41.55**		**$44.36**

Conclusion to Sales Comparison Approach

Comparable sales #1 - #4 are sales of offices that were considered comparable to the subject assuming the interior is renovated. These sales were used as one guide to value but adjusted for the inferior condition of the subject because of the flood damage. Comparables #5 - #8 are commercial properties that were in need of renovations at the time of sale. These properties are from a larger geographic area but were selected because the condition of these buildings was similar or in some cases inferior to the current condition of the subject.

The sales were adjusted for market conditions to reflect the changing real estate values over the past few years. An attempt was made to use recent sales, but it was necessary to use some data that is older and adjustments were made to reflect the change in market conditions. In 2008, the country entered a significant economic recession, and the demand for commercial real estate decreased considerably. Therefore, I have forecasted a 5% average decrease from January 2008 to the end of 2011. The economy appears to be improving in 2012 with the demand for commercial real estate improving. It would appear that the values have stabilized and therefore, no adjustment was made for any period of time from January 1, 2012 to present.

A unit of comparison was used in this analysis, "price per square foot." The sale price was divided by the gross building area to derive this figure. This is a common unit of comparison for commercial properties because the size of the building has a significant impact on value. An attempt was made to find transactions involving buildings in a similar size range. However, adjustments were made for building size to reflect that larger buildings generally sell at a lower price per square foot than a comparable but smaller building. There are more potential buyers for the smaller buildings and less anticipated risk.

In this instance, no adjustment was made for the differences in lot size. The subject and the comparables all have fairly small lots, and the only utility of the added space would be for parking. A separate adjustment was made to reflect the limited parking for the subject. Comparable #6 has a much larger lot, however; the topography of this lot would make most of the lot unusable. In addition, it is in a more rural location and the surplus land would not add significant value to the property.

An attempt was made to use properties in Waterbury, however; there is limited market data, and therefore, some sales were used from a larger geographic area, and adjustments for location were made based on the average property values in these other markets. Comparables #1 and #3 are in Waterbury, but in a better commercial location on Route 100 near Stowe. This is considered a superior location because it is closer to Interstate 89 and benefits from the tourist traffic that relies on Route 100 to access the resort community of Stowe.

Large adjustments were made for the subject's current condition. The first floor had significant damage from Hurricane Irene and would require significant improvements before it could be considered useable. The cost factors could vary considerably depending on the scope and quality of the work anticipated by the buyer. The adjustment to the comparables was estimated based on the condition of each property. A cost for the improvements was estimated at $25/SF for office space in good overall condition and $15/SF for average condition.

Comparables #5 - #8 were in below average condition, and therefore, a much smaller adjustment was used for condition. Comparables #5 and #7 are older houses converted to office space that were in need of some upgrades at the time of sale. Generally, the overall condition of these buildings was judged similar to the subject. Comparable #6 and #8 were judged in inferior condition because these buildings needed structural repairs. Comparable #6 needed a new foundation under part of the building and Comparable #8 needed a new roof and had considerably more interior damage.

The subject is located in a flood plain, which can add considerably to the operating costs because of the need for flood insurance. Flood insurance is expensive, and generally, mortgage lenders require borrowers to cover the amount of the loan. In addition, the recent flooding in this area may have a negative impact on marketability of properties in the flood zone.

An adjustment was also estimated for the detached garage. This had been finished office space, however; given the extent of the damage to the building, it was not included in the overall square footage. The contributory value of this structure was estimated at (800 SF @ $15/SF) $12,000 in "as is" condition. This is fairly low, but reflects the possible need for foundation work. The adjustment for the benefit of this garage was ($12,000/ 3,038 SF) $4/SF after rounding. Comparable #2 has a finished garage that provides a living unit, and therefore, has considerably more value than the garage at the subject site in "as is" condition.

After adjustments the comparable sales #1 - #4 indicated a value range of $46 to $57 per square foot. This is a larger range than would be preferred, but this is common in this market with a limited amount of market data. The mid-range indicated by these four transactions is $51.55 and the average is $51.62.

Comparables #5 - #8 are from a larger market area but were in need of renovations at the time of sale. These sales reflect a range of $42 to $44 per square foot. The mid-range and the average of these four sales is $43/SF. This market data was not as heavily relied upon because the locations varied considerably, however; this data generally supports a similar value range.

I have used a weighted average to estimate the final value conclusion. Comparables #1 - #3 are all located in Waterbury and therefore, 20% weight was placed on the values indicated by these sales, Comparable #4 was given less weight (10%) because it is in another community and Comparables #5 - #8 were given the least consideration at 7.5% each, indicating a weighted average for the subject at $48/SF, after rounding.

3,038 SF @ $48/SF = $145,824

Indicated Value by the Sales Comparison Approach, rounded to, $145,000

INCOME APPROACH

The Income Approach derives a value estimate based upon the present value of the future benefits of property ownership. This approach involves a series of techniques used in order to convert a property's capacity to generate monetary benefits into value. It is heavily relied upon in the valuation of investment type properties.

There are basically two techniques that appraisers use, direct capitalization and discounted cash flow analysis. Direct capitalization relies upon a comparison of one year of income to value. This can be a very reliable value estimate if income is not anticipated to change considerably and when capitalization rates can be derived directly from the market. However, if changes in income are anticipated due to changes in vacancy rates or expiration of existing leases, this approach may not be adequate to effectively adjust for those future changes. This method can also be limited by a lack of market data to support the capitalization rate. Income and expense information is often confidential and without actual income and expense data, the reliability of the capitalization rate is reduced.

The discounted cash flow method considers the future benefits during a typical holding period. This approach is used when income is projected to change during the holding period. This approach reflects the considerations of investors who are anticipating the long-term benefits of property ownership. However, this technique requires speculative projections on future market conditions that are difficult to support. This method requires that a series of yearly cash flows be estimated and discounted to present value as well as the reversion or proceeds from the sale of the property at the end of the holding period.

The income approach was not relied upon as guide to value for the subject property for the following reasons.

1. The subject property is not currently leased. Therefore, there is no current income and expense data to rely upon in this approach, and this would limit the reliability of a value indicated by this approach. It has not been leased in the past eliminating the potential for any historic operating history as an investment property.
2. The property has been managed as part of the larger State Office Complex and there are no separate expense estimates for just this building. This would further complicate the projections of net operating income that can be anticipated.
3. The subject property is not a typical investment type property and the most likely buyer would be an owner/occupant. It is design for single tenant and therefore, would not attract a typical investor. Therefore, the income approach would not reflect the typical considerations of a buyer.

RECONCILIATION OF VALUE ESTIMATES

In this instance, the Sales Comparison Approach was considered, with the following value indicated for the subject property.

SALES COMPARISON APPROACH $145,000

The Cost Approach was not considered a reliable guide to market value. There is a limited amount of market data available to support the land value, which would reduce the reliability of this approach. Replacement cost factors can vary and deprecation is a subjective estimated for older buildings like the subject. Therefore, this approach was not considered a reliable guide to value for this property.

The Sales Comparison Approach was considered the only reliable guide to value. Several relatively recent transactions were analyzed and after adjustments, a similar value range was indicated for the subject. Therefore, this approach is considered to be well supported and a reliable guide to value for this property.

The Income Approach was not considered as a reliable guide to market value in this instance. The subject property is currently vacant, and therefore, there are no actual income and expense figures to rely on in this analysis. The primary motivation of a buyer would be for occupancy. It is a single tenant building which would not appeal to a typical investor. Therefore, the income approach was not relied upon because it would not reflect the considerations of a typical buyer.

Therefore, based upon the information provided in this report and additional data on file, it is my opinion that the market value of the subject property, as of November 15, 2012 is:

One Hundred Forty Five Thousand Dollars ($145,000)

The indicated market value assumes that there are no environmental problems or limitations. As a real estate appraiser I am not qualified to determine if there is any contamination. It is also assumed that all permits are in place for the existing improvements and current use of the property.

EXPOSURE TIME & MARKETING TIME

Exposure time is addressed to conform to the Uniform Standards of Professional Appraisal Practice. Exposure time is defined as, "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. Exposure Time is a retrospective opinion based on an analysis of past events assuming competitive and open market.[1]

Marketing Time is addressed to assist the client in understanding the appraiser's projection of the time necessary to sell the property. It is a very subjective estimate and can vary from property to property. Marketing time is considered to be the period of time it might take to sell a property interest in real estate at the estimated market value level during the period immediately after the effective date of an appraisal. The difference between exposure time and marketing time is that exposure time assumes that the marketing has taken place, and marketing time is a projection into the future.

The estimated marketing time is a function of the asking price and the marketing efforts of the seller. The estimated marketing time for the subject is based on the assumption that it will be actively marketed at or near the value indicated in this report. A significantly higher or lower asking price would considerably alter the anticipated marketing period.

The number of commercial and industrial transactions in Vermont decreased considerably in 2008 and this trend has continued. The country entered a recession in 2008 and this had a significant impact on the real estate market. There were some signs of an economic recovery over the past year, but the demand for commercial real estate in this area has remained limited during this period. Therefore, a lengthy marketing time should be anticipated given the present economic conditions.

The subject is located in a small market area with no major cities, and often long marketing periods are required because there are a limited number of potential buyers. Waterbury is a relatively large commercial area for this rural region. There are several large businesses located in this community, which creates a stable economic base.

The close proximity to the interstate and the growth of several large companies in the area should keep the demand for offices relatively high. However; the significant loss of many state workers has had some effect on the local businesses, and could cause the demand for offices to decline if the State Complex is not fully restored. In addition, many potential buyers may be hesitant to buy property in this area given the recent flooding, which could increase marketing times.

It can be difficult to obtain actual marketing times on commercial properties in this area. Often the properties are marketed informally prior to actually being listed for sale with a broker. Other properties are listed with one broker for a period of time, then re-listed with another broker but the reported marketing time is only based on the last listing agreement. However, the following data is considered as one guide to marketing times in this area.

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[1] Uniform Standards of Professional Appraisal Practice, 2012-2013, Page 3.

Location	Town/City	Sale Date	Sale Price	Use	Time on Market
27 S. Main Street	Waterbury	04/22/11	$200,000	Office	5 Months
19-21 N. Main Street	Waterbury	12/27/11	$420,000	Mixed	1 Month
10 Evergreen Drive	Berlin	08/09/10	$174,000	Office	2 Months
147 State Street	Montpelier	09/08/10	$450,000	Office	1.5 Months
21 Merchant St.	Barre City	12/01/11	$180,000	Office	5 Months
171 Pony Farm Rd.	Moretown	06/05/12	$125,000	Office	8 Months
1673 Main Street	Waitsfield	06/05/12	$122,500	Office	32 Months

These are not necessarily direct comparables to the subject, but do provide a general indication of market times in this area. Generally, it can take from 1 month to over 2 years to market a commercial property in this market area. It is my opinion that the marketing time and the exposure time would be similar. However, the marketing time and exposure time could be increased significantly if a higher asking price were projected. I have projected a price at which the property could be sold within 12 months.

CERTIFICATION

1. The statements of fact contained in this report are true and correct.
2. The report analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, unbiased professional analyses, opinions, and conclusions.
3. I have no present or prospective interest in the property that is the subject of this report, and I have no personal interest with respect to the parties involved.
4. I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
5. My engagement in this assignment was not contingent upon developing or reporting predetermined results.
6. My compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
7. The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice.
8. Lawrence K. Martin made a personal inspection of the property that is the subject of this report. Lucas K. Martin was present during the inspection, assisted in gathering market data, analyzing the market data and preparing the appraisal report.
9. No one provided significant professional assistance to the persons signing this report.
10. The use of this report is subject to the requirements of the Appraisal Institute of which I am a member, relating to review by its duly authorized representative. As of the date of this report, Lawrence K. Martin, MAI has completed the continuing education program of the appraisal institute.
11. The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics and the Standards of Professional Appraisal Practice of the Appraisal Institute.
12. I am appropriately licensed to appraise the subject property in the State in which it is located.
13. I have not provided a previous service as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three year period immediately preceding acceptance of this assignment.

Lawrence K. Martin, MAI

Lucas K. Martin

ADDENDUM

1 - Statement of Assumptions and Limiting Conditions

2 - Qualifications of the Appraiser

3 - Letter of Engagement and instructions from the Client

4 - Legal Description of the Property

5 - Other Relevant Information

Statement of Assumptions and Limiting Conditions

1. Legal Information

The Appraiser assumes no responsibility for matters of a legal nature affecting the property appraised or the title thereto, nor does the Appraiser render any opinion as to the title, which is assumed to be good and marketable. The property is appraised as though under responsible ownership.

It is assumed that the property is in compliance with all federal, state, and local environmental regulations and laws unless stated in the report. It is also assumed that all zoning and use regulations or restrictions have been complied with, unless stated in the report.

It is assumed that any and all leases affecting the property are legally binding contracts between the lessee and the lessor. It is also assumed that all the data provided to the appraiser regarding any leases is accurate.

It is assumed that all required licenses or other legislative or administrative authority from any governmental body or private entity or organization have been or can be obtained or renewed for any use on which the value estimated in this report is based.

The real estate is appraised as if free and clear and it is assumed that there are no outstanding liens, leases and encumbrances, except as specified in the report.

2. Maps or Surveys

Any sketches or drawings, or descriptions may show approximate dimensions and are included to assist the reader in visualizing the property. The Appraiser has made no survey of the property. It is assumed that all improvements are within the boundaries of the property as described and there are no encroachments unless noted in the report.

It is also assumed that any surveys or site sketches provided to the appraiser are accurate, however; no responsibility is taken for these documents, and if included these maps or surveys are only to assist the reader in visualizing the property.

3. Physical Inspection

An appraisal is not considered a report on the physical items that are a part of the subject property. The appraisal contains information about the physical components, however; it should be understood that this information is only to be used as a general guide for property valuation and not as a complete or detailed physical report on the property. As a real estate appraiser, I am not qualified to give opinions as to the structural or mechanical adequacies of the property. It is recommended that all properties be inspected by a qualified engineer to determine the physical condition of all components.

The Appraiser assumes that there are no hidden or unknown conditions of the property, subsoil or structures which would render it more or less valuable. No responsibility is assumed by the Appraiser for such conditions or for engineering which might be required to discover such factors. The physical inspection by the appraiser includes only a casual view of the exposed building components. No attempt was made to view items that were not exposed to view and the structures were not checked for building code violations.

On all reports that are subject to satisfactory completion, repairs or alterations, the report and conclusion are contingent upon completion of the improvements in a workmanlike manner.

This appraisal is based on the assumption that no toxic, hazardous waste, hazardous materials, or gases as may be defined in any state statute or similar equivalent federal stature, is present on the appraised property and that there is full compliance with any and all hazardous waste statutes. Unless otherwise stated in the report, the existence of hazardous substances, including without limitation asbestos, petroleum leakage, or agricultural chemicals, or other environmental conditions, were not called to the attention of nor did the appraiser become aware of such during the appraisers inspection. The appraiser has no knowledge of the existence of such materials on or in the property, unless otherwise stated, and the value indicated by this report assumes that no such conditions exist. As a real estate appraiser we are not qualified to test such substances and, take no responsibility for any hazardous materials that could affect the value of the property.

The Americans with Disabilities Act (ADA) became effective in 1992; however, this act is unclear as to the requirements for existing buildings. If the building does not conform to all of the requirements of this bill, a new owner would have to consider the costs to renovate the building to meet the ADA requirements. Specific study of both the owners' financial ability and the cost to cure any deficiencies would be needed to determine compliance. Therefore, determination as to the properties compliance with ADA is beyond the scope of this appraisal assignment. Comments may be included regarding deficiencies, however; no attempt was made to complete an inspection to determine full compliance.

Unless specifically noted in the report, the estimated value is for the real property only with no consideration given for any personal property located on the property, or the cost to remove any personal property if not removed by the owner.

4. Use of Report

Neither all, nor any part of the content of the report, or copy thereof (including conclusions as to the property value, the identity of the Appraiser, professional designations, reference to any professional appraisal organizations, or the firm with which the Appraiser is connected), shall be used for any purposes by anyone but the client specified in the report, the mortgagee or its successors and assigns, mortgage insurers, consultants, professional appraisal organizations, any state or federally approved financial institution, any department , agency, or instrumentality of the United States or any state, without the previous written consent of the Appraiser; nor shall it be conveyed by anyone to the public through advertising, public relations, news, sales, or other media, without the written consent and approval of the Appraiser.

The Appraisal Institute reserves the right to review the report for conformance with their professional and ethical standards without prior approval of either client or legal counsel.

The function of this report is not for use in conjunction with a syndication of real property. This report cannot be used for this purpose and, use of this report relating to syndication activities is prohibited.

Any distribution of the valuation in the report between land and improvements applies under the exiting program of use. The separate valuations for land and building must not be used in conjunction with any other appraisal.

The Appraiser is not required to give any type of testimony or appear in court because of having made the appraisal, unless arrangements have been previously made therefore.

The Cost Approach has only been developed by the appraiser as an analysis to support their opinion of the properties market value. Use of this data, in whole or part, for other purposes is not intended by the appraiser. Nothing set forth in the appraisal should be relied upon for the purpose of determining the amount or type of insurance coverage to be placed on the subject property. The appraiser assumes no liability for and does not guarantee that any insurance value estimate inferred from this report will result in the subject property being fully insured for any loss that may be sustained. Further, the Cost Approach may not be a reliable indication of replacement or reproduction cost for any date other than the effective date of this appraisal due to changing building codes and governmental regulations and requirements.

5. Reliability of Data

Information, estimates, and opinions furnished to the Appraiser, and contained in the report, were obtained from sources considered reliable and believed to be true and correct. However, no responsibility for accuracy of such items furnished by the Appraiser can be assumed by the Appraiser.

The market data used in this report is assumed to be from a reliable source and attempts were made to verify all of the data considered. However, in many cases the amount of information available for comparable market activity is limited and the appraiser has relied on information provided by public records, brokers, property owners or other sources familiar with the property or transaction.

QUALIFICATIONS

Lawrence K. Martin, MAI
Real Estate Appraiser and Consultant
PO Box 791
Montpelier, Vermont 05601

REAL ESTATE EXPERIENCE

1. April 1994 to Present: Self employed real estate appraiser, Montpelier, Vermont. Specializing in commercial and complex investment property appraisals in Vermont.

2. November 1988 - April 1994: Staff Appraiser - Bredice Appraisal Associates, Inc. Montpelier, Vermont - Commercial and industrial real estate appraising as an independent contractor and after 1990 as an employee, specializing in the appraisal of complex investment type properties throughout Vermont and New Hampshire.

3. March 1985 - September 1988: Staff Appraiser - James W. Mason Associates, Hasbrouck Heights, New Jersey - Residential, commercial, and industrial real estate appraising in Northern New Jersey. A large variety of appraisal assignments were completed varying from form reports on single family dwellings to narrative reports on complex commercial properties.

4. April 1984 - March 1985: Staff Appraiser - Hallmark Appraisal Company, North Bergen, New Jersey - Residential and commercial real estate appraising specializing in single family and multi-family dwellings in an urban area.

5. September 1982 - April 1984: Sales Associate - Hearthstone Realtors, Inc., Montvale, New Jersey. Real estate sales and listings primarily of single family dwellings in a suburban area.

EDUCATION

West Virginia University, Morgantown, West Virginia, 1978-1982, B.S. degree in Business Administration (concentration in Finance)

Graduate Realtor Institute, National Association of Realtors, Courses 1, 2 and 3 completing the requirements for the GRI designation.

National Association of Independent Fee Appraisers:

Principles of Residential Real Estate Appraising	1983
Introduction to Income Property Appraising	1984
Market Abstraction Seminar	1985
Techniques of Income Property Appraising	1991
Marshall and Swift Residential Cost Approach	1985
Report Writing Seminar	1987
Limited Scope Appraisals & USPAP	June 1994
Litigation Valuation	July 1994
USPAP Update Seminar	Oct. 1996
Introduction to Historic Appraising Part I	Jan. 1998

Appraisal Institute:

Real Estate Appraisal Principles 1A-1	1985
Basic Valuation Procedures 1A-2	1986
Capitalization Theory and Techniques Part A	1986
Capitalization Theory and Techniques Part B	1987
Case Studies in Real Estate Valuation	1987
Standards of Professional Practice #410	1993
Report Writing and Valuation Analysis	1990
Appraising Conservation and Preservation Easements	1991
Appraising Troubled Properties	Sept. 1992
Americans with Disabilities Act Seminar	Sept. 1992
Rates, Ratios, and Reasonableness Part I	Oct. 1993
Rates, Ratios, and Reasonableness Part II	Dec. 1993
Discounted Cash Flow Analysis	Oct. 1993
Appraisal Review - Income Properties	Dec. 1993
Standards of Professional Practice #420	May 1994
Reviewing Residential Appraisal Reports	April 1995
The High Tech Appraisal Office	July 1996
The Internet & Appraising	July 1996
Difficult Appraisal Issues	Jan. 1997
Litigation Skills for the Appraiser	March 1997
Small Hotel/Motel Valuation	Sept. 1997
Computer Technology for R.E. Appraisers	Jan. 1998
Subdivision Appraisals	March 1998
Loss Prevention Seminar	May 1998
Land Use Planning	Nov. 1998
Standards of Professional Practice - Part C	Oct. 1998
Internet Search Strategies for R.E. Appraisers	Feb. 1999
Residential Design & Functional Utility	March 1999
Overview of the Income Approach	Jan. 2000
Attacking & Defending an Appraisal in Litigation	May 2000
Highest & Best Use	Sept. 2001
Appraising in a Changing Economy	Jan. 2002
Valuation of Conservation Easements	March 2002
Loss Prevention	Sept. 2002
Environmental Contamination Considerations	Nov. 2002
Appraising in a Changing Economy	Jan. 2003
USPAP Update 2003	March 2003
Analyzing Operating Expenses	May 2003
GIS and the Appraiser	March 2004
USPAP Update 2004	May 2004
Scope of Work	Oct. 2004
Small Hotel/Motel Valuation	Oct. 2004
Appraisal of Nursing Homes	Nov. 2004
Eminent Domain and Condemnation	Nov. 2004
Online – Using Your HP 12C Financial Calculator	Oct. 2005
Business Practices & Ethics	Feb. 2006
Subdivision Valuation	March 2006
Effective Appraisal Writing	June 2006
Real Estate Finance Statistics & Valuation Modeling	Sept. 2007
Recent Legislation on Ancient Road (VT Chapter)	Oct. 2007
Analyzing Distressed Real Estate	Dec. 2007
National USPAP Course Update	Jan 2008
Real Property Appraisal Issues	Aug. 2008

Appraisal Institute (Cont.)

National USPAP Course Update	Jan 2008
Appraisal Curriculum Overview	Nov. 2009
Introduction to Valuing Green Buildings	Nov. 2009
National USPAP Course Update	Jan 2010
Business Practices & Ethics	Aug. 2011
What Commercial Clients Would Like Appraisers to Know	Nov. 2011
National USPAP Course Update	Jan 2012
Fundamentals of Separating Real Property, Personal Property and Intangible Business Assets	April 2012

Massachusetts Board of Real Estate Appraisers

Expo 2007-Commercial Program	Nov 2007

PROFESSIONAL AFFILIATIONS

Member - Appraisal Institute (designated MAI)
President - Vermont Chapter (1998)
As of this date, Lawrence K. Martin, MAI has completed the requirements under the continuing educational program of the Appraisal Institute.

Former Board Member - Vermont Board of Real Estate Appraisers (Term: 1/1/1998-12/31/2008)

Licenses - Vermont - Certified General Real Estate Appraiser, #80-0000019, expires May 31, 2013

Member - National Association of Realtors

Member - Vermont Association of Realtors, Inc.

QUALIFICATIONS

Lucas K. Martin
Real Estate Appraiser – Trainee
PO Box 791
Montpelier, Vermont 05601

REAL ESTATE EXPERIENCE

1. June 2012 to Present: Trainee Real Estate Appraiser - Martin Appraisal Services Inc. Montpelier, Vermont, Commercial and Industrial Real Estate Appraising in Vermont.

2. September 2011 to May 2012: Appraisal Assistant - Martin Appraisal Services Inc. Montpelier, Vermont, Assisted with Real Estate Appraisals and Office Work.

3. May 2011 to August 2011: Appraisal Assistant – Vermont Agency of Transportation, Montpelier, Vermont, Assisted with Real Estate Appraisals and Office Work.

EDUCATION

University of Vermont, Burlington, Vermont, 2008-2012, B.S. degree in Business Administration (concentration in Finance)

Appraisal Institute:

OL Basic Appraisal Principals	January, 2012
OL Basic Appraisal Procedures	January, 2012
OL National USPAP	March, 2012
OL General Appraiser Sales Comparison Approach	October, 2012

License – Vermont - Certified General Real Estate Appraiser – Trainee, #080.0086387-TRNE, Expires, 10/31/2013

MARTIN APPRAISAL SERVICES, INC.
Lawrence K. Martin, MAI
Real Estate Appraiser - Consultant
P.O. Box 791
Montpelier, Vermont 05601-0791
Montpelier (802) 229-4807 Derby Area (802) 723-4694 Fax (802) 223-0036
Larry@mas-vt.com

AGREEMENT FOR REAL ESTATE APPRAISAL SERVICES

Date of Agreement: September 13, 2012

Client: Mr. Allen Palmer
State of Vermont
Department of Buildings & General Services
4 Governor Aiken Ave.
Montpelier, Vermont 05633-5801

Appraisal Firm: Martin Appraisal Services, Inc.

This document is a letter of engagement for appraisal services from Martin Appraisal Services, Inc. and the client indicated above. The following is a summary of the assignment and the terms.

Location of Property:
1. 121 South Main Street, Waterbury, VT
2. 123 South Main Street, Waterbury, VT
3. 43 Randall Street, Waterbury, VT
4. 5 Park Row, Waterbury, Vermont

General Description: Four separate parcels each improved with an older residential type structure that has been converted to commercial uses. Four separate appraisals will be provided estimating as "as is" value for each of these properties.

Interest Valued: Fee Simple Estate

Intended Users: Allen Palmer representing the Division of Property Management for the State of Vermont. (The assignment shall be prepared for the client and the intended users only.)

Intended Use: The intended use of this appraisal report is to assist in determining possible future sale price.

Type of Value: Market value as defined in the Federal Register, Part VI, Department of the Treasury, December 10, 2010

Date of Value: The property will be valued as of the date the appraiser visits the site.

Hypothetical Conditions or Extraordinary Assumptions: None

Martin Appraisal Services, Inc.

Applicable Requirements: The appraisal assignment will be completed in conformity with the Uniform Standards of Professional Appraisal Practice (USPAP.)

Scope of Work: The scope of this assignment will include the appraiser observing the interior and exterior of the building, site, and neighborhood. The valuation approach will include consideration of the three generally acceptable approaches (Cost Approach, Sales Comparison Approach, and Income Approach,) however, only the approaches most applicable to the property type will be fully developed. Attached to this letter is a copy of our Statement of Limiting Conditions and Appraiser's Certification, which are attached to all appraisals prepared by this office. Please review this information. Acceptance of this agreement would indicate acceptance of these documents.

Appraisal Report: The appraisal will be reported in a narrative report that is a considered as a "Summary Appraisal Report." The appraiser will provide the client with 1 hard copy and one electronic copy of the appraisal report.

Confidentiality: Appraiser shall not provide a copy of the written Appraisal Report to, or disclose the results of the appraisal prepared in accordance with this Agreement with, any party other than Client unless Client authorizes, except as stipulated in the Confidentiality section of the Ethics Rule of the USPAP.

Appraisal Fee: The fee for this service will be $1,250 per property or a total of $5,000 for the four appraisal reports. The fee is due regardless of the results of the appraisal and is not contingent upon any predetermined result or occurrence of a subsequent event.

Completion Date: The estimated completion date of the assignment is November 30, 2012.

Cancellation: Client may cancel this Agreement at any time prior to the Appraisers' delivery of the Appraisal Report upon written notification the Appraiser. Client shall pay Appraiser for work completed on the assignment prior to the Appraiser's receipt of cancellation notice. A minimum fee of $200 is charge for any cancellation to cover administrative expenses and scheduling issues.

Changes to Agreement: Any changes to the assignment as outlined in this Agreement shall necessitate a new Agreement. The identity of the client, intended users, or intended use; the date of value; type of value; or property appraised can not be change without a new agreement.

Appraiser and Use of Employees: Lawrence K. Martin and Lisa Martin are qualified to complete this assignment and both are licensed in Vermont as Certified General Real Estate Appraisers. This assignment will be completed by either Lawrence K. Martin or Lisa Martin, and they may be assisted by an employee or trainee.

Testimony at Court or Other Proceedings: Unless otherwise state in this Agreement, Client agrees that Appraiser's assignment pursuant to this Agreement shall not include the Appraiser's participation in or preparation for whether voluntarily or pursuant to subpoena, any oral or written discovery, sworn testimony in a judicial arbitration or administrative proceeding or attendance at any judicial, arbitration, or administrative proceeding relating to this assignment.

Martin Appraisal Services, Inc.

If any court testimony or other hearings are required regarding this appraisal assignment, the client will be billed an additional fee of $125 per hour for court testimony and preparation, plus travel expenses if required. A minimum of two hours will be billed for each appearance even if testimony is not necessary at any given date. If in the future an update of the appraisal report is requested, an additional fee for this service will be negotiated.

Governing Law & Jurisdiction: The interpretation and enforcement of this agreement shall be governed by the laws and of the state in which the Appraiser's principal place of business is located, exclusive and choice of law rules.

Client: _____ Date – 9/13/2012
(Signature)

WILLIAM LAFERRIERE – DIR PROP SERVICES – SOV
(Print Name)

Appraiser: _____ Date – 9/13/12
(Signature)

Lawrence K. Martin, MAI

Martin Appraisal Services, Inc.