

APPRAISAL REVIEW OF A SUMMARY APPRAISAL

APPRAISAL REVIEW FILE NUMBER: #1688

CLIENT: Mr. Mark Green, Town Manager, Town of Sanford.

PROPERTY: Former Sanford Mills Building.

ADDRESS/LOCATION: 61 Washington Street.

CITY/COUNTY/STATE: Sanford / York / Maine.

PROPERTY TYPE: Mill building.

LAND: Corner parcel containing 31,799± sf. (0.73± acres) located on the southeast corner of Washington Street and Pioneer Street. Approximate frontage is as follows: Washington Street 200' ± linear feet, Pioneer Street 190' ± linear feet. The site's eastern boundary is the Mousam River. Utilities include public water, sewer, electricity, telephone, and cable television.

IMPROVEMENTS: Late 1800's vintage 66,545 ± SF multi-story industrial mill building, which reportedly has been generally gutted. Examples – windows removed, salvageable materials removed to include heat distribution, plumbing, sprinklers, lighting and electrical wiring. The building has brick masonry walls and interior mill frame floor timbers. The bay spacing is 20" x 20". The roof is slightly pitched, with a saw tooth section for lighting. The property improvements reportedly encumber the majority of the site area.

VALUE APPRAISED: Market Value.

INTEREST APPRAISED: Fee Simple Estate.

DATE OF VALUE ESTIMATE: April 1, 2008.

APPRAISAL REPORT PREPARED BY:

Firm: Mainland Appraisal Consultants.

Appraiser(s): John H. Swartz, CG-668 and
Frank R. Montello, MAI, SRA, CG #19

The report and consequently this review were conducted under the following Extraordinary Assumptions:

1). At the request of the client, the property owner was not contacted. As a result, the interior was not inspected by the appraiser, and what information the owner might have contributed was not reviewed. The appraiser then reserves the right to change the value opinion, should something material in that event alter the known or assumed facts analyzed herein; and

2.) The appraiser has relied upon Mr. Dave O'Connell, a design/build contractor, for the information pertaining to the interior condition, and status of the building mechanical systems and assumes his information to be correct and/or substantially correct.

AS IS - Fee Simple Value

VALUE INDICATIONS:	APPRAISER	REVIEWER
SALES COMPARISON Improved property	Developed as a test of feasibility of renovating the property to an in service condition Conclusion – The in service renovation costs were concluded to greatly exceed the property's likely in service market value.	Based on the data provided the subject property appears to have a negative value and is a liability as opposed to an asset.
SALES COMPARISON Land	Developed as a test of feasibility. The cost of demolition was concluded to greatly exceed the value of the site as if vacant and unimproved.	Based on the data provided the subject property appears to have a negative value and is a liability as opposed to an asset.
INCOME APPROACH	Not developed	Concur
COST APPROACH	Not developed	Concur
FINAL VALUE ESTIMATE	\$0	It is this reviewer's concern that the property is actually a liability. However – judgment has been deferred to the appraisers' conclusion that the property has no measurable market value beyond \$0.0 without significant subsidies.

REVIEWER'S COMMENTS:

The appraisal under review is a summary appraisal that was completed for the Town of Sanford Maine. The intended user of the report was stated to be the Town of Sanford, possible court and jury. The intended use was reported to be as a guide to potential acquisition, possibly by condemnation.

The intended user of this review is Mr. Mark Green, Town Manager, Town of Sanford. The use of the report by others is not intended. Data presented within the report has been reviewed and analyzed prior to and subsequent to the effective date of valuation.

HIGHEST AND BEST USE:

As vacant – Commercial or general business development.

As improved – Undefined with no feasible use without government subsidy.

STATED EXPOSURE AND MARKETING TIME: 9 to 15 months.

PERSONAL PROPERTY IN ALL VALUATIONS: Personal property and other such chattels have been excluded from the final value estimate detailed above.

SCOPE OF REVIEW:

[YES] DESK REVIEW

[NO] SUBJECT INSPECTION

[NO] COMP INSPECTION

[NO] DATA VERIFICATION

REVIEW CONCLUSIONS:

-MEETS MINIMUM REQUIREMENTS: "Yes" given the property type and atypical valuation problem presented.

-REPORT IS: Accepted as detailed herein.

REVIEWER: Marc E. Goulet, MAI, CMA, CG #82.

DATE OF REVIEW: July 16, 2008. The Appraiser was interviewed on July 14, 2008 and July 16, 2008 as part of the review process.

APPRAISAL REVIEW

<u>MINIMUM APPRAISAL STANDARDS, USPAP AND OTHER ISSUES</u>	Yes	No	N/A
1. Conforms to generally accepted appraisal standards as evidenced by USPAP?	X	<input type="checkbox"/>	<input type="checkbox"/>
2. Analyzes and reports appropriate deductions and discounts for proposed construction or renovation, partially leased buildings, non-market lease terms, and tract developments with unsold units?	<input type="checkbox"/>	<input type="checkbox"/>	X
3. Definition of market value estimated?	X	<input type="checkbox"/>	<input type="checkbox"/>
4. Is performed by a State Licensed or Certified appraiser?	X	<input type="checkbox"/>	<input type="checkbox"/>
5. Does the report identify all assumptions and limiting conditions and are they reasonable? If applicable, does the report discuss the impact on value of hypothetical conditions or extraordinary assumptions?	*	<input type="checkbox"/>	<input type="checkbox"/>
6. Does the report include a signed certification in accordance with USPAP?	X	<input type="checkbox"/>	<input type="checkbox"/>
7. Engagement agreement and any subsequent instructions included in the report?	X	<input type="checkbox"/>	<input type="checkbox"/>
8. Does the report conform to Appraisal Standards?	X	<input type="checkbox"/>	<input type="checkbox"/>
9. Does the appraisal identify personal property, trade fixtures or intangible items and consider the impact on value of the inclusion or exclusion of these items?	<input type="checkbox"/>	<input type="checkbox"/>	X

Comments:

* The report was conducted under the following Extraordinary Assumptions:

- 1). At the request of the client, the property owner was not contacted. As a result, the interior was not inspected by the appraiser, and what information the owner might have contributed was not reviewed. The appraiser then reserves the right to change the value opinion, should something material in that event alter the known or assumed facts analyzed herein; and
- 2.) The appraiser has relied upon Mr. Dave O'Connell, a design/build contractor, for the information pertaining to the interior condition, and status of the building mechanical systems and assumes his information to be correct and/or substantially correct.

This reviewer cautions the users of the report that the appraiser was required to rely upon others for the description of the subject's condition. Such representation were assumed to be accurate, however, variations in the same would likely affect the valuation conclusion.

INTRODUCTION AND FACTUAL DESCRIPTIONS

- | | <u>Yes</u> | <u>No</u> | <u>N/A</u> |
|---|------------|--------------------------|--------------------------|
| 1. Are the purpose, interest, client, any intended users, intended use, and scope of work identified? | X | <input type="checkbox"/> | <input type="checkbox"/> |
| 2. Does the report adequately describe the scope of the appraisal? | X | <input type="checkbox"/> | <input type="checkbox"/> |
| 3. Does the report analyze any prior sale(s), listing, option or pending contract on the subject? | * | <input type="checkbox"/> | <input type="checkbox"/> |

Comments: - Sales history is disclosed on page 4. No arm's length transfers in the past three-year period were reported. It was however reported that the Northland Development Group had made a tentative purchase offer of \$500,000 for the property in 2007. Their plan was to develop the property into office-retail on the first floor and market rental apartments on upper floors at an estimated cost of \$9,500,000. That deal was contingent upon the Town of Sanford providing some land for parking nearby. The developer indicated that after detailed analysis, they would have retracted their \$500,000 offer, contingent on a range of subsidies, and offered less.

Further explanation may have been appropriate to allow the reader of the report to understand why a property estimated to have a value of \$0 would have had a purchase offer of \$500,000 in such the recent past. Discussions with Mr. Swartz indicated that the original purchase offer was contingent on several issues including an assumed rent of \$10 to \$11/SF net on the retail/office component and the donation of land or parking from the town of Sanford. AS a result of due diligence it was discovered that market rent for the retail/office component was likely in the \$5.00 to \$6.00/SF range and as such the offer was no longer realistic based on the costs to place the project on line which included the assumption of three tiers of Tax Credits to include State, Federal and New Market. This Reviewer's understanding is that an updated offer was not presented as an insurmountable issue of title came up and the deal was dropped.

LOCATION & MARKET

- | | <u>Yes</u> | <u>No</u> | <u>N/A</u> |
|---|------------|--------------------------|--------------------------|
| 1. Does the location analysis provide relevant information and sufficient analysis? | X | <input type="checkbox"/> | <input type="checkbox"/> |
| 2. Does the market analysis provide relevant information and sufficient analysis? | X | <input type="checkbox"/> | <input type="checkbox"/> |

Comments:

Abbreviated Regional, municipal and neighborhood analysis is included on pages 11-14. Competitive market description is contained on page 18.

PROPERTY DESCRIPTION & ANALYSIS

- | | <u>Yes</u> | <u>No</u> | <u>N/A</u> |
|---|------------|--------------------------|--------------------------|
| 1. Does the site analysis provide relevant information (size, shape, topography, availability of utilities, drainage etc.) and sufficient analysis? | X | <input type="checkbox"/> | <input type="checkbox"/> |
| 2. Does the improvement analysis provide relevant information (size, age, quality, condition, functional utility, etc.) and sufficient analysis? | X | <input type="checkbox"/> | <input type="checkbox"/> |
| 3. Does the report include an adequate zoning and tax analysis. | * | <input type="checkbox"/> | <input type="checkbox"/> |

Comments:

Zoning is detailed on page 15. The property improvements were reported to be in a lawfully non-conforming status from a setback and density standpoint.

Site and property descriptions are included on pages 16 – 17.

The real estate tax analysis is presented on page 4 and lacks detail. The current assessment on the subject property is \$204,700. A more in-depth discussion as to the disparity between the subject's concluded market value of \$0 may have been appropriate.

HIGHEST AND BEST USE ANALYSIS & VALUATION

- | | <u>Yes</u> | <u>No</u> | <u>N/A</u> |
|---|--------------------------|--------------------------|--------------------------|
| 1. Are conclusions on highest and best use as vacant and as improved analyzed and reasonably supported? | * | <input type="checkbox"/> | <input type="checkbox"/> |
| 2. For new construction, renovation, or additions, does the report discuss the financial feasibility of the proposed project? | <input type="checkbox"/> | <input type="checkbox"/> | X |

Comments: Highest & Best Use Summary

As vacant - potential commercial or general business development.

As improved - undefined, as the subject property had no measurable market value as of the date of appraisal as there is no feasible use without considerable government subsidy in the form of historic tax credits, TIF agreements, and possible grant monies, as well as the provision of parking. Without these soft monies development of the subject is not feasible.

Valuation

As implied in the appraisal local market conditions do not appear to support the speculative redevelopment of the mill into a mixed-use complex without significant subsidy, tax credits and grants to bridge the gap of feasibility.

The first component of the analysis was to determine if the current improvements contribute value to the site. This analysis assumed the property had its windows intact and all

mechanicals in place and concluded a value of \$285,000. From this value estimate was deducted the costs to renovate the property to a useable condition which were projected at \$1,627,296, refer to comments below.

The second component of the analysis was to determine the market value of the site. This analysis assumed the site was vacant and unimproved with a concluded value of \$95,000. From this value estimate was deducted the cost to demolish the property improvements which were projected at \$420,000, refer to comments below.

IMPROVED PROPERTY SALES COMPARISON APPROACH

Yes No N/A

1. Does this section identify and analyze relevant sales data, units of comparison, elements of comparison and apply appropriate valuation technique(s)? *
2. Does this section describe the reasoning that supports the analyses, opinions, and conclusions? *
3. Is the sales comparison approach conclusion logical and reasonable? *

Comments: The sales comparison is presented on page 24. In this section the appraiser submits what is commonly referred to as a data blast from which unit values are reasoned and applied. No formal sales grid was developed. Simply presented in tabular form were twelve mill sales spanning the time frame of 6/92 to 12/07. Sale 7 was given the greatest weight given its immediate proximity to the subject property. Little quantitative analysis was presented for the appraiser's concluded value of \$4.25/SF. This concluded price assumed the property had its windows intact and all mechanicals in place for an indicated value of \$285,000 (66,545 SF @ \$4.25/SF). From this estimate is deducted the cost necessary to place the property back in service.

<i>Demolition/Clean Up</i>	\$ 425,000
<i>Flooring</i>	\$ 425,880
<i>Sprinklers</i>	\$ 99,150
<i>Heat</i>	\$ 69,200
<i>Electrical</i>	\$ 183,000
<i>Plumbing</i>	\$ 83,850
<i>Windows</i>	\$ 25,000
<i>Elevator</i>	\$ 45,000
<i>Subtotal</i>	\$1,356,080
<i>Add: 20% Miscellaneous, permits, fees, soft costs, contingencies, etc.</i>	\$ 271,216

Total Minimal Rehabilitation Cost

\$1,627,296 (\$24.45/sf)

*The appraiser then concluded that with a potential market value of approximately \$285,000 and a cost to create that of \$1,627,296, it is apparent that a prudent and knowledgeable buyer would not act accordingly. This indicates that the property as improved (or basic industrial space) is not the highest and best use, as it may have been with the older mechanicals in place. **The further conclusion is that the building does not contribute value to the property as is.***

This reviewer is unable to entirely match the appraiser's reasoning and would have preferred to have seen a formal sales grid with adjustments for property rights appraised, financing, conditions of sale, market conditions, location and differences in physical attributes and the like. Additionally a greater level of support for the renovation costs from local contractors or the like would have added support to the submittal. However the scope of the assignment did not allow for an interior inspection and would have precluded the ability to get contractor estimates.

Although more detailed analyses would have been preferred the submittal does include enough information to ascertain that the costs associated with renovating the subject property to an in-service condition far exceed its likely market value, given minimum costs in excess of \$1,627,000 or \$24.45/SF and a data set indicating a maximum sale price per square foot of \$5.62/SF or \$375,000, representing the uppermost end of the range.

Conclusion

This reviewer would have preferred to see a more quantitative analysis, but the degree of accuracy needed to prove that the renovation of the subject property to an in-service condition was not feasible did not necessarily require the completion of the same. In short the cost to bring the property into an in-service condition greatly exceeds its likely market value. The completion of a formal sales grid was not necessary to prove that renovation costs are greater than four times its likely maximum renovated value. Additional sales data retained in this reviewer's file also tend to support the appraiser's reasoned range of value and as such judgment is deferred to the appraiser's conclusion that the building improvements do not contribute value to the property as is.

LAND VALUATION

Yes No N/A

- | | | | |
|--|---|--------------------------|--------------------------|
| 1. Does this section contain adequate data and apply appropriate valuation technique(s)? | * | <input type="checkbox"/> | <input type="checkbox"/> |
| 2. Does this section describe the reasoning that supports the analyses, opinions, and conclusions? | * | <input type="checkbox"/> | <input type="checkbox"/> |
| 3. Is the land value conclusion logical and reasonable? | * | <input type="checkbox"/> | <input type="checkbox"/> |

Comments: The land valuation is presented on page sales comparison is presented on page 26. Once again the appraiser submits what is commonly referred to as a data blast from which unit values are reasoned and applied. No formal sales grid was developed. Simply presented in tabular form were three sales spanning the time frame of 4/00 to 4/05. Little quantitative analysis was presented for the appraiser's concluded value of \$3.00/SF, for an indicated site value of \$95,000, (31,799 SF @ \$3.00/SF). From this estimate is deducted the cost necessary to demolish the building improvements projected at \$420,000, indicating a negative value.

Once again this reviewer is unable to entirely match the appraiser's reasoning and would have preferred to have seen a formal sales grid with adjustments for property rights appraised, financing, conditions of sale, market conditions, location and differences in physical attributes. Additionally a greater level of support for the demolition costs from local contractors or the like would have added support to the submittal. However the scope of the assignment did not allow for an interior inspection and would have precluded the ability to get contractor estimates.

Although more detailed analyses would have been preferred the submittal does include enough information to ascertain that the costs associated with demolishing the subject property improvements far exceed the Appraiser's \$95,000 market value of the site as if vacant, given demolition costs approximate to \$420,000. In short demolition costs alone approximate \$13.21/SF for the site (\$420,000 / 31,799 SF) in a market that supports land values substantially below this level.

COST APPROACH

Yes No N/A

- | | | | |
|---|--------------------------|--------------------------|---|
| 1. Is the cost new (direct and indirect) documented and compared with actual project costs (when available)? | <input type="checkbox"/> | <input type="checkbox"/> | X |
| 2. All forms of accrued depreciation considered and supported? | <input type="checkbox"/> | <input type="checkbox"/> | X |
| 3. Does this section describe the reasoning that supports the conclusions and are the conclusions logical and reasonable? | <input type="checkbox"/> | <input type="checkbox"/> | X |

Comments: The exclusion of the cost approach although implied was not specifically addressed in the report. Upon interviewing the appraiser and based on the characteristics of the property the cost approach was not developed given the advanced age of the property along with the existence of functional inadequacies and the existence of economic obsolescence. Additionally the cost approach is inapplicable if the property is not developed into its highest and best use.

INCOME CAPITALIZATION APPROACH

Yes No N/A

- | | | | | |
|-----|---|--------------------------|--------------------------|---|
| 1. | Are market rent and contract rent appropriately analyzed and supported? | <input type="checkbox"/> | <input type="checkbox"/> | X |
| 2. | Is the income estimate consistent with and supported by historical performance? | <input type="checkbox"/> | <input type="checkbox"/> | X |
| 3. | Does the estimate of income exhibit logical reasoning and sufficient analysis? | <input type="checkbox"/> | <input type="checkbox"/> | X |
| 4. | Is projected vacancy and collection loss reasonable and supported? | <input type="checkbox"/> | <input type="checkbox"/> | X |
| 5. | Are the projected operating expenses consistent with and supported by historical performance? | <input type="checkbox"/> | <input type="checkbox"/> | X |
| 6. | Does the estimate of operating expenses exhibit logical reasoning and sufficient analysis? | <input type="checkbox"/> | <input type="checkbox"/> | X |
| 7. | Are the overall, terminal capitalization and discount rates supportable and reasonable? | <input type="checkbox"/> | <input type="checkbox"/> | X |
| 8. | Are the DCF assumptions market derived, supported and reasonable? | <input type="checkbox"/> | <input type="checkbox"/> | X |
| 9. | Does this section describe the reasoning that supports the analyses, opinions, and conclusions? | <input type="checkbox"/> | <input type="checkbox"/> | X |
| 10. | Is the income capitalization approach conclusion logical and reasonable? | <input type="checkbox"/> | <input type="checkbox"/> | X |
- Stab. V&CL Discount Rate Terminal Cap. Cap. Rate Expense Ratio
Rate

Comments: The exclusion of the income approach although implied was not specifically address in the report. Upon interviewing the appraiser and based on the characteristics of the property the income approach was not developed given the level of differed maintenance and lack of parking. Additionally difficulties in projecting absorption, stabilized occupancy for similar mill properties would render the approach to be high speculative.

RECONCILIATION AND FINAL VALUE CONCLUSION

Yes No N/A

- | | | | | |
|----|--|---|--------------------------|--------------------------|
| 1. | Are the approaches consistent in terms of interest appraised, treatment of discounts and deductions, valuation premise (as is, upon completion, upon stabilization), and inclusion of tangible and intangible items, etc.? | * | <input type="checkbox"/> | <input type="checkbox"/> |
| 2. | Final value appropriately split between realty and non-realty items, and the impacts discussed? | * | <input type="checkbox"/> | <input type="checkbox"/> |
| 3. | Final value(s) opinion consistent with the data presented and sufficient documentation included to assess appraiser's logic, reasoning, judgment and analysis? | * | <input type="checkbox"/> | <input type="checkbox"/> |

If no and a revised value opinion was concluded, indicate it here:

Comments: As implied in the appraisal local market conditions do not appear to support the speculative redevelopment of the local mills into mixed-use complexes without significant subsidy, municipal incentives, tax credits and grants to bridge the gap of feasibility.

Appraiser's finding - as the building's interior has been stripped of mechanicals the property would require renovations to be put back in service for industrial and storage uses, which are prevalent in other local mill buildings. It was determined that the cost to restore the building for that use is not feasible. Further, the cost to demolish the improvements considerably exceeds its value as land only. Strict review of the appraiser's conclusions would lead one to conclude that the subject mill likely has a negative value and represents a significant liability. However the appraiser goes on to state "that there is a possibility that with sufficient government subsidy and an approved development plan the property could be developed and yield a positive value. As is, there is no approved plan nor structured and approved incentives and attempting to forecast such a scenario would be both speculative and unreliable." Therefore the appraiser concluded that the subject has an "as is" market value of **\$ 0.00**.

Reviewer's conclusion - Review of the appraiser's valuation conclusions would lead one to conclude that the subject mill likely has a negative value and represents a significant liability. However, Mill Redevelopments are occurring in other parts of the state, with the gap of feasibility being bridged by significant municipal subsidies or incentives, tax credits, grants and other sources of funding.

With these issues in mind judgment has been deferred to the appraiser's concluded market value of \$0.00, as of April 1, 2008, subject to the following extraordinary assumptions:

- 1.) At the request of the client, the property owner was not contacted. As a result, the appraiser did not inspect the interior, and what information the owner might have contributed was not reviewed. The appraiser then reserves the right to change the value opinion, should something material in that event alter the known or assumed facts analyzed herein; and*
- 2.) The appraiser has relied upon Mr. Dave O'Connell, a design/build contractor, for the information pertaining to the interior condition, and status of the building mechanical systems and assumes his information to be correct and/or substantially correct.*

SCOPE:

A desk review and analysis of the appraisal identified was completed. The review assignment did not involve an independent appraisal of the referenced property. The scope of the review process included, but was not limited to:

1. A complete reading of the report identified; review of USPAP & State Real Estate Appraisal Statutes in effect as of date of value.
2. An analysis as to the adequacy and relevance of the data used and the propriety of any adjustments made;
3. An analysis as to whether or not the appraisal methods and techniques used were appropriate and, if not, the reasons for disagreement with the original appraisal; and
4. An analysis as to whether or not the analyses, opinions, or conclusions in the report being reviewed are appropriate and, if not, a statement regarding the review analysis, opinions and/or conclusions and reasons for disagreement with the original appraiser are presented;
5. The review did not include an inspection of the subject property, nor has the accuracy of the data been confirmed.
6. Telephone interview with Mr. John Swartz, CG #668.
7. The review did not involve an independent appraisal or data verification specific to the subject property or the comparable sales. However mill sales data retained in the files of Goulet & Associates, Inc. were reviewed as a benchmark of reasonableness of the appraiser's conclusions.

BASIC ASSUMPTIONS AND LIMITING CONDITIONS

The submitted review report is subject to underlying assumptions and limiting conditions qualifying the information it contains as follows:

1. Possession of this review, or copy thereof, does not carry with it the right of publication.
2. The purpose of the assignment is to review the appropriateness of the conclusions and reasonableness of the market value estimate determined within the submitted appraisal report which is the subject of this review.
3. This review is intended solely for the internal use of the Town of Sanford. Neither all nor any part of the contents of this Review Memorandum shall be disseminated to the public through advertising, public relations, news, sales, or other media without the prior written consent and approval of this reviewer.
4. Unless prior arrangements have been made, the reviewer, by reason of this Review Memorandum, is not required to give further consultation or testimony, or to be in attendance in court with reference to the property that is the subject of this review.
5. This review constitutes a limited assignment as defined in the scope of work section and should not be construed as an appraisal of the subject property.
6. Unless stated otherwise in the review, the analyses, opinions and conclusions in this review are based solely on the data, analyses, and conclusions contained in the appraisal report under review, it is assumed that these data are representative of existing market data. No attempt has been made to obtain additional market data for this review.
7. All analyses, opinions and conclusions expressed by the reviewer are limited by the scope of the review process as defined herein.
8. The conclusions apply only to the property specifically identified and described herein and in the reviewed appraisal report.
9. The reviewer has made no legal survey nor have they commissioned one to be prepared; therefore, reference to a sketch, plat, diagram, or previous survey appearing in the report is only for the purpose of assisting the reader to visualize the property.
10. No responsibility is assumed for legal matters existing or pending, nor is opinion rendered as to title, which is assumed to be good.
11. Disclosure of the contents of this review are governed by the Bylaws and Regulations of the Appraisal Institute.
12. The compensation received for this assignment is in no manner contingent upon the estimate of value reported.
13. The reviewer assumes that no hazardous wastes exist on or in the property. Unless otherwise stated in this report, the existence of hazardous material, which may or may not be present on the property, was not observed by the reviewer. The reviewer had no knowledge of the

existence of such materials on or in the property. The reviewer, however, is not qualified to detect or identify such substances or detrimental environmental conditions. The value estimate and this review is predicated on the assumption that there is no such material on or in the property that would cause a loss in value. No responsibility is assumed for any such conditions or for any expertise or engineering knowledge required to discover them. The client is urged to retain an expert in this field, if desired.

14. The Americans with Disabilities Act (ADA) became effective January 26, 1992. I have not made a specific compliance survey and analysis of this property to determine whether or not it is in conformity with the various detailed requirements of the ADA. It is possible that a compliance survey of the property together with a detailed analysis of the requirements of the ADA could reveal that the property is not in compliance with one or more of the requirements of the act. If so, this fact could have a negative effect upon the value of the property. Since I have no direct evidence relating to this issue, I did not consider possible non-compliance with the requirements of ADA in estimating the value of the property.
15. Reviewer Competency: The signatory of this review is a fully qualified commercial appraiser who has been involved in the valuation and/or review of many similar properties. The education and experience in valuing and reviewing similar properties satisfies the competency provision of USPAP.
16. The users of this report are cautioned that real estate markets are cyclical and that the value predicated in the appraisal and in the review are specific to the effective date of value.

CERTIFICATION OF REVIEW

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

- the statements of fact contained in this review are true and correct;
- the analyses, opinions, and conclusions expressed in this review are limited only by the reported assumptions and limiting conditions, and are my personal and unbiased professional analyses, opinions, and conclusions;
- I have no present or prospective interest in the property that is the subject of this review, I have no personal interest or bias with respect to the property or the parties involved;
- My compensation is not contingent on an action or event, minimum value, specific value or approval of a loan resulting from the analyses, opinions, or conclusions in, or the use of this review;
- My analyses, opinions, and conclusions were developed, and this review has been prepared in conformity with the Code of Professional Ethics and the Standards of Professional Practice of the Appraisal Institute which include the Uniform Standards of Professional Appraisal Practice of the Appraisal put forth by the Appraisal Foundation.
- The use of the review is subject to the requirements of the Appraisal Institute and State of Maine Appraisal Board relating to review by its duly authorized representatives;
- No one provided significant professional assistance to the person signing this review;
- I have not personally inspected the subject property;
- I have not personally inspected the comparable market data;
- I have not independently researched or verified the data supplied by the appraiser within the report;
- I have acquired through study and practice, the necessary knowledge and experience to complete this review assignment competently.
- As of the date of this review, Marc E. Goulet, MAI had completed the requirements under the continuing education program of the Appraisal Institute.
- As of the date of this review, Marc E. Goulet, MAI had completed the requirements under the continuing education program of the Appraisal Institute.

[YES] READ APPRAISAL

[NO] SUBJECT INSPECTION

[NO] COMP INSPECTION

[NO] DATA VERIFICATION


Signature of Marc E. Goulet, MAI, CMA - July 16, 2008

C.G. 82 expires 12/31/08

Appendix

Reviewer Qualifications
USPAP References

PROFESSIONAL QUALIFICATIONS OF
MARC E. GOULET, MAI

183 Main Street • Lewiston, ME 04240

(207)-784-1636 (voice) • (207)-784-6118 (fax)

DESIGNATIONS:

- **MAI - Member Appraisal Institute, Member #10,317**
- **Certified General Real Estate Appraiser**
State of Maine (#00000082)
- **Certified General Real Estate Appraiser**
State of New Hampshire (#0514) exp 12/02
- **CMA - Certified Maine Assessor 8/84**

EXPERIENCE:

GOULET & ASSOCIATES INC., Lewiston, Maine

5/95 - Present

Commercial Appraiser

- Principal of appraisal business involved in the valuation of commercial and residential real estate.
- Manage and direct activities of the appraisal staff as well as complete individual assignments.
- Oversee review and approval of appraisals and reviews.
- Act as a technical resource for real estate valuations.
- Consultation on cost effective procedures to meet regulatory, legal, and USPAP requirements.
- Qualified expert witness Cumberland County Superior Court.

ANDY VALLEY APPRAISAL GROUP, Lewiston, Maine

11/94 - 5/95

Commercial Appraiser

- Prospective principal of appraisal business involved in the valuation of commercial and residential real estate.
- Manage and direct activities of the appraisal staff as well as complete individual assignments.
- Oversee review and approval of appraisals and reviews.
- Act as a technical resource for real estate valuations.
- Consultations on cost effective procedures to meet regulatory, legal, and USPAP requirements.

FLEET BANK OF MAINE, Portland, Maine

8/91 - 11/94

Chief Bank Appraiser, AVP, 11/92 - 11/94

- Manage and direct all activities of Fleet Bank of Maine's appraisal staff.
- Oversee review and approval of all appraisals and reviews.
- Act as a technical resource for real estate valuations.
- Analyze market trends, appraisal techniques and make recommendations on findings.
- Implement cost effective procedures to meet regulatory, legal, and appraisal policy requirements.
- Oversee a staff of twelve, an eligible appraiser panel of 60 commercial appraisers and 170 residential appraisers.
- Oversee an annual budget in excess of \$700,000. Responsible for the valuations on approximately \$370M of commercial real estate annually.

Senior Appraiser/Team Leader, 8/91 - 11/92

- Reviewed real estate appraisals for compliance with FIRREA and Bank commercial appraisal standards.
- Performed evaluation assistance and appraisals of commercial and industrial properties.
- Conducted internal review of appraisals to ensure quality control.

- Maintained knowledge of current real estate values and independent fee appraisers throughout Maine.
- Acted as a consultant to Fleet Bank of Maine personnel regarding valuation of commercial, industrial and residential real estate.
- Oversight of a staff of four. Additional responsibilities included weekly Special Asset Committee meetings (SAC), review and screening of internal production, monitoring production and technical training of personnel in appraisal theory as well as computer skills.

GOULET & TIPPIE ASSOCIATES, Lewiston, Maine
12/89 - 8/91, Appraiser

- Principal and Manager of Appraisal business engaged in the valuation of commercial and residential real estate.
- Involved in the valuation of real property including commercial, industrial, development, and residential properties.
- Assignments for banks, mortgage and relocation companies, abatements, estates and law firms.

MAURICE L. GOULET ASSOCIATES, Lewiston, Maine
7/83 - 12/89, Appraiser

- Involved in the valuation of real property including commercial, industrial, development, and residential properties.
- Performed appraisal assignments for banks, mortgage companies, relocation companies, abatements, estates, and law firms.

EDUCATION:

1982 University of Maine, B.S., Agriculture & Resource Economics
 1980 University of Maine, A.S., Resource & Business Management

PROFESSIONAL WORKSHOPS & COURSES:

- 2008 Appraisal Institute – Valuation of Conservation Easements. I received a Certificate of Completion for the Valuation of Conservation Easements certificate program on 4/11/08 as offered by the American Society of Appraisers, the American Society of Farm Managers and Rural Appraisers and the Appraisal Institute and endorsed by the Land Trust Alliance. This certificate indicates that I have completed the Valuation of Conservation Easements educational requirements and passed the examination.
- 2007 MREDA – 2007 Real Estate Forecast Conference.
 National USPAP Update Course – 1400 / 1567
 National Business Practices and Ethics Course – 11420N / 1572
- 2006 Appraisal Institute – Reviewing Residential Reports.
 Appraisal Institute – Appraisal Consulting: A Solutions Approach for Professionals
 MREDA – 2006 Real Estate Forecast Conference.
 Appraisal Institute – Course – 1400 – USPAP Update.
- 2005 Appraisal Institute – Appraisal of Convenience Stores
- 2004 “Uniform Appraisal Standards of Professional Appraisal Practice” #410
 “Business Practice and Ethics” #420
 MREDA – 2004 Its Happening Here Seminar
 “Uniform Appraisal Standards for Federal Land Acquisitions” Course 5/1475 – Sponsored by the Me AI.
 MREDA – 2004 Real Estate Forecast Conference.
 “What Appraiser’s and Bankers need to know about new regulatory Guidelines and Procedures” Course 32/1657 – Sponsored by the Maine AI.
- 2003 MREDA – 2003 Real Estate Forecast Conference.
 Appraisal Institute Course – 1400 – USPAP Update.

2002 Condemnation Appraising: advanced applications course #720
 Workshop on the state of the Maine Economy 2002
 Client Pressure on Appraiser's Workshop
 Appraiser's and the Gramm-Leach-Bliley Act
 MREDA – 2002 Real Estate Forecast Conference

2001 Appraisal Institute – USPAP 7 hour update
 Appraisal Institute – Defending and Attacking Appraisals in Litigation
 The State of the Maine Economy 2001
 Changes in USPAP Workshop
 The State of the Valuation Profession
 MREDA – 2001 Real Estate Forecast Conference

2000 Maine Land Use Issues
 The Income Capitalization Approach “A Review”
 Review of the Residential White Pages
 Building Mechanical Systems

1999 Appraisal Institute – Standards of Professional Appraisal Practice, Course 430
 Appraisal Institute – Loss Prevention Seminar
 1031 Tax deferred exchanges Seminar
 Commercial real estate due diligence Seminar

1998 Appraisal Institute – Advanced Applications. Course 550.

1997 Maine AI Tax Abatement Consulting Seminar
 Boston AI The Appraisal of Health Care and Retirement Facilities

1996 State Appraisal Institute Chapter Northern Forestland Markets
 Appraisal Institute – Standards of Professional Practice, course 410

1995 Appraisal Institute – Hotel/Motel Valuation

1993 Appraisal Institute – Standards of Professional Appraisal Practice, Part A
 Appraisal Institute – Comprehensive Exam
 Appraisal Institute – The Appraiser's Complete Review
 Appraisal Institute – Demonstration Appraisal Report
 Affordable Housing Seminar MBA

1992 Appraisal Institute – Standards of Professional Appraisal Practice, Part B

1991 SREA, Examination Preparation Seminar

1990 SREA, Professional Practice #440
 SREA, Applied Income Property Valuation (202)

1989 SREA, Principles of Income Property Appraising (201)

1988 Maine Bankers' Association, Fannie Mae Seminar
 SREA, Financial Calculator Seminar

1987 SREA, URAR Seminar
 SREA, Applied Residential Property Valuation (102)

1986 SREA, Introduction to Appraising Real Property (101)

ADDITIONAL TRAINING ATTENDED:

03/24/94 Argus 3.0 Training

07/22/93 Environmental Policy and Procedures Training
1/27/93 Regulation Compliance Training
12/10/92 Intermediate Argus 2.7 Training
11/24/92 Performance Appraisal Training

ADDITIONAL TRAINING TAUGHT:

Appraisal Policy and Procedures Training Sessions
Commercial Real Estate Valuation Training Sessions
Review Training Sessions
Compliance Training
DCF Analysis with an emphasis on Argus

OTHER:

Attended various workshops sponsored by the Appraisal Institute. Proficient knowledge of Argus, Word, Excel, WordPerfect, Lotus, IRES, and DCF Analysis.

RELATED ACTIVITIES:

07/04 – present Investigator. State of Maine Board of Real Estate Appraisers.
02/04 – 12/05 MEREDA Legislative Committee Member.
12/03 – 12/05 Associate Membership Guidance Chairman, Maine Chapter of the Appraisal Institute
03/02 – 3/06 State Claims Commission – State of Maine.
12/03 – 12/05 Government Relations Committee Member, Maine Chapter of the Appraisal Institute
12/02 – 12/03 Public Relations Committee Member, Maine Chapter of the Appraisal Institute
12/00 – 12/01 President, Maine Chapter of the Appraisal Institute
12/99 – 12/00 First Vice President, Appraisal Institute, Maine Chapter
12/99 – 12/00 Public Relations Committee, Appraisal Institute, Maine Chapter
12/98 – 12/99 Second Vice President, Appraisal Institute, Maine Chapter
12/98 – 12/99 Public Relations Chair, Appraisal Institute, Maine Chapter
12/98 – 12/99 Bylaws Committee, Appraisal Institute, Maine Chapter
12/97 – 12/98 Candidate Guidance Chair, Appraisal Institute, Maine Chapter
12/97 – 12/98 Secretary, Appraisal Institute, Maine Chapter
12/97 – 12/98 Political Affairs Committee Appraisal Institute
01/97 - 03/97 City of Lewiston Board of Assessment Review
12/96 - 12/97 Appraisal Institute, Maine Chapter
Research Committee Chairman
12/95 - 12/97 Board of Directors Appraisal Institute, Maine Chapter
12/95 - 12/97 Candidate Guidance Committee Chair Appraisal Institute

12/95 - 12/96	Political Affairs Committee Appraisal Institute
11/94 - 11/95	Appraisal Institute, Maine Chapter Research Committee Chairman
11/94 - 11/95	Appraisal Institute, Maine Chapter Admissions Committee Member
07/94 - 8/99	Supervisory Committee, St. Croix Federal Credit Union
01/92 - 1/97	Lewiston Planning Board
07/89 - 11/94	Appraisal Institute, Maine Chapter Education Committee Member
Other	Owner/Developer - Garcelon Woods, Lewiston Former manager of family-owned properties such as subdivisions, industrial and retail properties.



State of Maine

DEPARTMENT OF PROFESSIONAL & FINANCIAL REGULATION

BOARD OF REAL ESTATE APPRAISERS

License # CG82

Be it known that: **MARC EDWARD GOULET**
has qualified as required by Title 032 MRSA Chapter 000123 and is
licensed as an
CERTIFIED GENERAL APPRAISER

FIRST LICENSED
Mar 05, 1991

EXPIRATION DATE
Dec 31, 2008

ISSUE DATE
Jan 01, 2007

Anne L. Head

Director, Office of Licensing & Registration
Authorizing signature

ME 332350

THIS DOCUMENT MUST BE DISPLAYED AT THE HOLDERS PERMANENT PLACE OF BUSINESS

Please make note of your license number and reference this number in any future correspondence with the BOARD OF REAL ESTATE APPRAISERS. Should you require further information, please call (207) 624-8522.



STATE OF MAINE
DEPT OF PROFESSIONAL & FINANCIAL REGULATION
BOARD OF REAL ESTATE APPRAISERS

LICENSE # CG82

MARC EDWARD GOULET
CERTIFIED GENERAL APPRAISER

ISSUED Jan 01, 2007 EXPIRES Dec 31, 2008

POCKET or WALLET CARD.
 Detach and sign on the backside.

448 STANDARD 1: REAL PROPERTY APPRAISAL, DEVELOPMENT

449 In developing a real property appraisal, an appraiser must identify the problem to be solved, determine
450 the scope of work necessary to solve the problem, and correctly complete research and analyses necessary
451 to produce a credible appraisal.

452 Comment: STANDARD 1 is directed toward the substantive aspects of developing a credible
453 appraisal of real property. The requirements set forth in STANDARD 1 follow the appraisal
454 development process in the order of topics addressed and can be used by appraisers and the
455 users of appraisal services as a convenient checklist.

456 Standards Rule 1-1

457 In developing a real property appraisal, an appraiser must:

458 (a) be aware of, understand, and correctly employ those recognized methods and techniques that are
459 necessary to produce a credible appraisal;

460 Comment: This Standards Rule recognizes that the principle of change continues to affect the
461 manner in which appraisers perform appraisal services. Changes and developments in the real
462 estate field have a substantial impact on the appraisal profession. Important changes in the
463 cost and manner of constructing and marketing commercial, industrial, and residential real
464 estate as well as changes in the legal framework in which real property rights and interests are
465 created, conveyed, and mortgaged have resulted in corresponding changes in appraisal theory
466 and practice. Social change has also had an effect on appraisal theory and practice. To keep
467 abreast of these changes and developments, the appraisal profession is constantly reviewing
468 and revising appraisal methods and techniques and devising new methods and techniques to
469 meet new circumstances. For this reason, it is not sufficient for appraisers to simply maintain
470 the skills and the knowledge they possess when they become appraisers. Each appraiser must
471 continuously improve his or her skills to remain proficient in real property appraisal.

472 (b) not commit a substantial error of omission or commission that significantly affects an appraisal;
473 and

474 Comment: An appraiser must use sufficient care to avoid errors that would significantly affect
475 his or her opinions and conclusions. Diligence is required to identify and analyze the factors,
476 conditions, data, and other information that would have a significant effect on the credibility
477 of the assignment results.

478 (c) not render appraisal services in a careless or negligent manner, such as by making a series of
479 errors that, although individually might not significantly affect the results of an appraisal, in the
480 aggregate affects the credibility of those results.

481 Comment: Perfection is impossible to attain, and competence does not require perfection.
482 However, an appraiser must not render appraisal services in a careless or negligent manner.
483 This Standards Rule requires an appraiser to use due diligence and due care.

484 Standards Rule 1-2

485 In developing a real property appraisal, an appraiser must:

STANDARD 1

486 (a) identify the client and other intended users;⁵

487 (b) identify the intended use of the appraiser's opinions and conclusions;⁶

488 Comment: An appraiser must not allow the intended use of an assignment or a client's
489 objectives to cause the assignment results to be biased.⁷

490 (c) identify the type and definition of value, and, if the value opinion to be developed is market
491 value, ascertain whether the value is to be the most probable price:

492 (i) in terms of cash; or

493 (ii) in terms of financial arrangements equivalent to cash; or

494 (iii) in other precisely defined terms; and

495 (iv) if the opinion of value is to be based on non-market financing or financing with unusual
496 conditions or incentives, the terms of such financing must be clearly identified and the
497 appraiser's opinion of their contributions to or negative influence on value must be
498 developed by analysis of relevant market data;

499 Comment: When developing an opinion of market value, the appraiser must also
500 develop an opinion of reasonable exposure time linked to the value opinion.⁸

501 (d) identify the effective date of the appraiser's opinions and conclusions;⁹

502 (e) identify the characteristics of the property that are relevant to the type and definition of value
503 and intended use of the appraisal,¹⁰ including:

504 (i) its location and physical, legal, and economic attributes;

505 (ii) the real property interest to be valued;

506 (iii) any personal property, trade fixtures, or intangible items that are not real property but
507 are included in the appraisal;

508 (iv) any known easements, restrictions, encumbrances, leases, reservations, covenants,
509 contracts, declarations, special assessments, ordinances, or other items of a similar
510 nature; and

511 (v) whether the subject property is a fractional interest, physical segment, or partial
512 holding;

⁵ See Statement on Appraisal Standards No. 9, *Identification of Intended Use and Intended Users*.

⁶ See Statement on Appraisal Standards No. 9, *Identification of Intended Use and Intended Users*.

⁷ See Advisory Opinion 19, *Unacceptable Assignment Conditions in Real Property Appraisal Assignments*.

⁸ See Statement on Appraisal Standards No. 6, *Reasonable Exposure Time in Real Property and Personal Property Market Value Opinions*.
See also Advisory Opinion 7, *Marketing Time Opinions*, and Advisory Opinion 22, *Scope of Work in Market Value Appraisal Assignments, Real Property*.

⁹ See Statement on Appraisal Standards No. 3, *Retrospective Value Opinions*, and Statement on Appraisal Standards No. 4, *Prospective Value Opinions*.

¹⁰ See Advisory Opinion 2, *Inspection of Subject Property*, and Advisory Opinion 23, *Identifying the Relevant Characteristics of the Subject Property of a Real Property Appraisal Assignment*.

513 Comment on (i)–(v): The information used by an appraiser to identify the property
514 characteristics must be from sources the appraiser reasonably believes are reliable.

515 An appraiser may use any combination of a property inspection and documents, such as a
516 physical legal description, address, map reference, copy of a survey or map, property sketch,
517 or photographs, to identify the relevant characteristics of the subject property.

518 When appraising proposed improvements, an appraiser must examine and have available for
519 future examination, plans, specifications, or other documentation sufficient to identify the
520 extent and character of the proposed improvements.¹¹

521 Identification of the real property interest appraised can be based on a review of copies or
522 summaries of title descriptions or other documents that set forth any known encumbrances.

523 An appraiser is not required to value the whole when the subject of the appraisal is a
524 fractional interest, a physical segment, or a partial holding.

525 **(f) identify any extraordinary assumptions necessary in the assignment;**

526 Comment: An extraordinary assumption may be used in an assignment only if:

- 527 • it is required to properly develop credible opinions and conclusions;
- 528 • the appraiser has a reasonable basis for the extraordinary assumption;
- 529 • use of the extraordinary assumption results in a credible analysis; and
- 530 • the appraiser complies with the disclosure requirements set forth in USPAP for
531 extraordinary assumptions.

532 **(g) identify any hypothetical conditions necessary in the assignment; and**

533 Comment: A hypothetical condition may be used in an assignment only if:

- 534 • use of the hypothetical condition is clearly required for legal purposes, for purposes of
535 reasonable analysis, or for purposes of comparison;
- 536 • use of the hypothetical condition results in a credible analysis; and
- 537 • the appraiser complies with the disclosure requirements set forth in USPAP for
538 hypothetical conditions.

539 **(h) determine the scope of work necessary to produce credible assignment results in accordance with
540 the SCOPE OF WORK RULE.¹²**

541 **Standards Rule 1-3**

542 **When necessary for credible assignment results in developing a market value opinion, an appraiser must:**

543 **(a) identify and analyze the effect on use and value of existing land use regulations, reasonably
544 probable modifications of such land use regulations, economic supply and demand, the physical
545 adaptability of the real estate, and market area trends; and**

¹¹ See Advisory Opinion 17, *Appraisals of Real Property with Proposed Improvements*.

¹² See Advisory Opinion 28, *Scope of Work Decision, Performance, and Disclosure*, and Advisory Opinion 29, *An Acceptable Scope of Work*.

STANDARD 1

546 Comment: An appraiser must avoid making an unsupported assumption or premise about
547 market area trends, effective age, and remaining life.

548 (b) **develop an opinion of the highest and best use of the real estate.**

549 Comment: An appraiser must analyze the relevant legal, physical, and economic factors to the
550 extent necessary to support the appraiser's highest and best use conclusion(s).

551 Standards Rule 1-4

552 **In developing a real property appraisal, an appraiser must collect, verify, and analyze all information**
553 **necessary for credible assignment results.**

554 (a) **When a sales comparison approach is necessary for credible assignment results, an appraiser**
555 **must analyze such comparable sales data as are available to indicate a value conclusion.**

556 (b) **When a cost approach is necessary for credible assignment results, an appraiser must:**

557 (i) **develop an opinion of site value by an appropriate appraisal method or technique;**

558 (ii) **analyze such comparable cost data as are available to estimate the cost new of the**
559 **improvements (if any); and**

560 (iii) **analyze such comparable data as are available to estimate the difference between the**
561 **cost new and the present worth of the improvements (accrued depreciation).**

562 (c) **When an income approach is necessary for credible assignment results, an appraiser must:**

563 (i) **analyze such comparable rental data as are available and/or the potential earnings**
564 **capacity of the property to estimate the gross income potential of the property;**

565 (ii) **analyze such comparable operating expense data as are available to estimate the**
566 **operating expenses of the property;**

567 (iii) **analyze such comparable data as are available to estimate rates of capitalization and/or**
568 **rates of discount; and**

569 (iv) **base projections of future rent and/or income potential and expenses on reasonably clear**
570 **and appropriate evidence.¹³**

571 Comment: In developing income and expense statements and cash flow projections,
572 an appraiser must weigh historical information and trends, current supply and
573 demand factors affecting such trends, and anticipated events such as competition
574 from developments under construction.

575 (d) **When developing an opinion of the value of a leased fee estate or a leasehold estate, an appraiser**
576 **must analyze the effect on value, if any, of the terms and conditions of the lease(s).**

¹³ See Statement on Appraisal Standards No. 2, *Discounted Cash Flow Analysis*.

577 (e) When analyzing the assemblage of the various estates or component parts of a property, an
 578 appraiser must analyze the effect on value, if any, of the assemblage. An appraiser must refrain
 579 from valuing the whole solely by adding together the individual values of the various estates or
 580 component parts.

581 Comment: Although the value of the whole may be equal to the sum of the separate estates or
 582 parts, it also may be greater than or less than the sum of such estates or parts. Therefore, the
 583 value of the whole must be tested by reference to appropriate data and supported by an
 584 appropriate analysis of such data.

585 A similar procedure must be followed when the value of the whole has been established and
 586 the appraiser seeks to value a part. The value of any such part must be tested by reference to
 587 appropriate data and supported by an appropriate analysis of such data.

588 (f) When analyzing anticipated public or private improvements, located on or off the site, an
 589 appraiser must analyze the effect on value, if any, of such anticipated improvements to the extent
 590 they are reflected in market actions.

591 (g) When personal property, trade fixtures, or intangible items are included in the appraisal, the
 592 appraiser must analyze the effect on value of such non-real property items.

593 Comment: When the scope of work includes an appraisal of personal property, trade fixtures
 594 or intangible items, competency in personal property appraisal (see STANDARD 7) or
 595 business appraisal (see STANDARD 9) is required.

596 Standards Rule 1-5

597 When the value opinion to be developed is market value, an appraiser must, if such information is
 598 available to the appraiser in the normal course of business:¹⁴

599 (a) analyze all agreements of sale, options, and listings of the subject property current as of the
 600 effective date of the appraisal; and

601 (b) analyze all sales of the subject property that occurred within the three (3) years prior to the
 602 effective date of the appraisal.¹⁵

603 Comment: See the Comments to Standards Rules 2-2(a)(viii), 2-2(b)(viii), and 2-2(c)(viii) for
 604 corresponding reporting requirements relating to the availability and relevance of information.

605 Standards Rule 1-6

606 In developing a real property appraisal, an appraiser must:

607 (a) reconcile the quality and quantity of data available and analyzed within the approaches used;
 608 and

¹⁴ See Advisory Opinion 24, *Normal Course of Business*.

¹⁵ See Advisory Opinion 1, *Sales History*.

STANDARD 1

609
610

- (b) reconcile the applicability and relevance of the approaches, methods and techniques used to arrive at the value conclusion(s).**

611 **STANDARD 2: REAL PROPERTY APPRAISAL, REPORTING**

612 **In reporting the results of a real property appraisal, an appraiser must communicate each analysis,**
613 **opinion, and conclusion in a manner that is not misleading.**

614 Comment: STANDARD 2 addresses the content and level of information required in a report
615 that communicates the results of a real property appraisal.

616 STANDARD 2 does not dictate the form, format, or style of real property appraisal reports.
617 The form, format, and style of a report are functions of the needs of intended users and
618 appraisers. The substantive content of a report determines its compliance.

619 **Standards Rule 2-1**

620 **Each written or oral real property appraisal report must:**

- 621 (a) **clearly and accurately set forth the appraisal in a manner that will not be misleading;**
622 (b) **contain sufficient information to enable the intended users of the appraisal to understand the**
623 **report properly; and**
624 (c) **clearly and accurately disclose all assumptions, extraordinary assumptions, hypothetical**
625 **conditions, and limiting conditions used in the assignment.**

626 **Standards Rule 2-2**

627 **Each written real property appraisal report must be prepared under one of the following three options**
628 **and prominently state which option is used: Self-Contained Appraisal Report, Summary Appraisal**
629 **Report, or Restricted Use Appraisal Report.¹⁶**

630 Comment: When the intended users include parties other than the client, either a Self-
631 Contained Appraisal Report or a Summary Appraisal Report must be provided. When the
632 intended users do not include parties other than the client, a Restricted Use Appraisal Report
633 may be provided.

634 The essential difference among these three options is in the content and level of information
635 provided. The appropriate reporting option and the level of information necessary in the
636 report are dependent on the intended use and the intended users.

637 An appraiser must use care when characterizing the type of report and level of information
638 communicated upon completion of an assignment. An appraiser may use any other label in
639 addition to, but not in place of, the label set forth in this Standard for the type of report
640 provided.

641 The report content and level of information requirements set forth in this Standard are
642 minimums for each type of report. An appraiser must supplement a report form, when
643 necessary, to ensure that any intended user of the appraisal is not misled and that the report
644 complies with the applicable content requirements set forth in this Standards Rule.

¹⁶ See Advisory Opinion 11, *Content of the Appraisal Report Options of Standards Rules 2-2 and 8-2*, and Advisory Opinion 12, *Use of the Appraisal Report Options of Standards Rules 2-2 and 8-2*.

STANDARD 2

645 A party receiving a copy of a Self-Contained Appraisal Report, Summary Appraisal Report, or
646 Restricted Use Appraisal Report in order to satisfy disclosure requirements does not become
647 an intended user of the appraisal unless the appraiser identifies such party as an intended user
648 as part of the assignment.

649 (a) **The content of a Self-Contained Appraisal Report must be consistent with the intended use of the**
650 **appraisal and, at a minimum:**

651 (i) **state the identity of the client and any intended users, by name or type;**¹⁷

652 Comment: An appraiser must use care when identifying the client to ensure a clear
653 understanding and to avoid violations of the Confidentiality section of the ETHICS
654 RULE. In those rare instances when the client wishes to remain anonymous, an
655 appraiser must still document the identity of the client in the workfile but may omit
656 the client's identity in the report.

657 Intended users of the report might include parties such as lenders, employees of
658 government agencies, partners of a client, and a client's attorney and accountant.

659 (ii) **state the intended use of the appraisal;**¹⁸

660 (iii) **describe information sufficient to identify the real estate involved in the appraisal,**
661 **including the physical and economic property characteristics relevant to the**
662 **assignment;**¹⁹

663 Comment: The real estate involved in the appraisal can be specified, for example, by
664 a legal description, address, map reference, copy of a survey or map, property sketch
665 and/or photographs or the like. The information can include a property sketch and
666 photographs in addition to written comments about the legal, physical, and economic
667 attributes of the real estate relevant to the type and definition of value and intended
668 use of the appraisal.

669 (iv) **state the real property interest appraised;**

670 Comment: The statement of the real property rights being appraised must be
671 substantiated, as needed, by copies or summaries of title descriptions or other
672 documents that set forth any known encumbrances.

673 (v) **state the type and definition of value and cite the source of the definition;**

674 Comment: Stating the definition of value also requires any comments needed to
675 clearly indicate to intended users how the definition is being applied.²⁰

676 When reporting an opinion of market value, state whether the opinion of value is:

¹⁷ See Statement on Appraisal Standards No. 9, *Identification of Intended Use and Intended Users*.

¹⁸ See Statement on Appraisal Standards No. 9, *Identification of Intended Use and Intended Users*.

¹⁹ See Advisory Opinion 2, *Inspection of Subject Property*, and Advisory Opinion 23, *Identifying the Relevant Characteristics of the Subject Property of a Real Property Appraisal Assignment*.

²⁰ See Statement on Appraisal Standards No. 6, *Reasonable Exposure Time in Real Property and Personal Property Market Value Opinions*. See also Advisory Opinion 7, *Marketing Time Opinions*, and Advisory Opinion 22, *Scope of Work in Market Value Appraisal Assignments, Real Property*.

- 677 • in terms of cash or of financing terms equivalent to cash, or
 678 • based on non-market financing or financing with unusual conditions or
 679 incentives.

680 When an opinion of market value is not in terms of cash or based on financing terms
 681 equivalent to cash, summarize the terms of such financing and explain their
 682 contributions to or negative influence on value.

683 **(vi) state the effective date of the appraisal and the date of the report;**²¹

684 Comment: The effective date of the appraisal establishes the context for the value
 685 opinion, while the date of the report indicates whether the perspective of the
 686 appraiser on the market and property as of the effective date of the appraisal was
 687 prospective, current, or retrospective.

688 **(vii) describe the scope of work used to develop the appraisal;**²²

689 Comment: Because intended users' reliance on an appraisal may be affected by the
 690 scope of work, the report must enable them to be properly informed and not misled.
 691 Sufficient information includes disclosure of research and analyses performed and
 692 might also include disclosure of research and analyses not performed.

693 When any portion of the work involves significant real property appraisal assistance,
 694 the appraiser must describe the extent of that assistance. The signing appraiser must
 695 also state the name(s) of those providing the significant real property appraisal
 696 assistance in the certification, in accordance with Standards Rule 2-3.²³

697 **(viii) describe the information analyzed, the appraisal methods and techniques employed, and
 698 the reasoning that supports the analyses, opinions, and conclusions; exclusion of the
 699 sales comparison approach, cost approach, or income approach must be explained;**

700 Comment: A Self-Contained Appraisal Report must include sufficient information to
 701 indicate that the appraiser complied with the requirements of STANDARD 1. The
 702 amount of detail required will vary with the significance of the information to the
 703 appraisal.

704 The appraiser must provide sufficient information to enable the client and intended
 705 users to understand the rationale for the opinions and conclusions, including
 706 reconciliation of the data and approaches, in accordance with Standards Rule 1-6.

707 When reporting an opinion of market value, a summary of the results of analyzing
 708 the subject sales, options, and listings in accordance with Standards Rule 1-5 is
 709 required.²⁴ If such information is unobtainable, a statement on the efforts undertaken
 710 by the appraiser to obtain the information is required. If such information is
 711 irrelevant, a statement acknowledging the existence of the information and citing its
 712 lack of relevance is required.

²¹ See Statement on Appraisal Standards No. 3, *Retrospective Value Opinions*, and Statement on Appraisal Standards No. 4, *Prospective Value Opinions*.

²² See Advisory Opinion 28, *Scope of Work Decision, Performance, and Disclosure* and Advisory Opinion 29, *An Acceptable Scope of Work*.

²³ See Advisory Opinion 31, *Assignments Involving More than One Appraiser*.

²⁴ See Advisory Opinion 1, *Sales History*.

STANDARD 2

713 (ix) state the use of the real estate existing as of the date of value and the use of the real
714 estate reflected in the appraisal; and, when an opinion of highest and best use was
715 developed by the appraiser, describe the support and rationale for that opinion;

716 (x) clearly and conspicuously:

- 717 • state all extraordinary assumptions and hypothetical conditions; and
- 718 • state that their use might have affected the assignment results; and

719 (xi) include a signed certification in accordance with Standards Rule 2-3.

720 (b) The content of a Summary Appraisal Report must be consistent with the intended use of the
721 appraisal and, at a minimum:

722 Comment: The essential difference between the Self-Contained Appraisal Report and the
723 Summary Appraisal Report is the level of detail of presentation.

724 (i) state the identity of the client and any intended users, by name or type;²⁵

725 Comment: An appraiser must use care when identifying the client to ensure a clear
726 understanding and to avoid violations of the Confidentiality section of the ETHICS
727 RULE. In those rare instances when the client wishes to remain anonymous, an
728 appraiser must still document the identity of the client in the workfile but may omit
729 the client's identity in the report.

730 Intended users of the report might include parties such as lenders, employees of
731 government agencies, partners of a client, and a client's attorney and accountant.

732 (ii) state the intended use of the appraisal;²⁶

733 (iii) summarize information sufficient to identify the real estate involved in the appraisal,
734 including the physical and economic property characteristics relevant to the
735 assignment;²⁷

736 Comment: The real estate involved in the appraisal can be specified, for example, by
737 a legal description, address, map reference, copy of a survey or map, property sketch,
738 and/or photographs or the like. The summarized information can include a property
739 sketch and photographs in addition to written comments about the legal, physical,
740 and economic attributes of the real estate relevant to the type and definition of value
741 and intended use of the appraisal.

742 (iv) state the real property interest appraised;

743 Comment: The statement of the real property rights being appraised must be
744 substantiated, as needed, by copies or summaries of title descriptions or other
745 documents that set forth any known encumbrances.

746 (v) state the type and definition of value and cite the source of the definition;

²⁵ See Statement on Appraisal Standards No. 9, *Identification of Intended Use and Intended Users*.

²⁶ See Statement on Appraisal Standards No. 9, *Identification of Intended Use and Intended Users*.

²⁷ See Advisory Opinion 2, *Inspection of Subject Property*, and Advisory Opinion 23, *Identifying the Relevant Characteristics of the Subject Property of a Real Property Appraisal Assignment*.

747 Comment: Stating the definition of value also requires any comments needed to
748 clearly indicate to the intended users how the definition is being applied.²⁸

749 When reporting an opinion of market value, state whether the opinion of value is:

- 750 • in terms of cash or of financing terms equivalent to cash, or
- 751 • based on non-market financing or financing with unusual conditions or
- 752 incentives.

753 When an opinion of market value is not in terms of cash or based on financing terms
754 equivalent to cash, summarize the terms of such financing and explain their
755 contributions to or negative influence on value.

756 (vi) **state the effective date of the appraisal and the date of the report;**²⁹

757 Comment: The effective date of the appraisal establishes the context for the value
758 opinion, while the date of the report indicates whether the perspective of the
759 appraiser on the market and property as of the effective date of the appraisal was
760 prospective, current, or retrospective.

761 (vii) **summarize the scope of work used to develop the appraisal;**³⁰

762 Comment: Because intended users' reliance on an appraisal may be affected by the
763 scope of work, the report must enable them to be properly informed and not misled.
764 Sufficient information includes disclosure of research and analyses performed and
765 might also include disclosure of research and analyses not performed.

766 When any portion of the work involves significant real property appraisal assistance,
767 the appraiser must summarize the extent of that assistance. The signing appraiser
768 must also state the name(s) of those providing the significant real property appraisal
769 assistance in the certification, in accordance with Standards Rule 2-3.³¹

770 (viii) **summarize the information analyzed, the appraisal methods and techniques employed,
771 and the reasoning that supports the analyses, opinions, and conclusions; exclusion of the
772 sales comparison approach, cost approach, or income approach must be explained;**

773 Comment: A Summary Appraisal Report must include sufficient information to
774 indicate that the appraiser complied with the requirements of STANDARD 1. The
775 amount of detail required will vary with the significance of the information to the
776 appraisal.

777 The appraiser must provide sufficient information to enable the client and intended
778 users to understand the rationale for the opinions and conclusions, including
779 reconciliation of the data and approaches, in accordance with Standards Rule 1-6.

²⁸ See Statement on Appraisal Standards No. 6, *Reasonable Exposure Time in Real Property and Personal Property Market Value Opinions*. See also Advisory Opinion 7, *Marketing Time Opinions*, and Advisory Opinion 22, *Scope of Work in Market Value Appraisal Assignments, Real Property*.

²⁹ See Statement on Appraisal Standards No. 3, *Retrospective Value Opinions*, and Statement on Appraisal Standards No. 4, *Prospective Value Opinions*.

³⁰ See Advisory Opinion 28, *Scope of Work Decision, Performance, and Disclosure*, and Advisory Opinion 29, *An Acceptable Scope of Work*.

³¹ See Advisory Opinion 31, *Assignments Involving More than One Appraiser*.

STANDARD 2

780 When reporting an opinion of market value, a summary of the results of analyzing
781 the subject sales, options, and listings in accordance with Standards Rule 1-5 is
782 required.³² If such information is unobtainable, a statement on the efforts undertaken
783 by the appraiser to obtain the information is required. If such information is
784 irrelevant, a statement acknowledging the existence of the information and citing its
785 lack of relevance is required.

786 (ix) state the use of the real estate existing as of the date of value and the use of the real
787 estate reflected in the appraisal; and, when an opinion of highest and best use was
788 developed by the appraiser, summarize the support and rationale for that opinion;

789 (x) clearly and conspicuously:

- 790 • state all extraordinary assumptions and hypothetical conditions; and
- 791 • state that their use might have affected the assignment results; and

792 (xi) include a signed certification in accordance with Standards Rule 2-3.

793 (c) The content of a Restricted Use Appraisal Report must be consistent with the intended use of the
794 appraisal and, at a minimum:

795 (i) state the identity of the client, by name or type;³³ and state a prominent use restriction
796 that limits use of the report to the client and warns that the appraiser's opinions and
797 conclusions set forth in the report may not be understood properly without additional
798 information in the appraiser's workfile;

799 Comment: An appraiser must use care when identifying the client to ensure a clear
800 understanding and to avoid violations of the Confidentiality section of the ETHICS
801 RULE. In those rare instances when the client wishes to remain anonymous, an
802 appraiser must still document the identity of the client in the workfile but may omit
803 the client's identity in the report.

804 The Restricted Use Appraisal Report is for client use only. Before entering into an
805 agreement, the appraiser should establish with the client the situations where this
806 type of report is to be used and should ensure that the client understands the
807 restricted utility of the Restricted Use Appraisal Report.

808 (ii) state the intended use of the appraisal;³⁴

809 Comment: The intended use of the appraisal must be consistent with the limitation
810 on use of the Restricted Use Appraisal Report option in this Standards Rule (i.e.,
811 client use only).

812 (iii) state information sufficient to identify the real estate involved in the appraisal;³⁵

³² See Advisory Opinion 1, *Sales History*

³³ See Statement on Appraisal Standards No. 9, *Identification of Intended Use and Intended Users*.

³⁴ See Statement on Appraisal Standards No. 9, *Identification of Intended Use and Intended Users*.

³⁵ See Advisory Opinion 2, *Inspection of Subject Property*. References to Advisory Opinions are for guidance only and do not incorporate Advisory Opinions into USPAP.

813 Comment: The real estate involved in the appraisal can be specified, for example, by
 814 a legal description, address, map reference, copy of a survey or map, property sketch,
 815 and/or photographs or the like.

816 (iv) **state the real property interest appraised;**

817 (v) **state the type of value, and cite the source of its definition;³⁶**

818 (vi) **state the effective date of the appraisal and the date of the report;³⁷**

819 Comment: The effective date of the appraisal establishes the context for the value
 820 opinion, while the date of the report indicates whether the perspective of the
 821 appraiser on the market and property as of the effective date of the appraisal was
 822 prospective, current, or retrospective.

823 (vii) **state the scope of work used to develop the appraisal;³⁸**

824 Comment: Because the client's reliance on an appraisal may be affected by the scope
 825 of work, the report must enable them to be properly informed and not misled.
 826 Sufficient information includes disclosure of research and analyses performed and
 827 might also include disclosure of research and analyses not performed.

828 When any portion of the work involves significant real property appraisal assistance,
 829 the appraiser must state the extent of that assistance. The signing appraiser must also
 830 state the name(s) of those providing the significant real property appraisal assistance
 831 in the certification, in accordance with Standards Rule 2-3.³⁹

832 (viii) **state the appraisal methods and techniques employed, state the value opinion(s) and
 833 conclusion(s) reached, and reference the workfile; exclusion of the sales comparison
 834 approach, cost approach, or income approach must be explained;**

835 Comment: An appraiser must maintain a specific, coherent workfile in support of a
 836 Restricted Use Appraisal Report. The contents of the workfile must include sufficient
 837 information to indicate that the appraiser complied with the requirements of
 838 STANDARD 1 and for the appraiser to produce a Summary Appraisal Report. The
 839 file must be available for inspection by the client (or the client's representatives, such
 840 as those engaged to complete an appraisal review), state enforcement agencies, such
 841 third parties as may be authorized by due process of law, and a duly authorized
 842 professional peer review committee except when such disclosure to a committee
 843 would violate applicable law or regulation.

844 When reporting an opinion of market value, information analyzed in compliance
 845 with Standards Rule 1-5 is significant information that must be disclosed in a

³⁶ See Statement on Appraisal Standards No. 6, *Reasonable Exposure Time in Real Property and Personal Property Market Value Opinions*. See also Advisory Opinion 7, *Marketing Time Opinions*, and Advisory Opinion 22, *Scope of Work in Market Value Appraisal Assignments, Real Property*.

³⁷ See Statement on Appraisal Standards No. 3, *Retrospective Value Opinions*, and Statement on Appraisal Standards No. 4, *Prospective Value Opinions*.

³⁸ See Advisory Opinions 28, *Scope of Work Decision, Performance, and Disclosure*, and Advisory Opinion 29, *An Acceptable Scope of Work*.

³⁹ See Advisory Opinion 31, *Assignments Involving More than One Appraiser*.

STANDARD 2

- 846 Restricted Use Appraisal Report.⁴⁰ If such information is unobtainable, a statement
847 on the efforts undertaken by the appraiser to obtain the information is required. If
848 such information is irrelevant, a statement acknowledging the existence of the
849 information and citing its lack of relevance is required.
- 850 (ix) state the use of the real estate existing as of the date of value and the use of the real
851 estate reflected in the appraisal; and, when an opinion of highest and best use was
852 developed by the appraiser, state that opinion;
- 853 (x) clearly and conspicuously:
- 854 • state all extraordinary assumptions and hypothetical conditions; and
 - 855 • state that their use might have affected the assignment results; and
- 856 (xi) include a signed certification in accordance with Standards Rule 2-3.

857 Standards Rule 2-3

858 Each written real property appraisal report must contain a signed certification that is similar in content
859 to the following form:

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

- 861 — the statements of fact contained in this report are true and correct.
- 862 — the reported analyses, opinions, and conclusions are limited only by the reported
863 assumptions and limiting conditions and are my personal, impartial, and unbiased
864 professional analyses, opinions, and conclusions.
- 865 — I have no (or the specified) present or prospective interest in the property that is the
866 subject of this report and no (or the specified) personal interest with respect to the
867 parties involved.
- 868 — I have no bias with respect to the property that is the subject of this report or to the
869 parties involved with this assignment.
- 870 — my engagement in this assignment was not contingent upon developing or reporting
871 predetermined results.
- 872 — my compensation for completing this assignment is not contingent upon the
873 development or reporting of a predetermined value or direction in value that favors
874 the cause of the client, the amount of the value opinion, the attainment of a stipulated
875 result, or the occurrence of a subsequent event directly related to the intended use of
876 this appraisal.
- 877 — my analyses, opinions, and conclusions were developed, and this report has been
878 prepared, in conformity with the *Uniform Standards of Professional Appraisal Practice*.
- 879 — I have (or have not) made a personal inspection of the property that is the subject of
880 this report. (If more than one person signs this certification, the certification must
881 clearly specify which individuals did and which individuals did not make a personal
882 inspection of the appraised property.)⁴¹
- 883 — no one provided significant real property appraisal assistance to the person signing
884 this certification. (If there are exceptions, the name of each individual providing
885 significant real property appraisal assistance must be stated.)

⁴⁰ See Advisory Opinion 1, *Sales History*

⁴¹ See Advisory Opinion 2, *Inspection of Subject Property*.

886 Comment: A signed certification is an integral part of the appraisal report. An appraiser who
887 signs any part of the appraisal report, including a letter of transmittal, must also sign this
888 certification.

889 In an assignment that includes only assignment results developed by the real property
890 appraiser(s), any appraiser(s) who signs a certification accepts full responsibility for all
891 elements of the certification, for the assignment results, and for the contents of the appraisal
892 report. In an assignment that includes personal property, business or intangible asset
893 assignment results not developed by the real property appraiser(s), any real property
894 appraiser(s) who signs a certification accepts full responsibility for the real property elements
895 of the certification, for the real property assignment results, and for the real property contents
896 of the appraisal report.

897 When a signing appraiser(s) has relied on work done by appraisers and others who do not sign
898 the certification, the signing appraiser is responsible for the decision to rely on their work.
899 The signing appraiser(s) is required to have a reasonable basis for believing that those
900 individuals performing the work are competent. The signing appraiser(s) also must have no
901 reason to doubt that the work of those individuals is credible.

902 The names of individuals providing significant real property appraisal assistance who do not
903 sign a certification must be stated in the certification. It is not required that the description of
904 their assistance be contained in the certification, but disclosure of their assistance is required
905 in accordance with Standards Rule 2-2(a), (b), or (c)(vii), as applicable.⁴²

906 **Standards Rule 2-4**

907 **To the extent that it is both possible and appropriate, an oral real property appraisal report must address**
908 **the substantive matters set forth in Standards Rule 2-2(b).**

909 Comment: See the Record Keeping section of the ETHICS RULE for corresponding
910 requirements.

⁴² See Advisory Opinion 31, *Assignments Involving More than One Appraiser*.