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: Maineland 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**

<table>
<thead>
<tr>
<th>VALUE INDICATIONS:</th>
<th>APPRAISER</th>
<th>REVIEWER</th>
</tr>
</thead>
<tbody>
<tr>
<td>SALES COMPARISON</td>
<td>Developed as a test of feasibility of renovating the property to an in service condition. <strong>Conclusion</strong> – The in service renovation costs were concluded to greatly exceed the property’s likely in service market value.</td>
<td>Based on the data provided the subject property appears to have a negative value and is a liability as opposed to an asset.</td>
</tr>
<tr>
<td>Improved property</td>
<td></td>
<td></td>
</tr>
<tr>
<td>SALES COMPARISON</td>
<td>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.</td>
<td>Based on the data provided the subject property appears to have a negative value and is a liability as opposed to an asset.</td>
</tr>
<tr>
<td>Land</td>
<td></td>
<td></td>
</tr>
<tr>
<td>INCOME APPROACH</td>
<td>Not developed</td>
<td>Concur</td>
</tr>
<tr>
<td>COST APPROACH</td>
<td>Not developed</td>
<td>Concur</td>
</tr>
<tr>
<td>FINAL VALUE ESTIMATE</td>
<td>$0</td>
<td>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 $0.00 without significant subsides.</td>
</tr>
</tbody>
</table>

**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

MINIMUM APPRAISAL STANDARDS, USPAP AND OTHER ISSUES

1. Conforms to generally accepted appraisal standards as evidenced by USPAP? X □ □
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? □ □ X
3. Definition of market value estimated? X □ □
4. Is performed by a State Licensed or Certified appraiser? X □ □
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? * □ □
6. Does the report include a signed certification in accordance with USPAP? X □ □
7. Engagement agreement and any subsequent instructions included in the report? X □ □
8. Does the report conform to Appraisal Standards? X □ □
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? □ □ 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

1. Are the purpose, interest, client, any intended users, intended use, and scope of work identified?  
   Yes No N/A  
   X □ □

2. Does the report adequately describe the scope of the appraisal?  
   X □ □

3. Does the report analyze any prior sale(s), listing, option or pending contract on the subject?  
   * □ □

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

1. Does the location analysis provide relevant information and sufficient analysis?  
   Yes No N/A  
   X □ □

2. Does the market analysis provide relevant information and sufficient analysis?  
   X □ □

Comments:

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

1. Does the site analysis provide relevant information (size, shape, topography, availability of utilities, drainage etc.) and sufficient analysis? X □ □
2. Does the improvement analysis provide relevant information (size, age, quality, condition, functional utility, etc.) and sufficient analysis? X □ □
3. Does the report include an adequate zoning and tax analysis. * □ □

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

1. Are conclusions on highest and best use as vacant and as improved analyzed and reasonably supported? * □ □
2. For new construction, renovation, or additions, does the report discuss the financial feasibility of the proposed project? □ □ 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**

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.

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

**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**

1. Does this section contain adequate data and apply appropriate valuation technique(s)?
   - Yes ☐ No ☐ N/A ☐

2. Does this section describe the reasoning that supports the analyses, opinions, and conclusions?
   - Yes ☐ No ☐ N/A ☐

3. Is the land value conclusion logical and reasonable?
   - Yes ☐ No ☐ N/A ☐
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**

1. Is the cost new (direct and indirect) documented and compared with actual project costs (when available)? □ □ X
2. All forms of accrued depreciation considered and supported? □ □ X
3. Does this section describe the reasoning that supports the conclusions and are the conclusions logical and reasonable? □ □ 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

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

Comments: The exclusion of the income approach although implied was not specifically addressed 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

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.?  
   *  □  □
2. Final value appropriately split between realty and non-realty items, and the impacts discussed?  
   *  □  □
3. Final value(s) opinion consistent with the data presented and sufficient documentation included to assess appraiser's logic, reasoning, judgment and analysis?  
   *  □  □

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
MARCE. 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

1997
Maine A+T Tax Abatement Consulting Seminar
Boston A+T 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
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:


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

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.
STANDARD 1: REAL PROPERTY APPRAISAL, DEVELOPMENT

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

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

Standards Rule 1-1

In developing a real property appraisal, an appraiser must:

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

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

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

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

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

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

Standards Rule 1-2

In developing a real property appraisal, an appraiser must:
STANDARD 1

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

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

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

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

(i) in terms of cash; or

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

(iii) in other precisely defined terms; and

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

Comment: When developing an opinion of market value, the appraiser must also develop an opinion of reasonable exposure time linked to the value opinion.⁵

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

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

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

(ii) the real property interest to be valued;

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

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

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

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

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

When appraising proposed improvements, an appraiser must examine and have available for future examination, plans, specifications, or other documentation sufficient to identify the extent and character of the proposed improvements.\(^\text{11}\)

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

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

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

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

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

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

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

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

(h) determine the scope of work necessary to produce credible assignment results in accordance with the SCOPE OF WORK RULE.\(^\text{12}\)

Standards Rule 1-3

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

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

\(^{11}\) See Advisory Opinion 17, Appraisals of Real Property with Proposed Improvements.

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

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

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

Standards Rule 1-4

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

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

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

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

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

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

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

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

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

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

(iv) base projections of future rent and/or income potential and expenses on reasonably clear and appropriate evidence.\(^\text{13}\)

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

(d) When developing an opinion of the value of a leased fee estate or a leasehold estate, an appraiser 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.
When analyzing the assemblage of the various estates or component parts of a property, an appraiser must analyze the effect on value, if any, of the assemblage. An appraiser must refrain from valuing the whole solely by adding together the individual values of the various estates or component parts.

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

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

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

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

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

Standards Rule 1-5

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

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

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

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

Standards Rule 1-6

In developing a real property appraisal, an appraiser must:

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

14 See Advisory Opinion 24, Normal Course of Business.
15 See Advisory Opinion 1, Sales History.
(b) reconcile the applicability and relevance of the approaches, methods and techniques used to arrive at the value conclusion(s).
STANDARD 2: REAL PROPERTY APPRAISAL, REPORTING

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

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

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

Standards Rule 2-1

Each written or oral real property appraisal report must:

(a) clearly and accurately set forth the appraisal in a manner that will not be misleading;

(b) contain sufficient information to enable the intended users of the appraisal to understand the report properly; and

(c) clearly and accurately disclose all assumptions, extraordinary assumptions, hypothetical conditions, and limiting conditions used in the assignment.

Standards Rule 2-2

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

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

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

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

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


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

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

(i) state the identity of the client and any intended users, by name or type;\(^{17}\)

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

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

(ii) state the intended use of the appraisal;\(^{18}\)

(iii) describe information sufficient to identify the real estate involved in the appraisal, including the physical and economic property characteristics relevant to the assignment;\(^{19}\)

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

(iv) state the real property interest appraised;

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

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

Comment: Stating the definition of value also requires any comments needed to clearly indicate to intended users how the definition is being applied.\(^{20}\)

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

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

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

(vi) state the effective date of the appraisal and the date of the report;\textsuperscript{21}

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

(vii) describe the scope of work used to develop the appraisal;\textsuperscript{22}

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

When any portion of the work involves significant real property appraisal assistance, the appraiser must describe the extent of that assistance. The signing appraiser must also state the name(s) of those providing the significant real property appraisal assistance in the certification, in accordance with Standards Rule 2-3.\textsuperscript{23}

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

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

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

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

\textsuperscript{21} See Statement on Appraisal Standards No. 3, \textit{Retrospective Value Opinions}, and Statement on Appraisal Standards No. 4, \textit{Prospective Value Opinions}.

\textsuperscript{22} See Advisory Opinion 28, \textit{Scope of Work Decision, Performance, and Disclosure} and Advisory Opinion 29, \textit{An Acceptable Scope of Work}.

\textsuperscript{23} See Advisory Opinion 31, \textit{Assignments Involving More than One Appraiser}.

\textsuperscript{24} See Advisory Opinion 1, \textit{Sales History}.

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

(x) clearly and conspicuously:

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

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

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

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

(i) state the identity of the client and any intended users, by name or type;\(^{25}\)

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

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

(ii) state the intended use of the appraisal;\(^{26}\)

(iii) summarize information sufficient to identify the real estate involved in the appraisal, including the physical and economic property characteristics relevant to the assignment;\(^{27}\)

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

(iv) state the real property interest appraised;

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

(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.
Comment: Stating the definition of value also requires any comments needed to clearly indicate to the intended users how the definition is being applied.\(^{28}\)

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

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

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

(vi) **state the effective date of the appraisal and the date of the report;**\(^{29}\)

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

(vii) **summarize the scope of work used to develop the appraisal;**\(^{30}\)

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

When any portion of the work involves significant real property appraisal assistance, the appraiser must summarize the extent of that assistance. The signing appraiser must also state the name(s) of those providing the significant real property appraisal assistance in the certification, in accordance with Standards Rule 2-3.\(^{31}\)

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

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

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


\(^{31}\) See Advisory Opinion 31, *Assignments Involving More than One Appraiser*.
When reporting an opinion of market value, a summary of the results of analyzing the subject sales, options, and listings in accordance with Standards Rule 1-5 is required. If such information is unobtainable, a statement on the efforts undertaken by the appraiser to obtain the information is required. If such information is irrelevant, a statement acknowledging the existence of the information and citing its lack of relevance is required.

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

(x) clearly and conspicuously:

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

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

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

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

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

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

(ii) state the intended use of the appraisal;

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

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

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

(iv) state the real property interest appraised;

(v) state the type of value, and cite the source of its definition;\(^{36}\)

(vi) state the effective date of the appraisal and the date of the report;\(^{37}\)

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

(vii) state the scope of work used to develop the appraisal;\(^{38}\)

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

When any portion of the work involves significant real property appraisal assistance, the appraiser must state the extent of that assistance. The signing appraiser must also state the name(s) of those providing the significant real property appraisal assistance in the certification, in accordance with Standards Rule 2-3.\(^{39}\)

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

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

When reporting an opinion of market value, information analyzed in compliance 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.


\(^{39}\) See Advisory Opinion 31, Assignments Involving More than One Appraiser.
Restricted Use Appraisal Report. If such information is unobtainable, a statement on the efforts undertaken by the appraiser to obtain the information is required. If such information is irrelevant, a statement acknowledging the existence of the information and citing its lack of relevance is required.

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

(x) clearly and conspicuously:
- state all extraordinary assumptions and hypothetical conditions; and
- state that their use might have affected the assignment results; and

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

Standards Rule 2-3

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

I certify that, to the best of my knowledge and belief:
- the statements of fact contained in this report are true and correct.
- the reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and are my personal, impartial, and unbiased professional analyses, opinions, and conclusions.
- I have no (or the specified) present or prospective interest in the property that is the subject of this report and no (or the specified) personal interest with respect to the parties involved.
- I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
- my engagement in this assignment was not contingent upon developing or reporting predetermined results.
- my compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
- my analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice.
- I have (or have not) made a personal inspection of the property that is the subject of this report. (If more than one person signs this certification, the certification must clearly specify which individuals did and which individuals did not make a personal inspection of the appraised property.)
- no one provided significant real property appraisal assistance to the person signing this certification. (If there are exceptions, the name of each individual providing significant real property appraisal assistance must be stated.)

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40 See Advisory Opinion 1, Sales History
41 See Advisory Opinion 2, Inspection of Subject Property.
Comment: A signed certification is an integral part of the appraisal report. An appraiser who signs any part of the appraisal report, including a letter of transmittal, must also sign this certification.

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

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

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

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

Standards Rule 2-4

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

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