

advisory

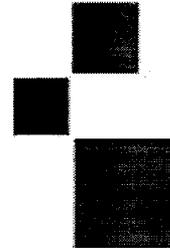
valuation

## APPRAISAL OF REAL PROPERTY

Industrial Site  
172 Bogner Drive  
Newport, Orleans County, VT 05855

IN AN APPRAISAL REPORT  
As of December 31, 2012  
and September 1, 2014

Prepared For:  
U.S. Securities and Exchange Commission  
801 Brickell Avenue, Suite 1800  
Miami, FL 33131  
Client ID: SECHQ115P0049



Prepared By:  
Cushman & Wakefield of Massachusetts, Inc.  
Valuation & Advisory  
225 Franklin Street, Suite 300  
Boston, MA 02110  
C&W File ID: 15-27001-900153





CUSHMAN & WAKEFIELD OF MASSACHUSETTS, INC.  
225 FRANKLIN STREET, SUITE 300  
BOSTON, MA 02110

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Industrial Site  
172 Bogner Drive  
Newport, Orleans County, VT 05855



225 FRANKLIN STREET, SUITE 300  
BOSTON, MA 02110

April 08, 2015

Ms. Trisha Sindler Fuchs  
Miami Regional Office  
**U.S. Securities and Exchange Commission**  
801 Brickell Avenue, Suite 1800  
Miami, FL 33131

Re: Appraisal of Real Property  
In an Appraisal Report

**Industrial Site**  
172 Bogner Drive  
Newport, Orleans County, VT 05855

C&W File ID: 15-27001-900153  
Client ID: SECHQ115P0049

Dear Ms. Fuchs:

In fulfillment of our agreement as outlined in the Letter of Engagement, we are pleased to transmit our appraisal of the above property in an Appraisal Report dated April 08, 2015. The effective dates of value are December 31, 2012 and September 1, 2014.

This Appraisal Report has been prepared in compliance with the *Uniform Standards of Professional Appraisal Practice (USPAP)*.

The subject property is a 7.07-acre industrial site located in a rural Vermont community. The site will reportedly be developed with an 80,000 high tech manufacturing use which will be occupied by AnC Bio Vermont. According to officials with the City of Newport, the groundbreaking for the project is anticipated to be on April 1, 2015.

Based on the agreed-to Scope of Work, and as outlined in the report, we developed the following opinions of Market Value:

<b>Value Conclusions</b>			
<b>Appraisal Premise</b>	<b>Real Property Interest</b>	<b>Date Of Value</b>	<b>Value Conclusion</b>
Retrospective Market Value As Is	Fee Simple	December 31, 2012	\$590,000
Retrospective Market Value As Is	Fee Simple	September 1, 2014	\$620,000

*Compiled by Cushman & Wakefield of Massachusetts, Inc.*

The value opinions in this report are qualified by certain assumptions, limiting conditions, certifications, and definitions, as well as the following extraordinary assumptions and hypothetical conditions, if any.



## EXTRAORDINARY ASSUMPTIONS

For a definition of Extraordinary Assumptions please see the Glossary of Terms & Definitions. The use of extraordinary assumptions, if any, might have affected the assignment results.

We have been provided with a Purchase and Sale Agreement, dated January 2013, with a sale price of \$6,000,000. After a review of city records, including discussion with city officials, we were unable to confirm that any sale has occurred that subdivided the property as reported. Further, The City of Newport Assessor's Office has yet to subdivide the site in their assessment records, although their site maps do reflect a subdivided property. For purposes of this report, we have assumed that the subject site has been subdivided into a 7.07-acre parcel as reported and we have valued the site as such.

As we are providing retrospective values, we have assumed that there were no material differences or changes in the site between the dates of value and date of inspection.

As these conditions may affect the assignment results, we reserve the right to amend our value estimate if these conditions are not met.

## HYPOTHETICAL CONDITIONS

For a definition of Hypothetical Conditions please see the Glossary of Terms & Definitions. The use of hypothetical conditions, if any, might have affected the assignment results.

This appraisal does not employ any hypothetical conditions.

This letter is invalid as an opinion of value if detached from the report, which contains the text, exhibits, and Addenda.

Respectfully submitted,

**CUSHMAN & WAKEFIELD OF MASSACHUSETTS, INC.**



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## CLIENT SATISFACTION SURVEY

As part of our quality monitoring campaign, attached is a short survey pertaining to this appraisal report and the service that you received. Would you please take a few minutes to complete the survey to help us identify the things you liked and did not like?

Each of your responses will be catalogued and reviewed by members of our national Quality Control Committee, and appropriate actions will be taken where necessary. Your feedback is critical to our effort to continuously improve our service to you, and is sincerely appreciated.

To access the questionnaire, please click on the link here:

[http://www.surveymonkey.com/s.aspx?sm=2bZUxc1p1j1DWi6n\\_2fsw1KQ\\_3d\\_3d&c=15-27001-900153](http://www.surveymonkey.com/s.aspx?sm=2bZUxc1p1j1DWi6n_2fsw1KQ_3d_3d&c=15-27001-900153)

The survey is hosted by SurveyMonkey.com, an experienced survey software provider. Alternatively, simply print out the survey attached in the Addenda of this report and fax it to (716) 852-0890.

## Summary of Salient Facts and Conclusions

### BASIC INFORMATION

<b>Common Property Name:</b>	Industrial Site
<b>Address:</b>	172 Bogner Drive Newport, VT 05855
<b>County:</b>	Orleans
<b>Property Ownership Entity:</b>	GSI of Dade County

### SITE INFORMATION

<b>Land Area:</b>	<b>Square Feet</b>	<b>Acres</b>
Main Parcel	307,969	7.07
<b>Site Shape:</b>	Irregularly shaped	
<b>Site Topography:</b>	Gently sloping	
<b>Frontage:</b>	Average	
<b>Site Utility:</b>	Average	

### MUNICIPAL INFORMATION

#### Assessment Information:

<b>Assessing Authority</b>	City of Newport
<b>Assessor's Parcel Identification</b>	125-80
<b>Current Tax Year</b>	2014-2015
<b>Taxable Assessment</b>	\$2,034,700
<b>Tax Assessment per square foot</b>	\$20.15
<b>Current Tax Liability</b>	\$61,835
<b>Are taxes current?</b>	Taxes are current
<b>Is a grievance underway?</b>	Not to our knowledge
<b>Subject's assessment is</b>	At market levels

#### Zoning Information:

<b>Municipality Governing Zoning</b>	City of Newport
<b>Current Zoning</b>	Light Industrial
<b>Is current use permitted?</b>	Yes
<b>Current Use Compliance</b>	Complying use
<b>Zoning Change Pending</b>	No
<b>Zoning Variance Applied For</b>	Not applicable

### HIGHEST & BEST USE

**As Vacant:**  
Hold for future commercial development

VALUATION INDICES VALUE DATE	Market Value As-Is	Market Value As-Is
	December 31, 2012	September 1, 2014
<b>Land Value</b>		
Indicated Value:	\$590,000	\$620,000
Per Square Foot:	\$1.92	\$2.01
<b>FINAL VALUE CONCLUSION</b>		
Real Property Interest:	Fee Simple	Fee Simple
Concluded Value:	\$590,000	\$620,000
Per Square Foot:	\$1.92	\$2.01
<b>EXPOSURE AND MARKETING TIME</b>		
Exposure Time:	12 Months	12 Months
Marketing Time:	12 Months	12 Months

## EXTRAORDINARY ASSUMPTIONS

For a definition of Extraordinary Assumptions please see the Glossary of Terms & Definitions. The use of extraordinary assumptions, if any, might have affected the assignment results.

We have been provided with a Purchase and Sale Agreement, dated January 2013, with a sale price of \$6,000,000. After a review of city records, including discussion with city officials, we were unable to confirm that any sale has occurred that subdivided the property as reported. Further, The City of Newport Assessor's Office has yet to subdivide the site in their assessment records, although their site maps do reflect a subdivided property. For purposes of this report, we have assumed that the subject site has been subdivided into a 7.07-acre parcel as reported and we have valued the site as such.

As we are providing retrospective values, we have assumed that there were no material differences or changes in the site between the dates of value and date of inspection.

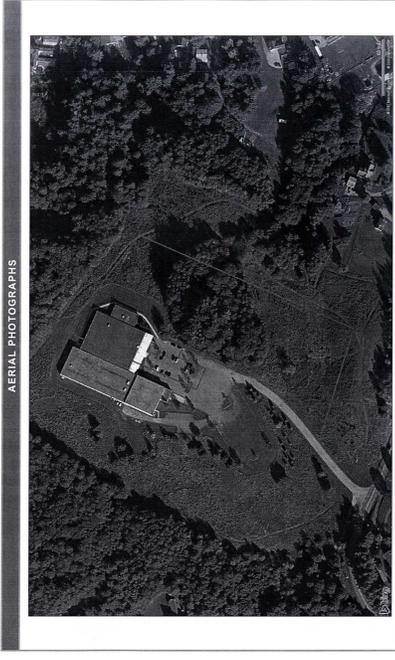
As these conditions may affect the assignment results, we reserve the right to amend our value estimate if these conditions are not met.

## HYPOTHETICAL CONDITIONS

For a definition of Hypothetical Conditions please see the Glossary of Terms & Definitions. The use of hypothetical conditions, if any, might have affected the assignment results.

This appraisal does not employ any hypothetical conditions.

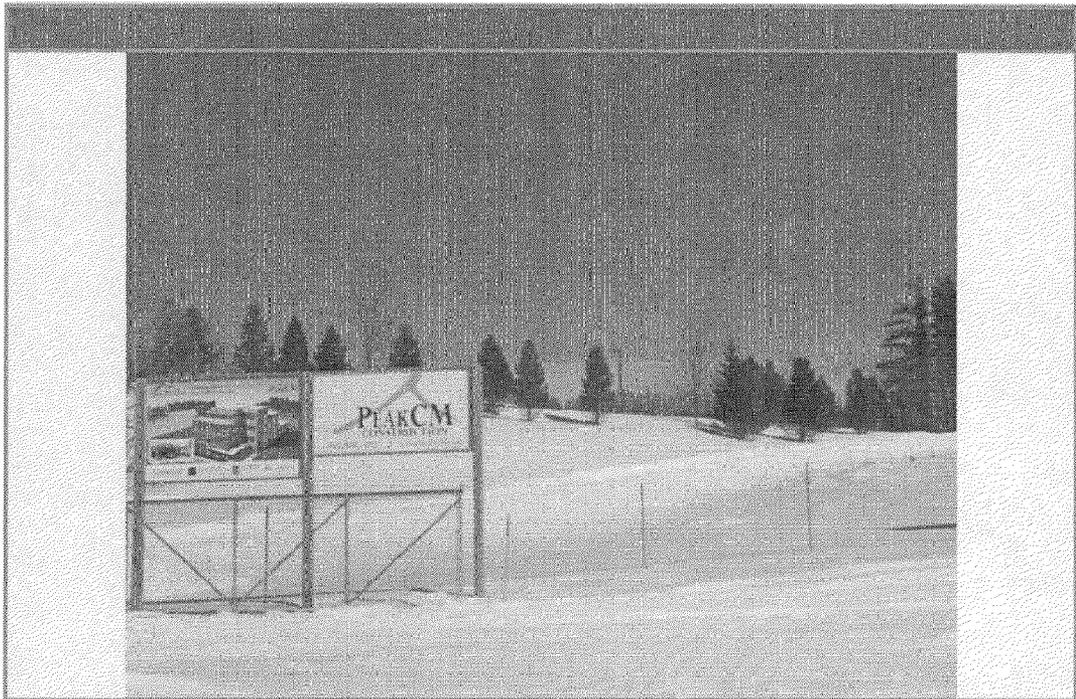
## Property Photographs



\*Some of the improvements shown on the subject site have been removed since the date of this image.



Bogner Drive and Site Looking North From Lake Street



Subject Site Looking North From Lake Street



Bogner Drive Looking North (Site on Right)



Site Looking Northeast



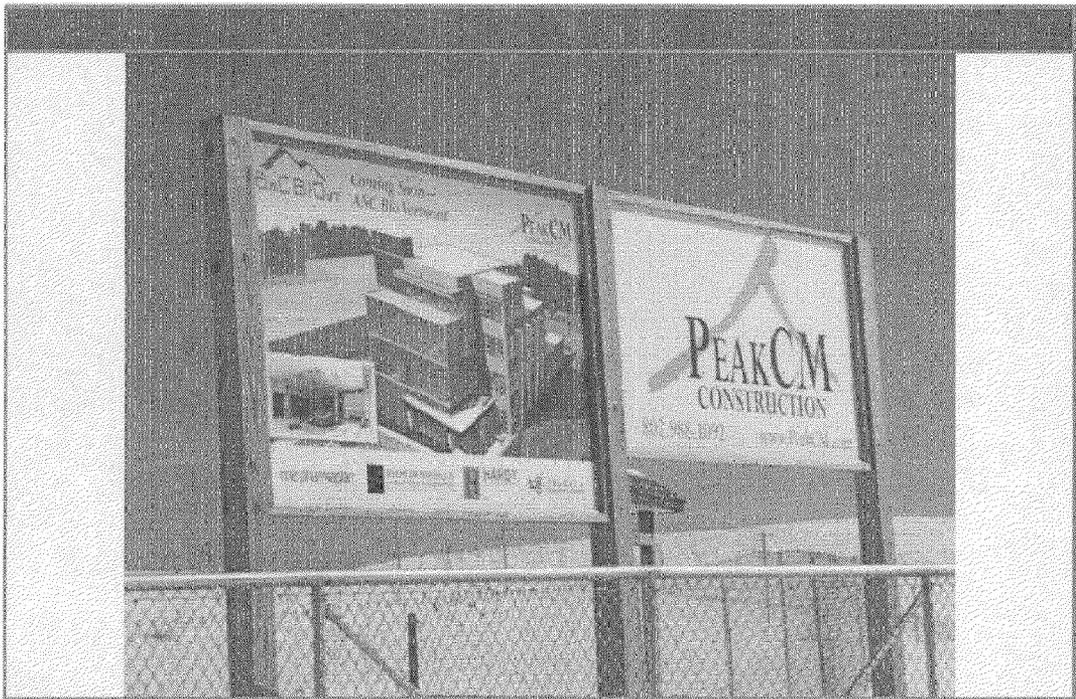
Site Looking North and Abutting Improvements



Site Looking North and Abutting Improvements



On Site Construction Trailer Looking South



Pending Construction Signage

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## SCOPE OF WORK

This report is intended to comply with the reporting requirements outlined under the USPAP for an Appraisal Report.

Cushman & Wakefield of Massachusetts, Inc. has an internal Quality Control Oversight Program. This Program mandates a "second read" of all appraisals. Assignments prepared and signed solely by designated members (MAIs) are read by another MAI who is not participating in the assignment. Assignments prepared, in whole or in part, by non-designated appraisers require MAI participation, Quality Control Oversight, and signature.

For this assignment, Quality Control Oversight was provided by Robert N. Skinner, MAI, MRICS.

The scope of this appraisal is to value the fee simple interest in the subject site. This required collecting primary and secondary data relevant to the subject property. Vacant land sales were researched in the subject's market, and the input of buyers, sellers, brokers, property developers and public officials was considered. A physical inspection of the property was made. In addition, the general regional economy as well as the specifics of the subject's local area was investigated.

The data have been thoroughly analyzed and confirmed with sources believed to be reliable, leading to the value conclusions in this report. The valuation process used generally accepted market-derived methods and procedures appropriate to the assignment.

This appraisal employs only the Sales Comparison Approach. Based on our analysis and knowledge of the subject property type and relevant investor profiles, it is our opinion that this approach would be considered necessary and applicable for market participants. Typical purchasers do not generally rely on the Cost or Income Capitalization Approaches when purchasing a property such as the subject of this report. Therefore, we have not employed the Cost Approach or the Income Capitalization Approach to develop an opinion of market value. The absence of these approaches does not diminish the reliability of the analysis.

## REPORT OPTION DESCRIPTION

USPAP identifies two written report options: Appraisal Report and Restricted Appraisal Report. This document is prepared as an Appraisal Report in accordance with USPAP guidelines. The terms "describe," "summarize," and "state" connote different levels of detail, with "describe" as the most comprehensive approach and "state" as the least detailed. As such, the following provides specific descriptions about the level of detail and explanation included within the report:

- Describes the real estate and/or personal property that is the subject of the appraisal, including physical, economic, and other characteristics that are relevant
- States the type and definition of value and its source
- Describes the Scope of Work used to develop the appraisal
- Describes the information analyzed, the appraisal methods used, and the reasoning supporting the analyses and opinions; explains the exclusion of any valuation approaches
- States the use of the property as of the valuation date
- Describes the rationale for the Highest and Best Use opinion (if included)

## IDENTIFICATION OF PROPERTY

**Location:** The subject property is located at 172 Bogner Drive, Newport, Orleans County, Vermont 05855

**Assessor's Parcel Number:** 125-80

**Legal Description:** The subject site is part of a 25.97-acre master parcel located in Book 209, Pages 132-134 in the local Newport Land Records. A copy of this document can be found in the addendum.

## PROPERTY OWNERSHIP AND RECENT HISTORY

**Current Ownership:** GSI of Dade County

**Sale History:** The subject's master site was purchased on September 16, 2011 from James and Mary Ann Mulkin for \$3,150,000. At the time of sale the 25.97-acre site included a 68,305 square foot industrial use that was built in 1971.

**Current Disposition:** We have been provided with a Purchase and Sale Agreement, dated December 1, 2012, that transfers 7.07 acres of land to Jay Peak Biomedical Research Park L.P. for a price of \$6,000,000. This contract reports a closing date of January 31, 2013. However, after a search of Newport, VT land transfers and discussions with city officials, this sale appears to have never occurred. Additionally, the Newport Assessor's office has yet to subdivide the master side for assessment purposes, although their tax maps do reflect the proposed subdivision.

Additionally, a review of public records, as well as discussion with officials of the City of Newport revealed that an 80,000 square foot biomedical facility is proposed to be built on the subject site. This facility will be operated by AnC Bio Vermont and is reported to cost up to \$70 million to construct. It was reported that the project received an Act 250 permit in September 2014 and the City of Newport reported that they have also received town approvals for this project. Lastly, the city expects a groundbreaking of the project to occur on April 1, 2015.

## DATES OF INSPECTION AND VALUATION

**Effective Dates of Valuation:**

**Retrospective As Is:** December 31, 2012

**Retrospective As Is:** September 01, 2014

**Date of Inspection:** March 03, 2015

**Property Inspected by:** Stefan J. Sargeant, MAI, MRICS

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## CLIENT, INTENDED USE AND USERS OF THE APPRAISAL

Client:	U.S. Securities and Exchange Commission
Intended Use:	This appraisal is intended to provide an opinion of the Retrospective Market Value of the Fee Simple interest in the property for the use of the client for internal review. This report is not intended for any other use.
Intended User:	This Appraisal Report was prepared for the exclusive use of U.S. Securities and Exchange Commission. Use of this report by others is not intended by the appraiser.

## EXTRAORDINARY ASSUMPTIONS

We have been provided with a Purchase and Sale Agreement, dated January 2013, with a sale price of \$6,000,000. After a review of city records, including discussion with city officials, we were unable to confirm that any sale has occurred that subdivided the property as reported. Further, The City of Newport Assessor's Office has yet to subdivide the site in their assessment records, although their site maps do reflect a subdivided property. For purposes of this report, we have assumed that the subject site has been subdivided into a 7.07-acre parcel as reported and we have valued the site as such.

As we are providing retrospective values, we have assumed that there were no material differences or changes in the site between the dates of value and date of inspection.

As these conditions may affect the assignment results, we reserve the right to amend our value estimate if these conditions are not met.

## HYPOTHETICAL CONDITIONS

This appraisal does not employ any hypothetical conditions.



# BURLINGTON, VT REGIONAL ANALYSIS

## INTRODUCTION

### MARKET DEFINITION

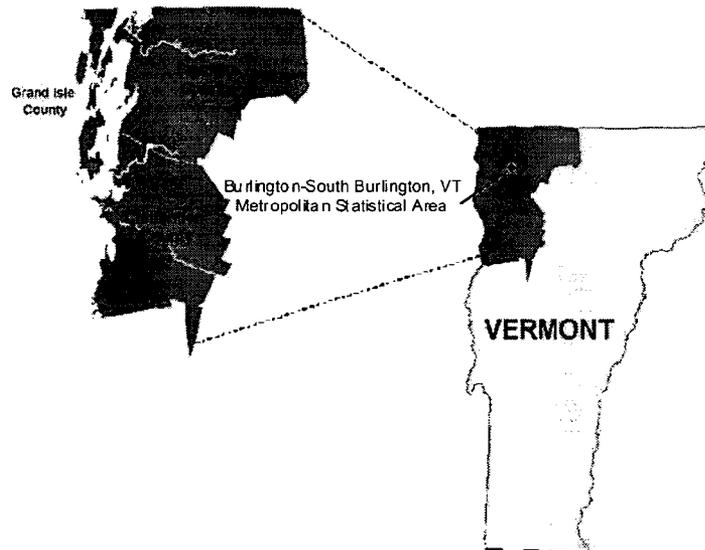
The Burlington, Vermont region is located in the northwestern corner of the State of Vermont, adjacent to Lake Champlain. The region is classified as the Burlington-South Burlington, Vermont Metropolitan Statistical Area (MSA). The MSA is situated in the Counties of Franklin, Chittenden and Grand Isle.

Further considerations are as follows:

- The Burlington region is bordered by Canada to its north; it is approximately 50 miles from the City of Montreal. To the region's west is upstate New York and the Adirondack Mountain Range.
- Anchored by the cities of Burlington and South Burlington, the region contains four of the nine largest cities in the State of Vermont. The City of Burlington is the largest city in the state, with a population of approximately 43,110. It is considered the cultural and historical center of the region.
- The Burlington MSA has a geographical area of approximately 1,507 square miles. Situated on Lake Champlain, the region contains 1,259 square miles of land and 248 square miles of water.
- Behind the presence of University of Vermont, Champlain College, and Saint Michaels College, there are over 12,000 students in the Burlington area. These students have a direct impact on local housing and retail sales.

The following map highlights Burlington-South Burlington, VT Metropolitan Statistical Area (MSA):

**BURLINGTON-SOUTH BURLINGTON, VT  
METROPOLITAN STATISTICAL AREA (MSA)**



Source: Claritas, Inc., Cushman & Wakefield Valuation & Advisory

## CURRENT TRENDS

While Vermont boasts one of the lowest unemployment rates in the country, layoffs at IBM hampered Vermont's slow-but-steady economic recovery last year. Over the past year, the Burlington MSA experienced strong growth in employment, boosted by gains in Education and Health Services, and Construction. The \$600.0 million Northeast Kingdom Economic Development Initiative is underway and should drive Construction employment over the next few years. Moreover, nationally recognized ski resorts (Jay Peak and Burke Mountain Resort) have received upgrades resulting from this project which should help boost tourism dollars. However, there are some hindrances to the slow moving economy in Burlington. The recent government shutdown last October greatly affected many workers including Department of Agriculture and National Guard Technicians in the Burlington MSA. Layoffs at the region's largest employer, IBM Corporation, came as no surprise due to a global company restructuring. Improvements in other industries should offset these losses and the unemployment rate in Vermont should remain one of the lowest in the nation. Looking forward, low unemployment rates and steady demand for regional goods and services, especially in innovation sectors and education, will aid in the region's future economic stability. Yet, outmigration and inability to retain young, talented workers will hurt Burlington's economic growth beyond a certain point.

Further considerations are as follows:

- The unemployment rate for the State of Vermont has steadily improved after peaking at 6.8 percent in September 2009. Since that point, it decreased quarter over quarter to its current rate of 3.5 percent (as of June 2014). Unemployment in the Burlington MSA is forecasted to continue its downward trend below 2.1 percent through 2018. The MSA's lower unemployment rates can be attributed to the region's large employment base in the less-cyclical Education and Health Services sector.
- EB-5 projects are taking off in Vermont and many of these projects are located in the Burlington MSA. The federal EB-5 immigration program offers a conditional green card to foreign nationals who invest \$1.0 million in a qualified project in the United States, or \$500,000 in an economically depressed area of the country, such as the Northeast Kingdom. After two years, if 10 full-time jobs, direct and indirect, have been created as a result of the EB-5 investments in a project, the investors receive permanent green cards for themselves and their immediate families, allowing them to live and work in the United States. Two of the projects are at Ski Resorts in Vermont that are popular tourist destinations. Jay Peak and Burke Mountain Resort are going through \$170.0 million and \$108.0 million upgrades, respectively as a result of this program.
- In August 2013, the Chittenden County Transportation Authority (CCTA) announced that it will move forward with its downtown station project in Burlington. The city secured nearly \$10.0 million on federal grants to offset the cost of constructing the facility. The station will provide a total of 21 passenger boarding areas to accommodate the 2.7 million riders it sees per year (a 70.0 percent increase since 2000). Construction is expected to begin in Summer 2014 with an expected completion date set for late 2015.

- IBM Corporation, the largest employer in the Burlington MSA, has undergone layoffs in an effort for a worldwide global company rebalancing. The cuts began in the middle of 2013 and IBM eventually laid off hundreds of employees. Companywide, the IBM Corporation projected that about 3,300 IBM employees in the United States and Canada have lost their jobs as a result of divisions being moved to lower cost locations overseas. IBM's revenue was down over \$1.0 billion in the third quarter 2013 compared to the same time last year. The revenues were down due to the company's underperforming hardware division, which is taking a hit with the growing popularity of cloud services. Despite layoffs, IBM Corporation is still the largest private employer in Burlington and will continue to be vital to the region's economic stability moving forward.
- Fletcher Allen Health Care is looking to replace aging buildings on its campus with a new in-patient facility with private rooms. The plan also calls for a new maternity ward, a research center, and the replacement of its two data centers. Hospital officials say the plan is in the earliest stages, but initial estimates put the price tag at about \$120.0 million. Moreover, the health center's partnership with the University of Vermont College of Medicine and Nursing is beneficial for retaining talented medical professionals in Vermont. Health Services is a major employment sector in the Burlington MSA and this development should bring more jobs to the area.

## DEMOGRAPHIC TRENDS

### DEMOGRAPHIC CHARACTERISTICS

The Burlington MSA's (Metropolitan Statistical Area) median age of 38.0 years is slightly higher than the U.S. median age of 36.0 years. In 2014, *RetireWOW* ranked Burlington as one of the best places to retire in the nation, which explains its above average population age. Burlington's residents are well educated with 40.8 percent of the population having attained a Bachelor's Degree or higher. This is 12.4 percentage points higher than the U.S. average of 28.4 percent. Educational attainment serves to increase the income levels of the Burlington-South Burlington region. Also, the migration of internet/tech companies to the area offer competitive salaries that attract job seekers.

Further considerations are as follows:

- With regard to wealth, the Burlington MSA is more affluent than the nation with 27.4 percent of its households having an annual income of \$100,000 or more, measured against the national average of 21.3 percent.
- The 42.5 percent share of households with annual incomes above \$75,000 exceeds the national average of 33.2 percent.
- According to the 2014 estimates, the Burlington MSA's median household income was \$64,893, 26.4 percent higher than the national average of \$51,352.

The following table details the demographic breakdown of the Burlington MSA as compared to the United States as a whole:

<b>Demographic Characteristics Burlington, VT MSA vs. United States 2014 Estimates</b>		
<b>Characteristic</b>	<b>Burlington MSA</b>	<b>United States</b>
Median Age (years)	38.0	36.0
Average Annual Household Income	\$83,636	\$71,318
Median Annual Household Income	\$64,893	\$51,352
<i>Households by Annual Income Level:</i>		
<\$25,000	17.0%	24.4%
\$25,000 to \$49,999	21.0%	24.4%
\$50,000 to \$74,999	19.4%	17.9%
\$75,000 to \$99,999	15.1%	11.9%
\$100,000 plus	27.4%	21.3%
<i>Education Breakdown:</i>		
< High School	7.0%	14.3%
High School Graduate	25.7%	28.4%
College < Bachelor Degree	26.5%	29.0%
Bachelor Degree	25.5%	17.8%
Advanced Degree	15.3%	10.6%

Source: Claritas, Inc., Cushman & Wakefield Valuation & Advisory

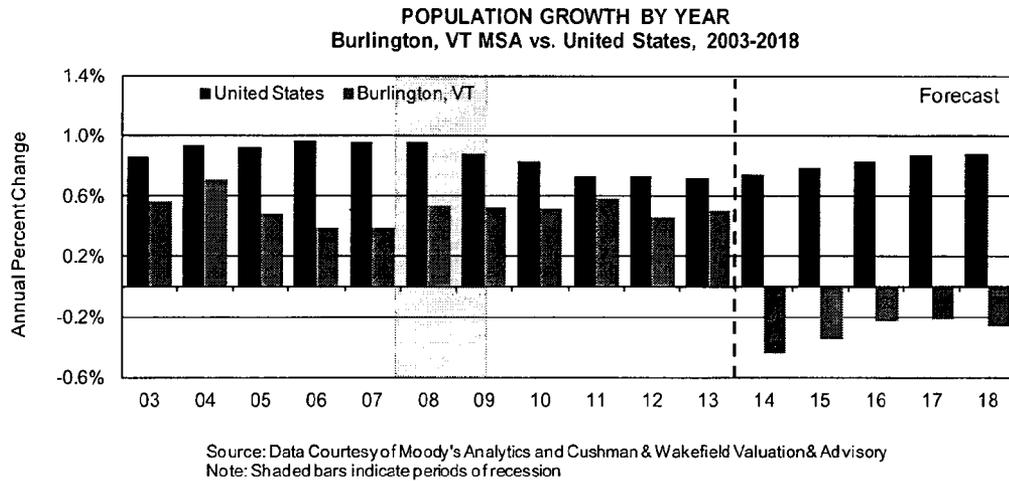
## POPULATION

The Burlington MSA's population growth rates have lagged slightly behind national averages over the past decade. Burlington experienced growth at a higher rate than other metros in the northeast due to favorable living costs compared to other areas in New England. Winooski, a city in Chittenden County, has renovated its downtown area with an abundance of new restaurants and bars, and is a landing spot for firms and workers looking for urban space in Vermont. Moreover, with a high concentration of college students, an improving, vibrant business community will attempt to retain students in the Burlington area. Total population in 2014 is expected to officially close the year at negative 0.3 percent, remaining steady as in 2013. The nation as a whole is expected to grow at positive 0.7 percent by the end of 2014. Negative population trends presents challenges moving forward in Burlington and Vermont overall, by limiting economic growth and hence the opportunities for Vermont businesses to expand and for Vermonters to obtain jobs. Larger populations also make it easier for people to meet, communicate and partner on new business ideas.

Further considerations are as follows:

- The Burlington MSA's population, 213,851 residents as of 2014, grew at an average annual rate of 0.5 percent from 2003 through 2013. Over the corresponding time period, the population of the United States grew at a higher rate of 0.9 percent per year. Since then, Burlington's population has slowed noticeably.
- Population growth throughout the Burlington MSA is expected to remain negative through 2018, with an annual decline of 0.3 percent. Meanwhile, the national population is forecast to continue its growth, however dipping slightly to 0.8 percent annually over the next four years.

The following graph compares historical and projected population growth between the Burlington MSA and the United States:



The following table displays the annualized population growth within the Burlington MSA and the United States as a whole:

Annualized Population Growth by County Burlington, VT MSA 2003-2018						
Population (000's)	Historical		Forecast		Compound Annual Growth Rate	Compound Annual Growth Rate
	2003	2013	2014	2018	03-13	14-18
United States	290,107.9	316,128.9	318,493.9	329,375.3	0.9%	0.8%
<b>Burlington, VT</b>	<b>204.2</b>	<b>214.8</b>	<b>213.9</b>	<b>211.6</b>	<b>0.5%</b>	<b>-0.3%</b>
Chittenden County	150.4	159.5	158.9	157.8	0.6%	-0.2%
Franklin County	46.6	48.4	48.1	47.3	0.4%	-0.4%
Grand Isle County	7.2	6.9	6.8	6.5	-0.4%	-1.2%

Source: Data Courtesy of Moody's Analytics, Cushman & Wakefield Valuation & Advisory

### HOUSEHOLDS

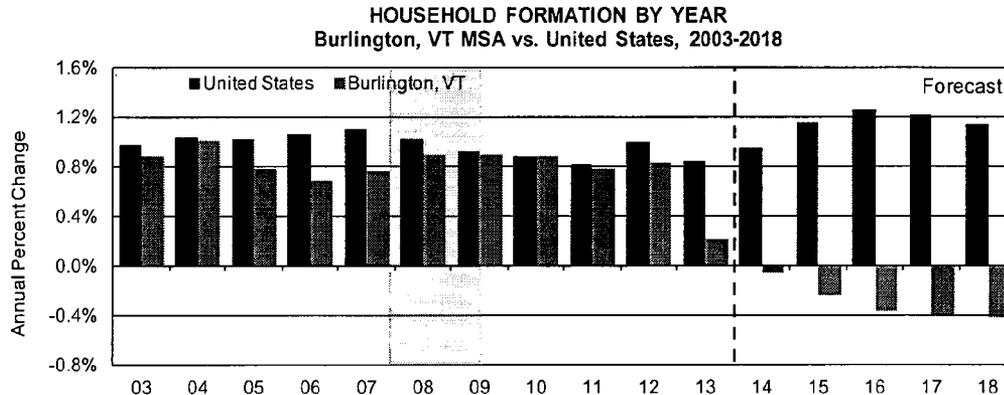
Over the past decade, household formation growth trends in the Burlington MSA have overshadowed population growth rates. That being said, household growth is predicted to remain above population growth levels over the four-year forecast horizon, as the number of people occupying a single housing unit is expected to remain flat instead of decline like the regional population. CoreLogic reported a home price index over the past year at a 6.3 percent growth rate as of April 2014. Many Vermont residents move to the state for its rural lifestyle, not its expansive business opportunities. Additionally, there are several outside sociological factors that can be attributed to household growth increasing at a higher rate than population, such as: longer life expectancies, increasing divorce rates and young professionals postponing marriage.

Further considerations are as follows:

- From 2003 to 2013, the average annual household formation rate in the Burlington MSA was 0.8 percent. Over the corresponding time period, the nation as a whole experienced 1.0 percent annual household formation growth.

- Through 2018, the Burlington MSA's annual household formation growth rate is expected to slow down similar to its population trends; however Moody's Analytics expects the household rate to remain at negative 0.4 percent. In comparison, the national annual household growth rate is forecast to increase by 1.2 percent.

The following graph compares historical and projected household growth between the Burlington MSA and the United States as a whole:



## ECONOMIC TRENDS

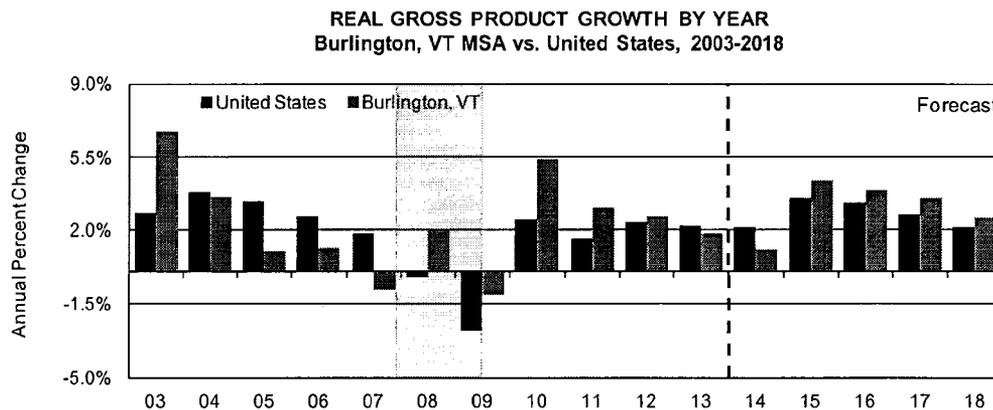
### GROSS METRO PRODUCT

The Burlington MSA is known historically as a timber processing community, but has emerged recently as a small commercial center for northern New England. Its proximity to Lake Champlain has made the region a frequent tourism destination. Popular resort destinations in the area include Stowe Mountain and Smugglers Notch, which was rated the number one overall resort in the northeast by *Ski Magazine*. New hotels and restaurants in the downtown Burlington area reflect a firmer business confidence in the community. Typically, Burlington shows growth in its gross metro product annually, but in 2007 the region showed its first loss with an average of negative 1.6 percent. In 2008, positive growth was seen; however, as the full grips of recession took hold by 2009, Burlington's annual GMP declined by 1.9 percent. This was above the national average of negative 2.8 percent for 2009. By 2010 regional GMP growth recovered from downward economic pressure and expanded at an average of 3.7 percent over the next three years. GMP continued falling to 1.8 percent in 2013 and is expected to decrease another 0.8 percent in 2014.

Further considerations are as follows:

- US Ignite, a non-profit organization that partners with cities around the country that have access to very high internet speeds, picked Burlington to join in its efforts to encourage the development of next-generation technologies. As part of the announcement, Burlington dubbed itself "New England's Gigabit City," and laid out plans to harness its fast internet speeds as tools for economic development. US Ignite said its mission is to foster the creation of 60 next-generation internet applications in communities like Burlington. Those applications are aimed at improving healthcare, education, public safety, energy, transportation, and advanced manufacturing. Growth could be expected at Dealer.com, an internet marketing company that has 700 employees at its Burlington headquarters.
- From 2003 to 2013, the Burlington MSA's GMP averaged an annual growth rate of 1.8 percent. This was 10 basis points above the national average growth of 1.7 percent over the corresponding time period.
- Over the next four years, the region's annual GMP growth rate is predicted to increase at an average annual rate of 3.6 percent. This is slightly higher than the national average growth of 2.9 percent.

The following graph compares historical and projected GMP growth by year for the Burlington MSA and the United States as a whole:



Source: Data Courtesy of Moody's Analytics and Cushman & Wakefield Valuation & Advisory  
Note: Shaded bars indicate periods of recession

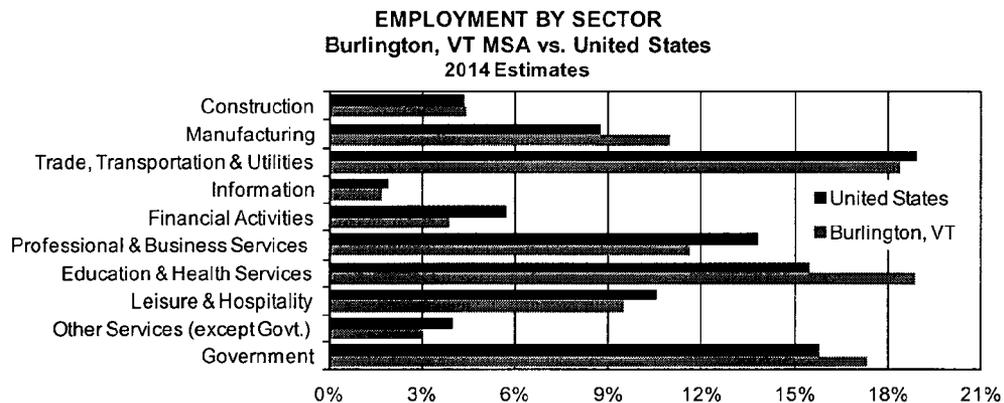
## EMPLOYMENT DISTRIBUTION

The Education and Health Services sector is the Burlington MSA's largest employment sector, containing 18.9 percent of total nonfarm employment. Another significant employment base in the region is Trade, Transportation, and Utilities, which amounts to 18.4 percent and has seen growth resulting in the influx of technology companies in the area. Government jobs round out the top three employment sectors, accounting for 17.4 percent of nonfarm jobs in the Burlington MSA.

Further considerations are as follows:

- With consistent positive employment growth, the less-cyclical Education and Health Services sector has helped to stabilize employment in the region. Over the last five years, this sector has averaged an annual growth rate of 1.3 percent. Looking forward, growth in this industry is projected to continue at the same rate through 2018.
- The Burlington MSA has a highly skilled workforce with employment in Professional and Business Services and Manufacturing accounting for 11.6 and 11.0 percent of total nonfarm employment, respectively. Job growth in Professional and Business Services is forecast to increase at 2.5 percent over the next four years.

The following chart presents the breakdown of employment by sector within the Burlington MSA and the United States:



Source: Data Courtesy of Moody's Analytics and Cushman & Wakefield Valuation & Advisory

## MAJOR EMPLOYERS

The Burlington MSA's employment picture is a diverse mix spanning numerous business sectors. The Education and Health Services sector, which accounts for 18.9 percent of total nonfarm employment in the region, is anchored by top employer Fletcher Allen Health Care and six colleges and universities in the Burlington MSA. University of Vermont has several graduate schools that employ thousands of workers with advanced educational degrees. Additionally, high-tech jobs from major employer GE Healthcare help to create a skilled workforce and high median income levels in the region.

Further considerations are as follows:

- IBM Corporation's semiconductor plant, located in Essex Junction, is the largest employer in the Burlington MSA. The plant currently employs approximately 5,000 people. Due to amplified demand for semiconductors, IBM is projected to increase production at its plant through the rest of 2013 more efficiently than prior years. As such, the location has also laid off hundreds of workers in the middle of 2013 as part of a global reorganization.

- As the second largest employer, Fletcher Allen Health Care is a dynamic health system that is constantly adapting to provide high-quality healthcare to the region. In order to retain a productive workforce, the hospital recently shed its medical transcription personnel for a more efficient electronic-records system. These layoffs were offset by the creation of a new nursing program which will improve the local labor pool and strengthen the hospital's presence in the region.
- Fletcher Allen Health Center at University of Vermont was ranked 7<sup>th</sup> in safest patient care among university hospitals that participate in the University HealthSystem Consortium nationwide. In a separate analysis, Fletcher Allen ranked 2<sup>nd</sup> in supply chain efficiency which involves buying and distributing all clinical and non-clinical items at the lowest possible cost. Over the past five years, Fletcher Allen has produced more than \$12.0 million in direct savings in its acquisition of supplies and equipment.
- While not a private company, the University of Vermont employs over 3,340 people in the Burlington MSA. The university not only provides a strong employment base, but also provides economic stimulus to the area. The University reportedly has a \$1.0 billion annual impact on the Vermont economy.
- Thousands of government employees in the state of Vermont and Burlington specifically were victims of furloughs resulting from the government shutdown in October. Roughly 450 National Guard Technicians in Colchester were asked to leave work without pay until an agreement was reached in congress. Yet, government growth trends are expected to remain modest once the 2014 numbers become official, at 0.6 percent for the year.

The following table details the largest private employers in the Burlington MSA:

<b>Largest Private Employers Burlington, VT</b>		
<b>Company</b>	<b>No. of Employees</b>	<b>Business Type</b>
IBM Corporation	5,000	Manufacturing
Fletcher Allen Health Care	4,951	Healthcare
University of Vermont	3,343	Education
People's United Bank	1,000	Financial Services
The Howard Center for Human Services Inc.	809	Family Services
Adecco USA Inc.	775	Human Resources
Ben & Jerry's Homemade Inc.	735	Manufacturing
GE Healthcare	700	Healthcare
Napoli Group	680	Professional and Business Services
Verizon Communications	650	Telecommunications

Source: Vermont Book of Lists and Cushman & Wakefield Valuation & Advisory

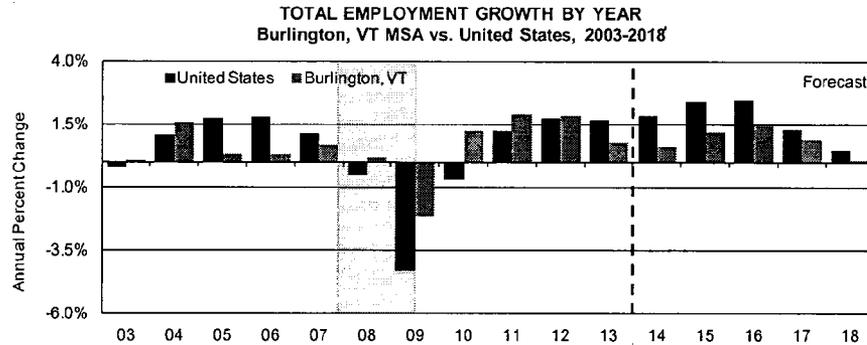
## EMPLOYMENT GROWTH

Growth in total nonfarm employment in the Burlington MSA declined over the past few years as the recent national recession gripped the region. Regional employment recovered by 2010, with annual growth of 1.1 percent for the year and an average growth rate of 1.3 percent over the last four years. Investment by web-based firms has increased in Burlington. Companies like Dealer.com and MyWebGrocer have brought hundreds of well-paying jobs and millions of dollars in investment to the metro area. Tech companies tend to recruit young, educated personnel, and can recruit from the area's college graduates. In late 2013, congress failed to agree on a budget to fund the government which caused shutdown of certain government positions. In Vermont, thousands of employees were affected this closing. The Department of Agriculture and Vermont National Guard combined saw 590 employees forced to take furloughs. This occurrence was unfortunate for a region that has a substantial amount of its residents employed in government jobs. Looking forward, the construction sector is expected to grow its presence by 4.0 percent over the next four years, followed by the professional and business sector industry. Education and Health Services is anchored by some of the strongest, most well respected institutions in the northeast and should expect to see consistent payroll growth over the next few years.

Further employment characteristics are as follows:

- The Burlington MSA's total nonfarm employment averaged an annual growth rate of 0.6 percent from 2003 to 2013. This was above the national annual average, which showed 0.5 percent employment growth over the corresponding time period.
- Construction is expected to see an explosion of growth over the next three years in Burlington. Builders are expected to benefit from greater construction spending that is projected to result in an annual average of 4.5 percent growth in payroll. A number of building projects are already underway in Burlington including breweries as well as a new hotel downtown. Burke Mountain is adding a new 116 suite Hotel Burke and Conference Center in December 2014. This project will include an indoor aquatic center and indoor and outdoor tennis center.
- As the region reached the depths of the recession in 2009, employment growth registered an annual average growth rate of negative 2.2 percent. This was 2.4 percentage points above the 2009 national average growth rate of negative 4.4 percent.
- Going forward, Burlington MSA employment growth is projected to increase at a rate below the national average. Regional employment is expected grow at 0.9 percent per annum over the next four years. In comparison, the nation as a whole is forecast to experience 1.6 percent per annum growth through 2017.
- Governor Shumlin worked to ensure that all Vermont residents had access to broadband by the end of 2013, and active connection is now available for 99.0 percent of the state. The administration is trying to improve internet speeds and hopes to lower costs at the same time. Statewide internet service would be a huge boost to the state's economy that has positioned itself as a potential hub for innovation in the northeast.

The following graph illustrates total nonfarm employment growth per year, for the Burlington MSA and the United States as a whole:



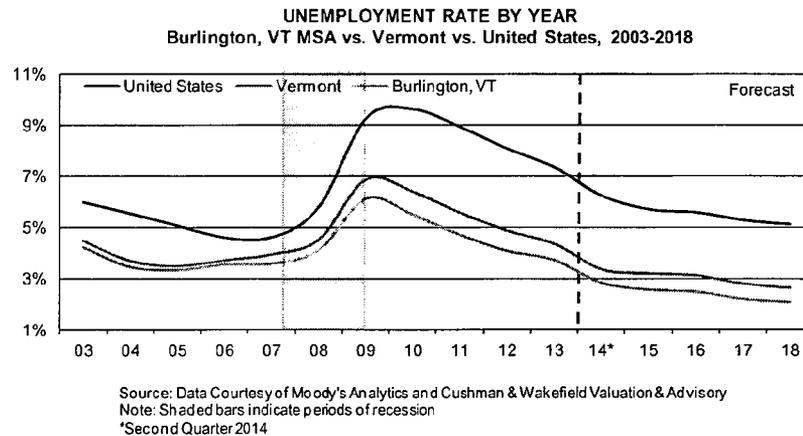
## UNEMPLOYMENT

As of June 2014, the Bureau of Labor Statistics reported the unemployment rate for the Burlington MSA at 3.5 percent, indicating a decrease of 60 basis points on a year-over-year timeframe. Unemployment in the Burlington MSA remains static for the state of Vermont, which was 3.5 percent and 2.6 percentage points below the national average, which was 6.1 percent.

Further considerations are as follows:

- The Burlington-South Burlington MSA has historically had one of the lowest unemployment rates in the nation. Over the past ten years, the Burlington MSA recorded an average unemployment rate of 4.1 percent. Unemployment peaked in 2009 during the recession at 6.0 percent, but dropped over the next few years to its customary level of 4.5 percent in 2012. Over the next several years the region's unemployment rate should experience a positive trend and dip well below 3.0 percent by 2017.
- Since 2007, the Burlington MSA's unemployment rate has increased, particularly between 2008 and 2009 as the economy slipped into a recession. During this time, both regional and state levels remained nearly 3.0 percentage points below national levels throughout the recession. In the middle of 2013, the IBM Corporation announced that the company would lay off hundreds of workers; however these losses did not hurt the jobless rate beyond a certain point. In fact, the unemployment rate improved since the July 2013 rate of 4.0 percent. Government layoffs that occurred during the shutdown in October did not appear to have a significant effect on the unemployment rate.

The following graph compares unemployment rate for the Burlington MSA, the State of Vermont and the United States as a whole:



## CONCLUSION

Though the Burlington-South Burlington MSA felt the effects of the national recession, recent positive performance in employment participation rates has led to steady economic development in the region. The \$600.0 million Northeast Kingdom Economic Development Initiative is well under way and should lead to significant growth not only in infrastructure but also in payroll. An influx of technology and internet-based companies and increases in payroll has helped boost hiring rates in the Greater Burlington area. Over the past two years, the region experienced solid improvement from its Tourism industry as well, which is expected to continue in the foreseeable future. The traditionally stable Education and Health Services sector should prove strong enough to offset the negative affects stemming from the national shutdown. Long term, costly land laws should drive population outmigration, which will hurt Burlington's potential for economic growth. Burlington should outperform the state of Vermont over the next few years.

Further considerations are as follows:

- The University of Vermont, located in the City of Burlington, is an economic driver in the region. It provides employment for over 3,340 people and supplies the region with a highly educated workforce. The region's numerous colleges and universities offer a shield against severe cyclical fluctuations in recessionary times.
- In the near term, solid Professional and Business Services growth resulting from companies relocating to the area and expanding technology firms will aid in the region's business development. The sector is expected to grow 2.3 percent through 2017.
- One aspect of the Burlington MSA that hurts population growth is the lack of young people, which given the older demographic hurts future growth. An aging population can potentially hinder long-term prospects for a strong housing market, labor force growth and consumer-demand driven industries.

# Local Area Analysis



## LOCATION OVERVIEW

The subject property is located in a mixed residential neighborhood of Newport, 0.75 miles west of the center of town. The property is also located five miles south of the Canadian border.

## ACCESS

In the local area, the subject and adjacent properties are easily accessible and rely on the following arteries:

- |                   |   |
|-------------------|---|
| Interstate 91:    | This four to six lane roadway is one of two interstate highways in Vermont and runs from Brattleboro and the Massachusetts border from the south to the Canadian border to the north. Access to this roadway is made three miles to the southeast at Exit 27. |
| Routes 5 and 105: | These secondary roadways connect Newport to surrounding communities. The subject property is located within a mile of these roads.  |

## NEARBY AND ADJACENT USES

The subject property is located in a mixed residential area of Newport just west of the greater downtown market. Uses in the immediate area are predominately residential in nature, being a combination of single and smaller multi-family uses. There are also several agricultural uses mixed in, including dairy farms and produce operations. The bulk of the commercial uses are located in two major nodes in the city. The first is downtown Newport located a mile east of the subject property. Downtown Newport includes a variety of mixed used properties, most having ground floor retail space with upper floor office and residential stock. There are several restaurant uses located here, as well as free standing and auto related uses. Downtown Newport is also located along the banks of Lake Memphremagog and includes additional marine related uses.

The second major area of commercial development is found along Route 5 abutting Interstate 91. This area has a variety of free standing and attached retail stores, shops, restaurants and auto related uses. This area includes two large grocery stores, an auto dealership and several gas stations, as well as various retail users. There are additional industrial uses located here as well, most being a combination of smaller warehouse and manufacturing uses. A new 40,000 square foot manufacturing use was built along Route 5 in nearby Derby in 2012 and is occupied by an owner user who relocated from Canada. Lastly, there is sporadic industrial uses located throughout the city including an older mill use located in downtown Newport.

## LOCAL AREA CHARACTERISTICS

Newport is one of Vermont's northern-most communities located along Route 5 and Interstate 91 at the border with Canada. This city is generally rural in nature with a 2014 population of 5,527 persons, a 3.7 percent decrease over 2000 figures. The median household income was \$36,201 in 2014, much lower than the Vermont average of \$56,151. This area benefits from its proximity to Jay Peak Ski Area and the Canadian border, as well as access to Interstate 91.

Newport provides direct access to Jay Peak Ski Area, a 78-trail ski area with a vertical drop of 2,153 feet. Jay Peak is located 15 miles west of Newport and visitors using Interstate 91 must travel through Newport to access the ski area. In 2010, \$13 million worth of improvements were made to the ski area including an indoor ice arena, a parking garage, an enclosed beginners lift, and a new RFID ticketing system. The old Hotel Jay was razed and replaced with a new 170-room hotel. The new facilities also include a spa, conference center and 33,000 square

feet. The resort has two base lodges and a small lodge at the summit where the aerial tram terminates. There are also hotel facilities and a large number of ski-in/ski-out condominium units on the lower part of the mountain.

There is a league-sized hockey rink, the Ice Haus, with room for 700 spectators. Next to it is a 220 space parking garage, where 80% of the slots are covered. In 2011, an indoor water park named The Pump House opened. It features the longest "lazy river" in Vermont. There is also an 18-hole golf course.

## AERIAL MAP



## SPECIAL HAZARDS OR ADVERSE INFLUENCES

No special hazards, adverse or detrimental influences were observed.

## LAND USE CHANGES

The subject is located in an area of residential and commercial development. There are no land use changes in the local area that would impact the value or utility of the subject property.

## LOCAL AREA DEMOGRAPHICS

The below chart summarizes current demographic statistics for the subject's market. To add perspective to this analysis, we segregated our survey into three, five, and ten mile concentric circles with a comparison to the county, state, and the United States. This data is presented on the following chart.

DEMOGRAPHIC SUMMARY							
	3.0-mile Radius	5.0-mile Radius	10.0-mile Radius	Orleans County	State of Vermont	United States	
<b>POPULATION STATISTICS</b>							
2000	6,107	8,754	16,563	26,280	608,822	281,394,317	
2014	5,527	8,239	16,260	27,023	625,312	317,178,116	
2019	5,310	8,003	15,939	26,818	624,424	328,287,020	
<b>Compound Annual Change</b>							
2000 - 2014	-0.71%	-0.43%	-0.13%	0.20%	0.19%	0.86%	
2014 - 2019	-0.80%	-0.58%	-0.40%	-0.15%	-0.03%	0.69%	
<b>HOUSEHOLD STATISTICS</b>							
2000	2,532	3,521	6,452	10,445	240,638	105,466,823	
2014	2,289	3,392	6,601	11,371	259,037	120,151,595	
2019	2,216	3,325	6,529	11,399	260,839	124,610,342	
<b>Compound Annual Change</b>							
2000 - 2014	-0.72%	-0.27%	0.16%	0.61%	0.53%	0.94%	
2014 - 2019	-0.65%	-0.40%	-0.22%	0.05%	0.14%	0.73%	
<b>AVERAGE HOUSEHOLD INCOME</b>							
2000	\$38,229	\$40,039	\$39,673	\$39,287	\$51,456	\$56,674	
2014	\$48,374	\$52,704	\$53,692	\$54,106	\$72,476	\$71,318	
2019	\$43,568	\$47,322	\$48,737	\$49,408	\$71,047	\$75,940	
<b>Compound Annual Change</b>							
2000 - 2014	1.70%	1.98%	2.18%	2.31%	2.48%	1.66%	
2014 - 2019	-2.07%	-2.13%	-1.92%	-1.80%	-0.40%	1.26%	
<b>OCCUPANCY</b>							
Owner Occupied	60.06%	66.29%	71.89%	75.75%	70.78%	64.97%	
Renter Occupied	39.94%	33.71%	28.11%	24.25%	29.22%	35.03%	

SOURCE: Claritas, Inc.

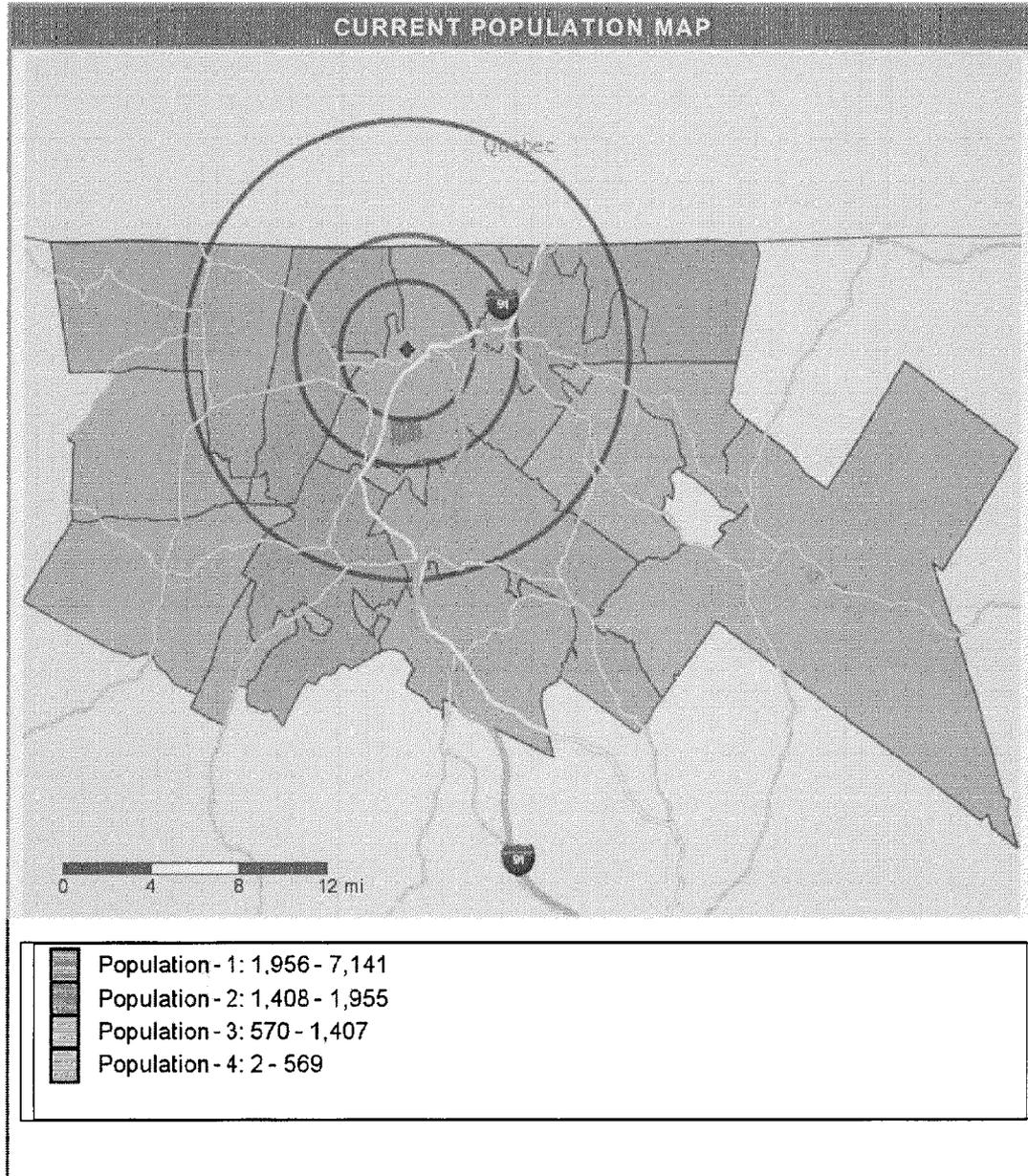
## POPULATION

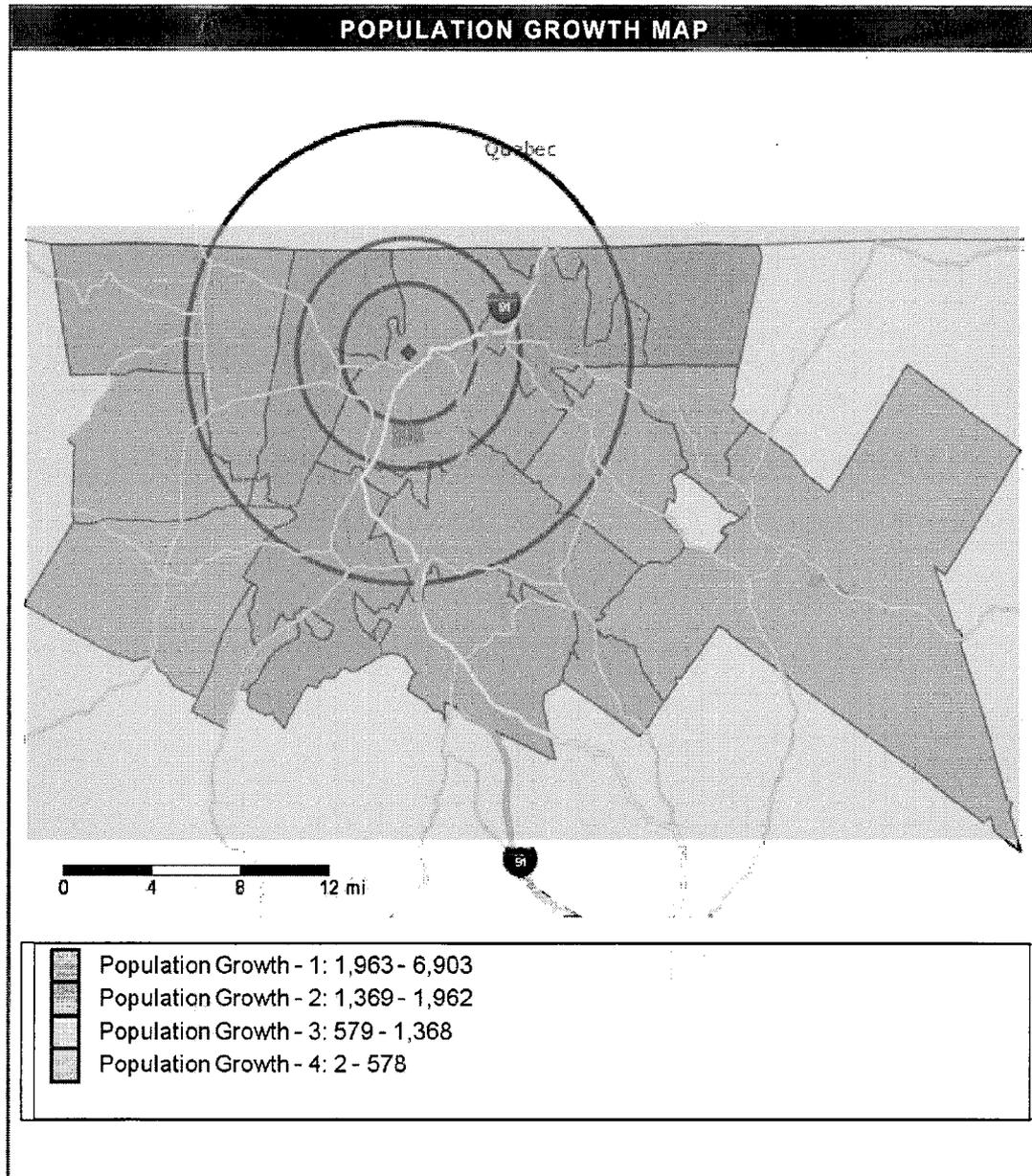
Having established the subject's trade area, our analysis focuses on the trade area's population. Claritas, Inc. provides historical, current and forecasted population estimates for the total trade area. Patterns of development density and migration are reflected in the current levels of population estimates.

Between 2000 and 2014, Claritas, Inc., reports that the population within the primary trade area (5-mile radius) declined at a compound annual rate of -0.43 percent. This is characteristic of suburban areas in this market. This trend is expected to continue into the near future albeit at a slightly slower pace. Expanding to the total trade area (10-mile radius), population is expected to decline -0.4 percent per annum over the next five years.

The following page contains a graphic representation of the current population distribution within the subject's region.

The graphic on the second following page illustrates projected population growth in the trade area over the next five years (2014 - 2019). The trade area is clearly characterized by various levels of growth.





## HOUSEHOLDS

A household consists of a person or group of people occupying a single housing unit, and is not necessarily a family unit. When an individual purchases goods and services, these purchases are a reflection of the entire household's needs and decisions, making the household a critical unit to be considered when reviewing market data and forming conclusions about the trade area as it impacts the retail center.

Figures provided by Claritas, Inc. indicate that the number of households is increasing at a faster rate than the growth of the population.

Several changes in the way households are being formed have caused this acceleration, specifically:

- The population is living longer on average. This results in an increase of single- and two-person households;
- Higher divorce rates have resulted in an increase in single-person households; and
- Many individuals have postponed marriage, also resulting in more single-person households.

According to Claritas, Inc., the Primary Trade Area grew at a compound annual rate of -0.27 percent between 2000 and 2014. Consistent with national trends, the trade area is experiencing household changes at a rate that varies from population changes. That pace is expected to continue through 2019, and is estimated at -0.4 percent.

Correspondingly, a greater number of smaller households with fewer children generally indicates more disposable income. In 2000, there were 2.35 persons per household in the Primary Trade Area and by 2014, this number is estimated to have decreased to 2.24 persons. Through 2019, the average number of persons per household is forecasted to decline to 2.21 persons.

## TRADE AREA INCOME

Income levels, either on a per capita, per family or household basis, indicate the economic level of the residents of the trade area and form an important component of this total analysis. Average household income, when combined with the number of households, is a major determinant of an area's retail sales potential.

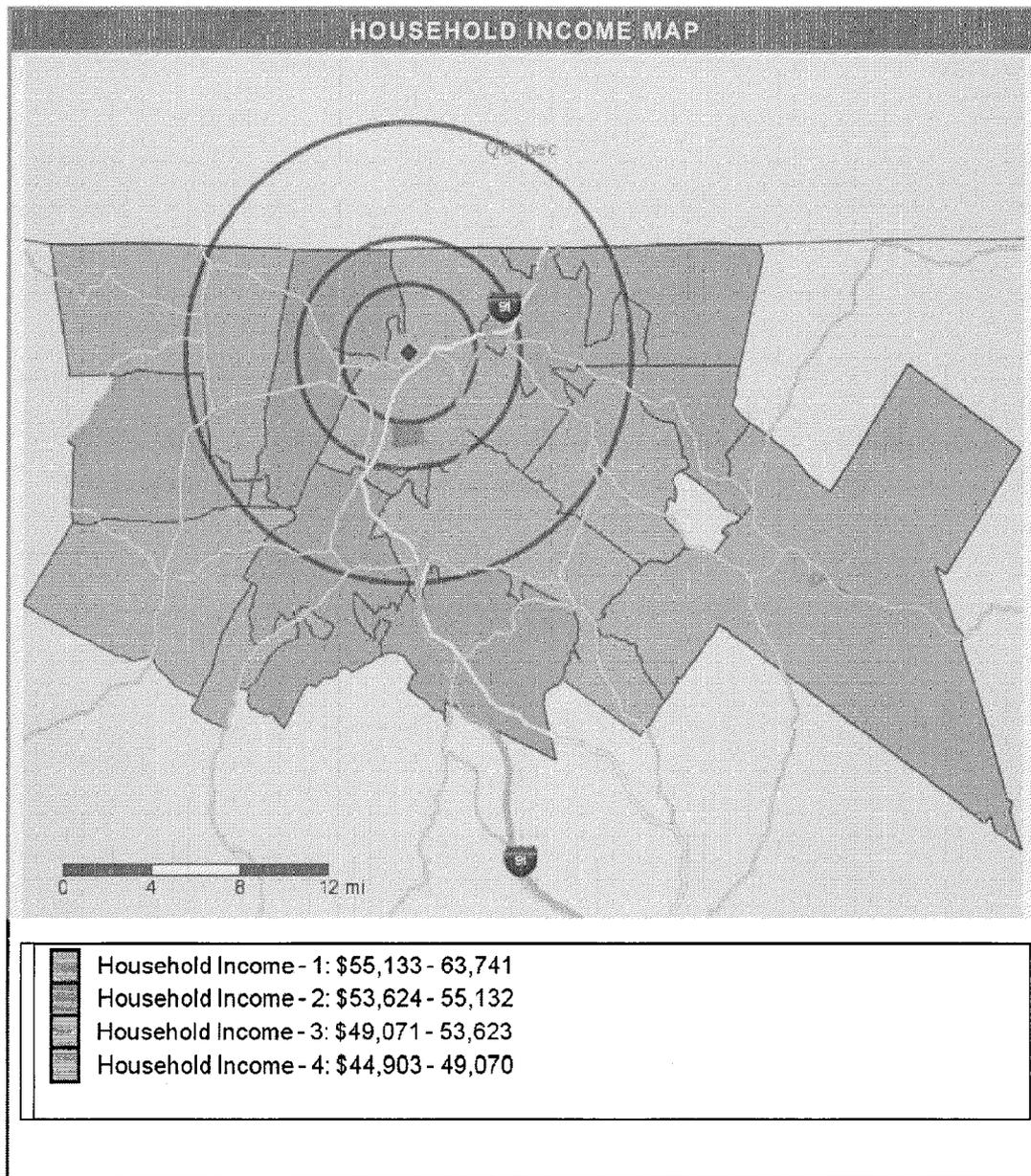
Trade area income figures for the subject support the profile of a broad middle-income market. According to Claritas, Inc. average household income in the primary trade area in 2014 was approximately \$52,704, 97.41 percent of the county average (\$54,106) and 72.72 percent of the state average (\$72,476).

Further analysis shows a relatively broad-based distribution of income, although skewed toward the lower income brackets, similar to the distribution within the larger county. This information is summarized as follows:

<b>DISTRIBUTION OF HOUSEHOLD INCOME</b>						
<b>Category</b>	<b>3.0-mile Radius</b>	<b>5.0-mile Radius</b>	<b>10.0-mile Radius</b>	<b>Orleans County</b>	<b>State of Vermont</b>	<b>United States</b>
\$150,000 or more	2.71%	3.45%	3.64%	3.44%	8.29%	9.00%
\$125,000 to \$149,999	2.10%	2.89%	2.80%	2.59%	4.83%	4.55%
\$100,000 to \$124,999	4.02%	5.01%	5.11%	5.29%	8.64%	7.76%
\$75,000 to \$99,999	8.52%	9.14%	9.82%	10.66%	13.78%	11.88%
\$50,000 to \$74,999	18.36%	19.26%	19.22%	20.31%	19.82%	17.95%
\$35,000 to \$49,999	15.69%	15.13%	15.66%	15.94%	14.20%	13.88%
\$25,000 to \$34,999	12.81%	12.62%	13.56%	13.05%	9.67%	10.55%
\$15,000 to \$24,999	18.75%	16.28%	15.07%	14.59%	10.06%	11.16%
Under \$15,000	17.05%	16.22%	15.12%	14.14%	10.71%	13.28%

Source: Claritas, Inc.

On the following page is a graphic presentation of the household income distribution throughout the trade area that clearly shows the area surrounding the subject to be characterized by middle income households.



## RETAIL SALES

Perhaps an even more important measure of area income is the amount spent on retail purchases. At the end of last year, the county had an aggregate retail sales level of \$0.43 billion, with average retail sales per household of \$37,813. By comparison, Vermont had average sales per household of \$45,222, while the U.S. was \$43,474.

RETAIL SALES (in \$000)			
Area	2014	2019	CAGR 2014-19
Orleans County	\$429,971	\$412,477	-0.8%
State of Vermont	\$11,714,080	\$11,548,800	-0.3%
United States	\$5,223,429,767	\$5,494,956,102	1.0%

Source: Claritas, Inc.

## CONCLUSION

Newport is a northern Vermont community that benefits from both its proximity to Canada and Jay Peak, as well as access to highways. Although this area is rural in nature, ample commercial development is present to support the local population. Newport has seen declining population over the past fifteen years, however, there is sporadic commercial development, albeit at a slower pace than better located Vermont communities. Given the location and dynamics of this market, we expect overall demand to remain stable.

# NATIONAL INDUSTRIAL MARKET ANALYSIS

## INTRODUCTION

The U.S. economy recorded its fourth strong growth quarter of the last five in Q3-2014. U.S. real gross domestic product (GDP) expanded at a 3.5% annual rate in the third quarter of 2014, the fourth time in the last five quarters that growth exceeded 3.5% (the only exception was the weather-induced decline registered in Q1-2014). The sources of growth were broad based with increases in consumer spending, business investment, exports and government outlays all contributing to the expansion. Importantly, inflation adjusted after-tax income increased at a 2.7% annual rate and stood 2.6% above the year-earlier level, the strongest increase in nearly two years. With labor markets tightening, we anticipate that income growth will accelerate in the coming year, leading to continuing strong consumer spending growth.

The strong Q3 GDP growth was reflected in job growth. From June to September, the economy added 702,000 jobs, or 234,000 per month, sustaining the string of 200,000 or more job growth months that began in February 2014. Despite the strong job growth, wage increases have lagged. As of September, average hourly earnings had increased only 2.0% from a year ago, barely above the 1.7% increase in consumer prices. Slow wage growth has been one of the factors holding back consumer spending and income throughout the current expansion. However, during the quarter, evidence continued to build that labor markets are tightening. The number of people filing for unemployment dropped to the lowest level since 2006 indicating that businesses are holding on to workers. In addition, job openings have increased and small businesses have reported having greater difficulty finding qualified workers. These indicators point to tightening labor markets which should lead to faster wage growth in the coming year.

Retail sales increased at a solid pace, rising at a compound annual rate of 3.5% during the third quarter. Auto sales were an important contributor to growth as they rose to a post-recession high in August. Both total retail sales and auto sales fell back in September. GAFFP sales remained healthy during the quarter. In the first two months of the third quarter these sales had increased at a 3.6% annual rate, faster than overall sales.

The housing sector continued to improve slowly during the quarter. All measures of activity were stronger in the third quarter than the second. Sales of existing homes increased 5.2% during the quarter, while new home sales were up 4.5%. Housing starts increased 3.9% during the quarter with most of the growth in the multifamily category (+5.9%). Overall, while the housing sector has not been the driver of economic activity that we have seen in previous expansions, but it continues to improve in fits and starts.

In response to the strengthening of economic activity, the Federal Reserve wound down its security purchase program during the quarter. The next major step for monetary policy will be move to raise interest rates, however, monetary policy statement made by the Federal Open Market Committee indicate that the Fed is in no hurry to take that step. Inflation remains low and labor markets, while improving still have enough slack that there is no immediate need to tighten monetary policy. Overall, we expect interest rates to gradually increase more in response to improving economic conditions than to changes in Fed policy.

For 2014 as a whole GDP growth is projected at 2.2%, roughly the same pace as it has been throughout the current expansion. However, because GDP contracted in the first quarter, in order to achieve 2.2% for the full year, GDP growth will need to exceed 3.5% for the final three quarters. We expect strong growth to continue in 2015 with GDP expanding by approximately 3.5% for the full year.

In considering additional economic indicators that more closely influence the Industrial Market, the Consumer Confidence Index (CCI), which decreased in September returned to a more positive outlook in October to 94.5, up

from 89.0 in the previous month. Although business conditions were mixed, consumers that indicated that jobs were "plentiful" increased marginally from 16.3 percent to 16.5 percent and individuals noting that jobs were "hard to get" declined slightly from 29.4 percent to 29.1 percent. Consumers indicated in the short term that an improvement was expected in the National economy, labor market and a potential for improved future earnings. Such a boost in consumer confidence should bolster retail sales activity, particularly during the holiday buying season and support additional growth within industrial pipelines.

According to the Federal Reserve, industrial production increased 4.3 percent in the 12-month period ending in September 2014 and national motor vehicles and parts production was up 5.7 percent compared to a year earlier. In October 2014, the Institute for Supply Management reports that new orders in the manufacturing sector were up by 580 basis points compared to the previous month and production increased 20 basis points, while employment increased 90 basis points. The overall Purchasing Managers Index (PMI) for the manufacturing sector increased 240 basis points from September to October 2014 to 59.0 percent; a PMI in excess of 43.2 percent over a period of time indicates an expansion of the overall economy and the May report marks the 65th consecutive month above this threshold.

Although US port activity reportedly increased to record breaking volume in September and October, this was primarily due to retailers preparing for a potential shutdown of West Coast port operations. While longshoremen and warehouse workers have been relatively content since May 2014 to work under an expired contract, a recent sudden shift in tone during negotiations signal that a full shutdown of the 29 ports may be imminent.

The most current data available from Global Port Tracker and Hackett Associates, which monitor US port activity for the National Retail Federation, indicate 2013 port activity increased 2.3 percent year-over-year to a total of 16.2 million Twenty-foot Equivalent Units (TEUs). The report released in November of US port activity in September 2014, the most recent data available, indicates a year-over-year increase of 10.9 percent at 1.59 million TEUs. Additionally, port activity for the first half of 2014 was up 7.0 percent to 8.3 TEUs. If port activity remains unrestrained by any potential labor dispute for the balance of the year, total volume is anticipated to increase 6.4 percent and reach an estimated 17.4 TEUs. Finally, estimates from the National Retail Federation indicate year-over-year holiday sales for the months of November and December are expected to be up 4.1 percent and total \$616.9 billion.

## **NATIONAL INDUSTRIAL MARKET STATISTICS**

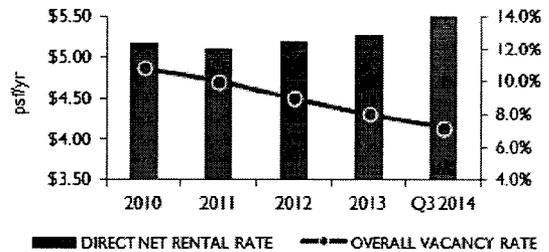
Through third quarter 2014, the overall US National Industrial Market continued to strengthen, as vacancy rates tightened and asking rental rates increased. At this time the overall national industrial vacancy rate decreased 100 basis points to 7.2 percent and year-to-date leasing activity increased 5.1 percent to nearly 348.1 million square feet (msf). Construction deliveries have steadily increased in well-positioned distribution markets poised to service the e-commerce phenomenon and this trend is due to continue particularly in port and intermodal markets. Year-to-date speculative development delivered 45.6 million square feet of new capacity in the US, a 54.7 percent increase year-over-year and total completions increased 55.1 percent adding nearly 93.1 msf of new industrial capacity to the US market. Active construction activity is up 60.5 percent year-over-year with a total of nearly 145.7 msf. Currently, active construction activity is strongest in such markets as Chicago, IL; Dallas/Fort Worth, TX; Inland Empire, CA; Atlanta, GA; Houston, TX; Pennsylvania I81/78 Distribution Corridor, PA; Indianapolis, IN; Greater Los Angeles, CA; Kansas City, MO and Columbus, OH.

UNITED STATES INDUSTRIAL MARKET  
ALL MARKETS (INCLUDES ALLIANCE OFFICES)  
YEAR-OVER-YEAR SNAPSHOT

	Q3 2013	Q3 2014	Y-O-Y CHANGE	12 MONTH FORECAST
Overall Vacancy	8.2%	7.2%	-1.0pp	▼
Direct Asking Rents (psf/yr)	\$5.27	\$5.54	5.1%	▲
YTD Leasing Activity (msf)	331.1	348.1	5.1%	▲

Source: Cushman & Wakefield Research

UNITED STATES INDUSTRIAL MARKET  
ALL MARKETS (INCLUDES ALLIANCE OFFICES)  
RENTAL VS. VACANCY RATES



Source: Cushman & Wakefield Research

Cushman & Wakefield Research monitors 13.5 billion square feet of industrial inventory on a national basis. In third quarter 2014, the overall vacancy rate in this market was 7.2 percent, a decrease of 40 basis points from the previous quarter, and a decline of 100 basis points from the 8.2 percent vacancy rate reported in third quarter 2013. Markets with particularly tight availability include the Providence, RI; Omaha, NE; San Francisco Peninsula, CA; Greater Los Angeles, CA; Orange County, CA and Denver, CO markets.

Operating fundamentals continue to improve across the country, particularly in the warehouse sector. Newer bulk distribution buildings in first tier markets are achieving single digit vacancy levels, expanding the gap between Class A and B/C space. Major logistics markets have experienced strong demand for big-box quality Class A inventory space which has spurred an increase in development activity in these markets. In 2013, a total of 87.7 msf of new inventory was added to the National Market and 51.1 percent of this new supply was built on a speculative basis. The markets with the greatest square footage of completions include: Inland Empire, CA; Dallas/Ft. Worth, TX; Chicago, IL and Houston, TX. Compared to 12 months prior, new deliveries of industrial inventory increased 55.1 percent to nearly 93.1 msf in third quarter 2014 and at the time, facilities under construction increased 60.5 percent to nearly 145.7.4 msf.

In the 12-month period ending in third quarter 2014, the quoted overall average asking rate in the National Industrial Market increased 6.2 percent to \$5.49 per square foot net. While the direct weighted average asking rate increased 5.1 percent over this same period to \$5.54, this represents a decline of 9.2 percent since its 2007 peak of \$6.10 per square foot.

The following table presents the current US Industrial Market Statistics by individual Markets:

Industrial Market Statistics by Market United States Third Quarter 2014													
MARKET/SUB-MARKET	Inventory	Overall	YTD	YTD	YTD	YTD	YTD	YTD	Direct/Weighted Average				
		Vacancy Rate	Leasing Activity	User Sales Activity	Units Construction	Construction Completions	Absorption	Overall Absorption	HT	M	OS	W/D	
Atlanta, GA	518,745,848	8.40%	14,696,234	7,251,507	10,076,839	977,725	9,669,990	9,888,937	\$4.21	\$3.19	\$7.84	\$3.48	
Austin, TX**	45,044,072	9.40%	****	0	438,692	342,454	563,285	427,428	****	\$5.64	\$10.68	\$5.88	
Baltimore, MD	201,426,108	8.30%	6,395,606	1,208,350	2,406,668	2,564,596	2,349,426	2,160,614	****	****	\$9.49	\$4.61	
Bellevue, WA**	58,143,373	10.30%	1,571,881	288,591	227,700	0	1,163,190	870,450	\$13.54	\$7.34	\$10.00	\$7.07	
Binghamton, NY**	17,834,713	9.80%	30,500	125,373	0	****	227,826	227,826	****	\$3.90	\$6.53	\$4.08	
Birmingham, AL**	14,384,048	15.90%	1,312,035	232,073	0	0	447,866	436,521	****	****	\$6.85	\$4.04	
Boston, MA	177,559,354	11.50%	4,585,800	401,784	294,000	40,446	-434,750	-896,297	\$8.27	\$6.51	****	\$5.69	
Buffalo, NY**	109,726,978	8.80%	375,149	734,941	1,200,000	****	****	****	****	\$3.97	\$5.75	\$4.25	
Charleston, SC**	48,564,646	8.00%	2,492,852	376,056	284,000	140,000	859,904	420,576	\$6.75	\$4.16	\$9.55	\$4.55	
Charlotte, NC**	194,987,175	8.10%	5,316,863	****	2,949,821	1,710,542	2,134,080	2,701,368	****	****	\$8.24	\$3.72	
Chicago, IL	1,135,479,009	6.60%	27,697,524	9,463,680	15,122,003	3,688,668	12,287,249	12,276,176	****	\$4.15	\$8.77	\$4.57	
Cincinnati, OH**	246,667,590	5.90%	4,390,580	2,532,696	1,667,751	905,048	3,988,629	3,811,834	****	\$2.97	\$6.33	\$3.24	
Cleveland, OH**	477,928,823	6.90%	2,696,158	5,831,273	1,484,600	210,965	2,143,665	1,763,226	****	****	\$9.05	\$3.47	
Columbus, OH**	252,794,597	5.90%	6,466,891	****	2,961,213	1,516,660	192,844	2,772,982	\$4.33	\$4.78	\$5.80	\$4.54	
Contra Costa, CA	35,988,988	7.70%	1,293,531	105,630	0	0	397,612	381,525	\$10.08	\$7.80	****	\$6.36	
Dallas/Ft. Worth TX	535,563,673	8.00%	19,461,143	1,841,365	14,926,961	7,929,422	8,595,873	8,770,359	****	\$3.89	\$7.78	\$4.12	
Denver, CO	236,008,305	4.20%	6,716,365	1,336,648	2,684,421	2,012,474	3,232,574	3,434,645	\$9.30	\$7.52	\$9.35	\$5.28	
Detroit, M**	349,550,941	9.30%	****	****	1,517,025	728,624	786,921	7,818,084	\$7.02	\$4.04	****	\$4.46	
Fort Myers/Naples FL**	39,900,300	6.30%	775,620	362,684	****	****	367,364	402,964	****	\$5.88	\$7.27	\$5.09	
Fredericksburg, VA**	10,995,100	13.20%	310,241	****	0	15,000	38,777	38,777	****	\$4.79	****	\$6.15	
Ft. Lauderdale, FL	93,773,557	7.70%	2,463,706	379,644	661,974	439,084	902,895	895,691	****	\$6.61	\$9.51	\$7.01	
Greater Los Angeles	1,072,292,395	3.80%	30,242,400	6,576,590	3,606,712	1,150,413	4,913,443	4,977,787	\$9.72	\$6.62	\$11.21	\$6.93	
Greenville, SC**	170,159,668	7.40%	3,066,057	****	1,633,967	1,244,000	606,067	798,631	\$8.50	\$2.94	\$4.33	\$3.18	
Hampton Roads, VA**	92,419,224	7.20%	1,248,329	****	0	69,747	399,524	393,666	****	\$4.49	\$8.63	\$4.96	
Hartford, CT	89,134,551	14.10%	415,161	718,290	0	0	-361,243	-544,900	\$6.25	\$3.68	****	\$4.27	
Houston, TX	372,733,111	5.60%	13,770,349	2,534,980	8,419,007	5,877,559	6,758,090	6,861,950	****	\$5.62	\$6.82	\$5.74	
Indianapolis, IN**	224,085,613	6.70%	7,541,206	1,840,518	6,889,975	4,931,116	5,081,416	5,256,031	****	\$2.25	\$5.68	\$3.40	
Inland Empire CA	451,642,712	6.70%	23,579,311	3,081,182	12,239,645	17,851,375	14,405,015	14,483,550	\$13.63	\$5.28	\$8.37	\$4.50	
Jacksonville, FL	103,384,499	9.70%	2,507,807	701,207	1,352,892	100,000	360,066	372,429	****	\$3.14	\$8.56	\$3.62	
Kansas City, MO**	240,856,874	5.70%	3,371,549	2,516,803	3,275,008	3,115,681	2,400,647	2,251,453	****	\$4.97	\$3.78	\$4.00	
Knoxville, TN**	69,471,367	8.20%	452,795	649,192	0	0	490,544	483,544	****	****	\$4.68	\$3.06	
Lakeland, FL	29,441,676	4.40%	571,896	54,212	0	1,130,882	1,225,342	1,225,342	****	\$4.72	\$6.02	\$4.21	
Las Vegas, NV**	100,430,481	9.10%	5,571,432	977,164	1,993,926	654,019	3,709,641	3,709,641	\$10.08	\$6.12	\$9.00	\$5.76	
Long Island NY	128,408,114	9.10%	2,535,098	2,193,984	120,282	150,000	-409,887	-747,796	\$12.49	\$8.47	\$9.20	\$7.42	
Louisville, KY**	130,454,305	5.40%	4,372,518	1,208,357	2,347,128	1,422,254	1,952,384	1,917,623	****	\$3.12	\$5.97	\$3.56	
Memphis, TN**	177,478,796	14.30%	6,660,149	280,659	1,568,400	1,376,232	1,978,201	2,033,701	****	****	\$5.34	\$2.55	
Miami, FL	159,121,816	6.60%	1,889,582	620,157	1,104,684	521,921	1,231,339	1,232,201	****	\$5.48	\$8.27	\$6.27	

\*RENTAL RATES REFLECT ASKING SP/RSF/YEAR HT=HIGH TECH MF=MANUFACTURING OS=OFFICE SERVICE/FLEX W/D=WAREHOUSE/DISTRIBUTION \*\*

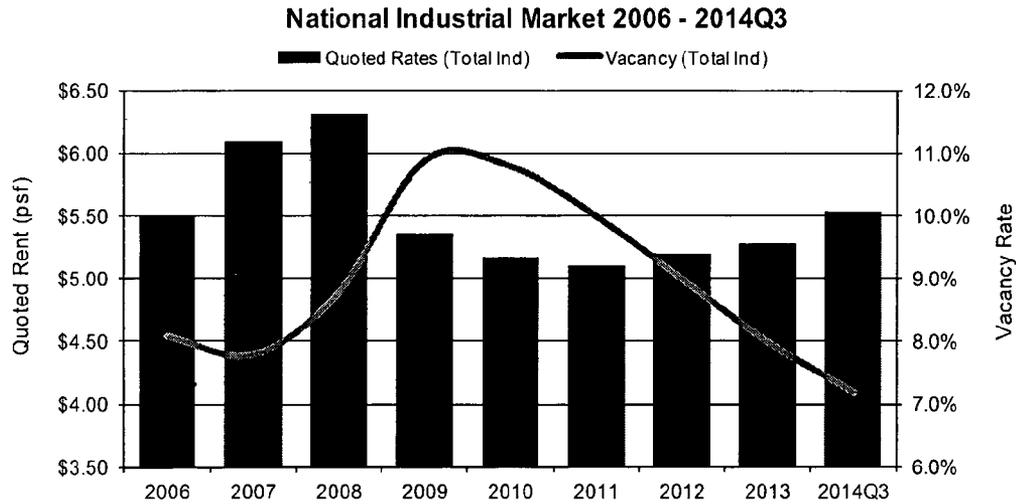
Source: Cushman & Wakefield Research; compiled by Valuation & Advisory

Industrial Market Statistics by Market												
United States												
Third Quarter 2014												
MARKET/SUBMARKET	Overall	YTD	YTD	YTD	YTD	YTD	YTD	YTD	Direct	Weighted Average		
	Inventory	Vacancy Rate	Leasing Activity	User Spills Activity	Under Construction	Construction Completions	Drx Absorption	Overall Absorption	HT	MT	OS	WD
Milwaukee, WI**	194,875,039	6.10%	2,075,721	4,139,968	1,280,009	718,886	985,962	1,193,933	****	\$3.89	\$4.96	\$3.92
Minneapolis, MN**	101,275,335	10.60%	****	1,151,325	1,863,011	1,382,844	1,286,816	1,399,489	\$4.65	****	\$4.41	\$4.01
Nashville, TN**	190,171,978	6.50%	3,742,876	1,781,718	516,364	272,000	1,934,904	1,883,923	****	****	\$9.43	\$3.28
New Haven, CT	48,870,596	14.50%	319,702	852,389	0	0	-208,480	-223,480	\$5.87	\$4.46	****	\$4.50
New Jersey - Central	329,054,736	9.00%	11,039,264	1,611,847	2,834,944	4,952,267	6,591,841	7,054,064	\$11.72	\$3.49	****	\$4.92
New Jersey - Northern	289,387,878	7.50%	7,359,947	2,609,905	331,500	1,856,564	3,084,374	2,608,695	\$9.79	\$5.19	****	\$6.21
Northern VA	46,955,477	12.10%	596,140	83,635	0	143,337	530,293	589,445	****	****	\$12.36	\$9.19
Oakland, CA	138,493,248	4.70%	4,378,433	975,565	0	1,033,699	846,864	639,860	\$9.18	\$7.11	****	\$6.03
Oklahoma City, OK**	72,276,249	6.70%	1,164,110	0	0	625,000	106,206	106,206	\$5.69	\$4.27	\$4.42	\$4.01
Omaha, NE**	68,037,802	2.90%	1,660,427	520,093	766,650	20,400	1,114,650	1,114,650	****	\$3.73	\$5.43	\$3.60
Orange County, CA	280,510,703	3.80%	8,272,945	2,869,153	625,950	350,014	1,037,539	857,450	\$11.95	\$8.58	\$11.19	\$7.60
Orlando, FL	106,169,762	8.80%	3,609,275	958,517	2,683,504	210,077	1,376,391	1,226,171	****	\$5.47	\$9.17	\$4.70
Palm Beach, FL	41,786,558	6.30%	1,168,190	150,276	750,000	86,400	290,299	332,784	****	\$5.53	\$10.63	\$6.91
PA I-81/I-78 Dist. Corridor	233,557,620	5.80%	9,750,861	1,769,340	7,316,380	4,512,977	10,281,572	10,188,572	****	\$3.34	\$5.35	\$3.82
Philadelphia, PA	279,834,358	4.70%	5,087,448	2,168,401	2,328,154	688,620	4,060,250	4,595,909	****	\$3.31	\$8.83	\$4.10
Phoenix, AZ	276,027,223	12.20%	5,383,362	2,436,742	2,231,086	5,379,033	2,761,474	2,559,916	\$11.53	\$6.38	\$11.90	\$5.68
Pittsburgh, PA**	166,310,749	6.80%	2,288,239	1,489,768	743,034	291,224	1,386,681	1,453,450	\$9.00	\$4.15	\$11.79	\$5.15
Portland, OR	184,987,206	5.60%	5,192,236	1,828,658	2,707,958	594,513	1,857,252	1,676,178	\$9.77	\$5.25	****	\$5.26
Providence, RI**	77,727,305	2.20%	290,337	160,184	0	0	198,580	227,140	****	****	\$10.75	\$4.50
Raleigh/Durham, NC**	79,917,626	8.40%	2,208,638	283,512	0	161,155	544,559	691,460	\$13.11	\$2.99	\$7.75	\$4.02
Richmond, VA**	88,558,968	7.80%	3,331,998	****	1,779,652	0	527,485	535,005	****	\$3.49	\$8.01	\$3.19
Roanoke, VA**	38,929,465	12.70%	73,762	****	0	0	-220,814	-137,814	****	\$3.89	\$5.75	\$4.63
Rochester, NY**	73,047,696	11.10%	392,704	475,473	120,000	50,000	736,924	736,924	\$10.00	\$4.12	****	\$3.12
Sacramento, CA	132,017,541	11.90%	4,963,149	1,626,271	270,000	298,014	2,385,104	2,267,711	\$8.16	\$3.60	****	\$4.32
Salt Lake City, UT**	114,428,292	6.60%	3,108,309	818,877	1,581,679	671,964	2,507,560	2,507,560	\$8.93	\$5.20	\$6.69	\$4.62
San Antonio, TX**	37,626,759	10.60%	1,520,527	348,171	729,270	37,320	-83,298	-374,368	****	****	\$9.45	\$4.95
San Diego, CA	194,227,046	7.60%	8,328,379	2,094,593	288,600	389,579	2,228,528	2,462,423	\$16.44	\$8.40	****	\$8.28
San Francisco North Bay CA	66,908,361	6.30%	1,527,771	288,043	760,381	318,402	473,947	303,947	****	\$9.20	\$12.53	\$8.60
San Francisco Peninsula, CA	65,248,876	3.50%	2,113,310	1,236,216	246,135	0	196,641	381,623	\$30.25	####	****	####
Savannah, GA**	46,419,974	8.20%	1,400,705	85,969	828,000	0	1,016,245	1,016,245	****	****	\$7.90	\$3.58
Seattle, WA**	130,757,079	6.40%	5,062,917	401,291	2,495,561	2,007,148	2,197,063	2,130,254	\$12.86	\$4.74	\$8.43	\$5.04
Silicon Valley, CA	244,222,318	8.10%	10,304,177	2,804,440	1,304,092	740,510	1,874,983	2,208,219	\$17.38	\$8.90	****	\$7.11
Southern New Hampshire NH	44,171,839	19.10%	1,451,623	671,941	0	40,320	187,929	652,006	\$7.09	\$5.33	****	\$5.29
St. Louis, MO**	223,120,745	7.30%	4,519,553	2,754,330	729,135	408,500	2,802,437	2,634,495	****	\$2.97	\$7.60	\$3.57
St. Petersburg/Clearwater, FL	51,040,855	5.20%	688,424	404,373	40,000	0	8,427	22,868	****	\$5.54	\$8.41	\$5.06
Stockton/Tracy CA	47,660,682	8.20%	1,241,936	836,963	939,000	534,150	1,498,934	1,650,427	****	\$3.89	****	\$3.77
Suburban MD	46,843,513	13.00%	1,100,183	135,250	969,681	173,989	-315,780	-272,080	****	****	\$10.56	\$7.34
Syracuse, NY**	42,840,136	11.80%	750,888	420,852	64,000	107,000	592,800	545,850	****	\$3.07	\$6.21	\$3.25
Tampa, FL	80,192,853	6.70%	2,487,093	1,672,972	294,884	1,180,600	1,473,665	1,443,859	****	\$3.78	\$8.40	\$4.49
Tucson, AZ**	39,552,047	11.00%	1,332,891	291,194	259,751	24,214	106,946	49,121	\$9.36	\$6.58	\$8.01	\$5.34
Tulsa, OK**	59,888,175	9.00%	****	20,392	1,557,000	0	938,544	954,862	\$5.51	\$4.50	\$6.85	\$4.40
<b>TOTALS - ALL MARKETS</b>	<b>13,486,513,068</b>	<b>7.2%</b>	<b>348,132,768</b>	<b>101,654,197</b>	<b>145,690,659</b>	<b>93,077,627</b>	<b>162,932,106</b>	<b>165,203,491</b>	<b>\$11.70</b>	<b>\$4.78</b>	<b>\$8.25</b>	<b>\$4.63</b>
<b>TOTALS - C&amp;W MARKETS</b>	<b>8,568,872,965</b>	<b>7.0%</b>	<b>255,185,361</b>	<b>68,554,700</b>	<b>99,938,337</b>	<b>67,917,630</b>	<b>107,645,081</b>	<b>107,898,780</b>	<b>\$12.84</b>	<b>\$5.32</b>	<b>\$9.16</b>	<b>\$5.10</b>

\*RENTAL RATES REFLECT ASKING \$/SF/YEAR HT=HIGH TECH MF=MANUFACTURING OS=OFFICE SERVICE/FLEX WD=WAREHOUSE/DISTRIBUTION,\*\*

Source: Cushman & Wakefield Research; compiled by Valuation & Advisory

The following graph displays the historical vacancy and rental rates from 2006 to third quarter 2014:



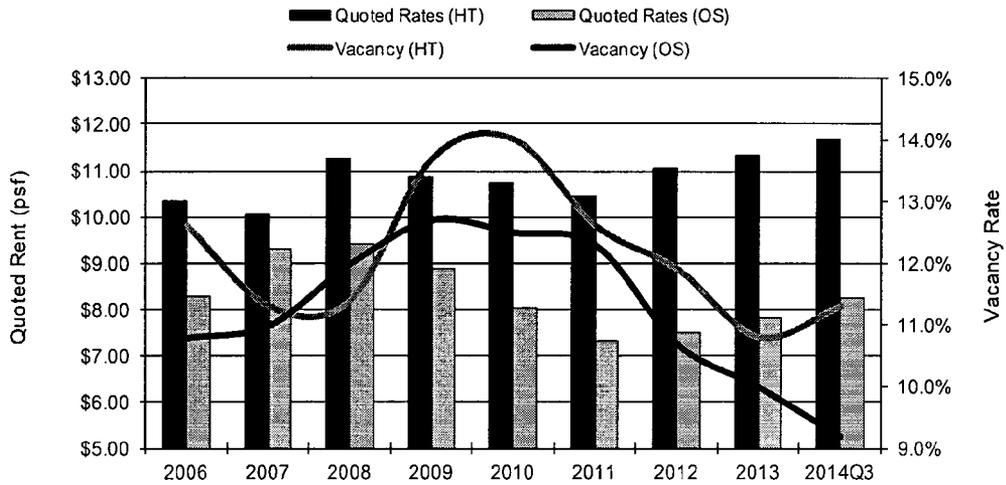
Source: Cushman & Wakefield Research; compiled by Valuation & Advisory  
 Note: Includes all industrial property types

Cushman & Wakefield's industrial data is comprised of High-Tech, Manufacturing, Office Service, and Warehouse space, all of which displayed slightly unique patterns in recent years. The overall vacancy rate of Warehouse facilities decreased 103 basis points over the previous 12-month period ending in third quarter of 2014 to 7.2 percent, while the vacancy rate of Manufacturing facilities decreased 97 basis points during this same period to 5.8 percent. Concurrently, Warehouse direct rental rates increased 4.8 percent from \$4.42 per square foot to \$4.63 per square foot by third quarter 2014, while direct asking rents for Manufacturing space increased 3.9 percent from \$4.60 to \$4.78 per square foot over the same time period.

By the third quarter of 2014, the vacancy rate in the High-Tech sector of the market increased 10 basis points from the third quarter of 2013, to 11.2 percent, while the vacancy rate of the Office Service sector fell 97 basis points over the same period to 9.2 percent. Over the previous twelve months, direct rental rates in the High-Tech sector increased 3.7 percent to \$11.69 per square foot, while rental rates in the Office Service sector increased 5.6 percent in the 12-month period ending third quarter 2014, with a reported overall weighted average rental rate of \$8.19 per square foot net.

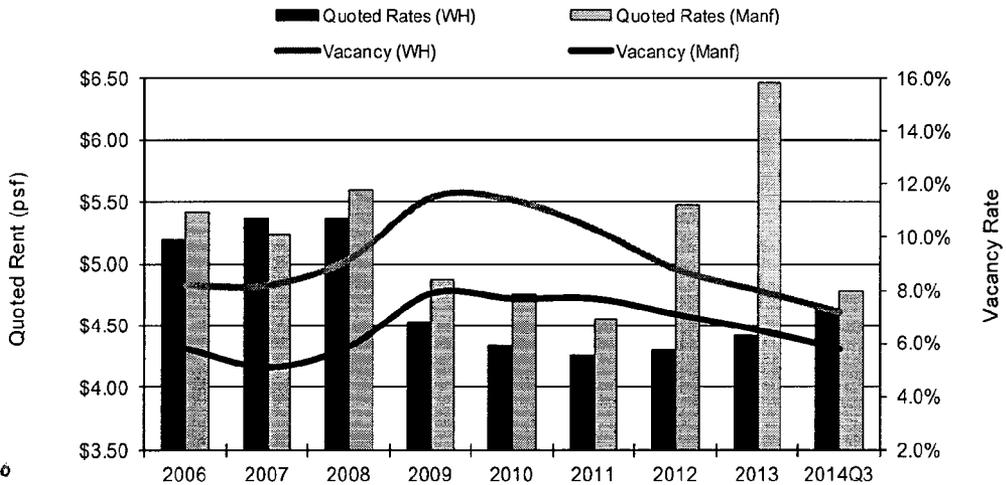
The following graphs detail industrial vacancy and rental rates from 2006 to third quarter 2014:

### National Industrial Market High Tech and Office Service: 2006 - 2014Q3



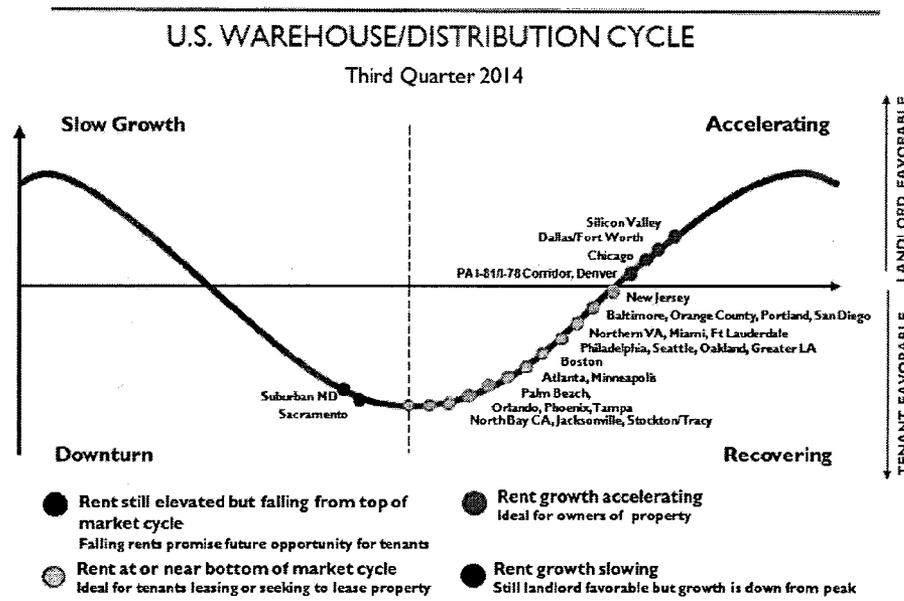
Source: Cushman & Wakefield Research; compiled by Valuation & Advisory

### National Industrial Market Warehouse and Manufacturing: 2006 - 2014Q3



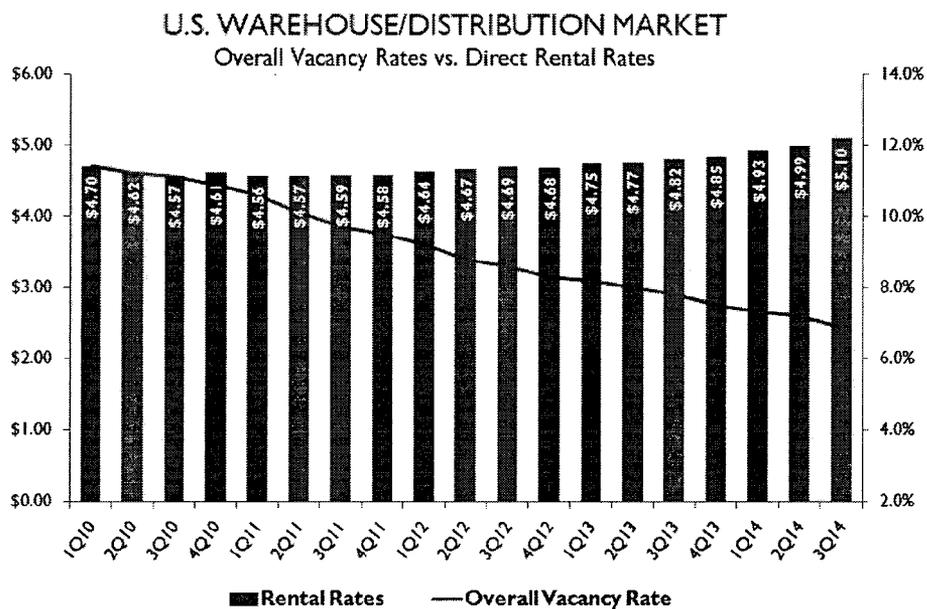
Source: Cushman & Wakefield Research; compiled by Valuation & Advisory

The following graphic presents the relative market cycle position for a number of key US Warehouse/Distribution Industrial Markets:



Source: Cushman & Wakefield Research

The following graph presents the relationship between historical Overall Vacancy Rates in the US Warehouse/Distribution Industrial Market and Direct Asking Rental Rates:



Source: Cushman & Wakefield Research

Note: Only C&W markets are included in this analysis; alliance offices are excluded

## NATIONAL INDUSTRIAL INVESTMENT SALES MARKET

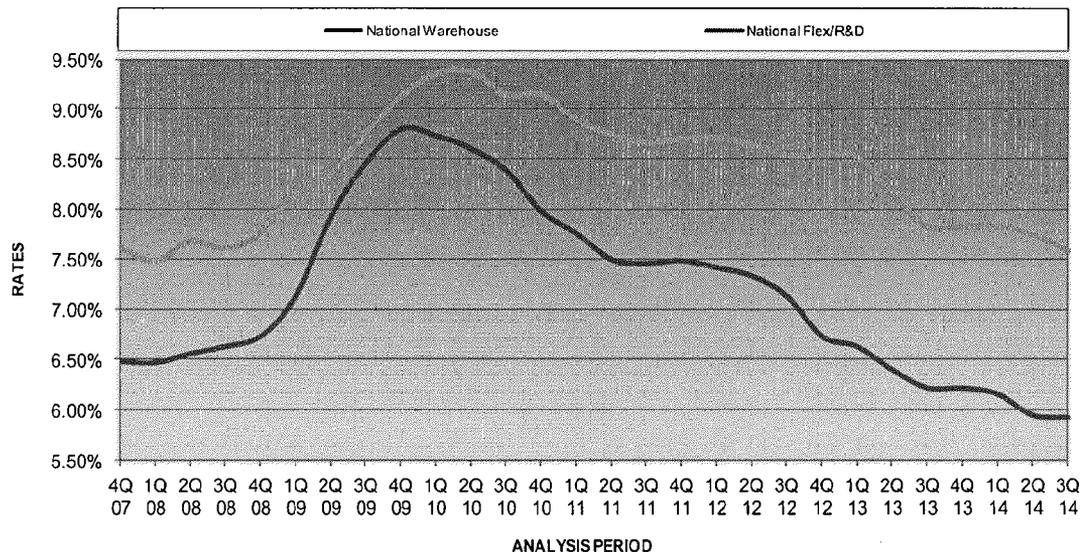
### OVERALL RATES

Improving fundamentals appear to have stabilized the overall capitalization rate (OAR) for the national warehouse market. According to the PwC Real Estate Investor Survey, investors have been looking to capitalize on the ongoing recovery in the US warehouse sector and there was a reported shortage of quality offerings compared to prospective buyers. The survey noted that “heading into 2015, favorable trends are expected to continue for most US warehouse metros despite a growing construction pipeline.” One investor was commented that “as the economy picks up, warehouse fundamentals will improve further.” However, buyer competition and strengthening fundamentals are inducing some investors to seek value in well-leased properties in secondary cities where one investor still noted, “overall cap rates in secondary markets are also on the decline.” The Flex/R&D market has notably strengthened in recent quarters with a declining vacancy rates and stronger rental rates. The survey notes an “expectation of higher rental rates in the near term reflects the growing demand for space in this market.” Further comments indicate that there is limited supply to satisfy demand for the small-tenant market and pent up demand is now influencing some tenants to seek out more space.

Prior to 2012, the PwC Real Estate Investor Survey states that the national Warehouse and Flex/R&D OARs both bottomed in first quarter 2008 at an average of 6.47 percent and 7.47 percent, respectively. This was followed by rising OARs which peaked for warehouse properties in fourth quarter 2009 at 8.80 percent. Similarly, Flex/R&D OARs peaked in second quarter 2010 at 9.38 percent. However by the third quarter of 2014, national warehouse market OARs decreased to 5.93 percent, while national flex/R&D OARs settled at 7.58 after remaining at 7.83 percent for three consecutive quarters beginning at mid-year 2013.

The following graph reflects national historical trends of average overall cap rates from third quarter 2007 to third quarter 2014, as surveyed by the PwC Real Estate Investor Survey:

**Historical Warehouse and Flex/R&D Overall Cap Rates**



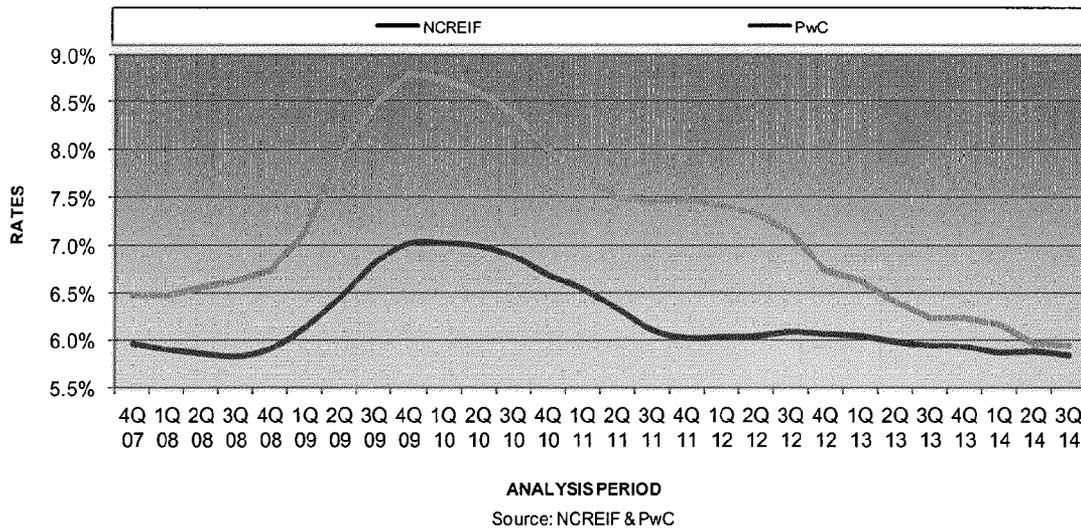
Source: PwC Real Estate Investor Survey

Both the PwC Real Estate Investor Survey and the National Council of Real Estate Investment Fiduciaries (NCREIF) methodologies offer unique perspectives on cap rate trends. The PwC Real Estate Investor Survey calculates its data based on a personal survey of major institutional equity real estate market participants. In contrast, NCREIF looks at data from actual appraisals included in their benchmark property return index. The index contains quarterly performance data for unlevered investment-grade income-producing properties which are owned by, or on behalf of, exempt institutions.

Despite displaying distinct rates, similar trends are apparent in both the PwC Real Estate Investor Survey and NCREIF data. According to NCREIF, cap rates declined until the end of 2008 and then increased precipitously through 2009 before they began their slow descent in 2010. As reported by NCREIF, the average warehouse cap rate has experienced a gentle decline from the fourth quarter 2011 rate of 6.0 percent to the third quarter 2014 rate of 5.8 percent. However, according to NCREIF, the overall trend for OARs is expected to show further compression as the market recovers from recessionary trends.

The following graph compares national historical warehouse cap rate trends as reported by NCREIF and PwC:

### National Average Overall Capitalization Rates Warehouse Market



In general, investors indicate that the US industrial market continues to fare better than the European, Asian and Canadian markets. According to Real Capital Analytics (RCA), some of the most active buyers in 2013 in terms of sales volume include Spirit Realty Capital, Liberty Property Trust, Blackstone, Brookfield Asset Management, Realty Income Corporation, Prologis, BioMed Realty Trust, Industrial Income Trust, AEW Capital Management and Exeter Property Group. While in the year-to-date through third quarter 2014, American Realty Capital Properties, Spirit Realty Capital, Brookfield Asset Management, Fibra Uno Administracion SA de CV and Blackstone were the most active buyers.

Sales activity in the US is expected to remain moderately healthy well through 2014, with more significant sales activity and speculative development anticipated as inventory dwindles. Rent levels continue to justify new construction in most major markets, and the outlook for a continuation of historically low interest rate environment, despite some recent increases.

The Industrial Practice Group (IPG) of Cushman & Wakefield regularly interviews representatives from some of the nation's prominent institutional buyers and sellers of industrial assets. The results of our most recent investor survey, taken Fall 2014, are presented as follows:

<b>Industrial Overall Capitalization Rates - Comparison Analysis Fall 2014</b>					
		First Quarter		Change (Basis Points) Mid-Year 2013 to Fall 2014	6-Month Change (Basis Points) First Quarter 2014 to Fall 2014
	Fall 2014	2014	Mid-Year 2013		
Class A	4.25 - 7.00%	4.25 - 7.00%	4.50% - 7.25%		
<i>Average</i>	5.49%	5.61%	5.75%	-0.26	-0.12
Class B	5.00% - 9.00%	5.25% - 9.00%	5.25% - 9.50%		
<i>Average</i>	6.76%	6.96%	7.06%	-0.30	-0.20
Class C	6.50% - 11.00%	6.25% - 10.00%	6.25% - 10.00%		
<i>Average</i>	8.83%	9.11%	8.63%	0.20	-0.28

**Note:** The lower-end of the range would be for Class A Assets located in the Miami Region and Southern California, specifically, the Inland Empire Region.

Compiled by Cushman & Wakefield's Valuation & Advisory Industrial Practice Group (IPG).

Based on the Fall 2014 results, overall capitalization rates range widely by asset class, indicating a 127-basis point differential between Class A and B industrial product and a 334-basis point difference between Class A and C industrial facilities. Overall rates for Class C properties are 207-basis points above Class B industrial product.

The current survey indicates that cap rates for Class A and B assets decreased 0.26 bps and 0.30 bps, respectively from mid-year 2013 to Fall 2014, but more recently, continued to compress 0.12 bps and 0.20 bps, respectively from first quarter 2014 to Fall 2014, reflecting continued strong demand, albeit at a slower pace. However, this trend is expected to level off, except for selected key core markets with strong rent potential and facilities with credit tenants. More notably, cap rates for Class C assets indicate the largest decrease over the last six months, but demand remains very limited for this asset class.

Overall, it appears that investors still remain aggressive, but pricing and overall rates are beginning to stabilize, especially for Class A assets. Class A assets located in Southern California (especially Inland Empire), Southern Florida (Miami in particular), Houston, Dallas, and New Jersey (Northern and Central) are still commanding the most aggressive overall rates, but investors are starting to be more cautious, as new construction is underway coupled with expectations of rising interest rates in 2015. In fact, built-to-suit construction will account for 72.9-msf of new space in 2014, nearly a 70.0 percent increase over 2013, and a 118.0 percent increase over 2012. The top five markets for built-to-suit construction are Inland Empire, the Pennsylvania I-81/I-78 Distribution Corridor, Indianapolis, Chicago and Phoenix.

## SALES VOLUME

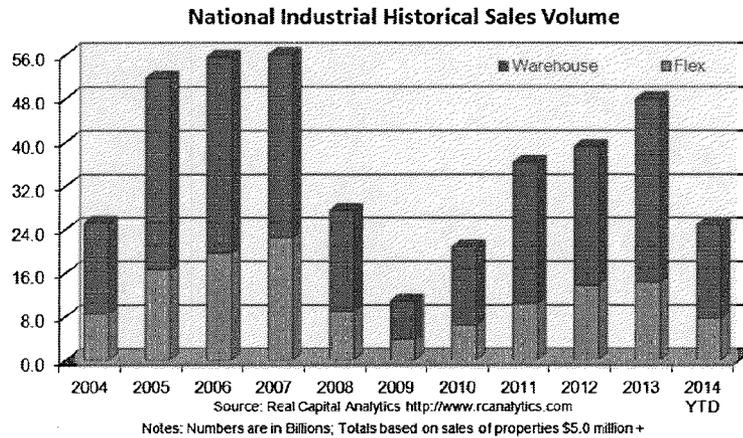
As the economy improves and commerce increases, so does the demand for Warehouse space. Flex space, which is mostly used by office tenants that view the space as a less costly alternative to mainstream office space, often does not thrive as well in this type of environment. While growth in the Flex market typically correlates to the health of local office markets and is subsequently not as well positioned as Warehouse space, the sale of Flex

space notably increased in 2012 while there was a reduction in sales of Warehouse space. In 2013 sales volume of Flex space remained relatively unchanged year-over-year, at the same time sales increased another 25.6 percent in the Warehouse sector.

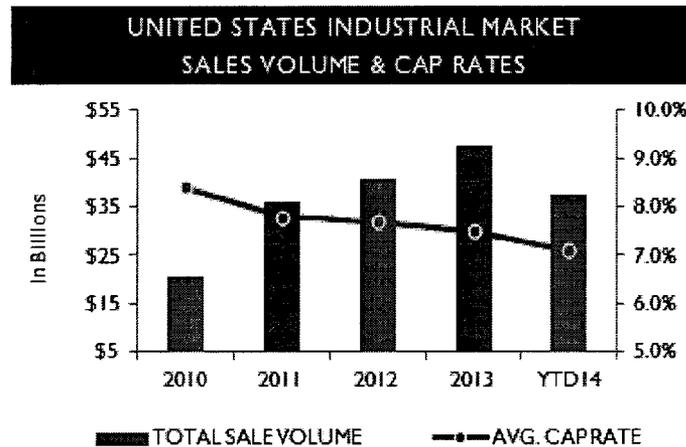
The total 4,828 industrial assets sold in 2013 represent a year-over-year increase of 7.4 percent. While the sales of Warehouse properties increased 14.5 percent to a total of 3,444 facilities, the sales of Flex properties decreased 7.2 percent to total 1,384. In terms of square footage, overall year-over-year sales volume in 2013 increased 9.4 percent to total more than 731.0 million square feet.

Compared to 12 months prior, year-to-date Flex property sales in third quarter 2014 increased 12.8 percent to 1,229 facilities. While during this same period, sales of Warehouse facilities increased 6.3 percent to a total of 2,751 properties and total sales volume increased 7.7 percent to more than 529.1 million square feet:

The following graph reflects national industrial historical sales volume as surveyed by RCA from 2004 through third quarter 2014:



The following graph presents national industrial historical sales volume and average capitalization rates as reported by RCA from 2010 through third quarter 2014:



Source: RCA; Compiled by Cushman & Wakefield Research

## MOODY'S/REAL COMMERCIAL PROPERTY INDEX

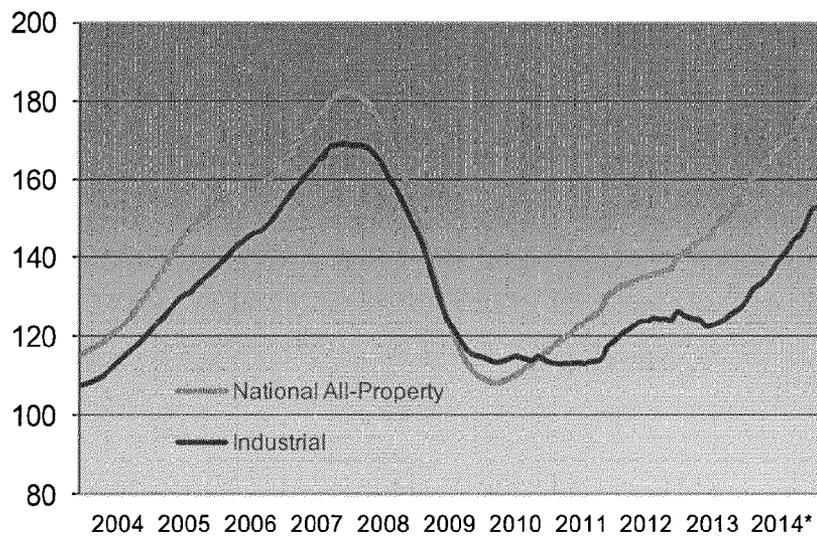
The Moody's/REAL Commercial Property Index (CPPI) is a periodic same price change index of US commercial investment properties. Developed by MIT's Center for Real Estate in conjunction with a consortium of firms including RCA and Real Estate Analytic, LLC (REAL), the index tracks price changes based on documented prices in completed, contemporary property transactions.

The national aggregate index (of all property types) for September 2014 was at 182.1, which is an increase of 0.5 percent from the previous month and an increase of 13.5 percent from 12 months prior. This current index was 68.2 percent above the recent trough in January of 2010 and was effectively equal to the November 2007 peak.

The national industrial index decreased 0.8 percent to 151.7 from August 2014 to September and this recent index represents a year-over-year increase of 15.2 percent. This current index is 34.4 percent above the recent trough of April of 2011 and is 10.2 percent below the November 2007 peak. Of all property types, the Office sector experienced the largest increase since the previous month of 5.3 percent, while the Industrial sector experienced the greatest decline of 0.8 percent.

The following graph displays the Monthly CPPI Index from January 2004 to March 2014:

Moody's/REAL Commercial Property Price Index  
National Aggregate & National Industrial



Source: Moody's/RCA CPPI; \*November update reflects data through September

## AVERAGE SALES PRICE PER SQUARE FOOT

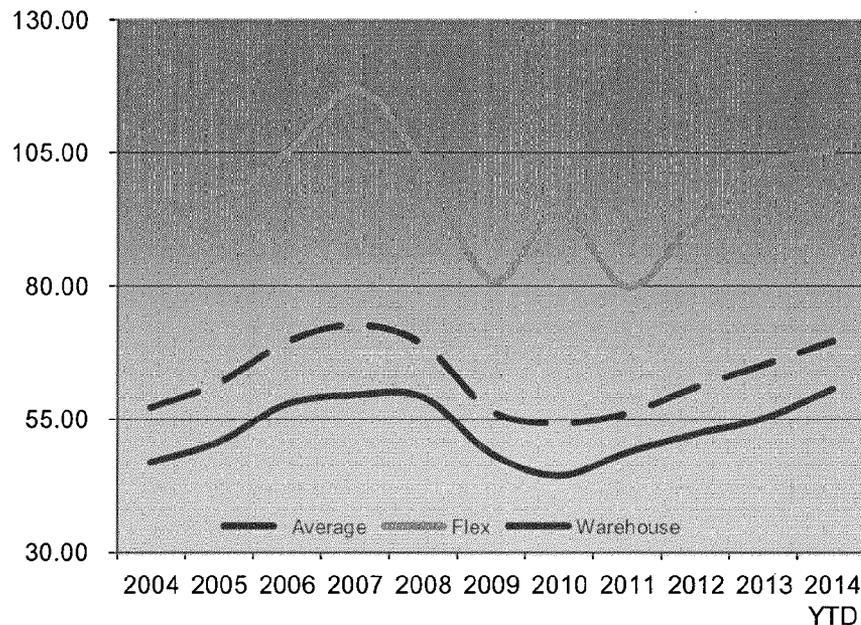
Pointed disparities remain between the industrial subtypes. Warehouse asset values have generally improved while pricing for flex properties has varied widely. The good news, however, is that the pricing gap between asking and selling has narrowed. In third quarter 2014 the average sales price for industrial properties was \$77.48 per square foot, which represents a 17.3 percent increase over the previous 12-month period.

In terms of industrial subtypes, the third quarter 2014 average sale price for Flex properties was \$117.55 per square foot, which is a 23.4 percent increase over the previous year and a 5.9 percent increase from third quarter 2012. Sales of Warehouse facilities averaged \$64.78 per square foot in third quarter 2014, which is the result of a

15.5 percent increase over the previous 12-month period and a 51.7 percent increase when compared to third quarter 2012.

The following graph reflects the national industrial historical average price per square foot trends as surveyed by RCA:

### National Historical Industrial Average Price



Source: Real Capital Analytics <http://www.rcanalytics.com>  
Notes: Totals based on sales of properties \$5.0 million +

### NATIONAL INDUSTRIAL MARKET SUMMARY

While the overall national economy continues to strengthen, external uncertainties such as recent political unrest in Eastern Europe, challenges within the European economy and a weakened Chinese market have the potential to suppress consumer and business confidence in the near term. Industrial demand, which is largely dependent on growth in consumer demand, will be subject to concerns over improved employment growth, wage stagnation, perceived household wealth and consumer debit. Despite these factors, industrial market fundamentals have reached the bottom and sales volume is expanding but capitalization rate compression has begun to subside. Distressed tenants looking for a way out will continue to be problematic, but such trends are expected to taper off as economic conditions gradually improve.

With a strong infrastructure in place in most US markets and the availability of natural resources, the long term investment outlook for the national industrial market is positive, as evidenced by the increasing manufacturing payrolls and declining unemployment rate. Moreover, a continued decline in vacancy rates is expected while asking rental rates continue to strengthen further for well positioned facilities with preferred attributes. Given the level of demand and general lack of new product which may be particularly suited to the burgeoning "e-tail" model, seaport cities and major logistics hubs will remain strong performers. In particular big-box will be in favor, realizing higher rent growth than the overall warehouse market.

## VERMONT INDUSTRIAL MARKET

In terms of overall industrial stock, Vermont is considered to be a very small industrial market. Based on the state's small population (625,312 people in 2014) and state regulations including the intense Act 250 regulations, commercial development in Vermont lags behind the rest of the New England market. Given the rural Newport, Vermont market, there are no published industrial statistics for the immediate market. However, we have included a summary of recent market statistics from the greater Chittenden County market located 50 miles southwest of the subject property. Although this market has a superior amount of commercial stock, demand drivers and population base, it does not reflect current market conditions for the northern Vermont market.

Based on the Allen and Brooks Report, dated December 2013, there was 12.672 million square feet of industrial space in the Chittenden County market. This reflected a 2.3 percent growth rate over the past 20 years, with the rate totaling 1.1 percent in 2013, based on 134,000 square feet in new construction. Overall Industrial vacancy has averaged 7.50 percent over the past 20 years with a 2013 vacancy rate of 5.0 percent, below the 2010 average at 10.4 percent and 2011 average at 8.2 percent. The market appears to be improving from the downturn in the economy due to the global economic crisis that began in 2008. It has experienced both decreasing overall vacancy and increase average asking rates.

The Allen and Brooks report also reported overall industrial land values between \$80,000 and \$90,000 per acre (\$1.83 to \$2.07 per square foot) for peripheral sites, \$100,000 and \$140,000 per acre (\$2.30 to \$3.21 per square foot) for sites with average locations and \$120,000 and \$150,000 plus per acre (\$2.75 to \$3.44 per square foot) for above average location industrial sites.

Given the subject's rural market and lack of demand drivers, we expect the subject's market to underperform these averages.

## FOR-SALE LAND OFFERINGS

We performed a survey of for-sale land offerings in Newport and nearby Derby as summarized in the below chart.

Current For Sale Land Offerings								
Address	City	Potential Use	Lot Size (Acres)	Lot Size (Sq Ft)	Asking Price	Asking Price/SF	Days on Market	Comments
315 Citizens Road	Derby	Industrial	2.30	100,188	\$59,000	\$0.59	1,286	Industrial neighborhood
6 Community Drive	Derby	Retail	0.92	40,075	\$350,000	\$8.73	405	Retail area abutting I-91
Industrial Drive	Newport	Industrial	3.87	168,577	\$175,000	\$1.04	1,284	Industrial neighborhood
Industrial Drive	Newport	Industrial	2.78	121,097	\$200,000	\$1.65	1,284	Industrial neighborhood
Industrial Drive	Newport	Industrial	1.83	79,715	\$125,000	\$1.57	1,284	Industrial neighborhood
Lot D Kingdom Way	Newport	Residential	3.00	130,680	\$140,000	\$1.07	2,280	14-Unit subdivision
Kingdom Way	Newport	Residential	6.00	261,360	\$165,000	\$0.63	2,280	11-Unit subdivision
Mt Vernon Street	Newport	Residential	17.00	740,520	\$259,000	\$0.35	2,280	21-Unit subdivision
Lot F Pine Hill Road	Newport	Commercial	41.00	1,785,960	\$1,150,000	\$0.64	2,280	Rural area
Quarry Road	Derby	Retail	2.00	87,120	\$225,000	\$2.58	971	Retail area abutting I-91
4537 Route 5	Derby	Retail	18.75	816,750	\$1,250,000	\$1.53	185	Retail area abutting I-91
Route 5	Derby	Retail	2.78	121,097	\$479,000	\$3.96	1,098	Retail area abutting I-91
Schuler Road	Derby	Commercial	101.20	4,408,272	\$400,000	\$0.09	2,280	Rural Area abutting I-91
Lot 11 Shattuck Hill Road	Derby	Retail	1.08	47,045	\$300,000	\$6.38	405	Retail area abutting I-91
<b>Averages</b>			<b>14.61</b>	<b>636,318</b>	<b>\$376,929</b>	<b>\$2.20</b>	<b>1,400</b>	

The fourteen offerings include industrial, retail and residential sites. The retail offerings are mostly located along Route 5 in close proximity to Interstate 91. These sites are smaller than 20 acres in size and are being offered between \$1.53 and \$8.73 per square foot, the highest asking range for these offerings. The three residential offerings include development potential between 11 and 24 units and range in asking prices between \$0.35 and \$1.07 per square foot.

Lastly, Industrial sites, similar to the subject property, range in size between 1.83 and 3.87 acres and in offering prices between \$0.59 and \$1.65 per square foot. Three of these sites are located off of Route 5 in a small industrial neighborhood, with the fourth sale being located in a mixed industrial market.

## **CONCLUSION**

The subject site is a 7.07-acre industrial site located in a mixed residential market west of downtown Newport. The site will reportedly be developed with an 80,000 square foot industrial use. Given the rural nature of the subject's market, there is sporadic industrial development in the greater Newport/Derby market. The proposed subject use will be significantly larger than the average industrial use in the area. However, Newport is an owner/user market with industrial uses rarely leased. There has been recent industrial development in the area, including a 40,000 square foot manufacturing use constructed in 2012 in Derby. This owner/user development reflects that there is some demand for industrial sites in this market. We expect demand from owner/users to remain stable going forward.

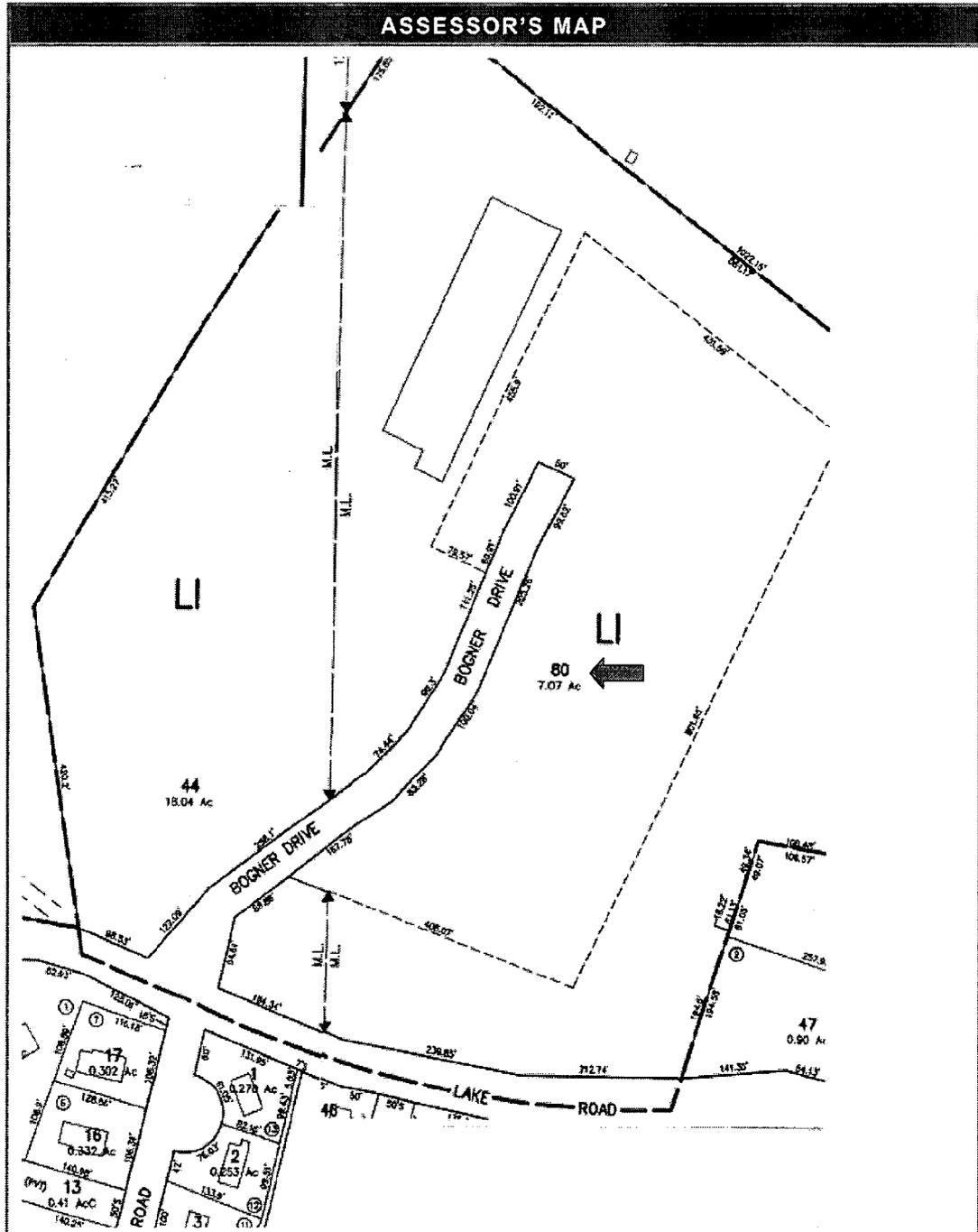
# Property Analysis

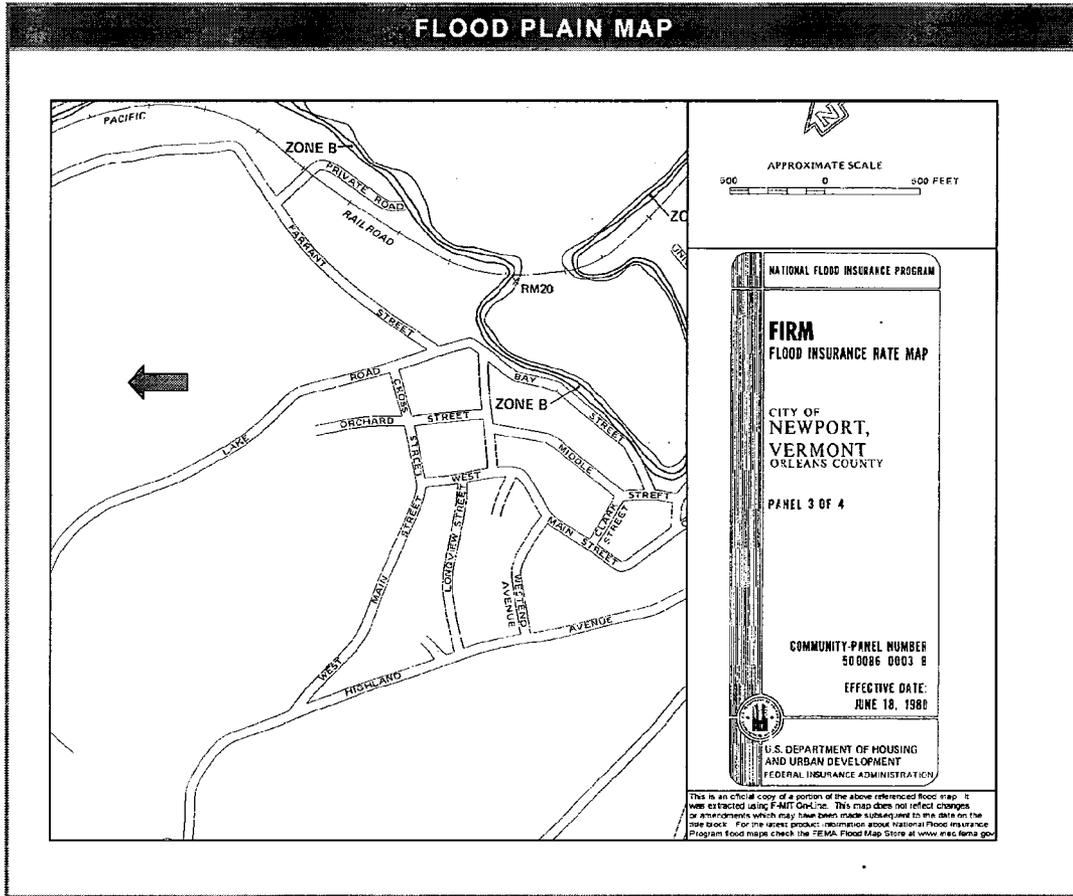
## SITE DESCRIPTION

Location:	<p>172 Bogner Drive Newport, Orleans County, Vermont 05855</p> <p>The subject property is located on the east and west side of Bogner Drive, north of Lake Road.</p>										
Shape:	Irregularly shaped										
Topography:	Gently sloping										
Land Area:	7.07 acres / 307,969 square feet										
Frontage:	<p>The subject property has average frontage. The frontage dimensions are listed below:</p> <table border="0" style="margin-left: 40px;"> <tr> <td>East Side of Bogner Dr:</td> <td>656.14 feet</td> </tr> <tr> <td>West Side of Bogner Dr:</td> <td>162 feet</td> </tr> <tr> <td>North Side of Bogner Dr:</td> <td>50 feet</td> </tr> </table>	East Side of Bogner Dr:	656.14 feet	West Side of Bogner Dr:	162 feet	North Side of Bogner Dr:	50 feet				
East Side of Bogner Dr:	656.14 feet										
West Side of Bogner Dr:	162 feet										
North Side of Bogner Dr:	50 feet										
Access:	The subject property has average access.										
Visibility:	The subject property has good visibility.										
Soil Conditions:	We were not given a soil report to review. However, we assume that the soil's load-bearing capacity is sufficient to support existing and/or proposed structure(s). We did not observe any evidence to the contrary during our physical inspection of the property. Drainage appears to be adequate.										
Utilities:	<p>Utility providers for the subject property are as follows:</p> <table border="0" style="margin-left: 40px;"> <tr> <td>Water</td> <td>City of Newport</td> </tr> <tr> <td>Sewer</td> <td>City of Newport</td> </tr> <tr> <td>Electricity</td> <td>VEC</td> </tr> <tr> <td>Gas</td> <td>Private</td> </tr> <tr> <td>Telephone</td> <td>Fairport</td> </tr> </table>	Water	City of Newport	Sewer	City of Newport	Electricity	VEC	Gas	Private	Telephone	Fairport
Water	City of Newport										
Sewer	City of Newport										
Electricity	VEC										
Gas	Private										
Telephone	Fairport										
Site Improvements:	The site improvements include asphalt paved parking areas, curbing, signage, landscaping, yard lighting and drainage.										
Land Use Restrictions:	We were not given a title report to review. We do not know of any easements, encroachments, or restrictions that would adversely affect the site's use. However, we recommend a title search to determine whether any adverse conditions exist.										

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Flood Zone Description:	<p>The subject property is located in flood zone C (Areas outside of a 100-year flood hazard) as indicated by FEMA Map 500086 0003 B, dated June 18, 1980.</p> <p>The flood zone determination and other related data are provided by a third party vendor deemed to be reliable. If further details are required, additional research is required that is beyond the scope of this analysis.</p>
Wetlands:	<p>We were not given a wetlands survey to review. If subsequent engineering data reveal the presence of regulated wetlands, it could materially affect property value. We recommend a wetlands survey by a professional engineer with expertise in this field.</p>
Hazardous Substances:	<p>We observed no evidence of toxic or hazardous substances during our inspection of the site. However, we are not trained to perform technical environmental inspections and recommend the hiring of a professional engineer with expertise in this field.</p>
Overall Site Utility:	<p>The subject site is functional for its current use.</p>
Location Rating:	<p>Average</p>
Comments:	<p>The subject site is 7.07 acres in size overall, with ample street frontage along Bogner Drive. The site slopes up from Lake Street and is flat and level along the northern edge. It also abuts a former industrial use of which a portion of the improvements were razed to create the subject site. The subject site is expected to have adequate off street parking to support the pending use.</p> <p>Based on public information, the site will be improved with a high tech manufacturing use operated by AnC Bio VT. It will consist of an 80,000 square foot biotech facility designed as a highly controlled clean room manufacturing space with versatile processing equipment for the purpose of supporting research in the fields of biomedical research and development. PeakCM, in collaboration with NNE Pharmaplan and AnC Bio VT, is anticipated to kick off this ground breaking project in Spring 2015. The project is expect to cost up to \$70 million and create up to 450 jobs for the area.</p>





## REAL PROPERTY TAXES AND ASSESSMENTS

### CURRENT PROPERTY TAXES

The subject property is located in the taxing jurisdiction of the City of Newport, and the assessor's parcel identification number is 125-80. According to the local tax collector's office, taxes are current.

The assessment and taxes for the property are presented below:

PROPERTY ASSESSMENT INFORMATION	
Assessor's Parcel Number:	125-80
Assessing Authority:	City of Newport
Current Tax Year:	2014-2015
Assessment Ratio (% of market Value):	100%
Equalization Rate:	1
Are taxes current?	Taxes are current
Is there a grievance underway?	Not to our knowledge
The subject's assessment and taxes are:	At market levels

ASSESSMENT INFORMATION	
Assessed Value	Totals
Land:	\$170,800
Improvements:	1,863,900
Total:	\$2,034,700
Personal Property:	0
Other:	0
Exemption:	0
Taxable Assessment:	\$2,034,700
Assessor's Implied Market Value	\$2,034,700

TAX LIABILITY	
Total Tax Rate	3.03900%
<b>Total Property Taxes</b>	<b>\$61,835</b>
Building Area ( SF )	68,000
Property Taxes per Square Foot	\$0.91

*Compiled by Cushman & Wakefield of Massachusetts, Inc.*

Although the subject site has an individual map and lot number, it is assessed as part of its former master site, identified as Map 124, Lot 44. This master parcel includes 25.97 acres of land and is improved with a 68,000 square foot industrial use. Approximately 28,000 square feet of the improvements were razed to create the subject site, however, the City of Newport has yet to identify the subdivided site and reduction in overall improvement size. Total taxes for the master property are \$61,835, or \$0.91 per square foot.

We expect the subject site to be subdivided and assessed based on its 7.07-acre land area.

## ZONING

### GENERAL INFORMATION

The property is zoned Light Industrial by the City of Newport. A summary of the subject's zoning is provided below:

#### ZONING

<b>Municipality Governing Zoning:</b>	City of Newport
<b>Current Zoning:</b>	Light Industrial
<b>Current Use:</b>	Vacant Land
<b>Is current use permitted:</b>	Yes
<b>Proposed Use:</b>	Industrial
<b>Is proposed use permitted:</b>	Yes
<b>Permitted Uses:</b>	Permitted uses within this district include office, light industrial, auto service and various commercial uses
<b>Prohibited Uses:</b>	Prohibited uses within this district include residential, most retail and community facility uses

ZONING REQUIREMENTS	CODE	SUBJECT COMPLIANCE
Minimum Lot Area:	20,000 sf	Complying
Maximum Building Height:	NA	Not Applicable
Maximum Floor Area Ratio (FAR):	NA	Not Applicable
Maximum Lot Coverage (% of lot area):	NA	Not Applicable
Minimum Yard Setbacks		
Front (feet):	25	Complying
Rear (feet):	25	Complying
Side (feet):	40	Complying

*Compiled by Cushman & Wakefield of Massachusetts, Inc.*

### ZONING COMPLIANCE

Property value is affected by whether or not an existing or proposed improvement complies to zoning regulations, as discussed below.

#### Complying Uses

An existing or proposed use that complies to zoning regulations implies that there is no legal risk and that the existing improvements could be replaced "as-of-right."

#### Pre-Existing, Non-Complying Uses

In many areas, existing buildings pre-date the current zoning regulations. When this is the case, it is possible for an existing building that represents a non-complying use to still be considered a legal use of the property. Whether or not the rights of continued use of the building exist depends on local laws. Local laws will also determine if the existing building may be replicated in the event of loss or damage.

#### Non-Complying Uses

A proposed non-complying use to an existing building might remain legal via variance or special use permit. When appraising a property that has such a non-complying use, it is important to understand the local laws governing this use.

**OTHER RESTRICTIONS**

We know of no deed restrictions, private or public, that further limit the subject property's use. The research required to determine whether or not such restrictions exist is beyond the scope of this appraisal assignment. Deed restrictions are a legal matter and only a title examination by an attorney or title company can usually uncover such restrictive covenants. We recommend a title examination to determine if any such restrictions exist.

**ZONING CONCLUSIONS**

We analyzed the zoning requirements in relation to the subject property, and considered the compliance of the existing or proposed use. We are not experts in the interpretation of complex zoning ordinances but based on our review of public information, the subject property appears to be a complying use.

Detailed zoning studies are typically performed by a zoning or land use expert, including attorneys, land use planners, or architects. The depth of our study correlates directly with the scope of this assignment, and it considers all pertinent issues that have been discovered through our due diligence.

We note that this appraisal is not intended to be a detailed determination of compliance, as that determination is beyond the scope of this real estate appraisal assignment.

# Valuation

## HIGHEST AND BEST USE

### HIGHEST AND BEST USE DEFINITION

*The Dictionary of Real Estate Appraisal*, Fifth Edition (2010), a publication of the Appraisal Institute, defines the highest and best use as:

The most probable use of a property which is physically possible, appropriately justified, legally permissible, financially feasible, and which results in the highest value of the property being valued.

To determine the highest and best use we typically evaluate the subject site under two scenarios: as vacant land and as presently improved. In both cases, the property's highest and best use must meet the four criteria described above. Since this property is land only, evaluating it as presently improved is not applicable.

### HIGHEST AND BEST USE OF PROPERTY AS VACANT

#### Legally Permissible

The zoning regulations in effect at the time of the appraisal determine the legal permissibility of a potential use of the subject site. As described in the Zoning section, the subject site is zoned Light Industrial by the City of Newport. Permitted uses within this district include office, light industrial, auto service and various commercial uses. We are not aware of any further legal restrictions that limit the potential uses of the subject. In addition, rezoning of the site is not likely due to the character of the area.

#### Physically Possible

The physical possibility of a use is dictated by the size, shape, topography, availability of utilities, and any other physical aspects of the site. The subject site is assumed to contain 7.07 acres, or 307,969 square feet. The site is irregularly shaped and gently sloping. It has average frontage, average access, and good visibility. The overall utility of the site is considered to be average. All public utilities are available to the site including public water and sewer, gas, electric and telephone. Overall, the site is considered adequate to accommodate most permitted development possibilities.

#### Financially Feasible and Maximally Productive

In order to be seriously considered, a use must have the potential to provide a sufficient return to attract investment capital over alternative forms of investment. A positive net income or acceptable rate of return would indicate that a use is financially feasible. Financially feasible uses are those uses that can generate a profit over and above the cost of acquiring the site, and constructing the improvements. Of the uses that are permitted, possible, and financially feasible, the one that will result in the maximum value for the property is considered the highest and best use.

## CONCLUSION

We considered the legal issues related to zoning and legal restrictions. We also analyzed the physical characteristics of the site to determine what legal uses would be possible, and considered the financial feasibility of these uses to determine the use that is maximally productive. Considering the subject site's physical characteristics and location, as well as the state of the local market, it is our opinion that the Highest and Best Use of the subject site as vacant is hold for future commercial development.

## VALUATION PROCESS

### METHODOLOGY

There are three generally accepted approaches to developing an opinion of value: Cost, Sales Comparison and Income Capitalization. We considered each in this appraisal to develop an opinion of the market value of the subject property. In appraisal practice, an approach to value is included or eliminated based on its applicability to the property type being valued and the quality of information available. The reliability of each approach depends on the availability and comparability of market data as well as the motivation and thinking of purchasers.

The valuation process is concluded by analyzing each approach to value used in the appraisal. When more than one approach is used, each approach is judged based on its applicability, reliability, and the quantity and quality of its data. A final value opinion is chosen that either corresponds to one of the approaches to value, or is a correlation of all the approaches used in the appraisal.

We considered each approach in developing our opinion of the market value of the subject property. We discuss each approach below and conclude with a summary of their applicability to the subject property.

#### Cost Approach

The Cost Approach is based on the proposition that an informed purchaser would pay no more for the subject than the cost to produce a substitute property with equivalent utility. This approach is particularly applicable when the property being appraised involves relatively new improvements which represent the Highest and Best Use of the land; or when relatively unique or specialized improvements are located on the site for which there are few improved sales or leases of comparable properties.

In the Cost Approach, the appraiser forms an opinion of the cost of all improvements, depreciating them to reflect any value loss from physical, functional and external causes. Land value, entrepreneurial profit and depreciated improvement costs are then added, resulting in an opinion of value for the subject property.

#### Sales Comparison Approach

In the Sales Comparison Approach, sales of comparable properties are adjusted for differences to estimate a value for the subject property. A unit of comparison such as price per square foot of building area or effective gross income multiplier is typically used to value the property. When developing an opinion of land value the analysis is based on recent sales of sites of comparable zoning and utility, and the typical units of comparison are price per square foot of land, price per acre, price per unit, or price per square foot of potential building area. In both cases, adjustments are applied to the unit of comparison from an analysis of comparable sales, and the adjusted unit of comparison is then used to derive an opinion of value for the subject property.

#### Income Capitalization Approach

In the Income Capitalization Approach the income-producing capacity of a property is estimated by using contract rents on existing leases and by estimating market rent from rental activity at competing properties for the vacant space. Deductions are then made for vacancy and collection loss and operating expenses. The resulting net operating income is divided by an overall capitalization rate to derive an opinion of value for the subject property. The capitalization rate represents the relationship between net operating income and value. This method is referred to as Direct Capitalization.

Related to the Direct Capitalization Method is the Yield Capitalization Method. In this method periodic cash flows (which consist of net operating income less capital costs) and a reversionary value are developed and discounted to a present value using an internal rate of return that is determined by analyzing current investor yield requirements for similar investments.

**SUMMARY**

This appraisal employs only the Sales Comparison Approach. Based on our analysis and knowledge of the subject property type and relevant investor profiles, it is our opinion that this approach would be considered necessary and applicable for market participants. Typical purchasers do not generally rely on the Cost or Income Capitalization Approaches when purchasing a property such as the subject of this report. Therefore, we have not employed the Cost Approach or the Income Capitalization Approach to develop an opinion of market value. The absence of these approaches does not diminish the reliability of the analysis.

## LAND VALUATION

We used the Sales Comparison Approach to develop an opinion of land value. We examined current offerings and analyzed prices buyers have recently paid for comparable sites. If the comparable was superior to the subject, a downward adjustment was made to the comparable sale. If inferior, an upward adjustment was made.

The most widely used and market-oriented unit of comparison for properties with characteristics similar to those of the subject is price per square foot of land. All transactions used in this analysis are based on the most appropriate method used in the local market.

The major elements of comparison used to value the subject site include the property rights conveyed, the financial terms incorporated into the transaction, the conditions or motivations surrounding the sale, changes in market conditions since the sale, the location of the real estate, its utility and the physical characteristics of the property.

The comparables and our analysis are presented on the following pages. Comparable land sale data sheets are presented in the Addenda of this report.

SUMMARY OF LAND SALES													
PROPERTY INFORMATION					TRANSACTION INFORMATION								
No.	Location	Size (sf)	Size (Acres)	Proposed Use	Site Utility	Public Utilities	Grantor	Grantee	Property Rights Conveyed	Sale Date	Sale Price	\$/SF Land	Comments
S	Subject Property	307,969	7.07	Industrial	Average	All available	Valley Land Corporation	Heritage Automotive Group	Fee Simple	2/14	\$995,000	\$1.09	This is the sale of two parcels of land located in a mixed retail area. The site was purchased by an auto dealer group which owns a Toyota dealership immediately to the north. The buyer was looking to expand their parking area with potential for a separate dealership in the future. The sale included a 70-unit self storage building located along the rear, however, the buyers plan to raze this structure.
1	245 Bowling Lane, White River Junction, VT	913,453	20.97	Retail-Commercial	Good	Partially Available							
2	5256 Williston Road, Williston, VT	104,108	2.39	Industrial	Good	All Available	Alling - Hogan	A & D Investments, LLC	Fee Simple	11/13	\$500,000	\$4.80	This is the sale of a well located commercial site along Route 2, in a mixed commercial neighborhood. The property was improved with older residential uses that will be razed to allow for development of a 45,000 square foot industrial use. The property was on the market for sale at \$575,000.
3	1801 Avenue D, Williston, VT	243,935	5.60	Industrial	Good	All Available	Burver LLC	Miller Realty Group LLC	Fee Simple	1/13	\$500,000	\$2.05	This is the sale of a 5.60-acre site located in a mixed industrial park just east of Burlington International Airport. The site was purchased by a local developer who built a 42,000 square foot flex use on the site that they plan to lease up. The property has 2,700 square feet of office space and can be subdivided.
4	Route 5, Derby, VT	766,656	17.60	Industrial	Good	Partially Available	Exit 28 Properties, LLC	WVEY USA, LLC	Fee Simple	6/11	\$1,050,000	\$1.37	This vacant greenfield site was purchased for construction of a new 2-story manufacturing, distribution, retail and office facility for Louis Garneau, a Quebec based sports clothing maker. Louis Garneau is the true buyer of the property and will be relocating from an older 40,000 square foot facility in Newport, VT. The site is immediately east of Exit 28 of I-91, 5 miles south of the Canadian border. The buyer applied for approvals after purchasing the property. The estimated cost of construction is \$7 million.
5	52 Pike Drive, Berlin, VT	95,010	2.25	Office	Good	Partially Available	American National Red Cross	Vermont School Board Insurance Trust	Fee Simple	5/11	\$180,000	\$1.84	This is the sale of a 2.25-acre site located in a mixed commercial area of Berlin located just off of Interstate 89. The property was purchased for development of a 4,000 square foot office use. It was originally listed for sale at \$245,000 and was on the market for 170 days.
6	3 Omega Drive, Brattleboro, VT	255,262	5.86	Industrial	Good	Partially Available	Delta Industries	Commonwealth Dairy	Fee Simple	4/10	\$350,000	\$1.37	This is the sale of a 5.86-acre industrial site, located in a limited commercial/residential area with good access to Interstate 91. The site was initially improved with a 41,000 square foot yogurt manufacturing operation and is currently being expanded to 64,000 square feet.
STATISTICS													
Low		95,010	2.25							4/10	\$180,000	\$1.09	
High		913,453	20.97							2/14	\$1,050,000	\$4.80	
Average		396,904	9.11							4/12	\$595,833	\$2.09	

Compiled by Cushman & Wakefield of Massachusetts, Inc.



LAND SALE ADJUSTMENT GRID													
Economic Adjustments (Cumulative)						Property Characteristic Adjustments (Additive)							
No.	Price PSF Land & Date	Property Rights Conveyed	Conditions of Sale	Financing	Market <sup>(1)</sup> Conditions	PSF Land Subtotal	Location	Size	Public Utilities	Utility <sup>(2)</sup>	Other	Adj. Price PSF Land	Overall
1	\$1.09 2/14	Fee Simple 0.0%	Arm's-Length 0.0%	None 0.0%	Superior -2.1%	\$1.07 -2.1%	Similar 0.0%	Larger 20.0%	Similar 0.0%	Similar 0.0%	Inferior 5.0%	\$1.33 25.0%	Inferior
2	\$4.80 11/13	Fee Simple 0.0%	Arm's-Length 0.0%	None 0.0%	Superior -1.6%	\$4.73 -1.6%	Superior -10.0%	Smaller -20.0%	Similar 0.0%	Similar 0.0%	Inferior 5.0%	\$3.54 -25.0%	Superior
3	\$2.05 1/13	Fee Simple 0.0%	Arm's-Length 0.0%	None 0.0%	Similar 0.0%	\$2.05 0.0%	Superior -10.0%	Similar 0.0%	Similar 0.0%	Similar 0.0%	Similar 0.0%	\$1.84 -10.0%	Superior
4	\$1.37 6/11	Fee Simple 0.0%	Arm's-Length 0.0%	None 0.0%	Inferior 3.2%	\$1.41 3.2%	Similar 0.0%	Larger 20.0%	Similar 0.0%	Similar 0.0%	Similar 0.0%	\$1.70 20.0%	Inferior
5	\$1.84 5/11	Fee Simple 0.0%	Arm's-Length 0.0%	None 0.0%	Inferior 3.4%	\$1.90 3.4%	Similar 0.0%	Smaller -20.0%	Similar 0.0%	Similar 0.0%	Inferior 10.0%	\$1.71 -10.0%	Superior
6	\$1.37 4/10	Fee Simple 0.0%	Arm's-Length 0.0%	None 0.0%	Inferior 5.6%	\$1.45 5.6%	Similar 0.0%	Similar 0.0%	Similar 0.0%	Similar 0.0%	Similar 0.0%	\$1.45 0.0%	Similar
<b>STATISTICS</b>													
						\$1.09 - Low				Low -			\$1.33
						\$4.80 - High				High -			\$3.54
						\$2.09 - Average				Average -			\$1.93

Compiled by Cushman & Wakefield of Massachusetts, Inc.

(1) Market Conditions Adjustment Footnote

Compound annual change in market conditions: 2.00%

Date of Value (for adjustment calculations): 12/31/12

(2) Utility Footnote

Utility includes shape, access, frontage and visibility.





## DISCUSSION OF ADJUSTMENTS

### Property Rights Conveyed

The property rights conveyed in a transaction typically have an impact on the sale price of a property. Acquiring the fee simple interest implies that the buyer is acquiring the full bundle of rights. Acquiring a leased fee interest typically means that the property being acquired is encumbered by at least one lease, which is a binding agreement transferring rights of use and occupancy to the tenant. A leasehold interest involves the acquisition of a lease, which conveys the rights to use and occupy the property to the buyer for a finite period of time. At the end of the lease term, there is typically no reversionary value to the leasehold interest. Since we are valuing the fee simple interest as reflected by each of the comparables, an adjustment for property rights is not required.

### Financial Terms

The financial terms of a transaction can have an impact on the sale price of a property. A buyer who purchases an asset with favorable financing might pay a higher price, as the reduced cost of debt creates a favorable debt coverage ratio. A transaction involving above-market debt will typically involve a lower purchase price tied to the lower equity returns after debt service. We analyzed all of the transactions to account for atypical financing terms. To the best of our knowledge, all of the sales used in this analysis were accomplished with cash or market-oriented financing. Therefore, no adjustments were required.

### Conditions of Sale

Adjustments for conditions of sale usually reflect the motivations of the buyer and the seller. In many situations the conditions of sale may significantly affect transaction prices. However, all sales used in this analysis are considered to be "arms-length" market transactions between both knowledgeable buyers and sellers on the open market. Therefore, no adjustments were required.

### Market Conditions

The sales that are included in this analysis occurred between April 2010 and February 2014. As the market has improved over this time period, we applied an annual adjustment of 2.00 percent.

### Location

An adjustment for location is required when the locational characteristics of a comparable property differ from those of the subject property. The subject property is rated average in location. We made a downward adjustment to those comparables considered superior in location compared to the subject. Conversely, an upward adjustment was made to those comparables considered inferior.

Comparable Land Sales 2 and 3 are located in the greater Burlington market and were adjusted -10 percent for location.

### Size

The adjustment for size generally reflects the inverse relationship between unit price and lot size. Smaller lots tend to sell for higher unit prices than larger lots, and vice versa. Therefore, upward adjustments were made to larger land parcels, and downward adjustments were made to smaller land parcels.

Land Sales 1 and 4 are larger sites and were adjusted 20 percent, as large sites tend to sell for lower prices per square foot. Sales 2 and 5 were smaller and are adjusted -20 percent.

### Public Utilities

The availability of public utilities has a significant impact on the value of a property. Municipal utility providers often, but not always, provide utilities such as gas, water, electric, sewer, and telephone. It is therefore important

to understand any differences that may exist in the availability of public utilities to the subject property and its comparables. All of the sales, like the subject, had full access to public utilities at the time of sale. Therefore, no adjustments were required.

### Utility

The subject parcel is adequately shaped to accommodate a typical building. It has average access, average frontage and good visibility. Overall, it has been determined that the site has average utility. Adjustments were made where a comparable was considered to have superior or inferior utility.

### Other

In some cases, other variables will have an impact on the price of a land transaction. Examples include soil or slope conditions, restrictive zoning, easements, wetlands or external influences.

Land Sales 1 and 2 required demolition after sale and were adjusted 5 percent. Land Sale 4 is a former Greenfield site and was adjusted 10 percent, due to the former contamination and monitoring requirements.

## DISCUSSION OF COMPARABLE SALES

### Comparable Sale No. 1

This comparable property is located at 245 Bowling Lane, White River Junction, VT, within the IC2 zoning district. The parcel contains 913,453 square feet, or 20.97 acres. Valley Land Corporation sold this property to Heritage Automotive Group in February 2014 for a total price of \$995,000, or \$1.09 per square foot of land area. This property has good utility, and partially available public utilities. Its intended use at the time of sale was an retail-commercial use. This is the sale of two parcels of land located in a mixed retail area. The site was purchased by an auto dealer group which owns a Toyota dealership immediately to the north. The buyer was looking to expand their parking area with potential for a separate dealership in the future. The sale included a 70-unit self storage building located along the rear, however, the buyers plan to raze this structure.

After a market conditions adjustment, positive adjustments were necessary for the large site and demolition after sale. After all adjustments this sale indicated a value of \$1.33 per square foot.

### Comparable Sale No. 2

Comparable No. 2 is located at 5256 Williston Road, Williston, VT, in the Industrial zoning district. It contains 104,108 square feet, or 2.39 acres. Alling - Hogan sold this property to A & D Investments, LLC in November 2013 for a price of \$500,000, or \$4.80 per square foot of land area. Public utilities on this site are all available and its utility is good. The intended use of this site at the time of sale was industrial. This is the sale of a well located commercial site along Route 2 in a mixed commercial neighborhood. The property was improved with older residential uses that will be razed to allow for development of a 45,000 square foot industrial use. The property was on the market for sale at \$575,000.

After a market conditions adjustment, negative adjustments were necessary to account for both location and size. A positive adjustment was also required for demolition costs. After all adjustments this sale indicated a value of \$3.54 per square foot.

### Comparable Sale No. 3

Located at 1801 Avenue D, Williston, VT within the Commercial zoning district, this property was sold from Burver LLC to Miller Realty Group LLC in January 2013 for \$500,000, or \$2.05 per square foot of land area. At the time of sale, this site was intended for an industrial use. It contains 243,936 square feet, or 5.60 acres. The site has good utility, and public utilities are all available. This is the sale of a 5.60-acre site located in a mixed industrial park just east of Burlington International Airport. The site was purchased by a local developer who built a 42,000

square foot flex use on the site that they plan to lease up. The property has 2,700 square feet of office space and can be subdivided.

After a market conditions adjustment, a negative adjustment was made for the superior location. After all adjustments this sale indicated a value of \$1.84 per square foot.

#### **Comparable Sale No. 4**

This comparable property is located along Route 5, Derby, VT and it encompasses 766,656 square feet, or 17.60 acres. At the time of sale the intended use of this site was industrial. Exit 28 Properties, LLC sold the property to WEV USA, LLC in June 2011 for a price of \$1,050,000, or \$1.37 per square foot of land area. This site has good utility, and public utilities are partially available. This vacant greenfield site was purchased for construction of a new 2-story manufacturing, distribution, retail and office facility for Louis Garneau, a Quebec based sports clothing maker. Louis Garneau is the true buyer of the property and will be relocating from an older 40,000 square foot facility in Newport, VT. The site is immediately east of Exit 28 of I-91, 5 miles south of the Canadian border. The buyer applied for approvals after purchasing the property. The estimated cost of construction is \$7 million.

After a market conditions adjustment, this sale was adjusted for its larger size and former site conditions. After all adjustments this sale indicated a value of \$1.70 per square foot.

#### **Comparable Sale No. 5**

This lot is located at 52 Pike Drive, Berlin, VT in the Commercial G zoning district. Its size is 98,010 square feet, or 2.25 acres. Vermont School Board Insurance Trust acquired this property from American National Red Cross in May 2011 for \$180,000, or \$1.84 per square foot of land area. The utility of this site is good with partially available public utilities. The intended use of this site at the time of sale was an office use. This is the sale of a 2.25-acre site located in a mixed commercial area of Berlin located just off of Interstate 89. The property was purchased for development of a 4,000 square foot office use. It was originally listed for sale at \$245,000 and was on the market for 170 days.

Positive adjustments were made for market conditions and size. After all adjustments this sale indicated a value of \$1.71 per square foot.

#### **Comparable Sale No. 6**

Comparable No. 6 was a sale from Delta Industries to Commonwealth Dairy, which occurred in April 2010 for a price of \$350,000, or \$1.37 per square foot of land area. Located at 3 Omega Drive, Brattleboro, VT, and in the PUD zoning district, this parcel contains 255,262 square feet, or 5.86 acres. The site has good utility and public utilities are partially available. At the time of this sale, this site had intended an industrial use. This is the sale of a 5.86-acre industrial site, located in a limited commercial/residential area with good access to Interstate 91. The site was initially improved with a 41,000 square foot yogurt manufacturing operation and is currently being expanded to 64,000 square feet.

This sale required a market conditions adjustments. After all adjustments this sale indicated a value of \$1.45 per square foot.

## CONCLUSION OF SITE VALUE

After a thorough analysis, the comparable land sales reflect adjusted unit values ranging from a low of \$1.33 per square foot to \$3.54 per square foot, with an average of \$1.93 per square foot.

The subject property is a 7.07-acre industrial site located in a mixed commercial/residential neighborhood a mile from downtown Newport. It has been reported that the site will be improved with an 80,000 square foot high tech manufacturing use.

Given the rural nature of the subject's market, only one local industrial sale has occurred over the past five years. As a result, we included two industrial land sales from the greater Burlington market, as well as other Vermont industrial and office land sales with similar access to highways. Land Sale 1 is located off of Interstate 89 and is a large site located behind a Toyota dealership that was purchased for potential expansion of the dealership. Land Sales 2 and 3 are located in Williston, a superior market, and were purchased for development of industrial uses. Comparable Sale 4 is the local June 2011 sale of an industrial site that was improved with a 40,000 square foot manufacturing use. Land Sale 5 is located off of Interstate 89 in a mixed commercial market and was improved with a 4,000 square foot flex office use. Lastly, Comparable Land Sale 6 is located in a rural Southern Vermont market and was purchased and developed into a 41,000 square foot food processing use.

We made adjustments to these sales to account for differences in location, size and demolition and have concluded to a value near the middle of the adjusted range.

Therefore, we concluded that the indicated land value by the Sales Comparison Approach, as of December 31, 2012 is:

<b>AS IS VALUE DECEMBER 31, 2012</b>		<b>Price PSF</b>
Indicated Value		\$1.90
SQFT Measure	x 307,969	
Indicated Value		\$585,141
Rounded to nearest \$10,000		\$590,000
\$/SF Basis		\$1.92
<b>LAND VALUE CONCLUSION</b>		<b>\$590,000</b>
\$/SF Basis		\$1.92

*Compiled by Cushman & Wakefield of Massachusetts, Inc.*

Our value via the Sales Comparison approach is well below the reported, pending sale of the site at \$6,000,000. However, we have been unable to confirm if this sale ever occurred.

### ADDITIONAL VALUE AS OF SEPTEMBER 1, 2014

At the request of the client, we have included an additional value of the subject site, assuming a retrospective value date of September 1, 2014. As part of this analysis, we included the same land sales previously presented and made additional market condition adjustments to the sales.

After adjustments, the comparable sales reflect adjusted prices per square foot between \$1.38 and \$3.66 per square foot, averaging \$1.99 per square foot. We made similar adjustments to the sales to account for differences in location, size and demolition and have concluded to a value near the middle of the adjusted range.

<b>AS IS VALUE SEPTEMBER 1, 2014</b>		<b>Price PSF</b>
Indicated Value		\$2.00
SQFT Measure		x 307,969
Indicated Value		\$615,938
Rounded to nearest \$10,000		\$620,000
\$/SF Basis		\$2.01
<b>LAND VALUE CONCLUSION</b>		<b>\$620,000</b>
\$/SF Basis		\$2.01

*Compiled by Cushman & Wakefield of Massachusetts, Inc.*

Our value via the Sales Comparison approach is well below the reported, pending sale of the site at \$6,000,000. However, we have been unable to confirm if this sale ever occurred.

The corresponding adjustment table can be found on the following page.

LAND SALE ADJUSTMENT GRID													
Economic Adjustments (Cumulative)						Property Characteristic Adjustments (Additive)							
No.	Price PSF Land & Date	Property Rights Conveyed	Conditions of Sale	Financing	Market <sup>(1)</sup> Conditions	PSF Land Subtotal	Location	Size	Public Utilities	Utility <sup>(2)</sup>	Other	Adj. Price PSF Land	Overall
1	\$1.09 2/14	Fee Simple 0.0%	Arm's-Length 0.0%	None 0.0%	Inferior 1.2%	\$1.10 1.2%	Similar 0.0%	Larger 20.0%	Similar 0.0%	Similar 0.0%	Inferior 5.0%	\$1.38 25.0%	Inferior
2	\$4.80 11/13	Fee Simple 0.0%	Arm's-Length 0.0%	None 0.0%	Inferior 1.7%	\$4.88 1.7%	Superior -10.0%	Smaller -20.0%	Similar 0.0%	Similar 0.0%	Inferior 5.0%	\$3.66 -25.0%	Superior
3	\$2.05 1/13	Fee Simple 0.0%	Arm's-Length 0.0%	None 0.0%	Inferior 3.4%	\$2.12 3.4%	Superior -10.0%	Similar 0.0%	Similar 0.0%	Similar 0.0%	Similar 0.0%	\$1.91 -10.0%	Superior
4	\$1.37 6/11	Fee Simple 0.0%	Arm's-Length 0.0%	None 0.0%	Inferior 6.7%	\$1.46 6.7%	Similar 0.0%	Larger 20.0%	Similar 0.0%	Similar 0.0%	Similar 0.0%	\$1.75 20.0%	Inferior
5	\$1.84 5/11	Fee Simple 0.0%	Arm's-Length 0.0%	None 0.0%	Inferior 6.8%	\$1.96 6.8%	Similar 0.0%	Smaller -20.0%	Similar 0.0%	Similar 0.0%	Inferior 10.0%	\$1.77 -10.0%	Superior
6	\$1.37 4/10	Fee Simple 0.0%	Arm's-Length 0.0%	None 0.0%	Inferior 9.2%	\$1.50 9.2%	Similar 0.0%	Similar 0.0%	Similar 0.0%	Similar 0.0%	Similar 0.0%	\$1.50 0.0%	Similar
<b>STATISTICS</b>													
	\$1.09	- Low										\$1.38	Low -
	\$4.80	- High										\$3.66	High -
	\$2.09	- Average										\$1.99	Average -

Compiled by Cushman & Wakefield of Massachusetts, Inc.

(1) Market Conditions Adjustment Footnote

Compound annual change in market conditions: 2.00%

Date of Value (for adjustment calculations): 9/1/14

(2) Utility Footnote

Utility includes shape, access, frontage and visibility.



## RECONCILIATION AND FINAL VALUE OPINION

### VALUATION METHODOLOGY REVIEW AND RECONCILIATION

This appraisal employs only the Sales Comparison Approach. Based on our analysis and knowledge of the subject property type and relevant investor profiles, it is our opinion that this approach would be considered necessary and applicable for market participants. Typical purchasers do not generally rely on the Cost or Income Capitalization Approaches when purchasing a property such as the subject of this report. Therefore, we have not employed the Cost Approach or the Income Capitalization Approach to develop an opinion of market value. The absence of these approaches does not diminish the reliability of the analysis.

The approach indicated the following:

<b>FINAL VALUE RECONCILIATION</b>				
<b>Date of Value</b>	<b>Retrospective Market Value As Is December 31, 2012</b>	<b>PSF</b>	<b>Retrospective Market Value As Is September 1, 2014</b>	<b>PSF</b>
<b>Land Valuation</b>				
Land Value	\$590,000		\$620,000	
Land Value PSF	\$1.92		\$2.01	
<b>Final Value Conclusion</b>	<b>\$590,000</b>	<b>\$5.84</b>	<b>\$620,000</b>	<b>\$6.14</b>

*Compiled by Cushman & Wakefield of Massachusetts, Inc.*

We gave sole weight to the Sales Comparison Approach because this mirrors the methodology used by purchasers of this property type.

<b>Value Conclusions</b>			
<b>Appraisal Premise</b>	<b>Real Property Interest</b>	<b>Date Of Value</b>	<b>Value Conclusion</b>
Retrospective Market Value As Is	Fee Simple	December 31, 2012	\$590,000
Retrospective Market Value As Is	Fee Simple	September 1, 2014	\$620,000

*Compiled by Cushman & Wakefield of Massachusetts, Inc.*

### EXPOSURE TIME AND MARKETING TIME

Based on our review of national investor surveys, discussions with market participants and information gathered during the sales verification process, a reasonable exposure time for the subject property at the value concluded within this report would have been approximately twelve (12) months. This assumes an active and professional marketing plan would have been employed by the current owner.

We believe, based on the assumptions employed in our analysis, as well as our selection of investment parameters for the subject, that our value conclusion represents a price achievable within twelve (12) months.

## ASSUMPTIONS AND LIMITING CONDITIONS

"Report" means the appraisal or consulting report and conclusions stated therein, to which these Assumptions and Limiting Conditions are annexed.

"Property" means the subject of the Report.

"C&W" means Cushman & Wakefield, Inc. or its subsidiary that issued the Report.

"Appraiser(s)" means the employee(s) of C&W who prepared and signed the Report.

The Report has been made subject to the following assumptions and limiting conditions:

- No opinion is intended to be expressed and no responsibility is assumed for the legal description or for any matters that are legal in nature or require legal expertise or specialized knowledge beyond that of a real estate appraiser. Title to the Property is assumed to be good and marketable and the Property is assumed to be free and clear of all liens unless otherwise stated. No survey of the Property was undertaken.
- The information contained in the Report or upon which the Report is based has been gathered from sources the Appraiser assumes to be reliable and accurate. The owner of the Property may have provided some of such information. Neither the Appraiser nor C&W shall be responsible for the accuracy or completeness of such information, including the correctness of estimates, opinions, dimensions, sketches, exhibits and factual matters. Any authorized user of the Report is obligated to bring to the attention of C&W any inaccuracies or errors that it believes are contained in the Report.
- The opinions are only as of the date stated in the Report. Changes since that date in external and market factors or in the Property itself can significantly affect the conclusions in the Report.
- The Report is to be used in whole and not in part. No part of the Report shall be used in conjunction with any other analyses. Publication of the Report or any portion thereof without the prior written consent of C&W is prohibited. Reference to the Appraisal Institute or to the MAI designation is prohibited. Except as may be otherwise stated in the letter of engagement, the Report may not be used by any person(s) other than the party(ies) to whom it is addressed or for purposes other than that for which it was prepared. No part of the Report shall be conveyed to the public through advertising, or used in any sales, promotion, offering or SEC material without C&W's prior written consent. Any authorized user(s) of this Report who provides a copy to, or permits reliance thereon by, any person or entity not authorized by C&W in writing to use or rely thereon, hereby agrees to indemnify and hold C&W, its affiliates and their respective shareholders, directors, officers and employees, harmless from and against all damages, expenses, claims and costs, including attorneys' fees, incurred in investigating and defending any claim arising from or in any way connected to the use of, or reliance upon, the Report by any such unauthorized person(s) or entity(ies).
- Except as may be otherwise stated in the letter of engagement, the Appraiser shall not be required to give testimony in any court or administrative proceeding relating to the Property or the Appraisal.
- The Report assumes (a) responsible ownership and competent management of the Property; (b) there are no hidden or unapparent conditions of the Property, subsoil or structures that render the Property more or less valuable (no responsibility is assumed for such conditions or for arranging for engineering studies that may be required to discover them); (c) full compliance with all applicable federal, state and local zoning and environmental regulations and laws, unless noncompliance is stated, defined and considered in the Report; and (d) all required licenses, certificates of occupancy and other governmental consents have been or can be obtained and renewed for any use on which the value opinion contained in the Report is based.
- The physical condition of the improvements considered by the Report is based on visual inspection by the Appraiser or other person identified in the Report. C&W assumes no responsibility for the soundness of structural components or for the condition of mechanical equipment, plumbing or electrical components.
- The forecasted potential gross income referred to in the Report may be based on lease summaries provided by the owner or third parties. The Report assumes no responsibility for the authenticity or completeness of lease information provided by others. C&W recommends that legal advice be obtained regarding the interpretation of lease provisions and the contractual rights of parties.

- The forecasts of income and expenses are not predictions of the future. Rather, they are the Appraiser's best opinions of current market thinking on future income and expenses. The Appraiser and C&W make no warranty or representation that these forecasts will materialize. The real estate market is constantly fluctuating and changing. It is not the Appraiser's task to predict or in any way warrant the conditions of a future real estate market; the Appraiser can only reflect what the investment community, as of the date of the Report, envisages for the future in terms of rental rates, expenses, and supply and demand.
- Unless otherwise stated in the Report, the existence of potentially hazardous or toxic materials that may have been used in the construction or maintenance of the improvements or may be located at or about the Property was not considered in arriving at the opinion of value. These materials (such as formaldehyde foam insulation, asbestos insulation and other potentially hazardous materials) may adversely affect the value of the Property. The Appraisers are not qualified to detect such substances. C&W recommends that an environmental expert be employed to determine the impact of these matters on the opinion of value.
- Unless otherwise stated in the Report, compliance with the requirements of the Americans with Disabilities Act of 1990 (ADA) has not been considered in arriving at the opinion of value. Failure to comply with the requirements of the ADA may adversely affect the value of the Property. C&W recommends that an expert in this field be employed to determine the compliance of the Property with the requirements of the ADA and the impact of these matters on the opinion of value.
- If the Report is submitted to a lender or investor with the prior approval of C&W, such party should consider this Report as only one factor, together with its independent investment considerations and underwriting criteria, in its overall investment decision. Such lender or investor is specifically cautioned to understand all Extraordinary Assumptions and Hypothetical Conditions and the Assumptions and Limiting Conditions incorporated in this Report.
- In the event of a claim against C&W or its affiliates or their respective officers or employees or the Appraisers in connection with or in any way relating to this Report or this engagement, the maximum damages recoverable shall be the amount of the monies actually collected by C&W or its affiliates for this Report and under no circumstances shall any claim for consequential damages be made.
- If the Report is referred to or included in any offering material or prospectus, the Report shall be deemed referred to or included for informational purposes only and C&W, its employees and the Appraiser have no liability to such recipients. C&W disclaims any and all liability to any party other than the party that retained C&W to prepare the Report.
- Any estimate of insurable value, if included within the agreed upon scope of work and presented within this Report, is based upon figures derived from a national cost estimating service and is developed consistent with industry practices. However, actual local and regional construction costs may vary significantly from our estimate and individual insurance policies and underwriters have varied specifications, exclusions, and non-insurable items. As such, C&W strongly recommends that the Intended Users obtain estimates from professionals experienced in establishing insurance coverage for replacing any structure. This analysis should not be relied upon to determine insurance coverage. Furthermore, C&W makes no warranties regarding the accuracy of this estimate.
- Unless otherwise noted, we were not given a soil report to review. However, we assume that the soil's load-bearing capacity is sufficient to support existing and/or proposed structure(s). We did not observe any evidence to the contrary during our physical inspection of the property. Drainage appears to be adequate.
- Unless otherwise noted, we were not given a title report to review. We do not know of any easements, encroachments, or restrictions that would adversely affect the site's use. However, we recommend a title search to determine whether any adverse conditions exist.
- Unless otherwise noted, we were not given a wetlands survey to review. If subsequent engineering data reveal the presence of regulated wetlands, it could materially affect property value. We recommend a wetlands survey by a professional engineer with expertise in this field.
- Unless otherwise noted, we observed no evidence of toxic or hazardous substances during our inspection of the site. However, we are not trained to perform technical environmental inspections and recommend the hiring of a professional engineer with expertise in this field.
- Unless otherwise noted, we did not inspect the roof nor did we make a detailed inspection of the mechanical systems. The appraisers are not qualified to render an opinion regarding the adequacy or condition of these components. The client is urged to retain an expert in this field if detailed information is needed.

- By use of this Report each party that uses this Report agrees to be bound by all of the Assumptions and Limiting Conditions, Hypothetical Conditions and Extraordinary Assumptions stated herein.

## CERTIFICATION OF APPRAISAL

We certify that, to the best of our 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 our personal, impartial, and unbiased professional analyses, opinions, and conclusions.
- We have no present or prospective interest in the property that is the subject of this report, and no personal interest with respect to the parties involved.
- We have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
- Our engagement in this assignment was not contingent upon developing or reporting predetermined results.
- Our 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.
- The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics & Standards of Professional Appraisal Practice of the Appraisal Institute, which include the Uniform Standards of Professional Appraisal Practice.
- The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
- Stefan J. Sargeant, MAI, MRICS did make a personal inspection of the property that is the subject of this report.
- We have not performed prior services involving the subject property within the three-year period immediately preceding the acceptance of the assignment.
- No one provided significant real property appraisal assistance to the persons signing this report.
- As of the date of this report, Stefan J. Sargeant, MAI, MRICS has completed the continuing education program for Designated Members of the Appraisal Institute.



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## **ADDENDA CONTENTS**

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# ADDENDUM A: GLOSSARY OF TERMS & DEFINITIONS

The following definitions of pertinent terms are taken from *The Dictionary of Real Estate Appraisal*, Fifth Edition (2010), published by the Appraisal Institute, Chicago, IL, as well as other sources.

## AS IS MARKET VALUE

The estimate of the market value of real property in its current physical condition, use, and zoning as of the appraisal date. (Proposed Interagency Appraisal and Evaluation Guidelines, OCC-4810-33-P 20%)

## BAND OF INVESTMENT

A technique in which the capitalization rates attributable to components of a capital investment are weighted and combined to derive a weighted-average rate attributable to the total investment.

## CASH EQUIVALENCY

An analytical process in which the sale price of a transaction with nonmarket financing or financing with unusual conditions or incentives is converted into a price expressed in terms of cash.

## DEPRECIATION

1. In appraising, a loss in property value from any cause; the difference between the cost of an improvement on the effective date of the appraisal and the market value of the improvement on the same date. 2. In accounting, an allowance made against the loss in value of an asset for a defined purpose and computed using a specified method.

## DISPOSITION VALUE

The most probable price that a specified interest in real property is likely to bring under all of the following conditions:

- Consummation of a sale will occur within a limited future marketing period specified by the client.
- The actual market conditions currently prevailing are those to which the appraised property interest is subject.
- The buyer and seller is each acting prudently and knowledgeably.
- The seller is under compulsion to sell.
- The buyer is typically motivated.
- Both parties are acting in what they consider their best interest.
- An adequate marketing effort will be made in the limited time allowed for the completion of a sale.
- Payment will be made in cash in U.S. dollars or in terms of financial arrangements comparable thereto.
- The price represents the normal consideration for the property sold, unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

Note that this definition differs from the definition of market value. The most notable difference relates to the motivation of the seller. In the case of Disposition value, the seller would be acting under compulsion within a limited future marketing period.

## ELLWOOD FORMULA

A yield capitalization method that provides a formulaic solution for developing a capitalization rate for various combinations of equity yields and mortgage terms.

The formula is applicable only to properties with stable or stabilized income streams and properties with income streams expected to change according to the J- or K-factor pattern. The formula is

$$RO = [YE - M (YE + P / S^{n-1} - RM) - \Delta O / S^{n-1}] / [1 + \Delta I / J]$$

where

RO = Overall Capitalization Rate

YE = Equity Yield Rate

M = Loan-to-Value Ratio

P = Percentage of Loan Paid Off

$1/S^{n-1}$  = Sinking Fund Factor at the Equity Yield Rate

RM = Mortgage Capitalization Rate

$\Delta O$  = Change in Total Property Value

$\Delta I$  = Total Ratio Change in Income

J = J Factor

Also called mortgage-equity formula.

## EXPOSURE TIME

1. The time a property remains on the market. 2. The estimated length of time the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal; a retrospective estimate based on an analysis of past events assuming a competitive and open market. See also marketing time.

## EXTRAORDINARY ASSUMPTION

An assumption, directly related to a specific assignment, as of the effective date of the assignment results, which, if found to be false, could alter the appraiser's opinions or conclusions.

Comment: Extraordinary assumptions presume as fact otherwise uncertain information about physical, legal, or economic characteristics of the subject property; or about conditions external to the property, such as market conditions or trends; or about the integrity of data used in an analysis.

## FEE SIMPLE ESTATE

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

## HYPOTHETICAL CONDITIONS

A condition, directly related to a specific assignment, which is contrary to what is known by the appraiser to exist on the effective date of the assignment results, but is used for the purpose of analysis.

Comment: Hypothetical conditions are contrary to known facts about physical, legal, or economic characteristics of the subject property; or about conditions external to the property, such as market conditions or trends; or about the integrity of data used in an analysis.

## INSURABLE VALUE

A type of value for insurance purposes.

## INTENDED USE

The use or uses of an appraiser's reported appraisal, appraisal review, or appraisal consulting assignment opinions and conclusions, as identified by the appraiser based on communication with the client at the time of the assignment.

## INTENDED USER

The client and any other party as identified, by name or type, as users of the appraisal, appraisal review, or appraisal consulting report by the appraiser on the basis of communication with the client at the time of the assignment.

## LEASED FEE INTEREST

A freehold (ownership interest) where the possessory interest has been granted to another party by creation of a contractual landlord-tenant relationship (i.e., a lease).

## LEASEHOLD INTEREST

The tenant's possessory interest created by a lease. See also negative leasehold; positive leasehold.

## LIQUIDATION VALUE

The most probable price that a specified interest in real property is likely to bring under all of the following conditions:

- Consummation of a sale will occur within a severely limited future marketing period specified by the client.
- The actual market conditions currently prevailing are those to which the appraised property interest is subject.
- The buyer is acting prudently and knowledgeably.
- The seller is under extreme compulsion to sell.
- The buyer is typically motivated.
- The buyer is acting in what he or she considers his or her best interest.
- A limited marketing effort and time will be allowed for the completion of a sale.
- Payment will be made in cash in U.S. dollars or in terms of financial arrangements comparable thereto.
- The price represents the normal consideration for the property sold, unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

Note that this definition differs from the definition of market value. The most notable difference relates to the motivation of the seller. Under market value, the seller would be acting in his or her own best interests. The seller would be acting prudently and knowledgeably, assuming the price is not affected by undue

stimulus or atypical motivation. In the case of liquidation value, the seller would be acting under extreme compulsion within a severely limited future marketing period.

## MARKET RENT

The most probable rent that a property should bring in a competitive and open market reflecting all conditions and restrictions of the lease agreement, including permitted uses, use restrictions, expense obligations, term, concessions, renewal and purchase options, and tenant improvements (TIs).

## MARKET VALUE

As defined in the Agencies' appraisal regulations, the most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus.

Implicit in this definition are the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

- Buyer and seller are typically motivated;
- Both parties are well informed or well advised, and acting in what they consider their own best interests;
- A reasonable time is allowed for exposure in the open market;
- Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
- The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.<sup>1</sup>

## MARKETING TIME

An opinion of the amount of time it might take to sell a real or personal property interest at the concluded market value level during the period immediately after the effective date of an appraisal. Marketing time differs from exposure time, which is always presumed to precede the effective date of an appraisal. (Advisory Opinion 7 of the Appraisal Standards Board of The Appraisal Foundation and Statement on Appraisal Standards No. 6, "Reasonable Exposure Time in Real Property and Personal Property Market Value Opinions" address the determination of reasonable exposure and marketing time.) See also exposure time.

## MORTGAGE-EQUITY ANALYSIS

Capitalization and investment analysis procedures that recognize how mortgage terms and equity requirements affect the value of income-producing property.

## OPERATING EXPENSES

**Other Taxes, Fees & Permits** - Personal property taxes, sales taxes, utility taxes, fees and permit expenses.

**Property Insurance** - Coverage for loss or damage to the property caused by the perils of fire, lightning, extended coverage perils, vandalism and malicious mischief, and additional perils.

**Management Fees** - The sum paid for management services. Management services may be contracted for or provided by the property owner. Management expenses may include supervision, on-site offices or apartments for resident managers, telephone service, clerical help, legal or accounting services, printing and postage, and advertising. Management fees may occasionally be included among recoverable operating expenses.

**Total Administrative Fees** - Depending on the nature of the real estate, these usually include professional fees and other general administrative expenses, such as rent of offices and the services needed to operate the property. Administrative expenses can be provided either in the following expense subcategories or in a bulk total. 1) Professional Fees - Fees paid for any professional services contracted for or incurred in property operation; or 2) Other Administrative - Any other general administrative expenses incurred in property operation.

**Heating Fuel** - The cost of heating fuel purchased from outside producers. The cost of heat is generally a tenant expense in single-tenant, industrial or retail properties, and apartment projects with individual heating units. It is a major expense item shown in operating statements for office buildings and many apartment properties. The fuel consumed may be coal, oil, or public steam. Heating supplies, maintenance, and workers' wages are included in this expense category under certain accounting methods.

**Electricity** - The cost of electricity purchased from outside producers. Although the cost of electricity for leased space is frequently a tenant expense, and therefore not included in the operating expense statement, the owner may be responsible for lighting public areas and for the power needed to run elevators and other building equipment.

**Gas** - The cost of gas purchased from outside producers. When used for heating and air conditioning, gas can be a major expense item that is either paid by the tenant or reflected in the rent.

**Water & Sewer** - The cost of water consumed, including water specially treated for the circulating ice water system, or purchased for drinking purposes. The cost of water is a major consideration for industrial plants that use processes depending on water and for multifamily projects, in which the cost of sewer service usually ties to the amount of water used. It is also an important consideration for laundries, restaurants, taverns, hotels, and similar operations.

**Other Utilities** - The cost of other utilities purchased from outside producers.

**Total Utilities** - The cost of utilities net of energy sales to stores and others. Utilities are services rendered by public and private utility companies (e.g., electricity, gas, heating fuel, water/sewer and other utilities providers). Utility expenses can be provided either in expense subcategories or in a bulk total.

**Repairs & Maintenance** - All expenses incurred for the general repairs and maintenance of the building, including common areas and general upkeep. Repairs and maintenance expenses include elevator, HVAC, electrical and plumbing, structural/roof, and other repairs and maintenance expense items.

<sup>1</sup> "Interagency Appraisal and Evaluation Guidelines." Federal Register 75:237 (December 10, 2010) p. 77472.

Repairs and Maintenance expenses can be provided either in the following expense subcategories or in a bulk total. 1) Elevator - The expense of the contract and any additional expenses for elevator repairs and maintenance. This expense item may also include escalator repairs and maintenance. 2) HVAC - The expense of the contract and any additional expenses for heating, ventilation and air-conditioning systems. 3) Electrical & Plumbing - The expense of all repairs and maintenance associated with the property's electrical and plumbing systems. 4) Structural/Roof - The expense of all repairs and maintenance associated with the property's building structure and roof. 5) Pest Control - The expense of insect and rodent control. 6) Other Repairs & Maintenance - The cost of any other repairs and maintenance items not specifically included in other expense categories.

**Common Area Maintenance** - The common area is the total area within a property that is not designed for sale or rental, but is available for common use by all owners, tenants, or their invitees, e.g., parking and its appurtenances, malls, sidewalks, landscaped areas, recreation areas, public toilets, truck and service facilities. Common Area Maintenance (CAM) expenses can be entered in bulk or through the sub-categories. 1) Utilities - Cost of utilities that are included in CAM charges and passed through to tenants. 2) Repair & Maintenance - Cost of repair and maintenance items that are included in CAM charges and passed through to tenants. 3) Parking Lot Maintenance - Cost of parking lot maintenance items that are included in CAM charges and passed through to tenants. 4) Snow Removal - Cost of snow removal that are included in CAM charges and passed through to tenants. 5) Grounds Maintenance - Cost of ground maintenance items that are included in CAM charges and passed through to tenants. 6) Other CAM expenses are items that are included in CAM charges and passed through to tenants.

**Painting & Decorating** - This expense category is relevant to residential properties where the landlord is required to prepare a dwelling unit for occupancy in between tenancies.

**Cleaning & Janitorial** - The expenses for building cleaning and janitorial services, for both daytime and night-time cleaning and janitorial service for tenant spaces, public areas, atriums, elevators, restrooms, windows, etc. Cleaning and Janitorial expenses can be provided either in the following subcategories or entered in a bulk total. 1) Contract Services - The expense of cleaning and janitorial services contracted for with outside service providers. 2) Supplies, Materials & Misc. - The cost any cleaning materials and any other janitorial supplies required for property cleaning and janitorial services and not covered elsewhere. 3) Trash Removal - The expense of property trash and rubbish removal and related services. Sometimes this expense item includes the cost of pest control and/or snow removal. 4) Other Cleaning/Janitorial - Any other cleaning and janitorial related expenses not included in other specific expense categories.

**Advertising & Promotion** - Expenses related to advertising, promotion, sales, and publicity and all related printing, stationary, artwork, magazine space, broadcasting, and postage related to marketing.

**Professional Fees** - All professional fees associated with property leasing activities including legal, accounting, data processing, and auditing costs to the extent necessary to satisfy tenant lease requirements and permanent lender requirements.

**Total Payroll** - The payroll expenses for all employees involved in the ongoing operation of the property, but whose salaries and wages are not included in other expense categories. Payroll expenses can be provided either in the following subcategories or entered in a bulk total. 1) Administrative Payroll - The payroll expenses for all employees involved in on-going property administration. 2) Repair & Maintenance Payroll - The expense of all employees involved in on-going repairs and maintenance of the property. 3) Cleaning Payroll - The expense of all employees involved in providing on-going cleaning and janitorial services to the property 4) Other Payroll - The expense of any other employees involved in providing services to the property not covered in other specific categories.

**Security** - Expenses related to the security of the Lessees and the Property. This expense item includes payroll, contract services and other security expenses not covered in other expense categories. This item also includes the expense of maintenance of security systems such as alarms and closed circuit television (CCTV), and ordinary supplies necessary to operate a security program, including batteries, control forms, access cards, and security uniforms.

**Roads & Grounds** - The cost of maintaining the grounds and parking areas of the property. This expense can vary widely depending on the type of property and its total area. Landscaping improvements can range from none to extensive beds, gardens and trees. In addition, hard-surfaced public parking areas with drains, lights, and marked car spaces are subject to intensive wear and can be costly to maintain.

**Other Operating Expenses** - Any other expenses incurred in the operation of the property not specifically covered elsewhere.

**Real Estate Taxes** - The tax levied on real estate (i.e., on the land, appurtenances, improvements, structures and buildings); typically by the state, county and/or municipality in which the property is located.

## PROSPECTIVE OPINION OF VALUE

A value opinion effective as of a specified future date. The term does not define a type of value. Instead, it identifies a value opinion as being effective at some specific future date. An opinion of value as of a prospective date is frequently sought in connection with projects that are proposed, under construction, or under conversion to a new use, or those that have not yet achieved sellout or a stabilized level of long-term occupancy.

## PROSPECTIVE VALUE UPON REACHING STABILIZED OCCUPANCY

The value of a property as of a point in time when all improvements have been physically constructed and the property has been leased to its optimum level of long-term occupancy. At such point, all capital outlays for tenant improvements, leasing commissions, marketing costs and other carrying charges are assumed to have been incurred.

## SPECIAL, UNUSUAL, OR EXTRAORDINARY ASSUMPTIONS

Before completing the acquisition of a property, a prudent purchaser in the market typically exercises due diligence by making customary enquiries about the property. It is normal for a Valuer to make assumptions as to the most likely outcome of this due diligence process and to rely on actual information regarding such matters as provided by the client. Special, unusual, or extraordinary assumptions may be any additional assumptions relating to matters covered in the due diligence process, or may relate to other issues, such as the identity of the purchaser, the physical state of the property, the presence of environmental pollutants (e.g., ground water contamination), or the ability to redevelop the property.

# ADDENDUM B: CLIENT SATISFACTION SURVEY

Survey Link: [http://www.surveymonkey.com/s.aspx?sm=\\_2bZUxc1p1j1DWj6n\\_2fsw1KQ\\_3d\\_3d&c=15-27001-900153](http://www.surveymonkey.com/s.aspx?sm=_2bZUxc1p1j1DWj6n_2fsw1KQ_3d_3d&c=15-27001-900153)

C&W File ID: 15-27001-900153

Fax Option: (716) 852-0890

1. Given the scope and complexity of the assignment, please rate the development of the appraisal relative to the adequacy and relevance of the data, the appropriateness of the techniques used, and the reasonableness of the analyses, opinions, and conclusions:

- Excellent
- Good
- Average
- Below Average
- Poor

Comments: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

2. Please rate the appraisal report on clarity, attention to detail, and the extent to which it was presentable to your internal/external users without revisions:

- Excellent
- Good
- Average
- Below Average
- Poor

Comments: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

3. The appraiser communicated effectively by listening to your concerns, showed a sense of urgency in responding, and provided convincing support of his/her conclusions:

- Not Applicable
- Excellent
- Good
- Average
- Below Average
- Poor

Comments: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

4. The report was on time as agreed, or was received within an acceptable time frame if unforeseen factors occurred after the engagement:

- Yes
- No

5. Please rate your overall satisfaction relative to cost, timing, and quality:

- Excellent
- Good
- Average
- Below Average
- Poor

Comments: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

6. Any additional comments or suggestions?

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

7. Would you like a representative of Cushman & Wakefield's National Quality Control Committee to contact you?

Yes

No

Your Name: \_\_\_\_\_

Your Telephone Number: \_\_\_\_\_

Contact Information: Scott Schafer  
Managing Director, National Quality Control  
(716) 852-7500, ext. 121

# ADDENDUM C: ENGAGEMENT LETTER

<b>SOLICITATION/CONTRACT/ORDER FOR COMMERCIAL ITEMS</b> <i>OFFEROR TO COMPLETE BLOCKS 12, 17, 23, 24, &amp; 30</i>				1. REQUISITION NUMBER 03000-15-0008		PAGE OF 1 15	
2. CONTRACT NO.		3. AWARD/EFFECTIVE DATE 2/9/2015	4. ORDER NUMBER SECHQ115P0049		5. SOLICITATION NUMBER		6. SOLICITATION ISSUE DATE
7. FOR SOLICITATION INFORMATION CALL:		a. NAME ROSS SAXTON		b. TELEPHONE NUMBER (No collect calls) 202-551-8079		8. OFFER DUE DATE/LOCAL TIME	
9. ISSUED BY SECURITIES AND EXCHANGE COMMISSION OFFICE OF ACQUISITIONS MISSION SUPPORT BRANCH 100 F STREET NE MAIL STOP 4226 WASHINGTON DC 20549			CODE SEC-OA - 03	10. THIS ACQUISITION IS <input checked="" type="checkbox"/> UNRESTRICTED OR <input type="checkbox"/> SET ASIDE: % FOR:			
			<input type="checkbox"/> SMALL BUSINESS <input type="checkbox"/> HUBZONE SMALL BUSINESS <input type="checkbox"/> SERVICE-DISABLED VETERAN-OWNED SMALL BUSINESS	<input type="checkbox"/> WOMEN-OWNED SMALL BUSINESS (WOSB) ELIGIBLE UNDER THE WOMEN-OWNED SMALL BUSINESS PROGRAM <input type="checkbox"/> EDWOSB <input type="checkbox"/> 8(A)		NAICS: 531320 SIZE STANDARD: \$7.5	
11. DELIVERY FOR FOB DESTINATION UNLESS BLOCK IS MARKED <input type="checkbox"/> SEE SCHEDULE		12. DISCOUNT TERMS		<input type="checkbox"/> 13a. THIS CONTRACT IS A RATED ORDER UNDER CPAS (15 CFR 700)		13b. RATING	
						14. METHOD OF SOLICITATION <input type="checkbox"/> RFPQ <input type="checkbox"/> IFB <input type="checkbox"/> RFP	
15. DELIVER TO US SECURITIES EXCHANGE COMMISSION MIAMI REGIONAL OFFICE 801 BRICKELL AVE SUITE1800 POC ALEXA LEDEZMA MIAMI FL 33131			CODE SEC - MIRO	16. ADMINISTERED BY SECURITIES AND EXCHANGE COMMISSION OFFICE OF ACQUISITIONS MISSION SUPPORT BRANCH 100 F STREET NE MAIL STOP 4226 WASHINGTON DC 20549		CODE SEC-OA - 03	
17a. CONTRACTOR/OFFEROR CUSHMAN WAKEFIELD INC ATTN UNKNOWN OR CUSHMAN WAKEFIELD 225 FRANKLIN ST BOSTON MA 02110-2804		CODE 100530745	FACILITY CODE	18a. PAYMENT WILL BE MADE BY ENTERPRISE SERVICES CENTER SEC ACCOUNTS PAYABLE BRANCH AMZ-160 PO BOX 25710 OKLAHOMA CITY OK 73160		CODE SEC NATL ACCTG C	
TELEPHONE NO.			<input type="checkbox"/> 17b. CHECK IF REMITTANCE IS DIFFERENT AND PUT SUCH ADDRESS IN OFFER				
			18b. SUBMIT INVOICES TO ADDRESS SHOWN IN BLOCK 18a UNLESS BLOCK BELOW IS CHECKED <input type="checkbox"/> SEE ADDENDUM				
19. ITEM NO.	20. SCHEDULE OF SUPPLIES/SERVICES			21. QUANTITY	22. UNIT	23. UNIT PRICE	24. AMOUNT
00001	DUNS Number: 001793470 Acct Property: NO Accounting Info: 0100XXD00.2015.0000000000.0300000003.252L9.610000 00.0000000000.0000000000.0000000000.0000000000  The Contractor shall provide a retrospective appraisal for the property located at 172 Bogner Drive, Newport, VT 05855 in accordance with Section C, Statement of Work.  <i>(Use Reverse and/or Attach Additional Sheets as Necessary)</i>						
25. ACCOUNTING AND APPROPRIATION DATA See schedule						26. TOTAL AWARD AMOUNT (For Govt. Use Only) \$11,350.00	
<input type="checkbox"/> 27a. SOLICITATION INCORPORATES BY REFERENCE FAR 52.212-1, 52.212-4. FAR 52.212-3 AND 52.212-5 ARE ATTACHED. ADDENDA <input type="checkbox"/> ARE <input type="checkbox"/> ARE NOT ATTACHED. <input checked="" type="checkbox"/> 27b. CONTRACT/PURCHASE ORDER INCORPORATES BY REFERENCE FAR 52.212-4. FAR 52.212-5 IS ATTACHED. ADDENDA <input checked="" type="checkbox"/> ARE <input type="checkbox"/> ARE NOT ATTACHED.							
<input checked="" type="checkbox"/> 28. CONTRACTOR IS REQUIRED TO SIGN THIS DOCUMENT AND RETURN <u>1</u> COPIES TO ISSUING OFFICE. CONTRACTOR AGREES TO FURNISH AND DELIVER ALL ITEMS SET FORTH OR OTHERWISE IDENTIFIED ABOVE AND ON ANY ADDITIONAL SHEETS SUBJECT TO THE TERMS AND CONDITIONS SPECIFIED.				<input type="checkbox"/> 29. AWARD OF CONTRACT: _____ OFFER DATED _____, YOUR OFFER ON SOLICITATION (BLOCK 5), INCLUDING ANY ADDITIONS OR CHANGES WHICH ARE SET FORTH HEREIN, IS ACCEPTED AS TO ITEMS:			
30a. SIGNATURE OF OFFEROR/CONTRACTOR 				31a. UNITED STATES OF AMERICA (SIGNATURE OF CONTRACTING OFFICER)			
30b. NAME AND TITLE OF SIGNER (Type or print) Stefan J. Sargeant, Senior Director		30c. DATE SIGNED 2/6/15		31b. NAME OF CONTRACTING OFFICER (Type or print) JULIA MARIA GALLMON		31c. DATE SIGNED 2/9/2015	

19. ITEM NO.	20. SCHEDULE OF SUPPLIES/SERVICES	21. QUANTITY	22. UNIT	23. UNIT PRICE	24. AMOUNT
00002	<p>If necessary, the contractor shall attend meetings, depositions, or provide testimony fee at the rate of _____</p> <p>The total amount of award: \$ _____. The obligation for this award is shown in box 26.</p>				

32a. QUANTITY IN COLUMN 21 HAS BEEN

RECEIVED     INSPECTED     ACCEPTED, AND CONFORMS TO THE CONTRACT, EXCEPT AS NOTED: \_\_\_\_\_

32b. SIGNATURE OF AUTHORIZED GOVERNMENT REPRESENTATIVE		32c. DATE	32d. PRINTED NAME AND TITLE OF AUTHORIZED GOVERNMENT REPRESENTATIVE		
32e. MAILING ADDRESS OF AUTHORIZED GOVERNMENT REPRESENTATIVE		32f. TELEPHONE NUMBER OF AUTHORIZED GOVERNMENT REPRESENTATIVE			
		32g. E-MAIL OF AUTHORIZED GOVERNMENT REPRESENTATIVE			
33. SHIP NUMBER  <input type="checkbox"/> PARTIAL <input type="checkbox"/> FINAL	34. VOUCHER NUMBER	35. AMOUNT VERIFIED CORRECT FOR	36. PAYMENT <input type="checkbox"/> COMPLETE <input type="checkbox"/> PARTIAL <input type="checkbox"/> FINAL		37. CHECK NUMBER
38. S/R ACCOUNT NUMBER	39. S/R VOUCHER NUMBER	40. PAID BY			
41a. I CERTIFY THIS ACCOUNT IS CORRECT AND PROPER FOR PAYMENT			42a. RECEIVED BY ( <i>Print</i> )		
41b. SIGNATURE AND TITLE OF CERTIFYING OFFICER		41c. DATE	42b. RECEIVED AT ( <i>Location</i> )		
			42c. DATE REC'D (YY/MM/DD)	42d. TOTAL CONTAINERS.	

## **SECTION C - STATEMENT OF WORK**

The Contractor shall provide a standard appraisal for a property located at 172 Bogner Drive, Newport, VT 05855 (Subdivision permits pertain to approximately 7 acres) in support of the current investigation SEC v. Jay Peak. This report shall provide full descriptions of regional, local, and market areas, as well as full descriptions of real estate taxes, zoning and the highest and best use of the property. For the valuation, this report will present a detailed analysis of the site and the comparable sales, as well as a full description of the sale comparables and methodology.

If necessary, the contractor shall also attend meetings, provide depositions, and testimony.

## **SECTION D- PACKAGING AND MARKING**

### **D.1 (SEC 2001.00) Packaging and Marking**

Preservation, packaging, packing and marking of all deliverable contract line items must conform to normal commercial packing standards to assure safe delivery at destination.

### **D.2 (SEC 2002.00) Marking**

All information submitted to the Contracting Officer, the COR, or his/her designated contact shall clearly indicate the number of the contract for which the information is being submitted.

## **SECTION E - INSPECTION AND ACCEPTANCE**

### **E.1 Inspection and Acceptance Clauses by Reference**

**Inspection and acceptance shall be performed in accordance with FAR 52.212-4(a).**

### **E.2 (SEC 3001.00) Inspection and Acceptance (Aug 2013)**

Brian James, [JamesB@sec.gov](mailto:JamesB@sec.gov) and Trisha Fuchs, [FuchsT@sec.gov](mailto:FuchsT@sec.gov), will accomplish inspection and acceptance of deliverables to be furnished under this contract and the inspection and acceptance of final delivery. Inspection and acceptance will be performed at the U.S. Securities and Exchange Commission, Miami Regional Office, 801 Brickell Avenue, Suite 1800, Miami, FL 33131.

## **SECTION F - DELIVERIES OR PERFORMANCE**

### **F.1 Deliveries or Performance Clauses by Reference**

#### **FAR CLAUSE    TITLE**

52.247-34

F.O.B. Destination (Nov 1991)

**F.2 (SEC 4002.00) Period of Performance**

The period of performance is from date of award through six (6) months thereafter.

**F.3 (4003.00) Place of Delivery-FOB Destination**

The deliverables to be furnished under this Order shall be delivered to:

U.S. Securities and Exchange Commission  
Miami Regional Office  
Attn: Trisha Sindler Fuchs and Brian James  
801 Brickell Avenue, Suite 1800  
Miami, FL 33131  
Ph: Trisha Sindler Fuchs 305-982-6352, Brian James 305-982-6335  
Email: [FuchsT@sec.gov](mailto:FuchsT@sec.gov), [JamesB@sec.gov](mailto:JamesB@sec.gov)

**SECTION G – CONTRACT ADMINISTRATION DATA**

**G.1 (SEC 5001.00) Contract Administration (Dec 2011)**

This contract will be administered by the SEC's office of Acquisition. All inquiries should be directed to the following address:

U.S. Securities and Exchange Commission  
Office of Acquisitions  
Attn: Ross Saxton III  
100 F Street N.E,  
Washington, D.C. 20549  
Ph: 202-551-8079  
Email: [SaxtonR@sec.gov](mailto:SaxtonR@sec.gov)

**G.2 (SEC 5004.00) Appointment of Contracting Officer's Representative (COR) (Nov 2012)**

- a. Daniel Bickel, [BickelD@sec.gov](mailto:BickelD@sec.gov) is hereby designated the Securities and Exchange Commission COR for administration and information relating to this contract.
- b. The Contracting Officer (CO) shall appoint, in writing, a Contracting Officer's Representative (COR) and, if possible, an Alternate COR for this award. The COR and Alternate COR shall have a current Federal Acquisition Certification for CORs (FAC-COR) at the appropriate certification level for the contract. A COR may serve on a contract requiring certification at or below his/her level, but not on one requiring a higher

level. The CO shall provide the Contractor with a copy of the COR appointment letter(s). The COR may not re-delegate his or her authority; only the CO has this authority.

c. The COR will manage the contract in coordination with the CO and within the terms of the contract and the boundaries of a COR's duties as outlined in the document "Instructions for CORs and Their Supervisors." The COR's responsibilities include reviewing invoices and charges by the Contractor and informing the CO of areas where exceptions are taken. If this is an award for services and contractor personnel are brought on-site to SEC facilities, the COR must adhere to SECR 10-24.

d. Only the CO has the authority to change the terms and conditions of this contract. The COR may request a contract modification, but the CO will make the final determination. The COR may not agree to or issue a change to the contract terms and conditions. In the event the Contractor effects changes to the contract at the direction of any person other than the CO, the changes will be considered to have been made without any authority and no adjustments will be made to the contract.

### **G.3 (SEC 50003.00) Submission of Invoices (Apr 2012)**

1

The Securities and Exchange Commission accepts only electronic/e-mail invoices. Invoices shall be submitted on a monthly basis.

Contractors should submit invoices in accordance with the SEC Prompt Payment Provision of the contract. Contractors are cautioned against submitting an invoice prior to goods and services being received/accepted. Invoices submitted prematurely may be rejected.

#### **Electronic/email Invoice Instructions:**

- Invoices must be in PDF Format and may not exceed 10MB
- Subject Line: Company name and the invoice number
- e-mail Message:
  - Company logo or letterhead
  - Company name and payment address
  - Company point of contact (POC) for the invoice with phone and e-mail
  - Invoice Number
  - SEC Contract or Order number
  - SEC COR

For supplies: contract line item number, item description, quantity delivered, and unit and extended price, per Section B CLIN structure.

For services: contract line item number, item description, period of performance and associated costs, per Section B , contract line item, CLIN, structure.

Shipping and handling charges, if applicable.

Clearly mark duplicates of previous invoice submissions with “DUPLICATE”

Clearly mark the final invoice with “FINAL INVOICE”

Attach the invoice and any supporting documents in a secure tamper-proof or tamper-resistant format compatible with Adobe Acrobat.

Electronic signatures are acceptable in scanned documents. Each page of a document must be clearly marked with information identifying it with the company, the contract, the invoice, and any other information required by the contract.

E-mail invoices to the following address: **9-AMC-AMZ-SEC-Invoices@faa.gov**.

If you have any questions regarding submission of invoices, the SEC’s Office of Financial Management may be reached at (202) 551-7860.

## **SECTION H – SPECIAL CONTRACT REQUIREMENTS**

### **H.1 (SEC 6002.00) Type of Contract**

This is a firm fixed price purchase order.

### **H.2 (SEC 6012.05) Personally Identifiable Information (PII) (JUN 2013)**

a. Contractor that designs, develops, or operates a system of records on individuals, or otherwise collects or has access to personally identifiable information (PII) in the performance of this contract shall, prior to taking such action, comply with the following requirements:

b. The Contractor shall have established policies and procedures in place to safeguard SEC PII. The policies and procedures shall provide the Contractor’s processes for identifying, assessing and mitigating privacy risks associated with PII. The policies and procedures shall also cover training of employees on their roles and responsibilities for safeguarding SEC PII and incident management of suspected or confirmed loss of SEC PII in accordance with OMB’s Recommendations for Identity Theft Related Data Breach Notification, September 20, 2006, and OMB Memorandum M-07-16, Safeguarding Against and Responding to the Breach of Personally Identifiable Information, May 22, 2007.

c. The Contractor shall also ensure that all processes, procedures and equipment associated with PII comply with all laws, regulations, and security mandates as defined by National Institute of Standards and Technology (NIST) Special Publication (SP) 800-61 Revision 1 and are aligned with the incident categories and timelines referenced in Table J-1 of NIST SP 800-61, as well as U.S. government and SEC policies developed to safeguard the confidentiality, integrity and availability of SEC data that may contain PII. In support of these requirements, the Contractor shall have:

- policies, procedures, and mechanisms designed to restrict access to SEC data on Contractor, subcontractor, or SEC inter/intra agency partner systems exclusively to authorized personnel;
- policies, procedures, and mechanisms that prevent transmission or disclosure of SEC data to an unauthorized party;
- policies, procedures, and mechanisms that ensure SEC data on portable devices are encrypted using methods compliant with Federal Information Processing Standard 140-2; and
- policies, procedures, and mechanisms that ensure SEC data transmitted across public networks (i.e., the Internet) by the Contractor, or its employees, agents or subcontractors, are protected using encryption compliant with Federal Information Processing Standard 140-2.

d. The Contractor shall provide quarterly assessments to the SEC demonstrating that the policies, procedures, and mechanisms required by (b) continue to be functional, that the Contractor is compliant with these requirements, and that these requirements are effective.

e. The Contractor shall provide a copy of its privacy policies to the Contracting Officer. The Contractor shall also provide a copy of the policies and procedures (or otherwise make such policies and procedures available) to all of its employees, agents, and subcontractors assigned to perform the requirements set forth in this contract.

f. The Contractor shall ensure that those individuals adhere to the Contractor's policies and procedures relating to PII and to SEC-prescribed policies and procedures for the safe handling of SEC PII, including privacy and security training requirements and privacy incident management.

g. The Contractor's employees, agents, and subcontractors shall immediately alert the SEC of any event, including the suspected or confirmed loss of SEC PII, that could potentially affect the privacy rights of individuals or which violates any federal law, regulation, mandate or requirement as defined in NIST 800-122 by contacting the SEC Information Systems Security point of contact and the SEC Incident Response Team at [cops@sec.gov](mailto:cops@sec.gov). The Contractor shall act in accordance with its policies and procedures in the event of any suspected loss of SEC PII and shall support the SEC's investigation and resolution of reported incidents as requested by the SEC. For purposes of this Clause, a "suspected loss of PII" shall be interpreted liberally to mean any situation in which the loss of PII or unapproved access to PII is deemed a reasonable possibility.

### **H.3 (SEC 6001.01) Restrictions on Use, Disclosure, and Duplication of Confidential and Non-Public Information**

Confidential or non-public information, for purposes of this clause includes but is not limited to, all financial, statistical, personnel and/or technical data which is furnished, produced, generated, or otherwise available to the Contractor, during the performance of

this contract. Unless otherwise specified, confidential or non-public information shall not be used for purposes other than performance of work under this contract without the prior written consent of the Contracting Officer. The Contractor, and its employees, agents, subcontractors, and subcontractor personnel are restricted from duplicating or disclosing confidential or non-public information, in whole or in part, outside the Securities and Exchange Commission (SEC) for purposes other than fulfillment of the requirements set forth in this contract. Any presentation of any confidential or non-public information, or any reports or material derived from confidential or non-public information shall be subject to review of the Contracting Officer prior to publication or dissemination. Any questions about whether information is confidential or non-public shall be referred to the Contracting Officer prior to use disclosure or duplication.

#### **H.4 (SEC 6003.00) Representations and Certifications**

The Contractor's completed Representations, Certifications, and Other Statements of Offerors or Respondents is located at <https://www.sam.gov/portal/public/SAM/>.

#### **H.5 (SEC 5001.03) Contract Administration for Non-Severable Services (Aug 2013)**

The services for the contract are considered non-severable services. Non-severable services are considered to be new tasks, each with details of the task and when it is due.

- a. The task is described by SEC employees and e-mailed to the Contracting Officer's Representative (COR).
- b. COR ensures it is in scope and e-mails it to the vendor Project Manager (PM).
- c. Vendor PM reviews it and assigns the task to the CP.
- d. SEC employees work with the assigned CP.

The COR will review deliverables within the time frames indicated in approved technical direction letter / e-mail.

### **SECTION I - CLAUSES INCORPORATED**

#### **52.212-4 CONTRACT TERMS AND CONDITIONS—COMMERCIAL ITEMS (DEC 2014)**

#### **52.212-5 Contract Terms and Conditions Required to Implement Statutes or Executive Orders—Commercial Items (DEC 2014)**

(a) The Contractor shall comply with the following Federal Acquisition Regulation (FAR) clauses, which are incorporated in this contract by reference, to implement provisions of law or Executive orders applicable to acquisitions of commercial items:

- (1) 52.222-50, Combating Trafficking in Persons (Feb 2009) (22 U.S.C. 7104(g)).  
Alternate I (Aug 2007) of 52.222-50 (22 U.S.C. 7104(g)).
- (2) 52.233-3, Protest After Award (AUG 1996) (31 U.S.C. 3553).

(3) 52.233-4, Applicable Law for Breach of Contract Claim (OCT 2004)"(Public Laws 108-77 and 108-78 (19 U.S.C. 3805 note)).

(b) The Contractor shall comply with the FAR clauses in this paragraph (b) that the Contracting Officer has indicated as being incorporated in this contract by reference to implement provisions of law or Executive orders applicable to acquisitions of commercial items:

*[Contracting Officer check as appropriate.]*

\_\_ (1) 52.203-6, Restrictions on Subcontractor Sales to the Government (Sept 2006), with Alternate I (Oct 1995) (41 U.S.C. 4704 and 10 U.S.C. 2402).

\_\_ (2) 52.203-13, Contractor Code of Business Ethics and Conduct (Apr 2010) (41 U.S.C. 3509).

\_\_ (3) 52.203-15, Whistleblower Protections under the American Recovery and Reinvestment Act of 2009 (June 2010) (Section 1553 of Pub. L. 111-5). (Applies to contracts funded by the American Recovery and Reinvestment Act of 2009.)

\_\_ (4) 52.204-10, Reporting Executive Compensation and First-Tier Subcontract Awards (Jul 2013) (Pub. L. 109-282) (31 U.S.C. 6101 note).

\_\_ (5) [Reserved].

\_\_ (6) 52.204-14, Service Contract Reporting Requirements (Jan 2014) (Pub. L. 111-117, section 743 of Div. C).

\_\_ (7) 52.204-15, Service Contract Reporting Requirements for Indefinite-Delivery Contracts (Jan 2014) (Pub. L. 111-117, section 743 of Div. C).

\_\_ (8) 52.209-6, Protecting the Government's Interest When Subcontracting with Contractors Debarred, Suspended, or Proposed for Debarment. (Aug 2013) (31 U.S.C. 6101 note).

\_\_ (9) 52.209-9, Updates of Publicly Available Information Regarding Responsibility Matters (Jul 2013) (41 U.S.C. 2313).

\_\_ (10) 52.209-10, Prohibition on Contracting with Inverted Domestic Corporations (May 2012) (section 738 of Division C of Pub. L. 112-74, section 740 of Division C of Pub. L. 111-117, section 743 of Division D of Pub. L. 111-8, and section 745 of Division D of Pub. L. 110-161).

\_\_ (11)(i) 52.219-3, Notice of HUBZone Set-Aside or Sole-Source Award (Nov 2011) (15 U.S.C. 657a).

\_\_ (ii) Alternate I (Nov 2011) of 52.219-3.

\_\_ (12)(i) 52.219-4, Notice of Price Evaluation Preference for HUBZone Small Business Concerns (OCT 2014) (if the offeror elects to waive the preference, it shall so indicate in its offer) (15 U.S.C. 657a).

\_\_ (ii) Alternate I (JAN 2011) of 52.219-4.

- \_\_ (13) [Reserved]
- \_\_ (14)(i) 52.219-6, Notice of Total Small Business Set-Aside (Nov 2011) (15 U.S.C. 644).
  - \_\_ (ii) Alternate I (Nov 2011).
  - \_\_ (iii) Alternate II (Nov 2011).
- \_\_ (15)(i) 52.219-7, Notice of Partial Small Business Set-Aside (June 2003) (15 U.S.C. 644).
  - \_\_ (ii) Alternate I (Oct 1995) of 52.219-7.
  - \_\_ (iii) Alternate II (Mar 2004) of 52.219-7.
- \_\_ (16) 52.219-8, Utilization of Small Business Concerns (Oct 2014) (15 U.S.C. 637(d)(2) and (3)).
- \_\_ (17)(i) 52.219-9, Small Business Subcontracting Plan (Oct 2014) (15 U.S.C. 637(d)(4)).
  - \_\_ (ii) Alternate I (Oct 2001) of 52.219-9.
  - \_\_ (iii) Alternate II (Oct 2001) of 52.219-9.
  - \_\_ (iv) Alternate III (Oct 2014) of 52.219-9.
- \_\_ (18) 52.219-13, Notice of Set-Aside of Orders (Nov 2011)(15 U.S.C. 644(r)).
- \_\_ (19) 52.219-14, Limitations on Subcontracting (Nov 2011) (15 U.S.C. 637(a)(14)).
- \_\_ (20) 52.219-16, Liquidated Damages—Subcon-tracting Plan (Jan 1999) (15 U.S.C. 637(d)(4)(F)(i)).
- \_\_ (21) 52.219-27, Notice of Service-Disabled Veteran-Owned Small Business Set-Aside (Nov 2011) (15 U.S.C. 657 f).
- X\_\_ (22) 52.219-28, Post Award Small Business Program Rerepresentation (Jul 2013) (15 U.S.C. 632(a)(2)).
- \_\_ (23) 52.219-29, Notice of Set-Aside for Economically Disadvantaged Women-Owned Small Business (EDWOSB) Concerns (Jul 2013) (15 U.S.C. 637(m)).
- \_\_ (24) 52.219-30, Notice of Set-Aside for Women-Owned Small Business (WOSB) Concerns Eligible Under the WOSB Program (Jul 2013) (15 U.S.C. 637(m)).
- X\_\_ (25) 52.222-3, Convict Labor (June 2003) (E.O. 11755).
- \_\_ (26) 52.222-19, Child Labor—Cooperation with Authorities and Remedies (Jan 2014) (E.O. 13126).
- X\_\_ (27) 52.222-21, Prohibition of Segregated Facilities (Feb 1999).
- X\_\_ (28) 52.222-26, Equal Opportunity (Mar 2007) (E.O. 11246).
- \_\_ (29) 52.222-35, Equal Opportunity for Veterans (Jul 2014)(38 U.S.C. 4212).
- \_\_ (30) 52.222-36, Equal Opportunity for Workers with Disabilities (Jul 2014) (29 U.S.C. 793).
- \_\_ (31) 52.222-37, Employment Reports on Veterans (JUL 2014) (38 U.S.C. 4212).

- \_\_\_ (32) 52.222-40, Notification of Employee Rights Under the National Labor Relations Act (Dec 2010) (E.O. 13496).
- \_\_\_ (33) 52.222-54, Employment Eligibility Verification (AUG 2013). (Executive Order 12989). (Not applicable to the acquisition of commercially available off-the-shelf items or certain other types of commercial items as prescribed in 22.1803.)
- \_\_\_ (34)(i) 52.223-9, Estimate of Percentage of Recovered Material Content for EPA-Designated Items (May 2008) (42 U.S.C. 6962(c)(3)(A)(ii)). (Not applicable to the acquisition of commercially available off-the-shelf items.)
- \_\_\_ (ii) Alternate I (May 2008) of 52.223-9 (42 U.S.C. 6962(i)(2)(C)). (Not applicable to the acquisition of commercially available off-the-shelf items.)
- \_\_\_ (35)(i) 52.223-13, Acquisition of EPEAT®-Registered Imaging Equipment (JUN 2014) (E.O. 13423 and 13514).
- \_\_\_ (ii) Alternate I (Jun 2014) of 52.223-13.
- \_\_\_ (36)(i) 52.223-14, Acquisition of EPEAT®-Registered Televisions (E.O. 13423 and 13514).
- \_\_\_ (ii) Alternate I (Jun 2014) of 52.223-14.
- \_\_\_ (37) 52.223-15, Energy Efficiency in Energy-Consuming Products (DEC 2007) (42 U.S.C. 8259b).
- \_\_\_ (38)(i) 52.223-16, Acquisition of EPEAT®-Registered Personal Computer Products (JUN 2014) (E.O. 13423 and 13514).
- \_\_\_ (ii) Alternate I (Jun 2014) of 52.223-16.
- X\_\_\_ (39) 52.223-18, Encouraging Contractor Policies to Ban Text Messaging While Driving (AUG 2011) (E.O. 13513).
- \_\_\_ (40) 52.225-1, Buy American—Supplies (May 2014) (41 U.S.C. chapter 83).
- \_\_\_ (41)(i) 52.225-3, Buy American—Free Trade Agreements—Israeli Trade Act (May 2014) (41 U.S.C. chapter 83, 19 U.S.C. 3301 note, 19 U.S.C. 2112 note, 19 U.S.C. 3805 note, 19 U.S.C. 4001 note, Pub. L. 103-182, 108-77, 108-78, 108-286, 108-302, 109-53, 109-169, 109-283, 110-138, 112-41, 112-42, and 112-43).
- \_\_\_ (ii) Alternate I (May 2014) of 52.225-3.
- \_\_\_ (iii) Alternate II (May 2014) of 52.225-3.
- \_\_\_ (iv) Alternate III (May 2014) of 52.225-3.
- \_\_\_ (42) 52.225-5, Trade Agreements (NOV 2013) (19 U.S.C. 2501, *et seq.*, 19 U.S.C. 3301 note).
- X\_\_\_ (43) 52.225-13, Restrictions on Certain Foreign Purchases (June 2008) (E.O.'s, proclamations, and statutes administered by the Office of Foreign Assets Control of the Department of the Treasury).
- \_\_\_ (44) 52.225-26, Contractors Performing Private Security Functions Outside the United States (Jul 2013) (Section 862, as amended, of the National Defense Authorization Act for Fiscal Year 2008; 10 U.S.C. 2302 Note).

\_\_\_ (45) 52.226-4, Notice of Disaster or Emergency Area Set-Aside (Nov 2007) (42 U.S.C. 5150).

\_\_\_ (46) 52.226-5, Restrictions on Subcontracting Outside Disaster or Emergency Area (Nov 2007) (42 U.S.C. 5150).

\_\_\_ (47) 52.232-29, Terms for Financing of Purchases of Commercial Items (Feb 2002) (41 U.S.C. 4505, 10 U.S.C. 2307(f)).

\_\_\_ (48) 52.232-30, Installment Payments for Commercial Items (Oct 1995) (41 U.S.C. 4505, 10 U.S.C. 2307(f)).

X\_\_\_ (49) 52.232-33, Payment by Electronic Funds Transfer—System for Award Management (Jul 2013) (31 U.S.C. 3332).

\_\_\_ (50) 52.232-34, Payment by Electronic Funds Transfer—Other than System for Award Management (Jul 2013) (31 U.S.C. 3332).

\_\_\_ (51) 52.232-36, Payment by Third Party (May 2014) (31 U.S.C. 3332).

\_\_\_ (52) 52.239-1, Privacy or Security Safeguards (Aug 1996) (5 U.S.C. 552a).

\_\_\_ (53)(i) 52.247-64, Preference for Privately Owned U.S.-Flag Commercial Vessels (Feb 2006) (46 U.S.C. Appx. 1241(b) and 10 U.S.C. 2631).

\_\_\_ (ii) Alternate I (Apr 2003) of 52.247-64.

(c) The Contractor shall comply with the FAR clauses in this paragraph (c), applicable to commercial services, that the Contracting Officer has indicated as being incorporated in this contract by reference to implement provisions of law or Executive orders applicable to acquisitions of commercial items:

[*Contracting Officer check as appropriate.*]

\_\_\_ (1) 52.222-41, Service Contract Labor Standards (May 2014) (41 U.S.C. chapter 67).

\_\_\_ (2) 52.222-42, Statement of Equivalent Rates for Federal Hires (May 2014) (29 U.S.C. 206 and 41 U.S.C. chapter 67).

\_\_\_ (3) 52.222-43, Fair Labor Standards Act and Service Contract Labor Standards-Price Adjustment (Multiple Year and Option Contracts) (May 2014) (29 U.S.C. 206 and 41 U.S.C. chapter 67).

\_\_\_ (4) 52.222-44, Fair Labor Standards Act and Service Contract Labor Standards—Price Adjustment (May 2014) (29 U.S.C. 206 and 41 U.S.C. chapter 67).

\_\_\_ (5) 52.222-51, Exemption from Application of the Service Contract Labor Standards to Contracts for Maintenance, Calibration, or Repair of Certain Equipment—Requirements (May 2014) (41 U.S.C. chapter 67).

\_\_\_ (6) 52.222-53, Exemption from Application of the Service Contract Labor Standards to Contracts for Certain Services—Requirements (May 2014) (41 U.S.C. chapter 67).

\_\_\_ (7) 52.222-17, Nondisplacement of Qualified Workers (May 2014) (E.O.13495).

— (8) 52.226-6, Promoting Excess Food Donation to Nonprofit Organizations (May 2014) (42 U.S.C. 1792).

— (9) 52.237-11, Accepting and Dispensing of \$1 Coin (Sept 2008) (31 U.S.C. 5112(p)(1)).

(d) *Comptroller General Examination of Record*. The Contractor shall comply with the provisions of this paragraph (d) if this contract was awarded using other than sealed bid, is in excess of the simplified acquisition threshold, and does not contain the clause at 52.215-2, Audit and Records—Negotiation.

(1) The Comptroller General of the United States, or an authorized representative of the Comptroller General, shall have access to and right to examine any of the Contractor's directly pertinent records involving transactions related to this contract.

(2) The Contractor shall make available at its offices at all reasonable times the records, materials, and other evidence for examination, audit, or reproduction, until 3 years after final payment under this contract or for any shorter period specified in FAR Subpart 4.7, Contractor Records Retention, of the other clauses of this contract. If this contract is completely or partially terminated, the records relating to the work terminated shall be made available for 3 years after any resulting final termination settlement. Records relating to appeals under the disputes clause or to litigation or the settlement of claims arising under or relating to this contract shall be made available until such appeals, litigation, or claims are finally resolved.

(3) As used in this clause, records include books, documents, accounting procedures and practices, and other data, regardless of type and regardless of form. This does not require the Contractor to create or maintain any record that the Contractor does not maintain in the ordinary course of business or pursuant to a provision of law.

(e)(1) Notwithstanding the requirements of the clauses in paragraphs (a), (b), (c), and (d) of this clause, the Contractor is not required to flow down any FAR clause, other than those in this paragraph (e)(1) in a subcontract for commercial items. Unless otherwise indicated below, the extent of the flow down shall be as required by the clause—

(i) 52.203-13, Contractor Code of Business Ethics and Conduct (Apr 2010) (41 U.S.C. 3509).

(ii) 52.219-8, Utilization of Small Business Concerns (Oct 2014) (15 U.S.C. 637(d)(2) and (3)), in all subcontracts that offer further subcontracting opportunities. If the subcontract (except subcontracts to small business concerns) exceeds \$650,000 (\$1.5 million for construction of any public facility), the subcontractor must include 52.219-8 in lower tier subcontracts that offer subcontracting opportunities.

(iii) 52.222-17, Nondisplacement of Qualified Workers (May 2014) (E.O. 13495). Flow down required in accordance with paragraph (l) of FAR clause 52.222-17.

(iv) 52.222-26, Equal Opportunity (Mar 2007) (E.O. 11246).

(v) 52.222-35, Equal Opportunity for Veterans (Jul 2014) (38 U.S.C. 4212).

- (vi) 52.222-36, Equal Opportunity for Workers with Disabilities (Jul 2014) (29 U.S.C. 793).
  - (vii) 52.222-37, Employment Reports on Veterans (Jul 2014) (38 U.S.C. 4212)
  - (viii) 52.222-40, Notification of Employee Rights Under the National Labor Relations Act (Dec 2010) (E.O. 13496). Flow down required in accordance with paragraph (f) of FAR clause 52.222-40.
  - (ix) 52.222-41, Service Contract Labor Standards (May 2014) (41 U.S.C. chapter 67).
  - (x) 52.222-50, Combating Trafficking in Persons (Feb 2009) (22 U.S.C. 7104(g)).  
Alternate I (Aug 2007) of 52.222-50 (22 U.S.C. 7104(g)).
  - (xi) 52.222-51, Exemption from Application of the Service Contract Labor Standards to Contracts for Maintenance, Calibration, or Repair of Certain Equipment-Requirements (May 2014) (41 U.S.C. chapter 67).
  - (xii) 52.222-53, Exemption from Application of the Service Contract Labor Standards to Contracts for Certain Services-Requirements (May 2014) (41 U.S.C. chapter 67).
  - (xiii) 52.222-54, Employment Eligibility Verification (AUG 2013).
  - (xiv) 52.225-26, Contractors Performing Private Security Functions Outside the United States (Jul 2013) (Section 862, as amended, of the National Defense Authorization Act for Fiscal Year 2008; 10 U.S.C. 2302 Note).
  - (xv) 52.226-6, Promoting Excess Food Donation to Nonprofit Organizations (May 2014) (42 U.S.C. 1792). Flow down required in accordance with paragraph (e) of FAR clause 52.226-6.
  - (xvi) 52.247-64, Preference for Privately Owned U.S.-Flag Commercial Vessels (Feb 2006) (46 U.S.C. Appx. 1241(b) and 10 U.S.C. 2631). Flow down required in accordance with paragraph (d) of FAR clause 52.247-64.
- (2) While not required, the contractor may include in its subcontracts for commercial items a minimal number of additional clauses necessary to satisfy its contractual obligations.

**52.213-2 INVOICES (APR 1984)**

The Contractor's invoices must be submitted before payment can be made. The Contractor will be paid on the basis of the invoice, which must state—

- (a) The starting and ending dates of the subscription delivery; and
- (b) Either that orders have been placed in effect for the addressees required, or that the orders will be placed in effect upon receipt of payment.

**52.217-8 Option to Extend Services (NOV 1999)**

The Government may require continued performance of any services within the limits and at the rates specified in the contract. These rates may be adjusted only as a result of

revisions to prevailing labor rates provided by the Secretary of Labor. The total extension of performance hereunder shall not exceed 6 months. The Contracting Officer may exercise the option by written notice to the Contractor within the period of performance.

**52.252-2 - CLAUSES INCORPORATED BY REFERENCE (FEB 1998)**

This contract incorporates one or more clauses by reference, with the same force and effect as if they were given in full text. Upon request, the Contracting Officer will make their full text available. Also, the full text of a clause may be accessed electronically at this address: <http://www.acquisition.gov/far>.

**J. Attachments**

1. Non-Disclosure Agreement (Contractor Entity), dated 7/19/13 – 6 pages
2. Non-Disclosure Agreement (Contract Personnel), dated 7/19/13 – 6 pages

# ADDENDUM D: LEGAL DESCRIPTION

RECEIVED & RECORDED  
 On 09/16/11  
 At 2:37 P. M.  
 Book 209 Page 132-134  
*James D. Johnson*  
 City Clerk, City of Newport, VT

WARRANTY DEED

KNOW ALL PERSONS BY THESE PRESENTS, that JAMES MULKIN, MARY ANN MULKIN and FREDRIC OESCHGER, of Newport, County of Orleans, State of Vermont, GRANTORS, in the consideration of ONE DOLLAR AND OTHER GOOD AND VALUABLE CONSIDERATION paid to their full satisfaction by G.S.I. OF DADE COUNTY, INC., a Florida corporation with a place of business in Miami, County of Dade, State of Florida, GRANTEE, by these presents, do freely GIVE, GRANT, SELL, CONVEY and CONFIRM unto said GRANTEE, G.S.I. OF DADE COUNTY, INC., and its successors and assigns forever, certain land and premises in the City of Newport, in the County of Orleans, and State of Vermont, described as follows, viz:

Being all and the same land and premises conveyed to James W. Mulkin, Mary Ann Mulkin and Fredric Oeschger by Warranty Deed of Bogner of America, Inc. dated November 30, 2007 and recorded in Book 189 at Pages 54-55 of the City of Newport Land Records, and being more particularly described therein as follows:

“Being a parcel of land together with the buildings and improvements thereon, located at 172 Bogner Drive in Newport, and being a part of the land and premises conveyed to Bogner of America, Inc. by Deed of Charles G. Buckland and Marion L. Buckland dated January 4, 1973 and recorded in Book 55, Page 5 of the Newport City land records, and being more particularly described as follows:

“Starting at a point on the northerly side of said Lake Road which point is the easternmost point on said Lake Road of Parcel 1. above; thence proceeding North 6° 40’ East along an easterly line of said Parcel 1. a distance of 420.18 feet more or less; thence North 47° 34’ East 929.49 feet, more or less; thence South 37° 30’ East 1022.15 feet (said last two bounds are along boundary lines of said Parcel 1. above); thence South 41° 40’ West 496.13 feet to a brook; thence South 40° 34’ West 43.05 feet; thence North 65° 22’ West 106.66 feet; thence South 33° 12’ West 323.03 feet; thence North 74° 38’ West 212.59 feet; thence North 64° 23’ West 239.65 feet; thence North 52° 36’ West 213.54 feet; thence North 51° 47’ West 171.18 feet to the point of beginning. Said parcel 2 contains 25.97 acres, more or less.”

The foregoing land and premises are conveyed subject to:

1. A right-of-way conveyed to Elizabeth Clarke, Trustee of the Girl Scouts of Newport by deed dated April 18, 1962 and recorded in Book 34, Page 318 of the Newport City Land Records;
2. A right-of-way conveyed to Converse by deed dated July 12, 1968 and recorded in Book 46, Page 324 of the Newport City Land Records;
3. Easement rights including sewer line right of way and easement set forth in the Warranty Deed of Bogner of America, Inc. to John and Karen Perras dated May 15, 2006 and recorded in Book 178, Page 29-32 of the Newport City Land Records;
4. Land Use Permit No. 7R0082, as amended to date;
5. Water Supply and Wastewater Disposal Permit No. WW-7-0511; and

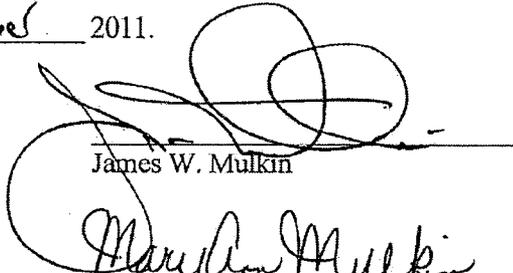
6. Vermont Underground Storage Tank Form dated June 24, 1991 and recorded in Book 100, Page 434 of Newport City Land Records."

This conveyance is further subject to any utility easements, public rights-of-way, easements, permits, and reservations as may exist of record, provided that this paragraph shall not reinstate any such encumbrance previously extinguished by the Market Record Title Act, Subchapter 7, Title 27, Vermont Statutes Annotated.

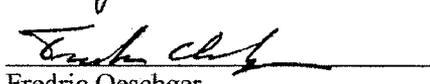
Reference is here made to the above-mentioned deeds and survey and their records and to all prior deeds and the records thereof for a further and more complete description of the land and premises herein conveyed.

**TO HAVE AND TO HOLD** said granted premises, with all privileges and appurtenances thereof, to the said GRANTEE G.S.I. OF DADE COUNTY, INC., and its successors and assigns, for their own use and behoof forever; and, the said GRANTORS, JAMES MULKIN, MARY ANN MULKIN and FREDRIC OESCHGER, for themselves and their heirs and assigns, do covenant with the GRANTEE, G.S.I. OF DADE COUNTY, INC., and its successors and assigns, that until the ensembling of these presents, they are the sole owners of the premises, and have good right and title to convey the same in manner aforesaid, that it is **FREE FROM EVERY ENCUMBRANCE**, except as aforesaid, and they hereby engage to **WARRANT and DEFEND** the same against all lawful claims, except as aforesaid.

Executed this 15<sup>th</sup> day of September, 2011.

  
James W. Mulkin

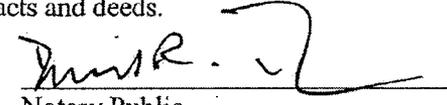
  
Mary Ann Mulkin

  
Fredric Oeschger

**STATE OF VERMONT  
COUNTY OF ORLEANS**

At Newport, Vermont, this 15<sup>th</sup> day of September, 2011, personally appeared James W. Mulkin and Mary Ann Mulkin, and they acknowledged this instrument, by them sealed and subscribed, to be their free acts and deeds.

Before me,

  
Notary Public

My commission expires: 2/10/2015

STATE OF VERMONT  
COUNTY OF ORLEANS

At Newport, Vermont, this 15<sup>th</sup> day of September, 2011, personally appeared Fredric Oeschger, and he acknowledged this instrument by him sealed and subscribed, to be his free act and deed.

Before me, *[Signature]*  
Notary Public

My commission expires: 2/10/2015

# **ADDENDUM E: PURCHASE AND SALE AGREEMENT**

## PURCHASE AND SALE AGREEMENT

IN CONSIDERATION of the mutual covenants contained herein, **GSI OF DADE COUNTY, INC.**, a Florida corporation (the "Seller") and **JAY PEAK BIOMEDICAL RESEARCH PARK L.P.**, a Vermont limited partnership with its principal place of business in Jay, Vermont, USA (the "Buyer"), agree as follows (the "Agreement" or the "Contract"):

1. **Sale and Purchase of Real Estate.** Subject to the terms and conditions hereof, the Seller agrees to sell and the Buyer agrees to purchase a certain parcel of real property located in Newport, Vermont, USA, as shown on a map entitled "Subdivision Plat, G.S.I. of Dade County, Inc., 172 Bogner Drive, Newport City, Vermont" attached hereto as Exhibit A and incorporated by reference, and more particularly described in Exhibit B attached hereto and incorporated by reference (the "Property").

2. **Purchase Price.** Buyer agrees to pay and convey, as applicable, and Seller agrees to accept for the Property total consideration valued at Six Million and 00/100 Dollars (\$6,000,000.00) (the "Purchase Price"), which will be paid and transferred as follows:

A. The Purchase Price will be paid in full on or before January 31, 2013, or at such time as sufficient funds have been raised by Buyer under the terms of an Offering Memorandum dated as of November 30, 2012 (the "Offering") and any other requirements of sale have been met (i.e. obtaining subdivision permits). The Purchase Price will be paid by Buyer directly to Seller or its assignee.

3. **Property.** Buyer intends to construct a building and clean room facility using and following Good Manufacturing Practice and Good Laboratory Practice standards on the Property (the "Building") that will include space for the research and development and manufacture of cell based therapy medicine and medical devices, and clean rooms that will be leased to independent third parties (collectively, the "Project"). Seller will reasonably cooperate with Buyer, at Buyer's expense, to obtain all required permits necessary to subdivide the Property and to access the Property, and will execute all documents reasonably required to accomplish such objectives, including but not limited to all permit applications, in the joint names of Seller and Buyer where appropriate in Seller's sole discretion. Closing will not occur and title to the Property will not transfer to Buyer until such subdivision permits have been obtained and any appeal periods have expired without appeal being taken, unless counsel to Seller and Buyer consent to language in the deed of conveyance that acknowledges that no construction can occur on the Property unless and until all required permits are obtained, pursuant to state law, in which case Closing can occur sooner.

4. **Closing.** The closing ("Closing") shall be held on a time and date and at a location mutually agreed to by the parties, but in no event later than that date on which the Purchase Price is paid in full, unless said Closing is extended in the mutual agreement of the parties. In the event the Purchase Price is not paid in full, permits necessary for subdivision or construction of the Buildings cannot be obtained or any other event occurs that in the sole reasonable discretion of Seller makes the purpose of this Agreement no longer feasible, the Seller may cancel and void this Agreement and refund back to the Buyer any installments paid by Buyer towards the Purchase Price, except for any sums reasonably expended by Seller out of the Purchase Price in reliance on the Project going forward, including without

limitation all costs, expenses and fees expended by Seller in preparation of this Agreement and in connection with the Project.

5. **Transfer Documents.** At a time mutually convenient to both parties, Seller shall cause to be delivered to Buyer a Vermont Warranty Deed conveying the Property to Buyer in the form and substance acceptable to Buyer's attorney. Seller shall be responsible for preparing the Warranty Deed, Vermont Property Transfer Tax Return and any other tax or other customary forms required at the closing of conveyance of real estate (collectively, together with any other documents required by the parties if so referenced in this Contract, the "Closing Documents"). At Closing, the Seller shall deliver the Closing Documents to Buyer together with all building, land use and subdivision permits to the extent assignable and not otherwise automatically transferable triggered by the conveyance of the Property. Notwithstanding the foregoing, Buyer shall have the right and obligation to construct the Building and develop the Project, as set forth in Section 3 and the Offering, prior to Closing, provided that construction shall not occur until all local and state permits required to commence construction have been obtained (see Section 3).

Buyer agrees that it is familiar in all respects with the condition of the Property and agrees to accept the Property in its "AS IS" condition, subject to the requirement that permits necessary to the subdivision and development of the Property with the Building are obtained. Buyer agrees, notwithstanding any other language to the contrary in this Contract, that the foregoing agreement may be repeated in the Warranty Deed delivered by Seller, that subsequent to receiving such Warranty Deed Buyer shall hold Seller harmless from any claimed defect of the Property, and that the language of this provision shall survive the transfer of title.

6. **Property Transfer/Land Gains/Withholding Taxes.** The Buyer shall bear the expense and shall pay the Vermont Property Transfer Tax due on the sale of the Property. The Seller shall bear the expense and pay any Vermont Land Gains Tax due on the sale of the Property. If any withholding taxes are due in connection with the transfer of title of the Property, the parties will comply with state and federal law in making such withholding payments and cooperate in completing and filing the necessary forms with the applicable taxing authorities.

7. **Examination of Title.** On or before twenty (20) days prior to Closing, at Buyer's request Seller shall procure for Buyer's benefit, from a nationally recognized title insurance company (the "Title Insurer"), a title insurance commitment (the "Title Commitment") in an amount acceptable to Buyer in its sole discretion but in no event greater than the Purchase Price, which shall disclose the state of the title to the Property and shall constitute the commitment of the Title Insurer to insure the title in the name of Buyer, with a title insurance policy in an ALTA standard form of owners title insurance (the "Title Policy").

The Title Commitment shall be on the ALTA standard form and shall contain no exceptions other than the usual standard printed exceptions, exceptions for current real property taxes, and such easements and restrictions of record, zoning and building ordinances and other matters as may be approved by Buyer. Upon receipt by Seller, the Title Commitment shall be delivered to Buyer for its review and the review of its counsel and Buyer shall have ten (10) days after receipt of delivery of the Title Commitment within which to notify the Seller, in writing, of Buyer's disapproval of any exception(s) shown in said Title Commitment. In the event of such disapproval, Seller shall have ten

(10) days following receipt of such notice from Buyer within which to either (a) remove any disapproved exception(s) or matter(s), or (b) notify Buyer that Seller, despite its best efforts, is unable to remove any disapproved exception(s) or matter(s). In the event Seller notifies Buyer that it is unable to remove said items, Buyer shall proceed to Closing with the benefit of Seller's warranties in the deed of transfer, provided that such item(s) do not prevent Buyer from constructing and operating the Building.

The standard exceptions for mechanic's and materialmen's liens and parties in possession shall be removed from the Title Policy based on an affidavit and indemnity agreement satisfactory to the Title Insurer, to be signed by Seller. The standard survey exception shall be deleted from the Title Policy, if possible and at the discretion of the Title Insurer, based upon a survey of the Property to be done at Seller's expense in connection with the subdivision of the Property or upon later construction of the Building. The Seller shall insure that the Title Policy gets issued to Buyer, at Buyer's expense, within forty-five (45) business days after the applicable Closing Documents get recorded in the Land Records of the City of Newport.

8. **Closing Adjustments.** The following, if applicable, shall be apportioned as of the date of Closing from the beginning of the current taxable periods for each taxing authority: all property taxes, water, sewer or other municipal charges. Should any tax, charge or rate be undetermined on the date the Escrow Documents are released at Closing, the last determined tax, charge or rate shall be used for the purposes of apportionment.

9. **Binding Effect.** This Contract shall be binding upon the parties upon acceptance by the Seller. This Contract shall inure to the benefit of and be binding upon the successors and assigns of the parties. This Contract contains the entire agreement by and between the parties hereto, superseding any and all prior agreements, written or oral, affecting said Property. This Contract shall be governed by the laws of the State of Vermont.

10. **Modification and Amendment.** No modification, amendment or deletion affecting this Contract shall be effective unless in writing and signed by all parties.

11. **Realtor's Commission.** The Seller and Buyer acknowledge and agree that there is no real estate agent or broker involved in the sale of the Property.

12. **Notices.** Notices required to effect the terms of this Contract shall be effective only if hand delivered or deposited in the U.S. Mail, postage prepaid, to the addresses listed below.

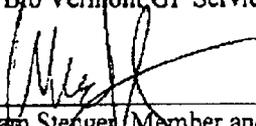
13. **Arbitration Clause.** Any and all disputes arising under or relating to the interpretation or application of this Agreement shall be subject to arbitration in Vermont under the then existing rules of the American Arbitration Association and pursuant to the Vermont Arbitration Act, codified at 12 V.S.A. section 5651, et seq. (the "VAA"), and if any conflict exists between said rules and VAA, the VAA shall control. Judgment upon the award rendered may be entered in any court of competent jurisdiction. The cost of such arbitration shall be borne equally by the parties. Nothing contained in this Section shall limit the right of the parties from seeking or obtaining the assistance of the courts in enforcing their constitutional or civil rights.

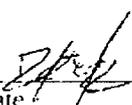
#### ACKNOWLEDGMENT OF ARBITRATION.

The parties to this Agreement understand that this Agreement contains an agreement to arbitrate. After signing this Agreement, each party understands that it will not be able to bring a lawsuit concerning any dispute that may arise which is covered by the arbitration agreement, unless it involves a question of constitutional or civil rights. Instead, each party agrees to submit any such dispute to an impartial arbitrator.

**JAY PEAK BIOMEDICAL RESEARCH PARK L.P. ("Buyer")**

BY: AnC Bio Vermont GP Services LLC, General Partner

By:   
William Stenger, Member and Duly  
Authorized Agent

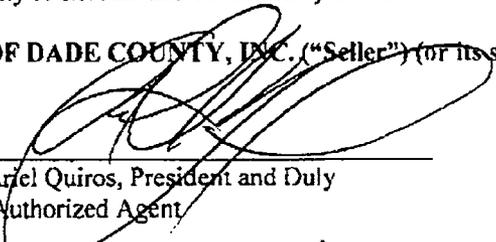
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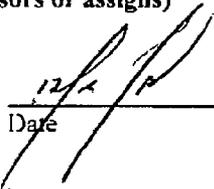
EIN # \_\_\_\_\_

Address: 4850 VT Route 242  
Jay, Vermont 05859-9621

The terms and conditions of this Contract are hereby accepted by Seller who certifies that it is the sole legal owner of the Property and that it is competent to enter into this Contract and has the authority to execute and be bound by this Contract.

**GSI OF DADE COUNTY, INC. ("Seller") (or its successors or assigns)**

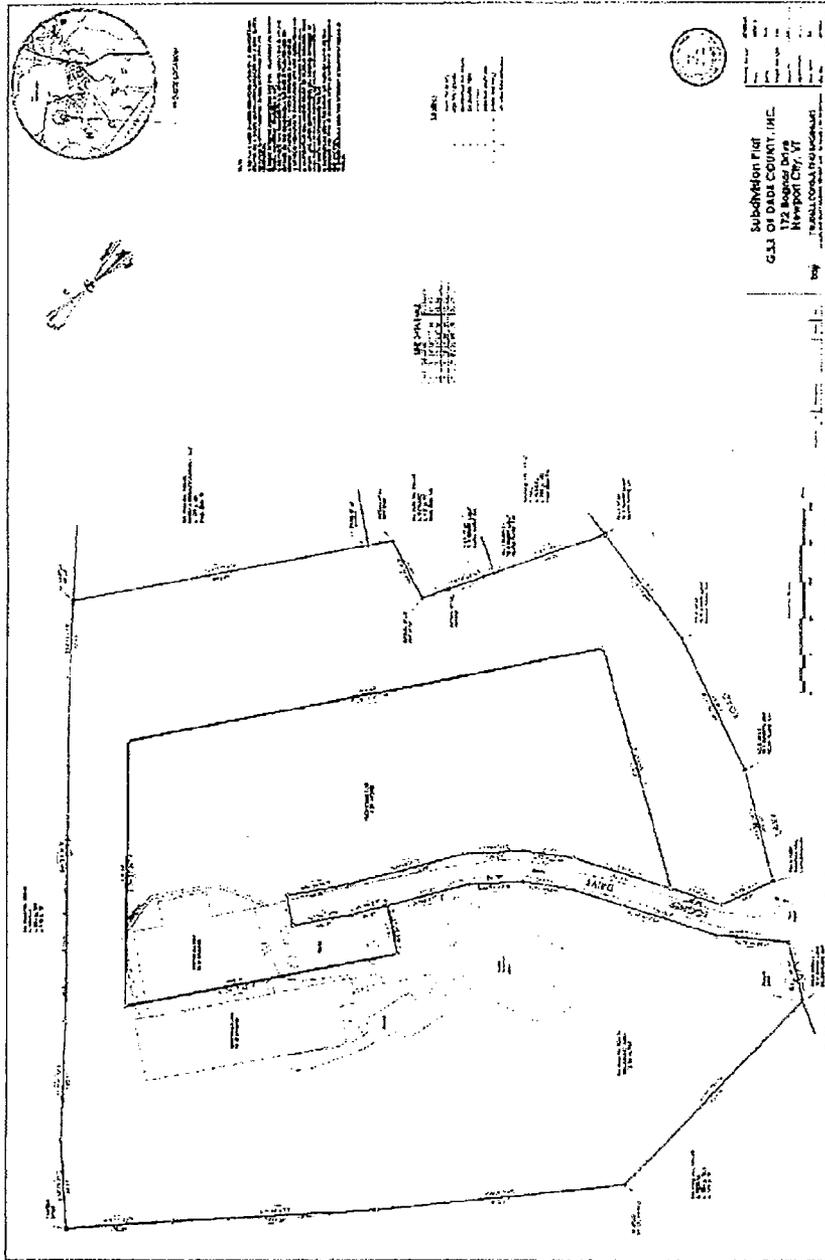
BY:   
Arzel Quiros, President and Duly  
Authorized Agent

Date:   
\_\_\_\_\_

EIN # 650475084

Address: 111 Northeast 1st Street, 4<sup>th</sup> Fl.  
Miami, FL 33132

Exhibit A  
SURVEY MAP



1475790.1

**Exhibit B**

**REAL PROPERTY DESCRIPTION**

Proposed lot  
7.07 acres

Beginning at a point in the easterly sideline of Bogner Drive, which is located 183.5 feet, more or less, from the northeasterly sideline intersection of Bogner Drive and Lake Road, all as shown on a plat entitled "Subdivision Plat, G.S.I. of Dade County, Inc.", dated October 9, 2012, by Trudell Consulting Engineers.

Thence proceeding northeasterly along the easterly sideline of Bogner Drive on a bearing of N 52 degrees 16 minutes 22 seconds E for a distance of 167.78 feet to a point;

Thence proceeding northeasterly along the easterly sideline of Bogner Drive on a bearing of N 43 degrees 04 minutes 23 seconds E for a distance of 83.28 feet to a point;

Thence proceeding northeasterly along the easterly sideline of Bogner Drive on a bearing of N 32 degrees 04 minutes 23 seconds E for a distance of 100.04 feet to a point;

Thence proceeding northerly along the easterly sideline of Bogner Drive on a bearing of N 20 degrees 49 minutes 23 seconds E for a distance of 205.26 feet to a point;

Thence proceeding northerly along the easterly sideline of Bogner Drive on a bearing of N 24 degrees 59 minutes 00 seconds E for a distance of 99.82 feet to a point;

Thence proceeding westerly along the northerly sideline of Bogner Drive on a bearing of N 65 degrees 50 minutes 28 seconds W for a distance of 50.00 feet to a point;

Thence proceeding southerly along the westerly sideline of Bogner Drive on a bearing of S 24 degrees 59 minutes 22 seconds W for a distance of 100.91 feet to a point;

Thence proceeding southerly along the westerly sideline of Bogner Drive on a bearing of S 20 degrees 49 minutes 23 seconds W for a distance of 60.91 feet to a point;

Thence proceeding westerly on a bearing of N 66 degrees 35 minutes 46 seconds W for a distance of 79.57 feet to a point;

Thence proceeding northerly on a bearing of N 24 degrees 15 minutes 53 seconds E for a distance of 455.90 feet to a point;

Thence proceeding southeasterly on a bearing of S 54 degrees 23 minutes 36 seconds E for a distance of 431.59 feet to a point;

Thence proceeding southerly on a bearing of S 24 degrees 13 minutes 40 seconds W for a distance of 801.68 feet to a point;

Thence proceeding northwesterly on a bearing of N 70 degrees 58 minutes 53 seconds W for a distance of 406.07 feet to the point of beginning.

F:\word\EB-5 Projects\PROJECTS - ACTIVE\AnC Bio\Land Transfer\P&S.082212.doc

# ADDENDUM F: COMPARABLE LAND SALE DATA SHEETS

**Dealership Site**  
 245 Bowling Lane  
 White River Junction VT  
 MSA: Burlington



Property Type: Land  
 Property Subtype: Retail  
 ID: 274059  
 APN: 14-25-4

**PROPERTY INFORMATION**

Site Area (Acres):	20.97	Public Utilities:	Partially Available
Site Area (SqFt):	913,453	Electricity:	Yes
Zoning:	IC2	Water:	Yes
Utility:	Good	Sewer:	Yes
Access:	Good	Gas:	No
Frontage:	Average	Proposed Use:	Retail-Commercial
Visibility:	Average	Maximum FAR:	N/A
Shape:	Irregular	Building Area:	N/A
Topography:	Level	Potential Units:	N/A

**SALE INFORMATION**

Sale Status:	Recorded Sale	Price per SqFt:	\$1.09
Transaction Date:	2/2014	Price per Acre:	\$47,449
Sale Price:	\$995,000	Price per Building Area:	N/A
Grantor:	Valley Land Corporation	Price per Potential Units:	N/A
Grantee:	Heritage Automotive Group		
Value Interest:	Fee Simple		
Condition of Sale:	None		

**VERIFICATION COMMENTS**

Inspection, buyer

**COMMENTS**

This is the sale of two parcels of land located in a mixed retail area. The site was purchased by an auto dealer group which owns a Toyota dealership immediately to the north. The buyer was looking to expand their parking area with potential for a separate dealership in the future. The sale included a 70-unit self storage building located along the rear, however, the buyers plan to raze this structure.

**Industrial Site**  
 5256 Williston Road  
 Williston VT  
 MSA: Burlington  
 Chittenden County



Property Type: Land  
 Property Subtype: Commercial  
 ID: 275071  
 APN: N/A

**PROPERTY INFORMATION**

Site Area (Acres):	2.39	Public Utilities:	All Available
Site Area (SqFt):	104,108	Electricity:	Yes
Zoning:	Industrial	Water:	Yes
Utility:	Good	Sewer:	Yes
Access:	Good	Gas:	Yes
Frontage:	Good	Proposed Use:	Industrial
Visibility:	Good	Maximum FAR:	N/A
Shape:	Irregular	Building Area:	45,000
Topography:	Level	Potential Units:	N/A

**SALE INFORMATION**

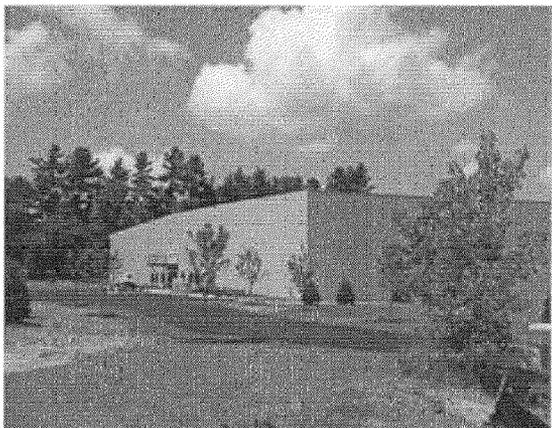
Sale Status:	Recorded Sale	Price per SqFt:	\$4.80
Transaction Date:	11/2013	Price per Acre:	\$209,206
Sale Price:	\$500,000	Price per Building Area:	\$11.11
Grantor:	Alling - Hogan	Price per Potential Units:	N/A
Grantee:	A & D Investments, LLC		
Value Interest:	Fee Simple		
Condition of Sale:	None		

**VERIFICATION COMMENTS**

Selling Broker, town

**COMMENTS**

This is the sale of a well located commercial site along Route 2 in a mixed commercial neighborhood. The property was improved with older residential uses that will be razed to allow for development of a 45,000 square foot industrial use. The property was on the market for sale at \$575,000.



**Industrial Site**  
 1801 Avenue D  
 Williston VT  
 MSA: Burlington  
 Chittenden County

Property Type: Land  
 Property Subtype: Industrial  
 ID: 281975  
 APN: N/A

**PROPERTY INFORMATION**

Site Area (Acres):	5.60	Public Utilities:	All Available
Site Area (SqFt):	243,936	Electricity:	Yes
Zoning:	Commercial	Water:	Yes
Utility:	Good	Sewer:	Yes
Access:	Good	Gas:	Yes
Frontage:	Average	Proposed Use:	Industrial
Visibility:	Average	Maximum FAR:	N/A
Shape:	Irregular	Building Area:	42,000
Topography:	Level	Potential Units:	N/A

**SALE INFORMATION**

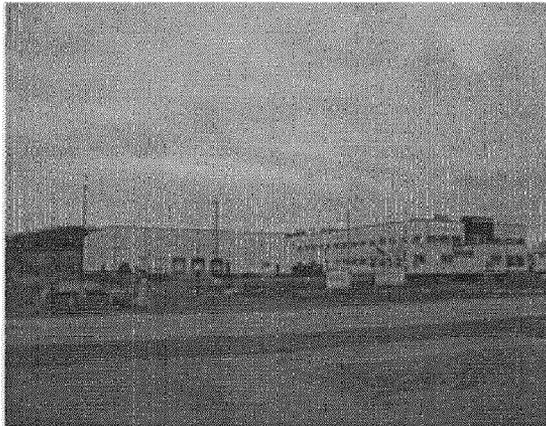
Sale Status:	Recorded Sale	Price per SqFt:	\$2.05
Transaction Date:	1/2013	Price per Acre:	\$89,286
Sale Price:	\$500,000	Price per Building Area:	\$11.90
Grantor:	Burver LLC	Price per Potential Units:	N/A
Grantee:	Miller Realty Group LLC		
Value Interest:	Fee Simple		
Condition of Sale:	None		

**VERIFICATION COMMENTS**

Buyer, town

**COMMENTS**

This is the sale of a 5.60-acre site located in a mixed industrial park just east of Burlington International Airport. The site was purchased by a local developer who built a 42,000 square foot flex use on the site that they plan to lease up. The property has 2,700 square feet of office space and can be subdivided.



**Garneau US Headquarters**

Route 5  
 Derby VT  
 MSA: N/A  
 Orleans County

Property Type: Land  
 Property Subtype: Industrial  
 ID: 229839  
 APN: NDRTS 053 F4C

**PROPERTY INFORMATION**

Site Area (Acres):	17.60	Public Utilities:	All Available
Site Area (SqFt):	766,656	Electricity:	Yes
Zoning:	N/A	Water:	Yes
Utility:	Good	Sewer:	Yes
Access:	Good	Gas:	No
Frontage:	Good	Proposed Use:	Industrial
Visibility:	Good	Maximum FAR:	N/A
Shape:	Irregular	Building Area:	60,000
Topography:	Gently Sloping	Potential Units:	N/A

**SALE INFORMATION**

Sale Status:	Recorded Sale	Price per SqFt:	\$1.37
Transaction Date:	6/2011	Price per Acre:	\$59,659
Sale Price:	\$1,050,000	Price per Building Area:	\$17.50
Grantor:	Exit 28 Properties, LLC	Price per Potential Units:	N/A
Grantee:	WEV USA, LLC		
Value Interest:	Fee Simple		
Condition of Sale:	None		

**VERIFICATION COMMENTS**

N/A

**COMMENTS**

This vacant greenfield site was purchased for construction of a new 2-story manufacturing, distribution, retail and office facility for Louis Garneau, a Quebec based sports clothing maker. Louis Garneau is the true buyer of the property and will be relocating from an older 40,000 square foot facility in Newport, VT. The site is immediately east of Exit 28 of I-91, 5 miles south of the Canadian border. The buyer applied for approvals after purchasing the property. The estimated cost of construction is \$7 million.

**Office Site**  
 52 Pike Drive  
 Berlin VT  
 MSA: Burlington



Property Type: Land  
 Property Subtype: Office  
 ID: 305278  
 APN: N/A

**PROPERTY INFORMATION**

Site Area (Acres):	2.25	Public Utilities:	N/A
Site Area (SqFt):	98,010	Electricity:	Yes
Zoning:	Commercial G	Water:	Yes
Utility:	Good	Sewer:	No
Access:	Good	Gas:	No
Frontage:	Average	Proposed Use:	Office
Visibility:	Average	Maximum FAR:	N/A
Shape:	Irregular	Building Area:	4,000
Topography:	Level	Potential Units:	N/A

**SALE INFORMATION**

Sale Status:	Recorded Sale	Price per SqFt:	\$1.84
Transaction Date:	5/2011	Price per Acre:	\$80,000
Sale Price:	\$180,000	Price per Building Area:	\$45.00
Grantor:	American National Red Cross	Price per Potential Units:	N/A
Grantee:	Vermont School Board Insurance Trust		
Value Interest:	Fee Simple		
Condition of Sale:	None		

**VERIFICATION COMMENTS**

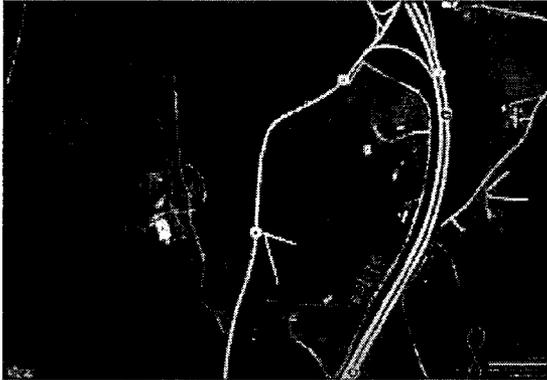
Inspection, selling broker

**COMMENTS**

This is the sale of a 2.25-acre site located in a mixed commercial area of Berlin located just off of Interstate 89. The property was purchased for development of a 4,000 square foot office use. It was originally listed for sale at \$245,000 and was on the market for 170 days.

**Commonwealth Dairy**

3 Omega Drive  
 Brattleboro VT  
 MSA: Burlington



Property Type: Land  
 Property Subtype: Industrial  
 ID: 234279  
 APN: 110386.002

**PROPERTY INFORMATION**

Site Area (Acres):	5.86	Public Utilities:	Partially Available
Site Area (SqFt):	255,262	Electricity:	Yes
Zoning:	PUD	Water:	Yes
Utility:	Good	Sewer:	Yes
Access:	Average	Gas:	No
Frontage:	Average	Proposed Use:	Industrial
Visibility:	Average	Maximum FAR:	N/A
Shape:	Irregular	Building Area:	64,517
Topography:	Rolling	Potential Units:	N/A

**SALE INFORMATION**

Sale Status:	Recorded Sale	Price per SqFt:	\$1.37
Transaction Date:	4/2010	Price per Acre:	\$59,727
Sale Price:	\$350,000	Price per Building Area:	\$5.42
Grantor:	Delta Industries	Price per Potential Units:	N/A
Grantee:	Commonwealth Dairy		
Value Interest:	Fee Simple		
Condition of Sale:	None		

**VERIFICATION COMMENTS**

Town, buyer

**COMMENTS**

This is the sale of a 5.86-acre industrial site, located in a limited commercial/residential area with good access to Interstate 91. The site was initially improved with a 41,000 square foot yogurt manufacturing operation and is currently being expanded to 64,000 square feet.

# **ADDENDUM G: QUALIFICATIONS OF THE APPRAISERS**

**STEFAN J. SARGEANT, MAI, MRICS**

EXECUTIVE DIRECTOR | VALUATION &amp; ADVISORY

CUSHMAN &amp; WAKEFIELD OF MASSACHUSETTS, INC.

Mr. Sargeant began his career with Cushman & Wakefield in March of 2000. He is an Executive Director within Cushman & Wakefield's Valuation & Advisory group in New England. He is responsible for the appraisal and valuation of land, commercial, office, industrial and retail properties throughout the United States. He is a member of both the Valuation & Advisory Industrial and Senior Housing/Healthcare Specialty Practices groups.

Before joining Cushman & Wakefield of Massachusetts, Inc., Mr. Sargeant was an Independent Appraiser at Remis Associates in Marblehead, Massachusetts from 1996 to 2000 and prior to that, he was the co-proprietor of Sargeant Appraisal Service in Rutland, Vermont from 1993 to 1996.

**EXPERIENCE**

Mr. Sargeant has appraised a wide variety of property including land, office, industrial and retail. He specializes in the appraisal of industrial use real estate including: single and multi-tenanted warehouse, manufacturing and flex uses, cold storage facilities, tank farms and marine related properties. Other appraisal experience includes medical and traditional office buildings, as well as various retail properties. Mr. Sargeant manages a 23-building flex and office building portfolio valuation for a national REIT located throughout Massachusetts and New Hampshire with quarterly valuation reports. He has also managed portfolio assignments of multiple gas stations, c-stores, bank branches and self-storage uses.

**EDUCATION**

- University of Vermont – Graduated 1993
  - Degree: Bachelor of Science in Business Administration

**MEMBERSHIPS, LICENSES AND PROFESSIONAL AFFILIATIONS**

- Designated Member, Appraisal Institute No. 12418
  - As of the current date, Stefan Sargeant, MAI has completed the requirements of the continuing education program of the Appraisal Institute.
- Designated Member, Royal Institution of Chartered Surveyors No. 1301140
- Certified General Real Estate Appraiser in the following states:
  - Maine – CG 2875
  - Massachusetts – 70047
  - New Hampshire – 715
  - Rhode Island – A01322G
  - Vermont – 080.0000217

VERMONT

 **State of Vermont**  
Board of Real Estate Appraisers  
Certified General Real Estate Appraiser 

Stefan John Sargeant  
90 Lafayette Street  
207  
Salem, MA 01970



Credential #: 080.0000217  
Status: ACTIVE  
Effective: 06/01/2014  
Expires: 05/31/2016

*James C. Condes*  
Secretary of State

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