

WILLIAM G. BOWEN, INC.

REAL ESTATE APPRAISERS AND CONSULTANTS

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October 18, 2010

Mr. Jeffrey A. Gorman
Sovereign Bank, Real Estate Appraisal Unit
15 S. Main Street
Chambersburg, Pennsylvania 17201

Mr. Hasan Pride
Sovereign Bank
619 Alexander Road
Princeton, NJ. 08540

Dear Mr. Gorman and Mr. Pride:

At your request, we have inspected the property, conducted the necessary investigations, and made certain analyses to enable us to form a supportable opinion as to the market value of the subject property. The values contained herein are based on the following:

Subject Property:

Project Name: Iris G. Sagi and Robert S. Brown
Appraisal Job ID: M28411
Description: Westshire Professional Center
Ownership: Westshire, LLC.
Address: 920 West Washington Street
City, State, Zip: Hagerstown, Maryland 21740
Site Size: 3.79 Acres
Improvements: Older (1916 & 1940's), three story, brick and stone, former school building that has been fully renovated into predominately a modern office building. Renovation began in the late 1980s and was completed in the late 1990s. The building contains 87,600 square feet of gross area with 50,000± square feet of net rentable area, and 37,000± square feet of common/non-rentable area. The building contains 28 leaseable units ranging in size from 100 square feet to 10,000 square feet. These units have been re-demised into 17 commercial suites (i.e. primarily office), and three residential units. Only one unit is reported to be vacant (i.e. unit 208), with most of the units rented, and the balance used for storage space. A tenant summary is included in the forthcoming Income Approach. Site improvements include concrete sidewalks, stone retaining walls, macadam drives and parking area, newer playground area, fenced-in playground area, some chain link fencing, trees and shrubs, established lawn, etc.

ASSOCIATES

C. THOMAS BOWERS, SRA
KRISTIN G. BOWEN
NANCY N. BRUNO

MICHAEL W. COYER
MARY CONNOLLEY

CARL C. KIDWILER
KRISTA R. HERSHBERGER
DANIEL J. McVICKER

Mr. Gorman and Mr. Pride
Sovereign Bank
October 18, 2010

(Continued) The Client has requested that we provide an estimate of the subject's current market value "As Is" under normal marketing conditions (Within 1 Year), and Liquidation Value based on a marketing time not to exceed 3 months. No hypothetical conditions or extraordinary assumptions are made for this assignment. The subject is not currently listed, optioned, and/or under contract of sale.

Appraisal Purpose:

Value Estimate: 1)Current Market Value "As Is" (Normal Marketing Time)
 2) Liquidation Value, "As Is" (Marketing Time Not to Exceed 90 Days)

Property Rights: Leased Fee Estate

Last Inspected: October 12, 2010

Date of Value: October 12, 2010

Client/User: This report is for the exclusive use of Sovereign Bank. No other party shall have any right to rely on the appraisal provided, without prior written consent. Sovereign Bank is the Client of this assignment.

Intended Use: Mortgage Financing; To aid a federally regulated lender in asset underwriting, loan classification and/or disposition.

Appraisal Scope:

This is a complete appraisal report presented in a summary format. This report is prepared in accordance with the Uniform Standards of Professional Appraisal Practice of the Appraisal Foundation, Title XI of the *Federal Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA)*, revised June 7, 1994 and amended thereto, and the Appraisal Institute. This appraisal has also been prepared in conformity with the rulings of the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, and the Office of the Comptroller of the Currency (OCC), the Credit Union National Association (CUNA), and the appraisal guidelines of Sovereign Bank. This appraisal includes any necessary data and analysis in support of the assignment results with a thorough presentation of the relevant data, analysis, and projections using all relevant approaches to value to produce credible valuation conclusions.

Subject To:

Herein noted Assumptions and Limiting Conditions. Reliance on this appraisal is restricted to the intended use and the intended user.

This is an appraisal of the real property only and does not include the inventory, furniture, fixtures, or equipment. Any machinery, office equipment, furniture, inventory, etc., are all considered to be personal property and are not included in this real estate value estimate. This appraisal does not include the value of the business entity, but is an appraisal of the real property only.

It is important to note that we were not provided leases on the subject, therefore, the rent amount, leasable area (size), and lease conditions (i.e. tenancy, term, options, conditions, etc.) have been reported based on discussions with the owner, representative of the owner, rent roll, and history. Should data become available that significantly is in contrast to this report, we reserve the right to re-analyze.

Mr. Gorman and Mr. Pride
Sovereign Bank
October 18, 2010

Valuation:

1) Current Market Value, "As Is"

ONE MILLION SEVEN HUNDRED THOUSAND DOLLARS

\$1,700,000

Date of Value: October 12, 2010
Exposure/Marketing Time: Within One Year

2) Liquidation Value, "As Is" (Marketing Time Not to Exceed 90 Days)

ONE MILLION DOLLARS

\$1,000,000

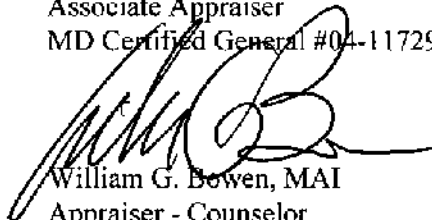
Date of Value: October 12, 2010
Exposure/Marketing Time: Within 90 Days

The following narrative report sets forth the data and reasoning leading to our conclusions. Should you have any questions, please contact the undersigned.

Respectfully submitted,



Daniel J. McVicker
Associate Appraiser
MD Certified General #04-11729



William G. Bowen, MAI
Appraiser - Counselor
MD Certified General # 04-001
PA Certified General # GA-000613-L
WV Certified General # 070

DJM/WGB/csw

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APPRAISAL CERTIFICATION

We certify that, to the best of our knowledge and belief,...

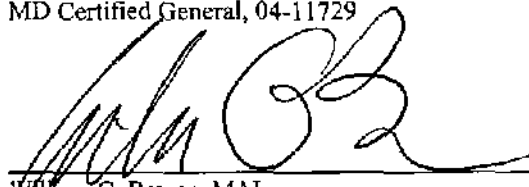
- We have the knowledge and experience to complete this assignment competently.
- The statements of fact contained in this report are true and correct.
- The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are our personal, impartial, 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 the 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.
- Our analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the *Uniform Standards of Professional Appraisal Practice*.
- We have made a personal inspection of the property that is the subject of this report.
- No one provided significant real property appraisal assistance to the person(s) signing the report.
- This assignment was not based on a requested minimum valuation, a specific valuation, or the approval of a loan.
- The reported analyses, opinions and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Appraisal Institute's Code of Professional Ethics and Standards of Professional Appraisal Practice, 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.
- As of the date of this report, I William G. Bowen have completed the continuing education program of the Appraisal Institute.
- The undersigned has performed an appraisal services pertaining to the subject in the last three years.

11/1/10
Date

11/1/10
Date



Daniel J. McVicker
Associate Appraiser
MD Certified General, 04-11729



William G. Bowen, MAI
Appraiser - Counselor
MD Certified General # 04-001
PA Certified General # 613-L
WV Certified General # 070

SUMMARY OF SALIENT FACTS

Ownership:	Westshire LLC
Address:	920 W. Washington Street Hagerstown, Maryland 21740
Tax Map:	Map 305, Parcel 1991
Property Rights:	Leased Fee Estate
Site Size:	3.79 Acres
Flood Plain:	Subject unaffected according to HUD Flood Hazard Map 240074-0005C, dated February 15, 1984.
Census Tract:	24043-0003.01
Zip Code:	21740
Improvements:	<p>Older (1916 & 1940's), three story, brick and stone, former school building that has been fully renovated into predominately a modern office building. Renovation began in the late 1980s and was completed in the late 1990s. The building contains 87,600 square feet of gross area with 50,000± square feet of net rentable area, and 37,000± square feet of common/non-rentable area. The building contains 28 leaseable units ranging in size from 100 square feet to 10,000 square feet. These units have been re-demised into 17 commercial suites (i.e. primarily office), and three residential units. Only one unit is reported to be vacant (i.e. unit 208), with most of the units rented, and the balance used for storage space. A tenant summary is included in the forthcoming Income Approach. Site improvements include concrete sidewalks, stone retaining walls, macadam drives and parking area, newer playground area, fenced-in playground area, some chain link fencing, trees and shrubs, established lawn, etc.</p> <p>The Client has requested that we provide an estimate of the subject's current market value "As Is" under normal marketing conditions (Within 1 Year), and Liquidation Value based on a marketing time not to exceed 3 months. No hypothetical conditions or extraordinary assumptions are made for this assignment. The subject is not currently listed, optioned, and/or under contract of sale.</p>
Zoning:	C-2 (Commercial General); The subject is a legal, conforming use, meeting all site requirements.
Tax Load:	\$23,711.93 (2010)

Highest & Best Use:

- "As If Vacant": Near term commercial development that would maximize the use of the site under current zoning restrictions.
- "As Improved": Continued use as a multi-tenant office building. The subject improvements are substantial and have a considerable contributing value to the site.

Valuation:

1) Current Market Value "As Is":

Cost Approach:	Not Developed
Sales Comparison Approach:	\$2,000,000
Income Approach:	\$1,700,000
Final Estimate of Value:	\$1,700,000
Date of Value:	October 12, 2010
Exposure/Marketing Time:	Within One Year

2) Liquidation Value (Marketing Time Not to Exceed 90 Days)

Estimate of Value:	\$1,000,000
Date of Value:	October 12, 2010
Exposure/Marketing Time:	Within 90 Days

STATEMENT OF ASSUMPTIONS AND LIMITING CONDITIONS

Acceptance of and/or use of this report constitutes acceptance of the following assumptions and limiting conditions and any others stated within this report.

UNDERLYING ASSUMPTIONS AND LIMITING CONDITIONS

Information furnished by others is assumed to be true, correct, and reliable. A reasonable effort has been made to verify such information; however, no responsibility for its accuracy is assumed by the appraiser. The appraiser assumes no responsibility for economic or physical factors occurring after the valuation date.

The legal description used in this report is assumed to be correct. No survey of the property has been made by the appraiser and no responsibility is assumed in connection with such matters. Sketches, maps, and exhibits in this report are included only to assist the reader in visualizing the property.

No responsibility is assumed for matters of a legal nature affecting title to the property nor is an opinion of title rendered. The title is assumed to be good and merchantable.

No title search was performed for this property in regards to any restrictive covenants and/or easement. Should such a search be accomplished and should any such covenants and easements, we reserve the right to reanalyze the subject and the conclusions contained herein.

All mortgages, liens, encumbrances, leases, and servitudes have been disregarded unless so specified within the report. The property is appraised as though under responsible ownership and competent management and available for its Highest and Best Use.

It is assumed that the utilization of the land and improvements is within the boundaries or property lines of the property described and that there is no encroachment or trespass unless noted within the report.

It is assumed that there is full compliance with all applicable federal, state, and local environmental regulations and laws unless non-compliance is stated, defined, and considered in this appraisal report.

It is assumed that all applicable zoning and use regulations and restrictions have been complied with unless non-conformity has been stated, defined, and considered in the appraisal report.

It is assumed that all required licenses, consents, and other legislative or administrative authority from any local, state or national governmental or private entity or organization have been or can be obtained or renewed for any use on which the value estimate contained in this report is based.

It is assumed that there are no hidden or unapparent condition of the property, subsoil, or structures which would render it more or less valuable. No responsibility is assumed for such conditions or for engineering which may be required to discover them.

It is assumed that the mechanical systems, components, fixtures, and appliances are operable and in similar condition to the balance of the improvements unless noted within the report.

Underlying Assumptions and Limiting Conditions

No environmental impact, audit, or other studies were either requested or made in conjunction with this appraisal, and the appraiser hereby reserves the right to alter, amend, revise, or rescind any of the value opinions based upon any subsequent studies by related field experts.

The existence of hazardous substances or conditions may or may not be present in, on, or near the property and were not identified nor did the appraiser become aware of such during the inspection. The appraiser has no knowledge of the existence of such substances or conditions in, on, or near the property, unless otherwise stated in this report. The appraiser is not qualified to test such substances or conditions. If such substances or conditions do exist, they may affect the value of the property. The value estimated is predicated on the assumption that no hazardous substances or conditions exist in, on, or near the property that would cause a loss in value. No responsibility is assumed for any such substances or conditions, nor for any expertise or engineering knowledge required for their discovery.

The Americans with Disabilities Act ("ADA") became effective January 26, 1992. The appraiser has not made a specific compliance survey and analysis of this property to determine whether or not it is in conformity with the various detailed requirements of the ADA. It is possible that a compliance survey of the property, together with a detailed analysis of the requirements of the ADA, could reveal that the property is not in compliance with one or more of the requirements of the Act. If so, this fact could have a negative effect upon the value of the property. Since the appraiser has no direct evidence relating to this issue, the appraiser did not consider possible non-compliance with the requirements of ADA in estimating the value of the property.

The appraiser will not be required to give testimony or appear in court because of having made this appraisal, with reference on the property in question, unless arrangements have been previously made therefore and at additional fee.

The scope of the appraisal is based on the property type, the depth of available data, the intended use of the appraisal, and the intended user's requirements. The distribution of the total valuation in this report between land and improvements applies only under the reported highest and best use of the property. The allocations of value for land and improvements must not be used in conjunction with any other appraisal and are invalid if so used.

Possession of this report, or a copy thereof, does not carry with it the right of publication. Reliance on this appraisal is restricted to the intended user and for the intended use. It may not be used for any purpose by a person other than the intended user for its intended use without the written consent of the appraiser, and in any event only with proper written qualification and only in its entirety.

Neither all or any part of the contents of this report, or copy thereof, shall be conveyed to the public through advertising, public relations, news, sales or any other media without written consent and approval of the appraiser. Nor shall the appraiser, firm, or professional organization of which the appraiser is a member be identified without written consent of the appraiser.

PURPOSE, RIGHTS, DATE, AND USE OF THE APPRAISAL

The purpose of this appraisal is to undertake the investigations and analyses and to communicate the data and reasoning leading to our conclusion of value for the subject property in accordance with the Uniform Standards of Professional Appraisal Practice under the following criteria:

Appraisal Purpose:

Value Estimate: 1) Current Market Value "As Is" (Normal Marketing Time)
2) Liquidation Value, "As Is" (Marketing Time Not to Exceed 90 Days)

Property Rights: Leased Fee Estate

Last Inspected: October 12, 2010

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It is important to note that we were not provided leases on the subject, therefore, the rent amount, leasable area (size), and lease conditions (i.e. tenancy, term, options, conditions, etc.) have been reported based on discussions with the owner, representative of the owner, rent roll, and history. Should data become available that significantly is in contrast to this report, we reserve the right to re-analyze.

IMPORTANT DEFINITIONS

Market Value:	"The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby: 1) buyer and seller are typically motivated; 2) both parties are well informed or well advised, and acting in what they consider their best interests; 3) a reasonable time is allowed for exposure in the open market; 4) payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and 5) the price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale." ¹
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." ²
Leased Fee Interest:	"A freehold (ownership interest) where the possessory interest has been granted to another party by creation of a contractual land-lord-tenant relationship (i.e., a lease)." ³
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 the appraisal." ⁴
Exposure Time:	"The time a property remains on the market. 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." ⁵
Complete Appraisal:	The act or process of developing an opinion of value or an opinion of value developed using all of the applicable approaches to value.

¹ Code of Federal Regulations; Title 12—Bank and Banking; Chapter I—Comptroller Of The Currency, Department of the Treasury; Part 34—Real Estate Lending and Appraisals— Subpart C—Appraisals Sec. 34.42 Definitions; Revised as of January 1, 2000.

² Appraisal Institute, *"The Dictionary of Real Estate Appraisal, Fifth Edition,"* (Illinois Not For Profit Corp., 1993), p. 78

³ Ibid., p. 111

⁴ Ibid., p. 121

⁵ Ibid., p. 73

Liquidation Value: "The most probable price that a specified interest in real property is likely to bring under all of the following conditions: 1. Consummation of a sale will occur within a severely limited future marketing period specified by the Client. 2. The actual market conditions currently prevailing are those to which the appraised property interest is subject. 3. The buyer is acting prudently and knowledgeably. 4. The seller is under extreme compulsion to sell. 5. The buyer is typically motivated. 6. The buyer is acting in what he or she considers his or her best interest. 7. A limited marketing effort and time will allow for the completion of the sale. 8. Payment will be made in cash in U.S. dollars or in terms of financial arrangements comparable thereto. 9. The price represents the normal consideration for the property sold, unaffected by special or creative financing or sales concessions granted by anyone associated with the sale."⁶

Summary Appraisal Report:

A written appraisal report prepared under Standard Rule 2 (b) of the Uniform Standards of Professional Appraisal Practice (2010-2011 ed.). 2. A summary appraisal report contains a summary of all information significant to the solution of the appraisal problem. The essential difference between a self-contained appraisal report and a summary appraisal report is the level of detail of presentation."⁷

⁶ Appraisal Institute, *The Dictionary of Real Estate Appraisal, Fourth Edition*, (Illinois Not For Profit Corp., 1993), p. 167

⁷ Ibid., p. 178

APPRAISAL SCOPE/DATA COLLECTION PROCESS

Investigations:

Territory: Washington County, Maryland and regional environs
Time Frame: May 1, 2006 to Present.

Approaches Developed: Sales Comparison and Income Approaches. The Cost Approach is not necessary to produce credible assignment results.

The data collection process varies with the type and complexity of a property. The current and forecast supply and demand are the primary determinants of highest and best use and, ultimately, the estimated value of the property. The supply and demand for real property in a particular market is difficult to estimate accurately and can be dramatically influenced by any number of factors. It is these factors that we attempt to quantify in our analysis of the subject property.

Within our primary service areas, we maintain and systematically update the social, economic, governmental, and environmental forces of the county from various federal, state, county, and community sources, such as, the U.S. Bureau of the Census; Claritas; statistical abstracts; state and local planning and/or zoning commissions; state and local economic and community development commissions; various trade publications and news sources.

Standard investigative procedures for a subject property, prior to the physical inspection, is the review of the tax assessment, tax map, zoning map and ordinance, flood hazard boundary map, legal description and property rights (deed and plats), sales history, etc. Further, we discuss the subject and its environs with the necessary appropriate regulatory agencies to determine its conformance to existing regulations and to forecast its potential in light of its current (date of valuation) and forecast competition.

The subject and the neighborhood are inspected in detail, photographed, and discussed with the owner or other appropriate parties. Based on these investigations, we focus on the subject's highest and best use and that determination guides us to the market and property specific data and methods of valuation.

In the valuation portion of the analyses, we develop those approaches to value which are meaningful to the market participants and for which there is sufficient data from which to draw a reasonable conclusion to value. Sources for the approaches are extensive research, previous assignments, buyers, sellers, investors, sales and rental agents, lenders, contractors, national cost services, property management firms, tenants, appraisers, attorneys, etc.

IDENTIFICATION OF THE SUBJECT PROPERTY

Location: The subject is located in the northwestern portion of the city limits of Hagerstown. It's immediate location is along the northern side of the 900 block of West Washington Street. It fronts along the north side of West Washington Street, east side of Devonshire Road, and west side of Wakefield Road. It is further found approximately 9 blocks west of the Hagerstown downtown central business district, and is within District 25.

Address: 920 W. Washington Street
Hagerstown, Maryland 21740

Tax Map: Map 305, Parcel 1991

Property Rights: *Leased Fee Estate*

Flood Plain: Subject unaffected according to HUD Flood Hazard Map 240074-0005C, dated February 15, 1984.

Census Tract: 24043-0003.01

LEGAL DESCRIPTION

Ownership: Westshire LLC

Deed: 1252/877; a reduced copy is included within the addenda.

HISTORY OF THE SUBJECT PROPERTY

Sales History: The sales history for the subject property is itemized below and a copy of the acquisition deed of record is included within the addendum of this report.

Most Recent Sale

Deed Reference: 1252/877

Grantor: R.L.C. Associates, Inc., Trustees

Grantee: Westshire LLC.

Date: February 6, 1996

Consideration: \$910,000

Comments: Home Federal Savings Bank foreclosed on the previous owners, School House Square Partnership and assigned R.L.C. Associates, Inc. As trustees. The prior transfer of the subject was also not at arms length, 06/21/91, \$1,200,000, deed 998/405. The subject property is not currently listed, optioned, and/or under contract of sale.

Use History:

The original front section (A) (see the sketch in the addenda) of the former school building was constructed in 1916. The rear section (B & C) was constructed in the 1940's. Originally known as the West Washington Street School, this facility accommodated 800 students at the junior high school level. Upon closing in 1976, the property was utilized by a private school for several years.

In September, 1982, School House Center Investors acquired the property from Mountain View Baptist Church, Inc., which included eight individual residential lots located to the north of the school building and which were subsequently transferred to another entity. In April, 1984, Stephen B. Sagi acquired the subject property from School House Center Investors in a non-market transaction in that he was a partner in the School House Center Investors ownership. During this period, the first floor of Section A was partially renovated into office, storage area, and an apartment. Two modern apartments were also constructed on the east end of the third floor in Section A.

Due to the popularity and rapid growth of factory outlet malls in the mid-1980's, the owner pursued the development of the School House Square Outlet Center to open in the fall of 1987. The initial absorption appeared to be strong renting 18,764 square feet in four months or approximately 4,700 square feet per month, which included several national firms. During this period, the outlet store demand changed dramatically from small facilities such as the subject to the synergism of the established 100,000 square foot plus facilities. Eventually losing the outlet tenants, the owners became frustrated enough to rent or try to rent portions of the building to near anyone at near any price.

In September, 1990, with the recession worsening, approximately 33,000 square feet was occupied at an average overall contract rent of \$5.71 per square foot. The tenant mix was 29% office, 29% bingo parlor, 24% retail, 17% video rental, and 1% a small pizza shop. The recession worsened, tenants left, and management faltered. Home Federal Savings Bank and Hagerstown Trust Company acquired the property in a foreclosure auction by deed 998/405 under R.L.C. Associates, Inc., Trustee. The most recent sale was not arms-length. Mr. Sagi re-acquired sole ownership trading as Westshire LLC. The building has been re-demised several times, although it's office design has remained in tact. Renovation began in the late 1980s and was completed in the late 1990s. It's older, three story, brick and stone, former school building has been fully renovated into predominately a modern office building. To date, the building contains 87,600 square feet of gross area with 50,000± square feet of net rentable area, and 37,000± square feet of common/non-rentable area. The building is stabilized, and near 100% occupied with the only available space reported to be Suite 208. The majority of the space is occupied by Head Start of Washington County, Inc., Hope Bridge Ministry and Counseling Center, Washington County Family Center, Extreme Magic (former Bingo Island space), and owner-occupied Valley Properties. The balance of the space includes a mix of smaller office suites, storage space, and three residential apartments.

AREA DATA

Area Base:	Washington County, Maryland (458 Square Miles) Population - 145,384 (2008)
County Seat:	Hagerstown (9.34 Square Miles) Population - 39,008 (6 th in State of Maryland)
Overview:	<p>Washington County's agricultural background, its proximity to the Washington, D.C./Baltimore metropolitan area via interstates (60 miles), its interstate system with I-70 (east/west) and I-81 (north/south) bisecting the county, and the two major railroads that serve the Hagerstown area, have fostered steady in-migration of both home buyers and industries seeking lower living and operating costs, a skilled work force, the scenic beauty, and the slower pace of life. Historically, Washington County had been a modestly expanding community, but regional growth pressures have fueled a rapid expansion since the early 2000s.</p> <p>Residential growth from early 2002 to mid 2005 was unprecedented. Building permits almost tripled in three years with existing housing stock witnessing double digit levels of annual appreciation. It was one of the fastest growing communities in both the state and country. Demand was very strong as it remained one of the few open markets within a 1 hour drive time of the metropolitan areas. Commercial and industrial markets have also gained momentum which is still sustained. The county is currently experiencing common growing pains and has recently enacted a variety of impact fees to fund a growing schooling system, inadequate infrastructure, etc. While the residential market has been in a lull since mid 2005, the long term market fundamentals remain in tacked.</p>
Location:	Washington County is located in Western Maryland, approximately 60 miles west of both Washington, D.C. and Baltimore, Maryland. This greater metropolitan area has been one of the fastest growing markets in the nation since 2000. It ranks #1 in job creation with >120K net new jobs created from 06/02-12/04. Government spending within this region has increased approximately 4 fold, primarily due to a build-up in homeland security. With most inner core counties having very tight development regulations, builders and buyers have ventured outward to areas like Washington County.
Physical Characteristics:	From east to west: the Blue Ridge Mountains; a 20 mile wide, fertile, limestone valley; and mountainous (Blue Ridge Mountains) terrain with narrow valleys in the western portion of the County. The Potomac River runs 69 miles along the southern and western boundaries of the County with West Virginia beyond. Drainage is from three stream systems that flow into the Potomac River. The northern boundary with Pennsylvania is the Mason-Dixon Line with no physical delineations.

- Governmental:** The County Commissioners share responsibility for funding social services and schools within Maryland. City/Community governments tax within their boundaries for additional local services. Zoning/land use control is county wide with *municipalities responsible for their own ordinances*. Lands outside of the designated growth areas were rezoned (i.e., down-zoned) in the Summer of 2005 as part of a comprehensive rezoning effort. Lands inside of the growth boundaries are currently within the same process. Government is heavily scrutinizing all proposed residential development, although strong efforts are being made to attract commercial and industrial users. The trend has been for greater levels of land use control coupled with escalations in fees.
- Environmental:** Washington County is in a temperate zone providing a good growing season and reasonable heating costs. The county is virtually free of natural disasters such as hurricanes, tornadoes, earthquakes, etc., except for periodic flooding of the Potomac and its tributaries.
- Highways:** Excellent; I-70 with eleven county interchanges and I-81 with ten county interchanges bisect the county, intersecting southwest of Hagerstown. The internal road system is good although straining under a rapidly growing populous.

Top Employers in Washington County (2009)

EMPLOYER	EMPLOYEES
Washington County Public Schools	2,958
Washington County Health Systems, Inc.	2,860
State of Maryland	2,438
First Data	1,999
Citicorp Credit Services	1,920
Washington County Government	1,254
Volvo Powertrain North America	1,115
Fed Ex Ground	734
Bowman Group, LLP	720
Hagerstown Community College	688
Federal Government	637
Lehigh/Phoenix Color Corp.	600
Staples Distribution Center	598
City of Hagerstown	543
Unilever Ice Cream	445

Demographics/Economics:

**Populations/Household Trends
Washington County, Maryland**

	2000	2005	2010*	Annual Δ 2000-2005	Total Δ 2000-2005
Population	131,923	141,895	150,800	1.50%	7.56%
Households	49,726	53,950	58,025	1.69%	8.49%
Household Size (Avg.)	2.46	2.44	2.42	-0.16%	-0.81%
Per Capita Income	\$15,173	\$28,839	\$32,668	18.01%	90.06%

* Projected

Source: MD. Department of Planning

**Labor Force/Employment Trends
Washington County, Maryland**

	2001	2002	2003	2004	2005	2006	01/06 Change
Labor Force	69,280	70,857	67,193	66,981	68,510	70,396	1.61%
Employment	66,438	67,610	63,874	64,042	65,525	67,169	1.10%
Unemployment	2,842	3,247	3,319	2,939	2,985	3,227	13.54%
Rate	4.1%	4.6%	4.9%	4.4%	4.4%	4.6%	12.2%

Source: MD. Department of Planning

**Year 2000 Housing Status
Washington County, Maryland**

	Units	Percent	Population (HH)	Average HH Size
Total	52,972	100.00%	N/A	N/A
Occupied	49,726	93.90%	122,503	2.46
Owner Occupied	32,637	61.60%	83,768	2.57
Renter Occupied	17,089	32.30%	38,735	2.27
Vacant	3,246	6.10%	N/A	N/A

Source: 2000 Census, Maryland Department of Planning

Major Recent Growth

- The Washington County Regional Airport is currently in the process of expanding its runway system. The \$56 million runway extension will expand its primary runway from 5,450 feet to 7,000 feet with an underpass for U.S. Route 11. The airport offers commercial as well as charter and private air craft services. In addition to these passenger services, there are three rental car agencies, eight various repair and maintenance facilities, three instructional operations, an air traffic control service, and an aerial photography/topography operation. Local officials believe that the expansion of the runway will provide a significant economic impetus to the region.
- Adjacent to the 324,591 square foot, Robinwood Medical Facility is the location of the new 297 room (acute-care), 300 million, Meritus Regional Medical Center (Hospital), which is well under construction, and scheduled to be completed by the end of 2010. The completion of this major land use will undoubtedly increase traffic flows along Robinwood Drive, and the Dual Highway corridors.
- Downtown Hagerstown is improving. Since 2002, there has been a renewed interest in the downtown central business district. Prior renovation projects include the Towne Center Building, the Department of Social Services Building, the Alexander House, the Grand Building, the Washington County Assessment Office, and several buildings on the Center Square, etc. Perhaps the most important boost to the downtown community was the opening of the University of Maryland, University Center in the former Baldwin House complex. The property (32-46 West Washington Street) was opened in January of 2005 at a reported cost of \$15 million. The City has also completed a \$1.23M public plaza adjacent to this center. Another area of concentrated redevelopment is the first two blocks of South Potomac Street. The City has designated it as part of the "Arts & Entertainment" district, with the historic Maryland Theater serving as the nucleus of gentrification. The actual Arts & Entertainment district is the immediate four blocks surrounding the center square. The Maryland Theater was constructed in 1913 and noted for its architectural appointments and is also home to the Maryland Symphony. Proposed projects include several office/retail buildings with over \$25M being reinvested by private and public entities. A 202 space parking deck was recently completed and other projects are being considered. Two additional renovations on South Potomac Street include the 16 million Washington County Free Library and the \$8 million Barbara Ingram School for the Arts, both located along S. Potomac Street.
- On October 5, 2006, the Pen Mar Development Corporation announced that Corporate Office Properties, Trust (i.e., COPT) had agreed to purchase 500 acres of the 591 acre former Fort Richie United States Army base. The former army base is located in Cascade, Maryland in the northeastern tip of Washington County. The property currently contains a mix of office space, support buildings, residential units, recreational facilities and undeveloped woodland. COPT's has conceived a mixed use development plan with the most notable uses being 1.7 million square feet of office area, 674 residential units, and over 300 acres of preserved land. COPT's expected the re-development of the base to take 10 to 15 years with approximately 4,500 new jobs expected.

Other Notable Growth:

- FedEx Ground completed a \$70 million distribution hub in the Newgate Industrial Park. The 325,000 square foot facility is set on 114 acres. In September, 2009, the facility was expanded by 120,000 square feet at a cost of an additional \$25 million and is designed to process 37,500 packages per hour. The facility will employ 650.
- CSX development of major Wesel Boulevard corridor with close to one million square feet of retail and restaurant facilities.
- First Data Corp has completed a major expansion and the additional employment of 300 ± jobs.
- Phoenix Color recently completed a \$65 million corporate campus at the Airport Business Park to include a 30,000 square foot, corporate office building and a 750,000 ± square foot manufacturing/warehouse. More recently, they announced the construction of a 50,000 square foot, new paper converting facility. The project is expected to cost \$5 million and create 52 new jobs.
- The County has developed a 250 acre to be rail served, industrial park (New Gate Industrial Park).
- Staples Office Supplies has constructed an 830,000 square foot, 700 job warehouse distribution complex on 123 acres associated with the Hunters Green Industrial Park and is expanding to over 1,000,000 square feet.
- Prime Outlets at Hagerstown opened in 1998. The retail outlet center encompasses 60 acres with 218,000 square feet of retail space in the first phase, and 104,000 square feet in Phase II, and 161,000 square feet in Phase III. Visitation is 4 to 5 million per year.
- The modern, "big box" Centre at Hagerstown (750,000 ± square feet) includes a Wal-Mart Superstore, Home Depot, Border's Books, Dick's Sporting Goods, PetsMart, etc. BestBuy is expected to open a new store at this location.
- The Valley Mall recently expanded to 865,000 square feet, which includes a new 120,000 square foot, Macy's department store and 116,000 square feet of additional mall area including 21 shops, an eight bay food court, 30,000 square foot addition to Bon Ton, 16 screen theater at a total of approximately \$43 million.
- Crosspoint Shopping Center, a "big box" retail development including several detached strip centers are planned just south of the Valley Mall. Pet Co., David's Bridal, and Kohl's recently opened stores at this location, adjacent to Target and Michael's.
- The new regional campus of the University of Maryland has opened in downtown Hagerstown. The campus, which was a significant re-development project cost in excess of \$15 million.
- Tractor Supply Company recently completed a 482,000 square foot distribution center.
- New England Motor Freight, Inc. recently announced that they will construct a 72,000 square foot truck terminal on 40 acres in the Newgate Industrial Park. The facility is estimated to cost \$13.5 million and be completed in 2011.
- Rust-Oleum Corporation recently signed a new, long term lease for an additional 100,000 square feet of warehousing space. Rust-Oleum currently employs 202 people in Washington County.
- Cinetic Landis Grinding Corp., plans to build a 109,000 square foot manufacturing facility on 28 acres in the Newgate Industrial Park.
- Liberty Property Trust recently purchased 145 acres in the Hopewell Valley Industrial Park for the development of 1.8M square feet of Class A, state-of-the-art industrial warehouse space. It was recently announced that Kellogg Cereals will leased 215,460 square feet within this building.
- The United States GSA recently signed a 10 year lease on 400,140 square feet within the Liberty Building in the Hunters Green II Business Park.

MARKET AREA DATA

The subject property is located in the west end of Hagerstown, approximately 1 mile west or approximately 9 blocks west of the Hagerstown downtown central business district. The physical boundaries can be described as West Franklin Street to the north, Burhans Boulevard to the east, the CSX rail yard to the south, and Mont Villa Avenue to the west. It is characterized by an acceptable mix of single family, two family, converted apartment buildings, and neighborhood commercial uses. Also found are several churches, and the Winter Street Elementary School. The subject property is located along the north side of West Washington Street, east side of Devonshire Road, and west side of Wakefield Road. The subject's immediate block is primarily older row houses and modern duplexes with scattered neighborhood commercial uses ranging from fair to good condition. Directly across Devonshire Road from the subject is the Washington County Transportation Bus Depot.

This neighborhood is separated from the rest of Hagerstown by more than just the Western Maryland and Conrail tracks which run through town. Hagerstown was at one time a booming railroad town and railroad employees tended to choose to live in the west end. Many west-enders considered their neighborhood to be more or less a separate entity within the City, and a strong sense of community existed. The separation diminished with the raising of the railroad tracks on to a high line and the loss of railroad jobs as railroad travel generally decreased. The neighborhood is now predominately residential with commercial establishments oriented toward neighborhood businesses located on street corners. Much of the housing was constructed in the early 20th century and is frequently designed for multifamily use. As many former town dwellers moved to the suburbs since World War II, many single family residential units were separated into multifamily dwellings. Presently, the neighborhood appears to have stabilized with a mix of single family and multifamily use.

The neighborhood has good linkages. Washington Avenue and Franklin Street, which merges into (Route 40) and extends into a east and west fashion, bisects the subject's neighborhood and is the primary corridor north to a full service I-81 interchange. I-81 is one of the major highways that intersects the County and extends north to Chambersburg, Pennsylvania and beyond and south to Martinsburg, West Virginia and beyond. The other primary road linkage within Washington County is I-70. I-70, located approximately 3.5 miles south of the I-81 interchange, is a major highway extending east to the City of Frederick and beyond and west into Pennsylvania and beyond. Other streets and roads are paved and well maintained by the State or County. Schools, shopping, and employment centers are all within a reasonable driving time. All utilities including public water, sewer, natural gas, electricity and telephone are available.

When considering the viability of commercial land uses it is crucial to consider actions within the local residential market (i.e., consumers) since the influx of new residents creates and sustains the demand for supporting commercial uses. Washington County, including all municipalities authorized 1,846 units in 2005, 829 units in 2006, 407 in 2007, 306 in 2008 and 154 in 2009. The market peaked in 2005, although 2006 was well above historic levels. Buyer demand is present, although pricing has to re-adjust in order to consume a large supply either through the re-pricing or withdrawing of available properties. In addition, the previous 4 year housing cycle displayed steady increases as a result of low interest rates, readily available credit and a robust regional job market. Lending requirements have tightened significantly although interest rates remain historically low. Adding to the supply of available units is the collapse of the sub-prime lending markets and a spiked foreclosure rate. The current market retraction was inevitable given the steep rates of both development and appreciation, but the long term stability of the market remains intact.

EXPOSURE/MARKETING TIME

Overview

Exposure and marketing time are two separate concepts. Exposure time is a historic time frame and is the estimated length of time to facilitate a consummated sale as of the valuation date of the appraisal. Marketing time is a future time frame and is the estimated length of time to facilitate a consummated sale from the valuation date of the appraisal. Exposure time focuses on the market prior to and to the date of appraisal and marketing time focuses on the market at and subsequent to the date of appraisal. Both are based on perceived market conditions. Under similar and stable market conditions, the exposure and marketing times will be the same or similar. The primary compensating factor is pricing. Pricing and exposure/marketing times exhibit a direct relationship; as list prices increase, exposure/marketing times also increase and vice versa.

Selling Time

Market interest and activity has declined over the past few years as credit has tightened. Prior to this selling times were generally within six months for reasonably priced, well marketed properties. The recent tightening of credit has acted to stabilize the regional commercial markets and push selling times more in-line with historic levels, or within one year.

The Market

Evidenced by the amount of sales transactions over the last few years and based on conversations with market participants, exposure/marketing times within the Greater Washington County area are estimated to be within one year for reasonably competitive properties. The subject property is average quality and average condition overall. It is located in a predominated residential neighborhood, although, demand is present in it's office marketplace given the subject maintaining high level of occupancy, more or less, contributed to considerable lower rents than the superior, and premium commercial locations such as Dual Highway, Wesel Boulevard, etc.

Conclusion

Therefore, we are of the opinion that the subject property, if marketed professionally and aggressively at or near the value estimate contained herein, has an estimated exposure/marketing time within one year.

DESCRIPTION OF THE SITE

Overview:	The subject site contains 3.79 acres and is more or less rectangular in shape. It fronts on three streets and has a gradually sloping to fairly level topography. A large on-site parking lot that wraps around the building and serves the western, northern, and eastern elevations.
Source:	Physical inspection; Owner; Deed
Size:	3.79 Acres
Dimensions:	See the Deed and Tax Map in the addendum of this report.
Shape:	Rectangular
Easements:	Typical Utility
Encumbrances:	None Apparent
Encroachments:	None Apparent
Frontage:	West Washington Street - 344.1 feet Wakefield Road - 242 feet Devonshire Road - 499.29 feet
Access:	Pedestrian access along West Washington Street and both vehicular and pedestrian access along Wakefield and Devonshire Road.
Topography:	Gradual Sloping; the West Washington Street frontage is 4 to 6 feet above grade with a stone retaining wall. The Devonshire Road frontage varies from near grade at its northern boundary up to 8 to 10 feet above grade. The site varies from approximately 513 feet Mean Sea Level (MSL) near the southern boundary to approximately 498 feet MSL along Wakefield Road.
Drainage:	Appears Adequate
Flood Zone:	According to FEMA Map 240074 0005C, revised February 15, 1984, the subject property is within Zone C and not within the 100 Year Flood Plain.
Utilities:	Electricity, natural gas, public water, public sewer, telephone, and cable television; in ample supply; reasonably priced.
Site Utility:	Above Average; the site is much larger than the typical sites found within the neighborhood or the City.

Description of the Site

Site

Improvements: Concrete sidewalks, stone retaining walls, macadam drives and parking area, newer playground area, fenced-in playground area, some chain link fencing, trees and shrubs, established lawn, etc.

Adjacent Uses: Include modern duplexes to the north, single family residences to the east and south, and the Washington County Bus Depot to the west.

DESCRIPTION OF THE IMPROVEMENTS

Overview:	<p>Located in the approximate center of the site is a former, three story brick, school building that has been completely renovated and remodeled into a multi-tenant office building with three residential apartments. The building contains 87,600 total square feet with 50,000± square feet of rentable area. The remaining area is comprised of common areas, and other unrentable areas. The original section of the building was constructed in 1916, with additions in the 1940s. Renovation of the building began in 1988. The majority of the renovations were completed in the mid 1990s, with some tenant improvements performed as needed.</p>
Source:	<p>Previous appraisal, Physical Inspection, and representative of the owner.</p>
Design:	<p>Former, three story, brick and masonry, school building partially renovated into multiple tenant, modern, office space and three apartments. The various units in the building are identified by Section-Floor-Unit Number. See sketch in addenda. The building sections are as follows. The original southern portion of the building is Section A, the middle portion is Section B, and the northern most portion is Section C (former gymnasium occupied by Head Start).</p> <p>Most of the rented units have individually metered gas fired furnaces and air-conditioners. The three apartments have electric baseboard heat and no central air-conditioning. The common areas have zoned heating and cooling. The building is also serviced by a centralized 3,000 lb. capacity, hydro-basement elevator. There is also a freight elevator that serves all three levels of the former gym area (Head Start & Extreme Magic). The building is also equipped with a wet sprinkler system, with locks on all entry doors.</p> <p>Within the building there are 28 leaseable units ranging in size from 100 square feet to 10,000 square feet. These units have been re-demised into 17 commercial suites (i.e. primarily office), and three residential units. Only one unit is reported to be vacant (i.e. unit 208), with most of the units rented, and the balance used for storage space. A tenant summary is included in the forthcoming Income Approach. Primary tenants include several government agencies including Washington County Family Center, ADAC, and Head Start. Extreme Magic (Unit 200, 9,000 square feet, and the Hope Bridge Church (Units 106, 201, 203, 205, 206B, and 210) are also primary tenant. Other tenants include Valley Properties, PSI, Dr. Office, and other service based offices (i.e. Allstate). The identity of this center is an established government and professional center.</p> <p>Overall, the building has been fairly well maintained, but shows typical deferred maintenance.</p>
Size:	<p>50,000± square feet (Net Rentable Area) 37,600± square feet (Common areas, and other unrentable areas) 87,600 square feet (Total)</p>
Quality:	<p>Average</p>

Description of the Improvements

Actual Age:	The original section was constructed in 1916. Additions to the building occurred in the 1940's. The majority (84%) of the potential net rentable area has been renovated since 1988.
Effective Age:	The original section of the building was constructed in 1916, with additions in the 1940s. Renovation of the building began in 1988. The majority of the renovations were completed in the mid 1990s, with some tenant improvements performed as needed. Overall, the effective age of the subject is 15 years.
Foundation:	Stone and concrete block foundation
Floors:	Concrete and hardwood, with carpet and composition floor coverings.
Exterior Walls:	Brick and Stone
Windows:	The windows have all been replaced with aluminum, double glazed, double hung casement style windows.
Roof:	Combination of a flat built-up and gable built-up roof. There is a newer rubber membrane roof over the former gym.
Insulation:	Yes
Access:	One or more pedestrian doors at each of building elevation. There is an enclosed loading dock on the northern elevation serving Section C of the building and a small loading dock on the northern elevation of Section A.
Restrooms:	The interior finishes of the restrooms are generally the same with toilets, wall mounted sinks, quarry tile floor, and a drywall interior. In suites 1 and 2, one of the restrooms has a fiberglass shower, and sheet vinyl tile flooring.
Interior Finish:	Common area finished is comprised of vinyl tile flooring with glazed block or texture walls with either celotex drop or exposed ceiling decks. Office finishes vary from wood, concrete or carpeted floors with drywall or painted concrete block walls, and drop celotex ceilings. The individual units have varying floor plans that cater to individual need. However, all unit demising walls are not load bearing and easily removed. The doors are frame, solid and hollow core, some with side windows, aluminum casement, plate glass, steel, and roll up chain link. The fixtures of the apartments contain ceiling fans, double door refrigerators, electric ranges, modern kitchens and baths.
Basement:	None

	<i>Description of the Improvements</i>
Layout:	Typical school layout with wide center halls, large stairwells, and central restrooms. A copy of the building sketch and layout is included in the addenda of this report.
Heating/Cooling:	Most of the renovated units have individually metered gas fired furnaces and air-conditioners; most of the un-renovated space has no heat or air-conditioning. The three apartments have baseboard electric heat and no air-conditioning; several partially renovated units have gas fired suspended heaters with no air-conditioning and several have as gas fired suspended heaters with full or partial air-conditioning. The common baths have baseboard electric heat and no air-conditioning. The building common halls and stairwells have no heat or air-conditioning. Several spaces have electric suspended heaters and no air-conditioning.
Electrical:	New wiring in the renovated areas, which is individually metered to each unit; the electrical capacity of each unit and of the building is unknown.
Plumbing:	The entire building is wet sprinklered; the common area bathroom plumbing for the most part is original and may be in need of replacement.
Elevator:	The building is also serviced by a centralized 3,000 lb. capacity, hydro-basement elevator. There is also a freight elevator that serves all three levels of the former gym area (Head Start & Extreme Magic).
Fire Protection:	The building is fully wet sprinklered; smoke detectors; the adequacy of the fire alarm system is unknown.
Security:	Typical door locks.
Hazardous Materials:	It should be mentioned that the original boiler room has been sealed to encapsulate asbestos. Asbestos may also be present within other encapsulated areas such as walls, drop ceilings, etc.
Depreciation:	Overall, the building has been fairly well maintained, but shows typical deferred maintenance. The building is functional in its current state, although not typical of current office construction. It does possess a large amount of common area, and the overall shape is atypical. Regardless, the building has been renovated and remodeled into a modern office building that is now stabilized. In fact, the subjects current occupancy rate is well above market. However, it is important to note that the subject was built as a school and it's efficiency is only 57% (net rentable to gross building area) when most modern buildings are 85% to 100%. There were no off site influences observed, which would atypically affect the subject property value.

ZONING

Classification: C2 (Commercial General); Hagerstown, Maryland

Present Use: Mixed Use, primarily office; renovated and occupied.

Conformance: Legally Conforming Overall.

Rezoning
Probability: Unlikely.

Zoning Requirements:

Purpose: "...The purpose of the "C2" District is to provide locations for businesses of a general nature to serve the community".

Applicable Permitted
Uses: Business and professional offices, retail trade, educational services, community centers, etc.

Applicable Special
Exception Uses: Entertainment club, hospitals, other personal care services, veterinary services; etc.

Height Restriction: 3 Stories or 50 feet.

Dimensional
Requirements: No minimum lot size.

USE	AGGREGATE SIDE YARD WIDTH	MINIMUM SIDE YARD WIDTH	SIDE YARDS REQUIRED	MINIMUM FRONT YARD	MINIMU M REAR YARD
All Buildings	20	10 ***	2	15	30

* 25 feet when adjoining a residential district

Parking: Office use requires 1 parking space per 200 square feet of net floor area. Apartments require 2 spaces per unit. It appears that the subject is conforming with it's existing parking lots.

Conformance: The subject's office use is a permitted use within the C-2 Zoning District and is considered a legal, conforming use.

ASSESSMENT AND TAXES

Overview: Within Maryland, all assessments are calculated by the State Department of Assessments and Taxation. State employed assessors utilize common ad valorem assessment procedures to calculate full cash values, which are the basis for taxation. Washington County has been divided into three large regions that are re-assessed on a three year schedule. For those owner being reassessed, revised assessment statements are mailed in December and owners have 45 days to appeal. Once an assessment is finalized it is turned over to either the county or appropriate municipality. These authorities prepare the tax bills which are mailed on July 1. Full payment is then due by September 30th. Tax revenue is then collected and appropriated by the taxing authority.

<u>Subject Data</u>	<u>Parcel 1991</u>
Land	\$412,700
Improvements	\$963,500
Full Cash Value	\$1,376,200
Phase-in Assessment(2010)	\$1,376,200
Tax Rate	0.01723
Taxes	\$23,711.93

Comments: Assessments are based on a full cash value as determined by the State Assessor. Properties are re-assessed every three years to estimate the current full cash value. The re-assessment differential is applied to the assessment base in $\frac{1}{3}$ increments over the three year cycle. Assessments generally follow market values. However, it is fairly typical with ad valorem assessment procedures of mass properties that actual market value and the estimated full cash value of a property frequently differ.

Trends: Historically, real estate taxes have approximated the Consumer Price Index (CPI) and are expected to continue to do so. Based on this analysis, the subject assessment is under-assessed.

HIGHEST AND BEST USE

The Highest and Best Use Analysis is the single most important factor in the valuation of real property. It reflects the motives of the market for the subject property.

The definition of Highest and Best Use is as follows:

The reasonably probable and legal use of vacant land or an improved property, which is physically possible, appropriately supported, financially feasible, and that results in the highest value. The four criteria the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum productivity.

The highest and best use of the land as though vacant and as improved must meet four criteria:

1. Legally Permissible Uses; Private and deed restrictions, zoning, building codes, historic district controls, lease provisions and environmental restrictions must be investigated because they may preclude many potential uses.
2. Physically Possible Uses; Size, shape, area, topography, accessibility, utility and risk of natural disasters affect uses.
3. Financially Feasible Uses; All uses that are expected to produce a positive return. If the uses are not income-producing, the analysis will determine which are likely to create a value or result in a profit equal to or greater than the amount needed to develop and market the property under those uses.
4. Maximally Productive Uses; The use that produces the highest residual land value consistent with market rate of return is the highest and best use.

The highest and best use of the land (or site) if vacant and available for use may be different from the highest and best use of the improved property. This is true when the improvements are not an appropriate use, but it makes a contribution to the total property value in excess of the value of the site.

The following tests must be met in estimating the highest and best use: The use must be legal. The use must be probable, not speculative or conjectural. There must be a profitable demand for such use and it must return to the land the highest net return for the longest period of time.

These tests have been applied to the subject site. In arriving at the estimate of highest and best use, the subject site is analyzed "As If Vacant" and available for development, as well as "As Improved". The determination of highest and best use begins in the following page.

HIGHEST AND BEST USE "AS IF VACANT"

Legally Permissible Uses

Zoning, private restrictions, building codes, historic district controls, environmental regulations; must be considered because they may preclude many possible highest and best uses. Uses allowed under zoning typically constitute the available choices in most highest and best use determinations. The subject is zoned C-2(Commercial Central). It's purpose is to provide locations for businesses of a general nature to serve the community. Permitted uses include business and professional offices, retail trade, educational services, community centers, etc. The subject's current predominated office use falls in-line with the legal, permitted uses in this zoning.

Physically Possible Uses

3.79 acres is substantially larger than most downtown or mid-town sites, which would permit most commercial land use. Typically within the local market, the size range includes 1 to 3 acres for small commercial uses, 3 to 10 acres for medium commercial uses such as automobile dealerships, motels and self storage mini warehouses, 10 to 20 acres for shopping malls and heavier commercial uses.

Financially Feasible Uses

Based on the preceding possible and permissible uses, there is little need to analyze speculative uses or uses for which there is little demand. The predominate influence on the subject property is it's C-2 (Commercial Central) zoning designation. Until recently, there was good demand for well located, reasonably priced, commercial land. Pricing levels along with the majority of the market segments have somewhat stable in the last couple of years, although, we have seen signs of pricing levels slowly rising as buyer's gain more confidence. Market trends recently have been for smaller acreage lots, generally 1 to 5 acres, and the subject is within this range. Since the market has demonstrated financial demand for commercial properties of this type even though at a much slower pace than a few years ago, it is the most reasonable financially feasible use.

Maximally Productive Use

In consideration of the subject's zoning, site access, the most demand for a site such as the subject is for commercial development. The commercial development should be to the highest degree allowable under the current zoning designations. At the subject's location, the most likely users would be office users.

HIGHEST AND BEST USE "AS IMPROVED"

"As Improved," the subject site is improved with a 87,600 square feet, multi-tenant, modern office building on 3.79 acres. The overall facility is considered to be in average condition and its land to building ratio equates to 1.88:1. Typical land to building ratios for office buildings within this marketplace are in the 3.0:1 to 7.0:1 range. At its current 1.88:1 land to building ratio falls below market parameters. Therefore, the building reflects an intense use of the site, no excess or surplus land is present. Also, the subject's predominated office use is in keeping with the Highest and Best Use of the site "As If Vacant."

Based on our research and analysis, the subject site "As Improved," represents a reasonable use for the site. Therefore, based on the preceding analyses, we are of the opinion that the subject property's use as a multi-tenant office building would represent its Highest and Best Use.

VALUATION METHODOLOGY

The Appraisal Process

The appraisal process is an orderly program in which the data used to estimate the value of the subject property is investigated, classified, analyzed, and presented. Shown below is a summary of each of the approaches considered, as well as a summary of the approaches developed.

Cost Approach:	The Cost Approach is a set of procedures through which a value indication is derived for the fee simple interest in a property by estimating the current cost to construct a reproduction of (or replacement for) the existing structure, including entrepreneurial incentive, deducting depreciation from the total cost; and adding the estimated land value. Adjustments may then be made to the indicated fee simple value of the subject property to reflect the value of the property interest being appraised. The Cost Approach is most applicable for proposed, recently completed properties, or special use type properties.
Sales Comparison Approach:	The Sales Comparison Approach is the approach through which an appraiser derives a value indication by comparing the property being appraised to similar properties that have been sold recently, applying appropriate units of comparison and making adjustments, based on the elements of comparison, to the sale prices of the comparables. Sufficient comparable sales are available in which to develop a reliable valuation. The Sales Comparison Approach is the primary valuation procedure used by market participants in this marketplace for owner occupied properties.
Income Approach:	The Income Approach is the approach that an appraiser derives a value indication for income-producing property by converting anticipated benefits, i.e., cash flows and reversions, into property value. This approach reflects the actions and perceptions of investor buyers within the marketplace.
Approaches Developed:	Sales Comparison and Income Approaches. The Cost Approach was considered but was not necessary to produce a credible conclusion of value. Both the Sales Comparison and Income Approaches provide a reasonably close indication of value for the subject property; however, in the case of the subject property most weight is placed upon the Income Approach since it is an income generating property, and the Sales Comparison Approach is considered supportive. It is important to note that this is a relatively rural marketplace, as compared to the Baltimore/Washington markets, where definitive comparable data is often limited requiring dated or distant data and substantial judgement in some cases.

SALES COMPARISON APPROACH

The definition of Sales Comparison Approach is as follows:

"Approach through which an appraiser derives a value indication by comparing the property being appraised to similar properties that have been sold recently, applying appropriate units of comparison and making adjustments, based on the elements of comparison, to the sale prices of the comparables.

Procedure:	The Sales Comparison Approach is the most commonly used approach to value, since it is theoretically applicable in all cases. The fundamental appraisal principle associated with the Sales Comparison Approach is substitution, although anticipation, change, competition and contribution are all inherent. The premise of the methodology is that current, directly comparable sales will reflect market actions, conditions and therefore value. The reliability of the value conclusion hinges upon both the selection and analysis of the comparable sales. With a sufficient number of sales to analyze, the Sales Comparison Approach is often the most reliable indicator of value.
Comparable Data:	
Activity:	Moderate
Location:	Greater Hagerstown, Maryland and Regional Environs
II&B Use:	Commercial Office Use
Comparison Unit:	Price/Square Foot
Adjustments:	Typical; For which there are justifiable differences. The adjustment process is a procedure by which we isolate property differences for consideration. In this marketplace, the depth of comparable data is not sufficient to develop paired sales analysis for each individual adjustment. This process is by no means intended to be a finite derivation of the market but, just a considered approximation based on our research, knowledge, and experience in this area.
Verification:	Deed of Record; Grantor; Grantee; etc.
Comparables:	We have reviewed numerous sales in Washington County and its regional environs since 2006. Sufficient data is available in order to provide a reasonable indication of value for the subject property via the Sales Comparison Approach. The following pages provide a profile of those modern office building sales that are most comparable.

COMPARABLE SALE NO. 1

LOCATION: Address: 11, 13 & 15 N. Potomac Street, Hagerstown in Election District 25 of Washington County, Maryland 21740.

Tax Map: City Map 306, Parcel 60
File #: 4-6/2497

RECORDED: Deed Reference: 3795/309
Deed Date: December 18, 2009
Grantor: James E. Baker
Grantee: Gloryfire Ministries, Inc.
Consideration: \$250,000 - Recorded
\$390,000 - Actual
Rights Conveyed: Fee Simple
Financing: \$300,000 - Columbia Bank
Conditions: Market
Prior Sale: None within the past three years.

LAND: Area: 0.1486 Acres (6,472 Square Feet)
Zoning: C-3 (Commercial Central)
Utilities: Public water, Public sewer, Electric, Natural Gas.

BUILDING: Design: Three, Two, and One Story, Masonry, Mixed Use, Office & Apartment Building
Quality: Average
Size: 13,085 Square Feet
Age: Circa 1900 Built
Condition: Average

UNIT PRICE: Price per Unit: \$29.81 per Square Foot

COMMENT: This is the sale of a mostly vacant, three, two, and one story, masonry, mixed-use, office and apartment building located two properties north of The Square on the west side of North Potomac Street in the City of Hagerstown. The building contains 13,085 total square feet. One of the retail spaces on the first floor was vacant, and the other was the Grantor's business, Hoffman's Mens Wear, which was planned to close. The 2nd floor of the building contains two one-bedroom/one-bathroom apartments, and the 3rd floor contains one two-bedroom/one-bathroom apartment. The unfinished basement is approximately 2,574 square feet. There are approximately 5 parking spaces at the rear of the site which are owned by the City but available for parking for the subject tenants. A written agreement regarding the parking had reportedly never been signed. The property was privately marketed by the owner for approximately one year prior to the sale. This transaction is considered to be at arm's length.

VERIFIED: 06/2010; Prior Appraisal; Grantor; Washington County Land Records

COMPARABLE SALE NO. 2

LOCATION: Address: 110-112 North Potomac Street, Hagerstown, in Election District 03 of Washington County, Maryland 21740
Tax Map: City Map 306, Parcel 566
File #: 4-7

RECORDED: Deed Reference: 3304/285
Deed Date: June 1, 2007
Grantor: Vincent R. Groh
Grantee: Our Three Sons, LLC.
Consideration: \$800,000
Rights Conveyed: Leased Fee
Financing: \$880,000 - Purchase Money Mortgage held by Grantor.
Conditions: Market
Prior Sale: This property previously conveyed as part of an inter-family transfer on 03/24/05 for a recorded \$60,000. Not arms length.

LAND: Area: 0.506 Acres (92' x 240')
Zoning: C-3 (Commercial Central) & Downtown Preservation Design District.
Utilities: All major utilities available to the property.

BUILDING: Design: Four story, mixed-use apartment/retail building with detached former carriage house that is essentially shed type storage. Building contains 2 rented commercial units, 1 loft type residential apartment, and 16 one bedroom apartments.
Quality: Average
Size: 19,800 Gross square feet
Age: Built in 1952
Condition: Fair

UNIT PRICE: Price/Unit: \$40.40 per Gross Sq. Ft..
\$42,105 per Unit (19 total units)
Marketing Period: Private sale. This property was not publicly listed for sale.

COMMENTS: This is the sale of a four story, brick and masonry, apartment building that also contains two first level commercial units, and a detached former carriage house. The primary building contains 19,800 square feet comprised of 2 rented commercial units, 1 larger loft apartment, and 16 one bedroom units. The previous owner has chose not to rent any of the apartments, which have been vacant for over 10 years. The building also contains some core hallways and stairwells, although there is no elevator. There is a full, unfinished basement. To the rear of the building is a detached, frame carriage house in fair to poor condition. It has nominal contributing value. Also to the rear of the site is an alley access point giving way to an unlined parking lot (8 cars). The Grantor verified that this sale was at arms length.

VERIFIED: 06/2007; Rep. of Grantor, Deed, Assessment Data, Physical Inspection.

COMPARABLE SALE NO. 3

LOCATION: Address: 64-70 W. Franklin Street & 112-132 Jonathan Street, Hagerstown, in
Election District 25 of Washington County, Maryland 21740

Tax Map: City Map 306, Parcel 92, 93, and 326
File #: 4-7/2245

RECORDED: Deed Reference: 3246/555
Deed Date: March 13, 2007
Grantor: Franklin Square Partnership/Downtown Development Enterprises
Grantee: Razi, LLC
Consideration: \$950,000
Rights Conveyed: Leased Fee
Financing: Cash to Seller.
Conditions: Market
Prior Sale: None within the past three years.

LAND: Area: 0.4518 Acres or 19,680 Square Feet
Zoning: C-3 (Commercial Central) & Downtown Preservation Design
District.
Utilities: All major utilities available to the property.

BUILDING: Design: One, two, and three story, mixed-use apartment/retail building.
Quality: Average
Size: 26,137 Gross square feet
Age: Built in 1950 & 1972
Condition: Average

UNIT PRICE: Price/Unit: \$36.35 per Gross Sq. Ft..
\$67,857 per Unit (14 total units)
Marketing Period: Less than five months.

COMMENTS: This is the sale of a one, two, and three story, brick and masonry, mixed-use retail/apartment building that contains a 4,000 square foot first level commercial unit (the former Neikirk's wallpaper and housewares store) and 13 apartments contained within two buildings. The property is located across Jonathan Street from the subject. The one story building is 4,429 square feet, and the two and three story building is 21,708 square feet. The site (3 parcels) contains 13 parking spaces. The building was purchased by an owner user of the retail space.

VERIFIED: 12/2008; MRIS, Deed, Assessment Data, Physical Inspection

COMPARABLE SALE NO. 4

LOCATION: Address: 1258-1260 Maryland Avenue, Hagerstown in Election District 03 of Washington County, Maryland 21740.

Tax Map: Map 314, Parcel 895

File #: 4-1

RECORDED: Deed Reference: 3426/147
Deed Date: December 28, 2007
Grantor: Robert H. & Jean M. Bricker
Grantee: Charles R. & Sue S. Eckstine
Consideration: \$2,400,000
Rights Conveyed: Leased Fee
Financing: Partial financing by Seller at market rate.
Conditions: Below-Market - Approximately 5%
Prior Sale: None within the past three years.

LAND: Area: 4.85 Acres (211,266 Square Feet)
Zoning: C-2 (Commercial General)
Utilities: Electric, Telephone, Public Water, Public Sewer

BUILDING: Design: Two, one story, masonry, office buildings
Quality: Good
Size: 27,160 Square Feet
Age: 1984-1998 Built
Condition: Good

UNIT PRICE: Price per Unit: \$88.37 per Square Foot

COMMENT: This is the sale of two one story, brick and vinyl sided, office buildings, leased to multiple tenants. The first building, located at 1260 Maryland Avenue, was constructed in 1984, contains 19,800 square feet, and has a hip, asphalt shingle, roof. The second building, located at 1258 Maryland Avenue, was constructed in 1998, contains 7,360 square feet, and has a near flat membrane roof. Together the building complex totals 27,160 square feet. By lease, the net rentable area is 23,184 square feet, which is smaller than the actual building. The complex was 96% leased by seven tenants at the time of the sale with units ranging in size from 1,050 to 8,163 square feet including one vacant space. Additionally, there is approximately an acre of surplus land on site. The indicated capitalization rate is 9.0%. The excess land represents approximately \$175,000, or 7%, of the value.

VERIFIED: 01/08; Appraised; Washington County Land Records

COMPARABLE SALE NO. 5

LOCATION: Address: 324 East Antietam Street, Hagerstown, within Election District 17 of Washington County, Maryland 21740

Tax Map: City Map 306, Parcel 79

File #: 4-1

RECORDED: Deed Reference: 3380/477
Deed Date: October 2, 2007
Grantor: *Volare Holdings, LLC*
Grantee: Capital T. Partners Property II, LLC
Listing Price: \$5,200,000
Rights Conveyed: Leased Fee
Financing: \$4,240,000 - 1st United Bank
Conditions: Market
Prior Sale: \$0 - February 17, 2005 (Not Arm's Length)

LAND: Area: 4.41 Acres (192,100 Square Feet)
Zoning: C-2 (Commercial General)
Utilities: *Electric, Telephone, Public Water, Public Sewer*

BUILDINGS: Design: One Story, Brick and Block, Medical and General Office Building
Quality: Good
Size: 57,250 Square Feet
Age: 1992 Renovated
Condition: Good

UNIT PRICE: Price per Unit: \$90.83 per Square Foot of Gross Building Area

COMMENT: *This is the sale of a one story, brick and concrete block curtain wall, steel frame, medical and general office building containing a total building footprint of 57,250 square feet, known as the Fennel Building. There is a total of 48,656 net rentable square feet, which was reportedly fully occupied at the time of the sale by multiple tenants, including the Grantor's management office of 1,400 square feet. In 1987, the site was improved with an older, concrete block/steel frame, one story, industrial dress manufacturing facility. During 1987 to 1992, the entire facility was completely renovated at a cost in excess of \$2,500,000 into a modern medical and professional office facility. The overall quality of construction and condition is considered to be good.*

VERIFIED: *11/2007; Washington County Land Records; Previous Appraisal*

Comparable Sales Analysis

In this analysis, the similar and competitive properties are individually compared to the subject property and adjusted for justifiable differences to arrive at a value estimate for the subject property. The following is a brief overview of the primary elements of comparison.

- Property Rights:** The property rights acquired for each sales used were either fee simple, and/or leased at market levels, therefore, no adjustment warranted.
- Financing:** The definition of market value requires the value to be "in terms of cash...or in terms of financial arrangements comparable thereto." In those instances where financing is atypical, the appropriate adjustments have been made to reflect the cash equivalent sale price.
- Conditions of Sale:** When the conditions of sale are atypical, the result may be a price that is higher or lower than a normal market transaction and require adjustment where indicated for assemblage, property restrictions, forced sale, etc. Reportedly, Sale No. 2 sold approximately 5% below market therefore it was adjusted accordingly.
- Market Conditions:** This adjustment is to reflect the difference in the real estate market between the time at which the comparable sale was transacted and the date of valuation of the subject. Commercial properties had increased dramatically (along with most other market segments) from 2003 through mid 2006. Since then pricing has fallen as high as 10 to 20% from the peak in the mid 2005, and the end of 2008 likely saw another sharp and concentrated decline due to an unprecedented national credit crunch and economic recession. The adjustments made vary depending upon the time frame in which the transaction was negotiated and sold and in consideration of the market in which the property resides.
- Location:** This is a primary demand influencing characteristic and is a time distance relationship (linkages) influenced by social, economic, governmental, and environmental factors. The appropriate adjustments have been made for these differing characteristics.
- Physical Characteristics:** The appropriate adjustments have been made for justifiable differences between the sales and the subject. Adjustments were made to reflect condition, quality, site improvements, etc vary from property to property.

SALES ADJUSTMENT GRID

ELEMENT	SUBJECT	SALE 1	SALE 2	SALE 3	SALE 4	SALE 5
Address	920 W. Washington St. Hagerstown, MD	11-15 N. Potomac St. Hagerstown, MD	110-112 N. Potomac Hagerstown, MD	64-70 W. Franklin Hagerstown, MD	1258-60 MD Ave. Hagerstown, MD	324 Antietam St. Hagerstown, MD
Sale Price	N/A	\$350,000	\$800,000	\$950,000	\$2,400,000	\$5,200,000
Price/Acre	N/A	\$29.81	\$40.40	\$36.35	\$88.37	\$90.83
Rights Conveyed	Fee Simple	Fee Simple	Leased Fee	Leased Fee	Leased Fee	Leased Fee
+/-		0%	0%	0%	0%	0%
Financing Terms	Market	Market	Market	Market	Market	Market
+/-		0%	0%	0%	0%	0%
Condition of Sale	Market	Market	Market	Market	Below-Market	Market
+/-		0%	0%	0%	5%	0%
Market (Date of Sale)	October, 2010	December, 2009	June, 2007	March, 2007	December, 2007	October, 2007
+/-		0.00%	-15.00%	-15.00%	-15.00%	-15.00%
Adjusted Price/Sq. Ft.	N/A	\$29.81	\$34.34	\$30.90	\$78.87	\$77.21
<i>Locational & Physical Adjustments</i>						
Location	Urban/Average	Superior	Superior	Superior	Superior	Superior
+/-		-5%	-5%	-5%	-10%	-10%
Building Size (Sq. Ft.)	87,600 Sq. Ft.	13,085	19,800 SF	26,137 SF	27,160	57,250
+/-		-25%	-20%	-20%	-20%	-5%
Quality/Condition	Avg./Avg	Similar	Inferior	Superior	Superior	Superior
+/-		0%	5%	-10%	-35%	-50%
Zoning	C-2	Similar	Similar	Similar	Similar	Similar
+/-		0%	0%	0%	0%	0%
Land to Bldg. Ratio	1.88 to 1	0.49 to 1	1.11 to 1	0.75 to 1	7.78 to 1	3.35 to 1
+/-		5%	0%	5%	-10%	-5%
Site Improvements	Parking, sidewalks, playground, retaining walls, etc.	Inferior	Inferior	Inferior	Similar	Similar
+/-		5%	5%	5%	0%	0%
Total Adjustments		-20%	-15%	-25%	-75%	-70%
Indicated Value Per Sq. Ft.		\$23.84	\$29.19	\$23.17	\$19.72	\$23.16

Comparable Sales Summary

Unadjusted per Unit Value Range:	\$29.81 to \$90.83 per Square Foot
Adjusted per Unit Value Range:	\$19.72 to \$29.19 per Square Foot
Adjusted per Mean Unit:	\$23.81 per Square Foot
Adjusted per Median Unit:	\$23.17 per Square Foot

Within this analysis, we were able to verify each of the transactions and made supportable adjustments to arrive at an indication of value. In comparison, all five sales contain a similar predominated multi-tenant office design in Hagerstown. Sale Nos. 1-3 are located downtown Hagerstown, and generally are mixed-use in design with commercial office/retail and apartments. Sale Nos. 4 and 5 are true office buildings, and are far superior in condition and design. As a result, both sales included the largest amount of net adjustment. In addition, we are aware of a comparable sale located on 328 N. Potomac Street, Hagerstown. This sale is the former historic, Hagerstown Armory facility containing 13,500 square feet above grade plus a 9,000 square foot walk-out basement, and 4,230 square foot 5 bay garage. This equates to a gross building area of 26,730 square feet. This property was purchased by the Way Station on 12-22-09 for \$650,000 or \$48.15 per square foot with the plan to convert the building into modern office space. In any event, this space was not yet converted into offices at the time of the sale, therefore, we did not use in this analysis. Next, we will rank the sales into the following table.

Ranking of Comparability

Sale No.	Unadjusted Price/Square Foot	Adjusted Price/Square Foot
1	\$29.81	\$23.84
3	\$36.35	\$23.17
5	\$90.83	\$23.16
4	\$88.37	\$19.72
2	\$40.40	\$29.19

In consideration to Sale No. 1 at \$23.84 per square foot, and the adjusted mean and median values at \$23.81 per square foot, and \$23.17 per square foot, we can conclude that the subject has an estimated point value of \$23.00 per square foot. The mathematics is as follows:

87,600 Square Feet @ \$23.00 per Square Foot =	\$2,014,800
Rounded To =	\$2,000,000

Sales Comparison Approach Summary

Sufficient data was available to fully develop the Sales Comparison Approach. The analysis was based on the most comparable sales in the market, and the analysis already discussed within the report.

Current Market Value, "As Is": **\$2,000,000**

Date of Value: October 12, 2010

Exposure/Marketing Time: Within One Year

INCOME APPROACH

The definition of the Income Approach is as follows:

"Approach through which an appraiser derives a value indication for income-producing property by converting anticipated benefits, i.e., cash flows and reversions, into property value. This conversion is accomplished in two ways: One year's income expectancy or an annual average of several years' income expectancies may be capitalized at a market-derived capitalization rate or a capitalization rate that reflects a specified income pattern, return on investment, and change in the value of the investment; secondly, the annual cash flows may be discounted for the holding period and the reversion at a specified yield rate."

Overview:

The Income Approach is widely used in the evaluation of income producing properties. Income producing properties can range widely from traditional office buildings and retail stores to residential subdivisions and specialty properties. Since by their nature, income producing properties are investments, the cash flow attributed to the property is paramount. Participants (i.e., investors) make property related decisions based on the expectations of the income stream, making anticipation the fundamental principle associated with the Income Approach. In the development of the Income Approach several methods and techniques can be employed, with the two primary methods being Direct Capitalization and Yield Capitalization. Each will be described to follow.

Direct Capitalization is defined as "...a method used to convert an estimate of a single year's income expectancy into an indication of value in one direct step - either by dividing the income estimate by an appropriate income rate or by multiplying the income estimate by an appropriate factor." In the tri-state market, it is the primary method used among market participants. Participants evaluate offerings and purchases based on overall capitalization rates. In our experience, participants have a good understanding of the methodology and employ it in the same manner.. Therefore, it will be employed

Yield Capitalization is defined as "...a method used to convert future benefits into present value by discounting each future benefit at an appropriate yield rate or by developing an overall rate that explicitly reflects the investment's income pattern, value change, and yield rate." When analyzing larger, investment grade properties, the Yield Capitalization method is more commonly employed in the local market. The Yield Capitalization method is highly applicable for evaluating properties with long term leases where the consideration of the reversion is critical. However, multi-tenant occupied buildings with mostly short term leases in place tend to be less reliable. Therefore, a yield capitalization analysis will not be employed.

Procedure: The Income Approach will develop the estimated value of the subject property, based on market lease terms and conditions. For this analysis, we will utilize Direct Capitalization, which is most applicable for a facility of this type in this market.

Potential gross income is self evident and is simply the gross income attributable to the property, generally confined to an annual time period. Potential gross income can have several components, although most are generally forms of rent. Contract rent, percentage rent, overage rent, etc., can all funnel into the larger potential gross income, as well as other less prominent contributors like late fees and rental defaults. Inherent in the estimation of potential gross income is full occupancy of the property. Vacancy and collection loss will be later discussed. The steps of the income approach for each of the subjects is as follows;

1. Estimate the potential gross income of the subject (PGI)
2. Estimate vacancy and collection loss and resulting effective gross income (EGI),
3. Estimate property expenses and calculate net operating income (NOI),
4. Select the appropriate overall capitalization rate (R_o),
5. Apply the appropriate rate to the net operating income.

Market Rent Analysis: The first step in the Income Approach analysis is to examine the subject rentals and also the local market rental data in order to ascertain the potential market rent for the subject property. We will examine the local market rental data in order to ascertain potential market rent for the subject building. First, we will examine the subject leases via the Rent Roll.

Income Approach

WESTSHIRE PROFESSIONAL CENTER - RENT ROLL

#	Unit	Tenant	Size	Current Rent/Mo.	Rent/SF/Year	Comments
1	100	Head Start	6,700±	\$5,704.00	\$10.21	Daycare and office facility. Tenant pays electric and gas. Stepped rent.
2	101-108	Rainbow	1,834±	\$750.00	\$4.90	6 Office units occupied as one suite. Full Service
3	110	Not Provided	600±	\$500.00	\$10.00	Residential Unit. Tenant pays electric (heat). Lower level
4	112A	Allstate Insurance	600±	\$750.00	\$15.00	Office unit. Full Service.
5	112B	Security Sales	700±	\$675.00	\$11.57	Office unit. Full Service.
6	200	Extreme Magic	9,000±	\$450.00	\$0.60	Former Bingo Island suite. Tenant pays electric and heat. Below market rent.
7	204	PSI	590±	\$775.00	\$15.76	Office unit. Full Service.
8	206A	Dr. Office	450±	\$250.00	\$6.66	Office unit. Full Service.
9	206B	Hope Bridge Church	250±	\$350.00	\$16.80	Office unit. Full Service.
10	206C	Bradley	250±	\$250.00	\$12.00	Office unit. Full Service.
11	201-205+210	Hope Bridge Church	5,000±	\$3,500.00	\$8.40	Multiple office units used by church. Full Service.
12	209	ADAC	1,800±	\$1,875.00	\$12.50	2 Office units and adjoining conference room. Tenant pays electric and gas.
13	212	Valley Properties	2,800±	\$2,000.00	\$8.57	Owner-occupied office unit.
14	300	Wash. Co. Family Center	10,000±	\$3,810.00	\$4.57	Tenant pays electric and gas. Below market lease.

Income Approach

#	Unit	Tenant	Size	Current Rent/Mo.	Rent/SF/Year	Comments
15	Apt. 1	Not Provided	600±	\$700.00	\$14.00	Residential Unit. Tenant pays electric (heat).
16	Apt. 2	Not Provided	600±	\$650.00	\$13.00	Residential Unit. Tenant pays electric (heat).
17	109	Valley Properties	4,000±	N/A	N/A	Partial unfinished warehouse and office suite. Formerly used by Hardware Discounters. It is currently used by owner as storage space.
18	202	Head Start	650±	N/A	N/A	Tenant occupies this unit at no rent.
19	208	*Vacant	450±	\$350.00	N/A	Previous office unit.
20	212A	Valley Properties	3,000±	N/A	N/A	Former Dentist Office. Now used by owner as storage space.
		**Total Rentable Area	\$49,874	\$23,339	N/A	N/A

* Only vacant unit. We estimated market rent at \$350 per month. See rental analysis on the next page.

** As previously mentioned, we were not provided leases on the subject, therefore, the rent amount, leasable area (size), and lease conditions (i.e. tenancy, term, options, conditions, etc.) have been reported based on discussions with the owner, representative of the owner, rent roll, and history. Should data become available that significantly is in contrast to this report, we reserve the right to re-analyze.

Market Rent Analysis: In estimating the subjects market rent we must first discuss market terms and conditions. Terms and conditions of leases within the general area vary substantially. Lease terms vary from one year to 20 years with the predominate range being three to five years. For large facilities 5 to 10 years is typical. Lease conditions generally vary from a gross lease to a net lease. The gross lease is a condition where the landlord is responsible for all property related expenses. The net lease is a condition where all property related expenses are the responsibility of the tenant. In between these two extremes is the modified gross lease condition. The modified gross lease generally has the landlord paying taxes, insurance, structural maintenance/reserves for replacement, and management. A net lease generally has the landlord responsible for management, and structural maintenance/reserves for replacement with all other property related expenses passed on to the tenant. Beyond the net lease condition, is the absolute net lease. This is best for the landlord in that all property related expenses are passed on to the tenant including management and structural maintenance. Typically within the local marketplace, new and/or modern, or single tenant facilities are predominantly leased on a net basis. This provides the landlord with the least amount of risk when considering the fluctuations for cost of utilities, taxes, insurance, etc. Our analysis to follow utilized a modified gross basis analysis, which is the condition at the subject.

On the following pages, we have reported multiple comparable leases for consideration within a direct analysis. Those rental selected as most comparable will be directly analyzed.

COMPARABLE OFFICE RENTALS

NO.	LOCATION	LESSOR/LESSEE	UNIT SIZE	TERM	OPTIONS	LEASE CONDITION	RENT/ SQ. FT.	INCREASES	COMMENTS
1	N. Potomac St. Hagerstown, MD	Available	600	3-5 Years	Available	Net	\$11.00	Annual CPI	Modern, multi-tenant, office/retail building.
2	W. Washington St. Hagerstown, MD	Confidential	1,500	5 Years	None	Gross	\$14.00	Fixed	Multi-tenant office building.
3	W. Washington St. Hagerstown, MD	Confidential	2,460	2 Years	Available	Mod. Gross	\$8.39	Fixed	Modern, multi-tenant office/retail building; avg. condition
4	W. Washington St. Hagerstown, MD	Confidential	2,490	5 Years	Available	Mod. Gross	\$9.68	Fixed	Modern office space in multi-tenant, office/retail building.
5	S. Potomac St. Hagerstown, MD	Confidential	11,180	4 Years	Available	Net	\$13.50	3% Annual	Renovated retail/office building. Tenant located upper floor.

Older Multi-family Apartments in Downtown Hagerstown

#	LOCATION	SIZE	BEDROOM LAYOUT	RENT/ MO.	COMMENTS
1	19-21 E. Baltimore St.	800±	1 BR.	\$500.00	Older, urban, multi-family, apartment building located in the city limits of Hagerstown. It contains 4 units with water and sewer and trash included in the rent.
2	216-218 Summit Ave.	955±	2 BR.	\$745.00	Older, urban, multi-family, apartment building located in Hagerstown. It contains 7 units with water and sewer and trash included in the rent.
3	401 Guilford Ave.	870±	2 BR.	\$650.00	Older, urban, multi-family, apartment building located in the south end of Hagerstown. It contains 7 units with water and sewer and trash included in the rent.
4	424-426 N. Locust St.	588±	1 BR.	\$615.00	Older, urban, multi-family, apartment building located just northeast of the downtown square of Hagerstown. It contains 14 units with the water and sewer and trash included in the rent.
5	52-56 E. Antietam St.	695±	1 BR.	\$550.00	Older, urban, multi-family, apartment building located in downtown Hagerstown. It contains 12 units with water and sewer and trash included in the rent.
6	38 E. Franklin St.	700±	1 BR.	\$565.00	Older, urban, multi-family, apartment building located in downtown Hagerstown. It contains 5 units with water and sewer and trash included in the rent.
7	30 E. Antietam St.	701±	1 BR.	\$475.00	Older, urban, multi-family, apartment building located on the historical, S. Prospect St. in the south end of Hagerstown. It contains 7 units with water and sewer and trash included in the rent.

A review of the current rent levels within these mixed use, downtown commercial/apartment buildings directly competing with the subject would indicate that the current subject rent levels are generally at market. To forecast the subject's income, we have reviewed numerous local comparables of both downtown commercial units and downtown apartments. We analyzed several similar type commercial units in the same general location and found that rents generally ranged from \$550 to \$2,000 or \$8.00 to \$14.00 per square foot depending upon the size, finish and location. The larger units generally fall slightly below this range at \$5.00 to \$8.00 per square foot, and the smaller units will command a slightly higher price per square foot range of \$14.00 to \$16.00. The existing leases are generally within the range observed and are reasonable given the varied finishes and units sizes within the subject building. Reportedly, the only available unit is suite 208. Similar size units leasing in the subject range between \$250 to \$350 or \$6.66 to \$9.33 per square foot. We will estimate this unit to be \$350/mo. The balance of the building generally includes common hallway, and various storage areas, most of which occupied by the owner trading as Valley Properties LLC (i.e. units 109 and 212A). Unit 202 is occupied by Head Start for \$0 rent. We assume this is an incentive for them to continue their tenancy in their large space (i.e. suite 100). As such, since these units will most likely continue to remain in this capacity with no generating income, \$0 rent will be forecasted. Also, Extreme Magic leases the former Bingo Island space in Suite 200 for only \$450/mo. which falls significantly below market rent parameters. But in this soft market for these older buildings, it is not uncommon for owner's to rent space cheaper than typical to maintain high levels of occupancy. In consideration to the downtown apartment units, the rent range generally falls between \$500 to \$600 per month for one bedroom units, \$550 to \$650 per month for two bedroom units, and \$650 to \$750 per month for three bedroom units. These rents vary depending on location and unit site amenities (laundry, parking, etc.). The subject rents for the most part, fall within market range, therefore, we will use the contract rents going forward. To forecast the potential gross income, we used the provided contract rents plus we added an additional \$350.00 per month for the only vacant unit (Suite 208). As such, we estimate the subject to have a gross monthly rent of \$280,068 or (\$23,339 x 12 months).

2. Estimate vacancy and collection loss

Our research into the local and regional marketplace indicates a relatively balanced supply and demand. A physical inspection of the various mixed-use buildings illustrates a relatively low vacancy rate, generally from 5 to 15%. Due to these factors, coupled with the subject historically maintaining very high levels of occupancy (95%+), we have assessed a market vacancy/credit loss of 5% of the effective gross income.

Effective Gross Income

The effective gross income is derived by subtracting the estimated vacancy from the potential gross income. The individual calculations are as follows;

Gross Potential Income	<u>\$280,068</u>
Vacancy & Collection Loss (5%)	<u>(14,003)</u>
Effective Gross Income (EGI):	\$266,065

3. Estimate property expenses

This appraisal firm has completed numerous appraisals of competitive properties in the tri-state marketplace. We have utilized our collective data and experience to formulate the appraiser forecast in the Forecast Operating Statement. Also, we will show the owner's income and expense forecasts.

Real Estate Taxes - The taxes reported by the owner was at \$27,500 for 2009. As stated within the Assessment and Taxes section, and based on the current tax rate and assessment, we estimated the taxes to be \$23,711 for 2010 and more reflective of the current marketplace.

Insurance - We have reviewed the expense costs from various mixed-use buildings within the local market. The owner reported this expense at \$8,000 or \$0.09/SF. for 2009. Typically, insurance expenses range anywhere from \$0.10 to \$0.20 per square foot, depending upon the quality and condition of the building and fire protection available, etc. We report a slightly higher expense at \$8,670 or \$0.10/SF since rates generally increase annually.

Utilities - The utilities expense includes water and sewer charges, trash removal, and electricity and gas. The landlord and tenants share the expenses for the electricity and gas since there is an acceptable mix of full service and modified gross leases in place. The combined charges for 2009 were reported at \$43,000 or \$0.50/SF. The actual cost appears reasonable, therefore, we will report a similar expense in 2010.

Maintenance and Repair - Competitive projects in this area range greatly in their repairs and maintenance costs, but generally fall between \$0.15 and \$0.30 per square foot, depending on the size, age and condition of the units. In 2009, \$14,000 or \$0.16/SF was realized. We will estimate this expense slightly higher in 2010 at \$0.20/SF or \$17,340/year. This expense would also include general yard maintenance, and snow removal. In the case of the subject, the owner also reported \$2,500 in elevator maintenance. Therefore, this cost was taken into consideration in our estimate above.

Management - Competent and competitive management can be obtained in the current marketplace from generally 2% to 8% of the effective gross income. The management expense covers the cost for advertising, accounting, and general overall management of the facility. We have assessed a management expense at the middle of the spectrum or 5% of the effective gross income.

Structural Maintenance/Reserves for Replacement - Structural repair/reserves for replacement is a capital reserves expense item in the standard operating cost to provide for long term maintenance and/or replacement of long and short lived items, which are necessary in order to sustain a property at projected levels of income and minimize cash calls. For the past ten years or so, this expense item was placed below the net operating income; however, due to recent stricter banking and accounting regulations, is now included in the computation of the net operating income and/or its overall value by the direct capitalization method. Reserves generally range from 1-3% of effective gross income, and the subject is estimated at 2%.

Miscellaneous - This expense varies greatly among competitive projects in this marketplace. This expense is a "catch all" that includes a wide range of generally minor and unexpected expenses (i.e. legal fees, supplies, etc.). Given the subject's large overall building size, we will report a expense of \$5,000 in 2010.

Leasing Commissions - Although leasing commissions are part of the local market, the significant amount of properties like the subject often find the owner/developer acting as his own leasing agent, as is the subject. As such, the determination of capitalization rates, the market/buyers indicate that leasing commissions are placed below the net operating income and therefore, is not included in the computation of the net operating income and/or its overall value by the direct capitalization method. Therefore, our analysis does not include a leasing commission.

4. Reconstructed Operating Statement and resulting net operating income (NOI)

The net operating income is derived by subtracting the associated operating expenses from the effective gross income. This is the income that is available for debt service, profit, etc. The following is the forecast income and expense Reconstructed Operating Statement for the subject property based on the preceding analysis.

Reconstructed Operating Statement

Potential Gross Income		
Total Potential Gross Revenue	\$23,339/Month x 12	\$280,068
(-) Vacancy and Credit Loss (5%)		<u>(14,003)</u>
Effective Gross Income		\$266,064
Operating Expenses		
Real Estate Taxes	23,711	
Insurance	8,670	
Utilities	43,000	
Maintenance and Repair	17,340	
Management (5% of EGI)	13,303	
Reserves (2% of EGI)	5,321	
Miscellaneous	5,000	
Total Expenses		<u>(116,345)</u>
Net Operating Income		\$149,719

Upon reviewing the Reconstructed Operating Statement, the information presented and the data leading to these conclusions are well supported in the current market and no adjustments or refinements to these conclusions are needed.

Upon reviewing the Forecast Operating Statement, the information presented and the data leading to these conclusions are well supported in the current market and no adjustments or refinements to the conclusion is needed.

5. Direct Capitalization Method

The Direct Capitalization Method is the primary method used by market participants for the income analysis of this type of property in this marketplace. A stabilized single year's income expectancy is directly capitalized by a market derived income rate.

Rate Selection

Source: Market Participant Interviews; Published Sources; Alternative Investments; Generalized Comparable Sales Data.

Justification: The object of the direct capitalization method is to replicate the motives of the typical investor for this type of property. Since direct capitalization is the most widely used method by local investors, it is appropriate for this analysis. In addition, since the subject is predominately leased to office tenants, we will look at local capitalization rates of office building sales on the following chart.

SUMMARY OF RECENT OFFICE BUILDING OAR's

No	Property Location	Overall Rate	Comment
1	Blake Road, Hagerstown, Maryland	8.64%	Modern, two-tenant, office building.
2	1314 Edwin Miller Blvd., Martinsburg, West Virginia	10.2%	Older, multi-tenant office building, very average condition, high vacancy.
3	200 Rock Cliff Drive Martinsburg, West Virginia	9.50%	Multi-tenant office retail building.
4	1150 Professional Court Hagerstown, Maryland	8.75%	Modern, medical office building in good condition.
5	265 Mill Street, Hagerstown, Maryland	7.00%	Multi-tenant, one story retail/office building.
6	1258-60 Maryland Avenue, Hagerstown, Maryland	9.00%	Multi-tenant office building in secondary Hagerstown location, sold December, 2007.
7	747 Northern Avenue, Hagerstown, Maryland	9.50%	Multi-tenant office building, portion located in flood plain. Sold in March, 2006.

From the preceding chart, the cap rates ranged from 7.00% to 10.2%. The range is fairly linear with the highest overall rates being attributed to high rates of vacancy. All of the rates used are from the local market, and were verified by parties to the transaction.

Investor Survey

PricewaterhouseCoopers/Korpacz, Office Institutional Grade Market Indicators: 3rd Quarter 2010

OAR Range	6.00% - 10.50%	Average	8.01%
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Conclusion: 9.00%; The subject would fall to the higher range for non-institutional grade properties, and local office sales, primarily because of it's older condition, and short term leases, even though the property has reportedly maintained high levels of occupancy (95%+). This is primarily due to the soft market for older buildings, where owner's rent space cheaper than typical to maintain high levels of occupancy.

Direct Capitalization

Conclusion: The final step of this analysis is simply one mathematic computation. With all applicable components being fully analyzed and well supported, we can perform the final step without any further considerations or refinement. The derivation of overall value or V_o is the concluded net operating income divided by the selected overall capitalization rate. The mathematics are as follows;

Current Market Value, As Is:

Formula: $V_o = NOI \div R_o$

Known: NOI = \$149,719

$R_o = 0.090$

$$V_o = \frac{\$149,719}{0.0900} = \$1,663,544$$

$V_o = \$1,663,544$ rounded to \$1,700,000

Income Approach Summary:

The direct capitalization method was fully developed with no apparent weakness to any of its components. The value is conclusion is well supported.

Current Market Value, "As Is":	\$1,700,000
Date of Value:	October 12, 2010
Exposure/Marketing Time:	Within One Year

RECONCILIATION AND FINAL ESTIMATE OF VALUE

The final step of this appraisal assignment is to tie the various analyses together by re-analyzing the quality and quantity of the data available, determining the reliability of each indication, explaining any significant variations in value, and then rendering final opinions of value. This process of reconciliation serves to clarify the relevance of each value indication, and remove any unresolved conditions before concluding a final opinion of value. The reconciliation does not serve as a restating of the methodology employed.

This appraisal is a complete analysis that is reported in a summary format. All data, methodology, assumptions and limiting conditions, reasoning, etc. considered are summarized within this report. During the preparation of this assignment, in our opinion, only the very basic information relating to the subject was readily available with the owner granting reasonable disclosure of all requested information. In addition, a sufficient amount of market data was available to derive clear market trends, which led into our opinion of highest and best use. In addition, the existing use yields no surplus or excess land. Upon concluding the highest and best use of the subject, all applicable approaches to value (i.e., sales comparison and income) were developed.

Valuation Summaries:

Cost Approach:	Not Developed
Sales Comparison Approach:	\$2,000,000
Income Approach:	\$1,700,000

Final Conclusion

The two primary indicators of value for a property such as the subject were fully developed. The Cost Approach was not developed given the age of the facility and lesser reliance given by investors. When concluding the final estimate of value, we must consider the strengths and weaknesses of the two value indications. The Sales Comparison Approach concludes a value of \$2,000,000 with a sufficient number of directly comparable sales to analyze. The only weakness is that when comparing properties, there tends to be some inconsistency in price paid due to the varied income characteristics of the individual properties. However, this is only a minor weakness since the sales in aggregate concluded a narrow range of value and therefore the conclusion is considered highly reliable. Participants typically use a market analysis to establish a range of reasonableness, although business decisions are primarily made through income analysis. Also, there have been only a limited number of sales of older, predominated, office buildings regionally for which to consider. Regardless, the conclusions of the Sales Comparison Approach are considered reliable, although given secondary consideration.

Lastly, the Income Approach was fully developed, and the primary indicator for income generating rental properties. The strength of this approach is that it directly reflects the market perceptions of investors for this type of property. Given that the subject is an income producing nature, the Income Approach is considered the best indicator of value. Ample data, including actual income and expenses, comparable income and expense schedules, as well as several market derived rates were available for this analysis. A high level of confidence is given to the conclusions given the ample amount of current data available within a stable market.

Reconciliation and Final Estimate of Value

Both approaches to value were fully developed with no apparent weakness. However, the variance between the two estimates at 15.00% is greater than typically yielded on a commercial property. A variance of less than 15% is generally acceptable, although less than 10% is preferred. In the case of the subject, it is an older, multi-tenant facility that is a re-adaptive use. In general, it is difficult to capture the condition of a re-adaptive use within either a sales or income analysis since the design of the building, use of materials, etc., are rarely mirrored in other properties. Given the near unique quality of these types of property, a slightly wider variance is not surprising and does not discredit either analysis or the rendered conclusion.

It should be noted that in the preparation of this report, we contacted various market participants who are active in the local markets. In some cases, data was given that fits directly into our analyses, although in other cases opinions of the market or confidential information was conveyed that does not directly make its way into the reporting. Regardless, the insight provided by these various sources is considered in our reconciliation of value.

At this point in the analysis it would be appropriate to reconcile any recent sales of the subject or considered any current contracts of sale. The subject property has been in the same ownership since 1996 and there are no current known offerings on the property. With no other recent sales or offerings to reconcile, we can conclude that the analysis performed is deemed reliable and no refinements to our estimates, including any consideration for non-realty items are necessary. From this analysis, the current estimate of value for the subject property, and subject to the assumptions and limiting conditions set forth in this report is:

Current Market Value, "As Is"

ONE MILLION SEVEN HUNDRED THOUSAND DOLLARS

\$1,700,000

Date of Value:	October 12, 2010
Exposure/Marketing Time:	Within One Year

LIQUIDATION VALUATION

The definition of Liquidation Value is as follows;

"The most probable price that a specified interest in real property is likely to bring under all of the following conditions: 1. Consummation of a sale will occur within a severely limited future marketing period specified by the Client. 2. The actual market conditions currently prevailing are those to which the appraised property interest is subject. 3. The buyer is acting prudently and knowledgeably. 4. The seller is under extreme compulsion to sell. 5. The buyer is typically motivated. 6. The buyer is acting in what he or she considers his or her best interest. 7. A limited marketing effort and time will allow for the completion of the sale. 8. Payment will be made in cash in U.S. dollars or in terms of financial arrangements comparable thereto. 9. The price represents the normal consideration for the property sold, unaffected by special or creative financing or sales concessions granted by anyone associated with the sale."⁸

- Scope: The scope of this appraisal assignment was defined within the Letter of Transmittal, although one crucial component of this analysis must now be stated. The Client has requested a Liquidation Value of the property, with the definition being stated and reference above. However, in the development of a liquidation value, the exposure time must be clearly stated separate and distinct from prevailing market conditions. Per the request of the Client, the exposure time is within three months.
- Exposure Time: Within three months. The Fee Simple interest is still valued, although subject to the restriction on exposure time.
- Procedure: In the formulation of a liquidation value estimate, there are several methods available to the appraiser. The most reliable method would be to develop a Sales Comparison Approach using distressed comparable sales with the same exposure time. However, even in an active market, it would be unlikely that a sufficient number of comparable sales would be available. The next method would be to analyze sales based on a perceived overall diminution of value. This would be done on an unadjusted basis and likely reported as a percentage of decline. However, in order to accurately perform such an analysis, the market value of each sale would have to be derived in the absence of any adverse conditions. If one could develop such an analysis, it would be helpful in developing a general range of discount, although any range would not be property specific. The last method would be an inferred method in which knowledgeable participants are interviewed. Based on the subjects description and the specific marketing parameters these participants will render an opinion as to the impact on value. From this, the appraiser will then consider his or her own experiences and conclude any impact on value. The conclusion is then stated as a percentage change, which is then applied to the market value to arrive at the liquidation value. The tri-state area does not yield enough sales to sufficiently develop either of the first two methods, and therefore the inferred method will be developed. One known sale will be considered as it pertains to our analysis.

⁸ Appraisal Institute, "The Dictionary of Real Estate Appraisal, Fourth Edition," (Illinois Not For Profit Corp., 1993), p. 167

Liquidation Value

Discount Conclusion: For this analysis, we performed an inferred method of analysis where several knowledgeable and active participants were interviewed. From this, a consistent range of response was returned between 30% to 60%. Given it's income generating potential, we will conclude the appropriate level of discount to be -40% with a 3 month exposure time.

Conclusion of Value: With the level of discount being concluded we can simply apply the discount factor to the concluded market value. The mathematics are as follows;

Current Market Value, "As Is":	\$1,700,000
Liquidation Discount, (-40%):	<u>(\$680,000)</u>
Sub-Total:	\$1,020,000
Rounded Value Indication:	\$1,000,000

2) Liquidation Value, "As Is" (Marketing Time Not to Exceed 90 Days)

ONE MILLION DOLLARS

\$1,000,000

Date of Value:	October 12, 2010
Exposure/Marketing Time:	Within 90 Days

SUBJECT PHOTOGRAPHS



#1. View of the southern elevation (front) of the subject, looking northeast from W. Washington Street.



#2. View of the eastern elevation (side) of the subject looking west from Wakefield Road.

SUBJECT PHOTOGRAPHS



#3. View of the western elevation (side) of the subject looking southeast from Devonshire Road.



#4. View of the southern elevation (front) of the subject, looking west from subject parking lot.

SUBJECT PHOTOGRAPHS



#5. View of the rear parking lot with the subject to the left looking west.



#6. View of W. Washington Street with the subject to the left looking east.

SUBJECT PHOTOGRAPHS



#7. View of Devonshire Road with the subject to the left looking south.



#8. View of Wakefield Road with the subject to the left looking north.

SUBJECT PHOTOGRAPHS



#9. Interior view of an office suite.

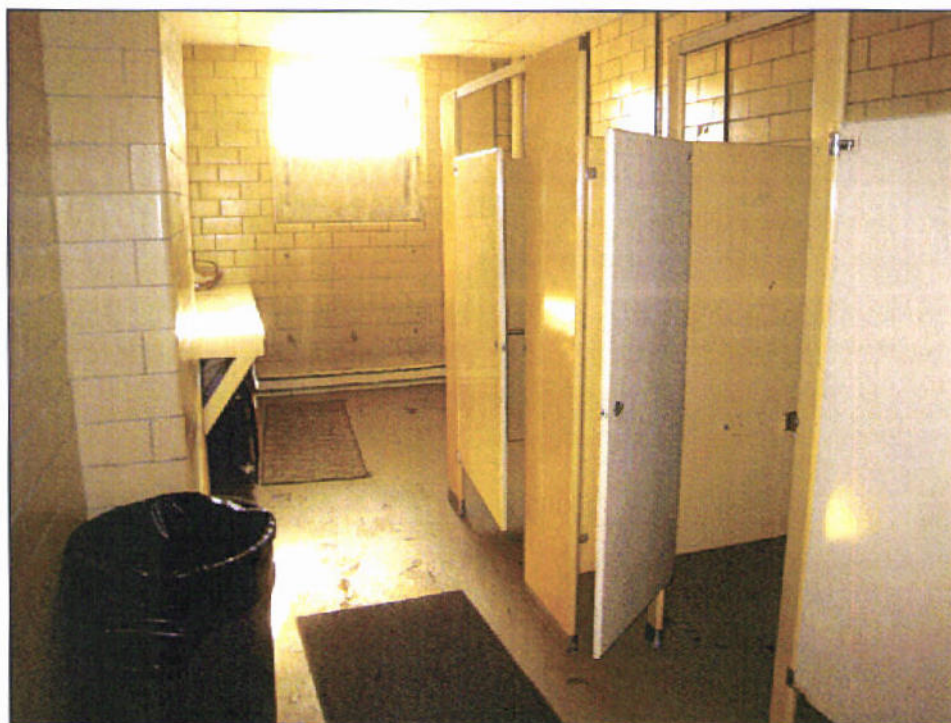


#10. Interior view of the former Dental suite 212A, now used as storage space.

SUBJECT PHOTOGRAPHS



#11. Interior view of a common hallway.



#12. Interior view of a typical restroom.

SUBJECT PHOTOGRAPHS



#13. Interior view of the elevator.



#14. Interior view of the sanctuary of church space.

SUBJECT PHOTOGRAPHS



#15. Interior view of kitchen in office suite.

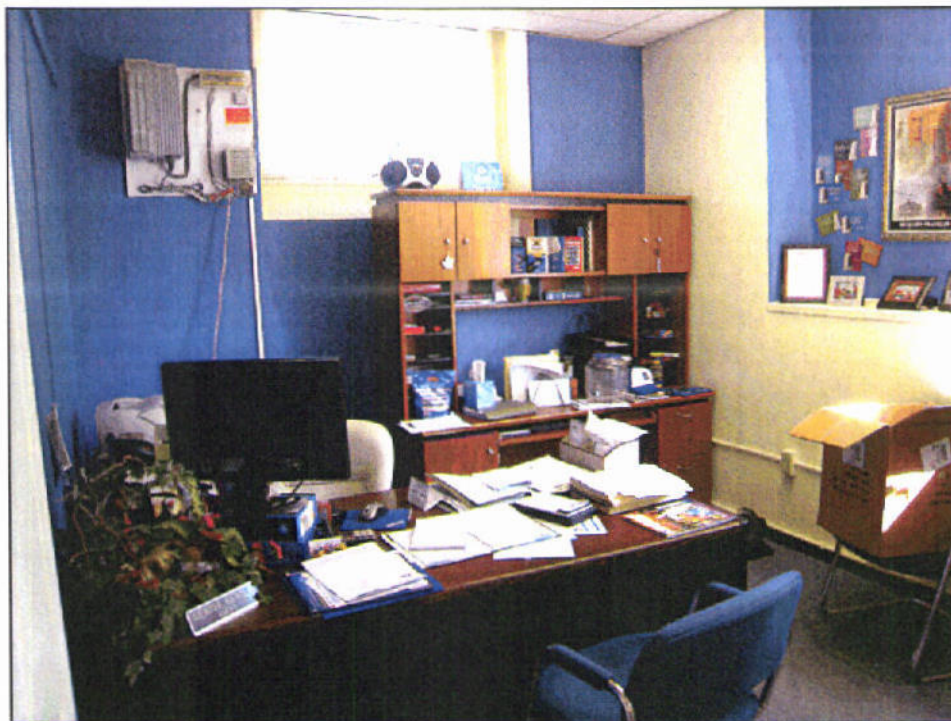


#16. Interior view of classroom in office suite.

SUBJECT PHOTOGRAPHS)



#17. Interior view of kitchen in office suite.



#18. Interior view of an office suite.

COMPARABLE SALE PHOTOGRAPHS



#1. Comparable Sale No. 1



#2. Comparable Sale No. 2

COMPARABLE SALE PHOTOGRAPHS (Continued)



#3. Comparable Sale No. 3

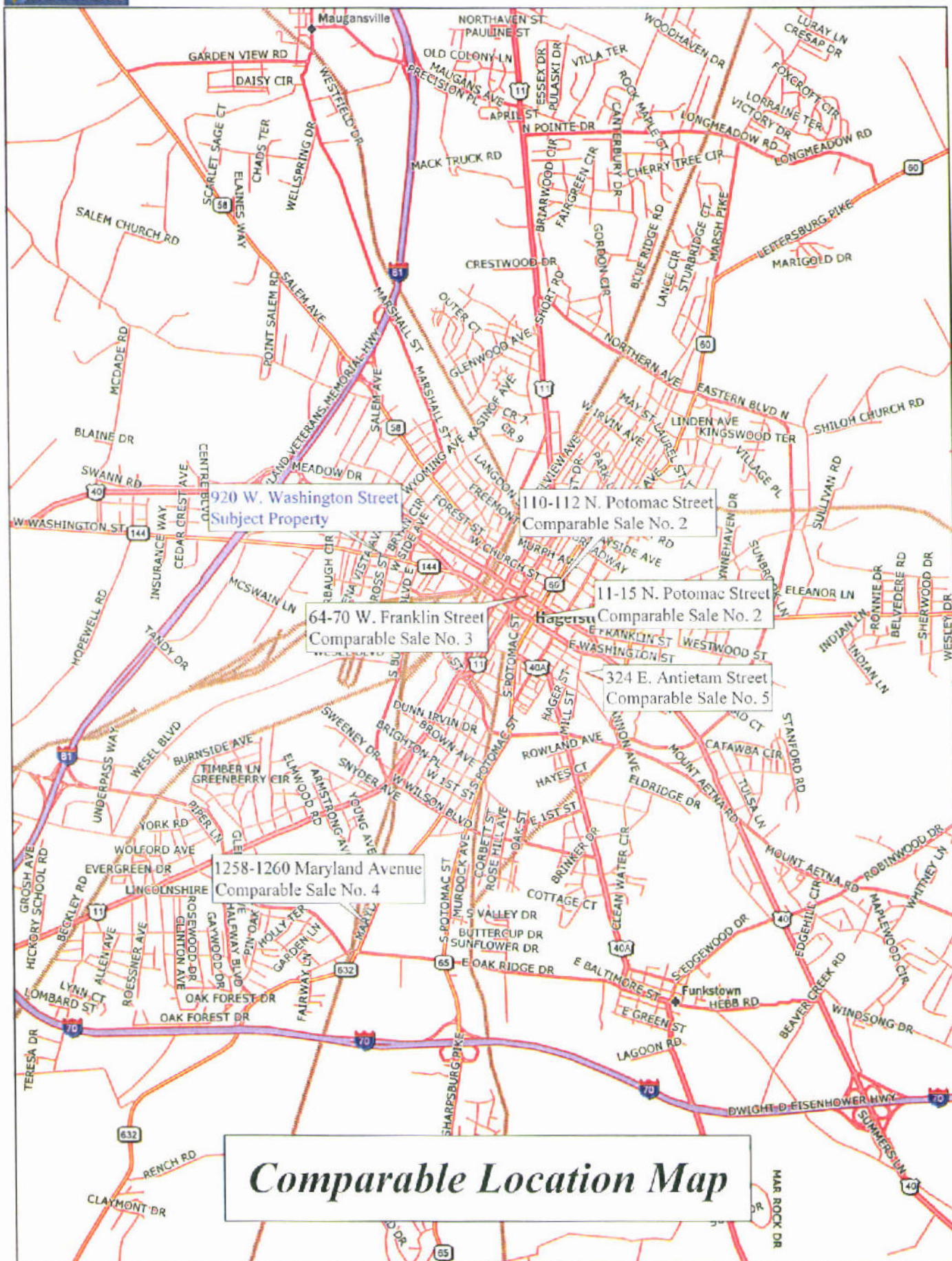


#4. Comparable Sale No. 4

COMPARABLE SALE PHOTOGRAPHS (Continued)



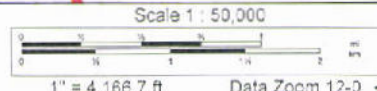
#5. Comparable Sale No. 5



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CITY OF HAGERSTOWN
"RESERVOIR PARK"
R 2002
R 2003
R 2004

Subject

Tax Map Location

InterFlood

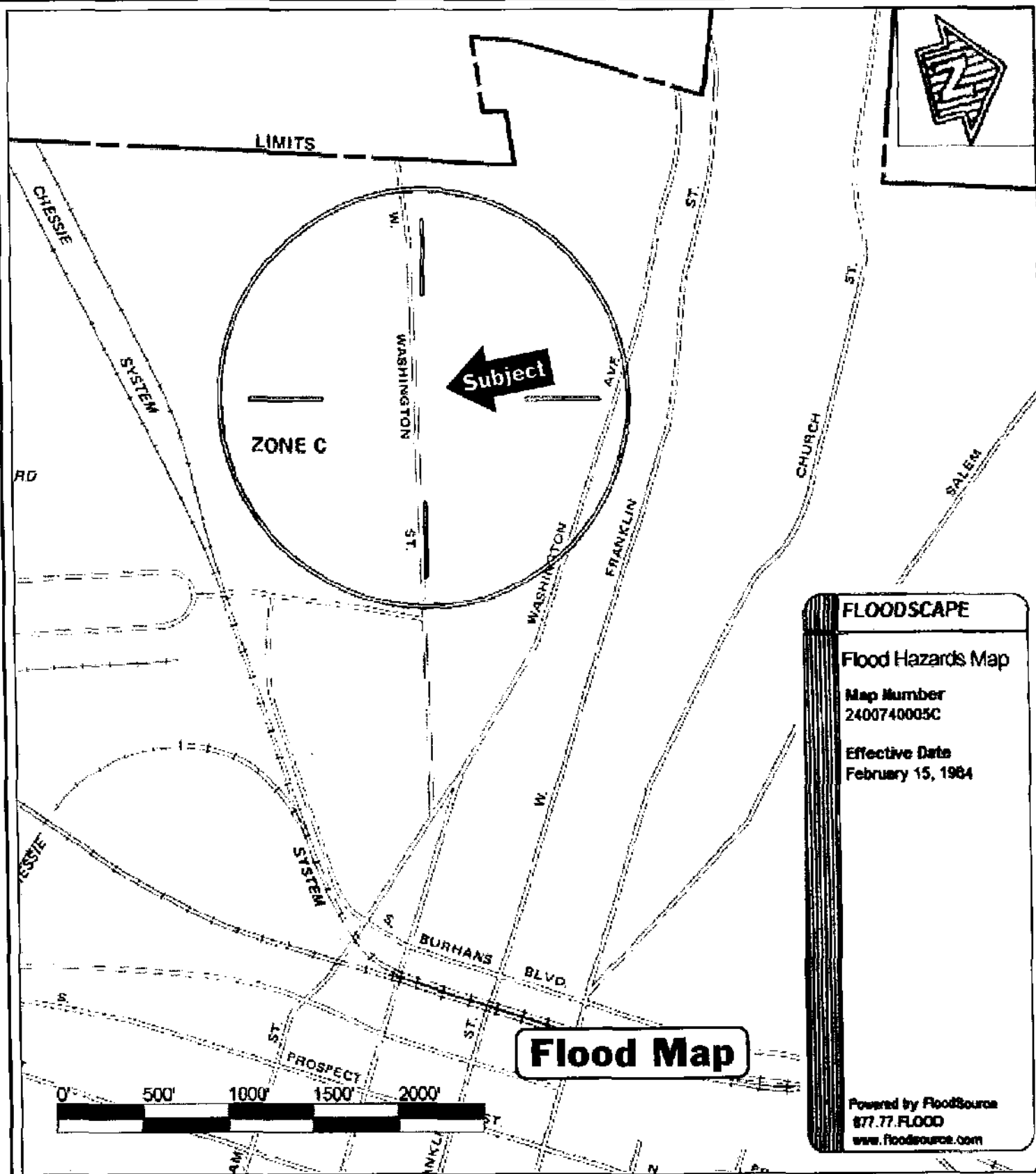


by a la mode

www.interflood.com • 1-800-252-6633

Prepared for:
William G. Bowen Inc.

920 W Washington St
Hagerstown, MD 21740-2800



FLOODSCAPE

Flood Hazards Map

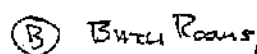
Map Number
2400740003C

Effective Date
February 15, 1984

Flood Map

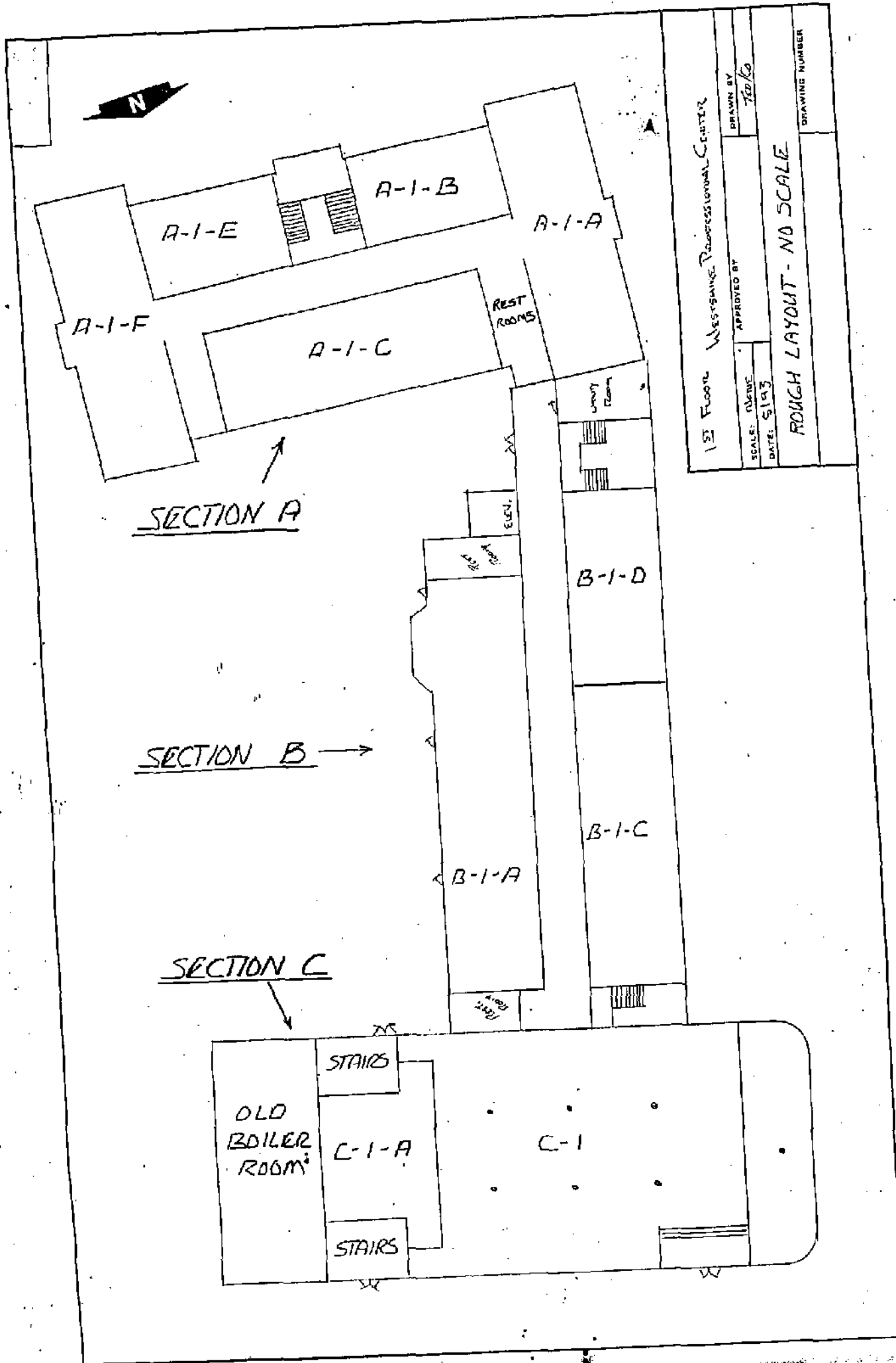
Powered by FloodSource
877.77.FLOOD
www.floodsource.com

A - SPRINKLER ROOM
B - BATH ROOMS
C - STORAGE ROOMS

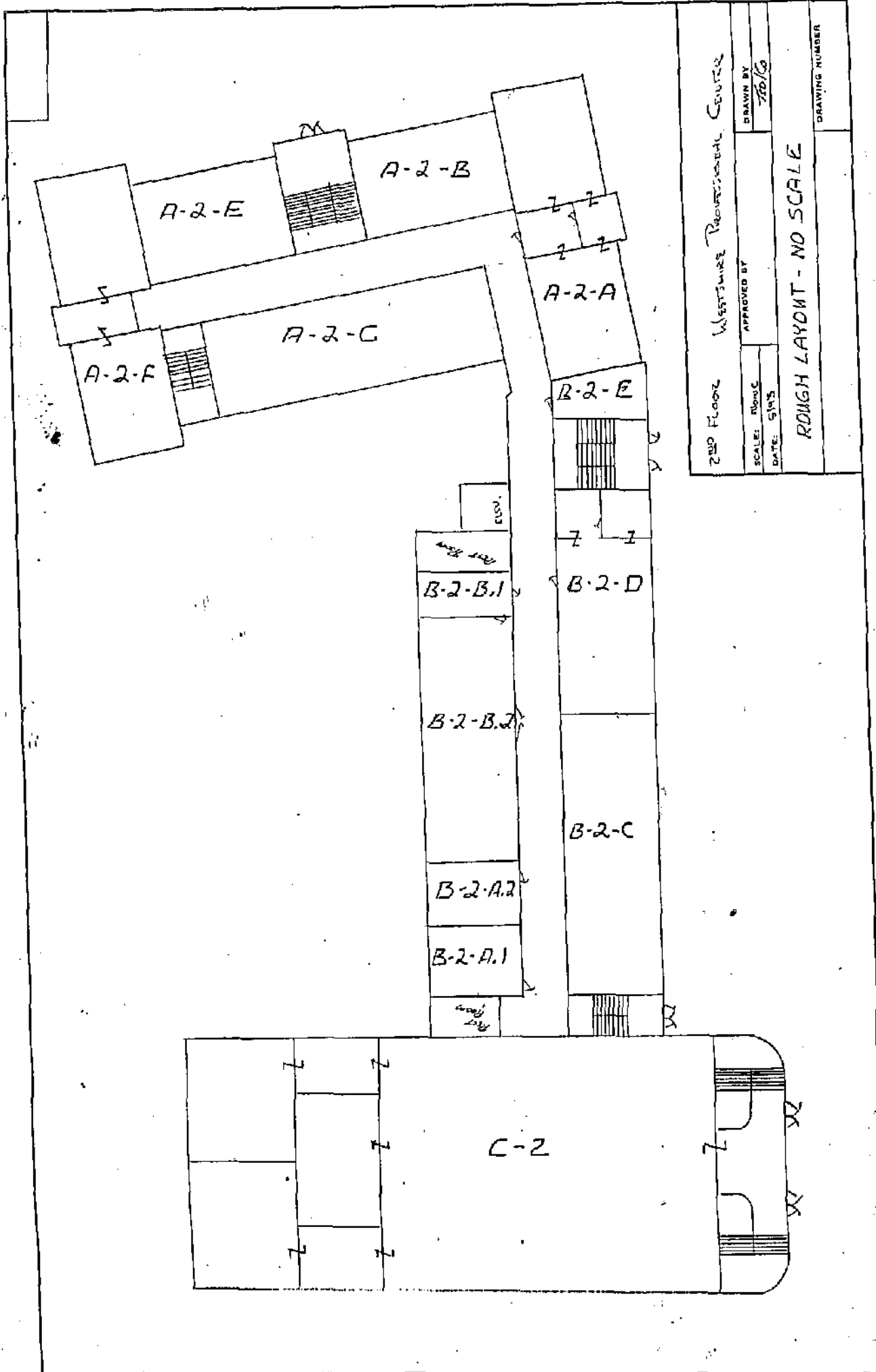


Building Sketch

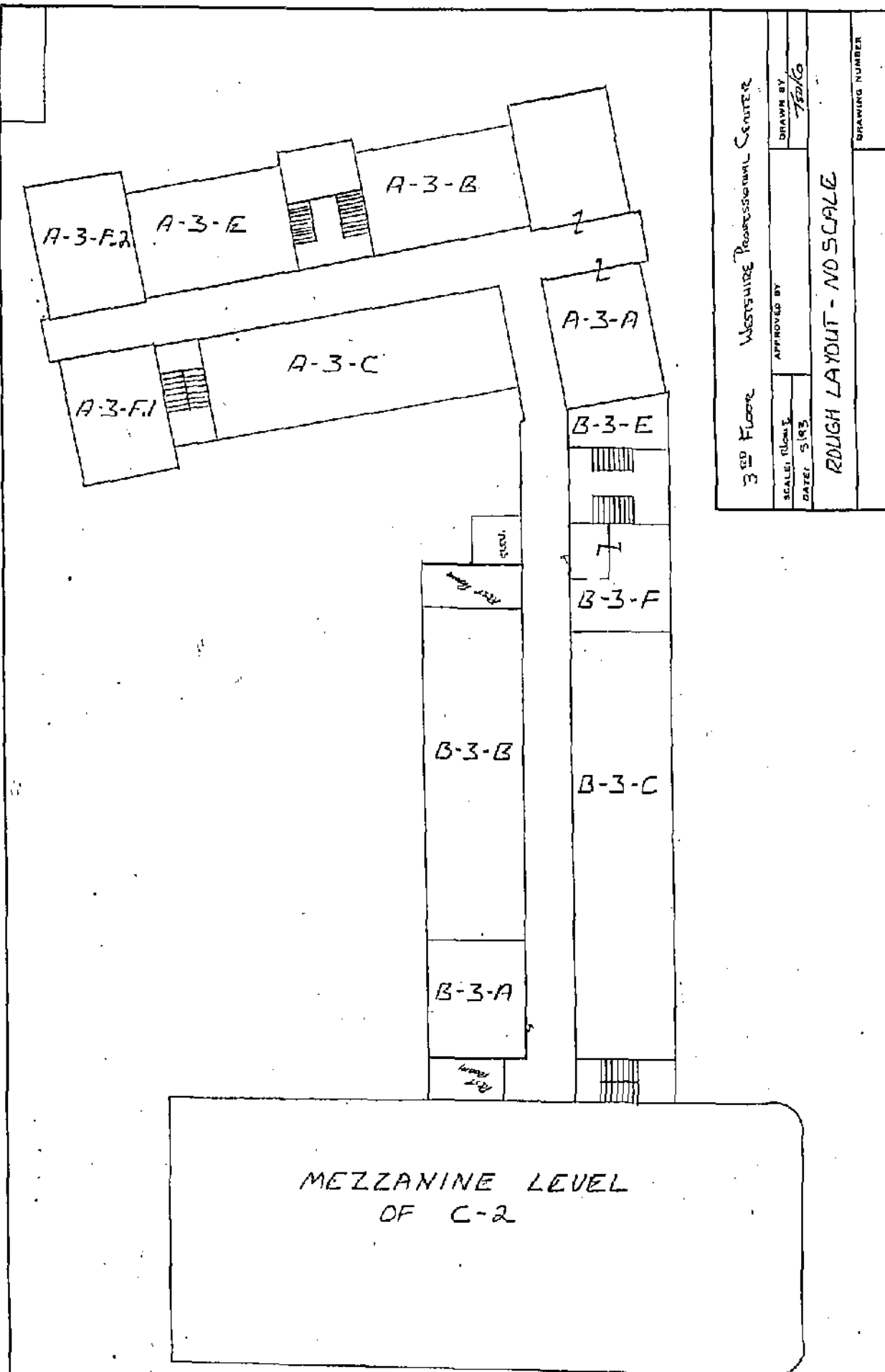
WEST WASHINGTON STREET



DESIGNED BY: MAP ASSOCIATES - MASTER PLAN



DETAILS ARE THE PROPERTY OF WESTSIDE RESIDENTIAL CENTER



3RD FLOOR WESTSHIRE PROFESSIONAL CENTER	
SCALE: (None)	APPROVED BY: <i>Tedko</i>
DATE: 5/93	
ROUGH LAYOUT - NO SCALE	
DRAWING NUMBER	

OUTLINE NO. 1001 AGENCE OF "MASTERS PLAN"

DEED

THIS DEED, made this and day of February, 1996, from RLC ASSOCIATES, INC., a Maryland corporation ("Grantor"), Trustee for Home Federal Savings Bank and Hagerstown Trust Company, to WESTSHIRE, LLC, a Maryland limited liability company ("Grantee").

WITNESSETH, that for actual consideration paid or to be paid in the sum of NINE HUNDRED TEN THOUSAND DOLLARS (\$910,000.00), and other good and valuable consideration, the receipt and sufficiency of which is acknowledged, Grantor grants, conveys and assigns to Grantee, its successors and assigns, in fee simple, all that property situate in Washington County, State of Maryland, being more particularly described in Schedule A hereto.

BEING the same property described in an Deed dated June 17, 1991, and recorded among the Land Records of Washington County in Liber 998, folio 405, was conveyed by Robert J. Carson and J. Richard Saas, Substitute Trustees unto Grantor.

TOGETHER with all improvements thereupon, and the rights, alleys, ways, waters, easements, privileges, appurtenances and advantages belonging or appertaining thereto.

TO HAVE AND TO HOLD the same described property hereby conveyed to Grantee, its successors and assigns, in fee simple forever.

AND GRANTOR covenants to warrant specially the property hereby conveyed and to execute such further assurances of the property as may be requisite.

01252 00878

CLERK OF THE CIRCUIT COURT
WASHINGTON COUNTY

WITNESS, the hand and seal of Grantor.

WITNESS:

RLC ASSOCIATES, INC.

E. AlbrightBy: Douglas E. Metz (SEAL)
Douglas E. Metz
Vice President
Grantor

STATE OF MARYLAND)

ss

COUNTY OF Washington

I HEREBY CERTIFY that on this 2nd day of February, 1996, before me, the subscriber, a Notary Public of the State of Maryland, personally appeared DOUGLAS E. METZ, Vice President of RLC ASSOCIATES, INC., and that he, as such Vice President, being authorized to do so, executed the foregoing Deed for the purposes therein contained, and in my presence signed and sealed the same, and further certified that this conveyance is not part of a transaction in which there is a sale, lease, exchange or other transfer of all or substantially all of the property and assets of the Grantor corporation.

IN WITNESS WHEREOF, I hereunto set my hand and official seal.

William K. Smith
Notary Public

My Commission Expires: 12-1-98

I HEREBY CERTIFY that the within instrument has been prepared by or under the supervision of the undersigned Maryland attorney.

Cheryl O'Donnell Guthrie
Cheryl O'Donnell Guthrie

WEST-DEB.MF

AGRICULTURE TAX \$ -0-

ACREAGE

CLERK Potter

TAXES PAID 12/26/96 96 480 7 50 00 00
TODD L. HERSHEY, TREASURER

REC'D STATE
RECORDING FEE
RECORDATION T
TR TAX STATE
TOTAL
FEB 26 1996

RECEIVED FOR TRANSFER
State Department of
Assessments & Taxation
Washington County

Potter
2-6-96

2

SCHEDULE A
PROPERTY DESCRIPTION

01252 00879

CLERK OF THE CIRCUIT COURT
WASHINGTON COUNTY

All those lots or parcels of land, together with the improvements thereon and all rights, ways, waters, alleys, privileges and appurtenances thereunto belonging or in anywise appertaining, situate along the North side of West Washington Street in the City of Hagerstown, Washington County, Maryland, and being more particularly described as follows:

PARCEL NO. 1: BEGINNING at a point in the North marginal line of West Washington Street, said beginning point being 691.28 feet as measured in an Easterly direction along the North marginal line of Washington Street from the intersection of the North marginal line of said Washington Street and the property line of the Simmons Estate, said beginning point being also on the East marginal line of Devonshire Road running in a Northerly direction from West Washington Street and running thence along the North marginal line of said West Washington Street South 72 degrees 30 minutes East 344.1 feet to an iron pipe in the West marginal line of Wakefield Road, thence along the West marginal line of Wakefield Road North 28 degrees 19 minutes East 202.82 feet to an iron pipe at a proposed alley fourteen feet wide, and thence along said proposed alley North 61 degrees 41 minutes West 338 feet to an iron pipe on the East side of Devonshire Road, thence along Devonshire Road South 28 degrees 19 minutes West 367.29 feet (sometimes erroneously referred to as 257.29 feet) to an iron pipe at the place of beginning, containing one (1) acre and eighty-six one hundredths (86/100) of an acre, more or less.

PARCEL NO. 2: BEGINNING at a point in the East marginal line of Devonshire Road, said point being located 257.29 feet in a Northerly direction as measured along the East margin of Devonshire Road from the North margin of West Washington Street, and running thence along said East margin of Devonshire Road, North 23 degrees 40 minutes East 242 feet, thence leaving Devonshire Road and running South 66 degrees 20 minutes East 347.7 feet to the West marginal line of Wakefield Road, thence along the West margin thereof South 23 degrees 40 minutes West 242 feet, thence leaving Wakefield Road and running along the North boundary of Washington Street School lot North 66 degrees 20 minutes West 347.7 feet to the place of beginning, containing 1.93 acres of land, more or less.

MAILED FEB 14 1996

mail to: Westshire, LLC
2515 Meryman's Mill Rd.
Phoenix, MD 21131

01252 00880

State of Maryland Land Instrument Intake Sheet
☐ Baltimore City ☒ County: Washington

CLERK OF THE CIRCUIT COURT
WASHINGTON COUNTY

Information provided is for use of the Clerk's Office, State Department of
 Assessments and Taxation and County Finance Office only.

(Type or Print in Black Ink Only—All Copies Must Be Legible)

1 Type(s) of Instruments		<input checked="" type="checkbox"/> (X) Check Box if Addendum Intake Form is Attached	
2 Conveyance Type Check Box <input checked="" type="checkbox"/> Improved Sale <input type="checkbox"/> Unimproved Sale <input type="checkbox"/> Multiple Accounts <input type="checkbox"/> Not an Arms-Length Sale(s) Arms-Length(1) Arms-Length(2) Arms-Length(3)		3 Tax Exempt (If Applicable) State Transfer: <input type="checkbox"/> County Transfer: <input type="checkbox"/>	
4 Consideration And Tax Calculations		Finance Office Use Only	
Purchase Price/Consideration \$ 910,000.00 Any New Mortgage \$ 826,000.00 Balance of Existing Mortgage \$ Other: \$ Other: \$ Full Cash Value \$		Transfer and Recordation Tax Consideration Transfer Tax Consideration \$ X (%) = \$ Less Exemption Amount \$ Total Transfer Tax \$ Recordation Tax Consideration \$ X (per \$500) = \$ TOTAL DUE \$	
5 Fees		Agent:	
Amount of Fees Doc. 1 Doc. 2 Recording Charge \$ 20.00 \$ 75.00 Surcharge \$ 5.00 \$ State Recordation Tax \$ 6,006.00 \$ 0 State Transfer Tax \$ 4,550.00 \$ 0 County Transfer Tax \$ 0 \$ 0 Other \$ 0 \$ 0 Total Fees \$ 10,581.00 \$ 80.00		Tax Bill C.B. Credit Ag. Tax/Other:	
6 Description of Property		District: 25 Property Tax ID No.(1) 003566 Grantor Libe/Folio 998405 Map 305 Parcel No. 1991 VarLOG (5) Subdivision Name Lot(3a) Block(3b) Sect/AR(3c) Plat Ref. Sq.Ft./Acreage(4) Location/Address of Property Being Conveyed (2) 920 WEST WASHINGTON STREET, HAGERSTOWN, MD 21740 Other Property Identifiers (If applicable) Water Meter Account No. Residential <input type="checkbox"/> or Non-Residential <input checked="" type="checkbox"/> Fee Simple <input checked="" type="checkbox"/> or Ground Rent <input type="checkbox"/> Amount: Partial Conveyance? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No Description/Am't. of Sq.Ft./Acreage Transferred: If Partial Conveyance, List Improvements Conveyed: Doc. 1 - Grantor(s) Name(s) Doc. 2 - Grantor(s) Name(s) R.L.C. ASSOCIATES, INC., TRUSTEE WESTSHIRE LLC, a Maryland limited liability company Doc. 1 - Owner(s) of Record, if different from Grantor(s) Doc. 2 - Owner(s) of Record, if different from Grantor(s) Doc. 1 - Grantee(s) Name(s) Doc. 2 - Grantee(s) Name(s) WESTSHIRE LLC, a Maryland limited liability company Richard W. Phoebus and Steven G. Hall New Owner's (Grantee) Mailing Address 4136A East Joppa Road, Baltimore, MD 21236 Doc. 1 - Additional Names to be Indexed (Optional) Doc. 2 - Additional Names to be Indexed (Optional) HOME FEDERAL SAVINGS BANK	
7 Transferred From			
8 Transferred To			
9 Other Names to Be Indexed			
10 Contact/Mail Information		<input type="checkbox"/> Return to Contact Person <input type="checkbox"/> Hold for Pickup <input checked="" type="checkbox"/> Return Address Provided	
Instrument Submitted By or Contact Person Name: G. Clair Baker, Jr. Firm: G. CLAIR BAKER, JR. P.A. Address: 138 W. Washington Street Hagerstown, MD 21740 Phone: (301) 799-0580			
11 IMPORTANT: BOTH THE ORIGINAL DEED AND A PHOTOCOPY MUST ACCOMPANY EACH TRANSFER			
Assessment Information Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> Will the property being conveyed be the grantee's principal residence? Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> Does transfer include personal property? If yes, identify: Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> Was property surveyed? If yes, attach copy of survey (if recorded, no copy required).			
Assessment Use Only - Do Not Write Below This Line			
<input type="checkbox"/> Terminal Verification <input checked="" type="checkbox"/> Agricultural Verification <input type="checkbox"/> Whole <input type="checkbox"/> Part <input type="checkbox"/> Tran. Process Verification			
Transfer Number: 01252 Date Received: 10/16/2010		Deed Reference	
Year 14 Land 10 Buildings 10 Total 10		Sub 10 Map 10 Parcel 10 EA, St. 10	
Assigned Property No. 10		Block 10 Lot 10 Section 10	
Remarks:			



September 3, 2010

William G. Bowen, MAI
William G. Bowen, Inc.
13622 Pennsylvania Avenue
Hagerstown, MD 21747

Project Name: Iris G. Sagi & Robert S. Brown
Appraisal of Mixed Use Property located at
920 West Washington Avenue
Hagerstown, MD 21740
Appraisal Job ID: M28411

Dear Mr. Bowen:

This letter, if acceptable to you, authorizes you, William G. Bowen, MAI (the APPRAISER) of William G. Bowen, Inc. (the APPRAISAL FIRM) to appraise the property identified herein and to submit a written appraisal report to Sovereign Bank (SB) in accordance with the terms and conditions stated herein. The appraisal and the written appraisal report are to be prepared in conformity with (A) the Uniform Standards of Professional Appraisal Practice (USPAP- including Scope of Work requirement), (B) supplemental standards applicable to federally related transactions, and (C) additional standards and conditions applicable to appraisals prepared for SB. For further particulars, see exhibit attached entitled *Minimum Standards for Appraisals* prepared for Sovereign Bank.

In accepting this assignment, you affirm that you have the knowledge and experience to complete the assignment competently, can act independently, and hold the requisite state licenses or certificates.

Certification of the written appraisal report as required by the USPAP and supplemental standards applicable to federally related transactions shall be signed by the APPRAISER and shall be made part of his report.

IDENTIFICATION OF THE SUBJECT PROPERTY

The property is located at 920 West Washington Street, Hagerstown, Washington County, MD. The 3.8-acre site is improved with an older 3-story approximate 85,000 GSF masonry building that was originally constructed as a school. It has been converted to mixed use and reportedly contains (24) various commercial rental units and (3) residential rental units. The current tenancy and occupancy is not reported. No current agreements, options or listings of the property are reported. **It is required that both the "As-Is" Market and Liquidation values are clearly supported and included within one single appraisal report.**

Value(s) Required:

- 1) "As Is" Market Value of the Real Estate.

2) The "As-Is" Liquidation Value of the Real Estate (Based on a Marketing Time Not to Exceed 3 months).

Type of Appraisal: Complete Appraisal as Defined in the **Sovereign Bank Minimum Appraisal Standards Scope of Work Memorandum.**

Report Type: Summary Report

All other information will be provided by the site contact. If you have any difficulty obtaining information from the site contact, please notify us immediately.

PURPOSE OF APPRAISAL AND PROPERTY RIGHTS TO BE APPRAISED

The purpose of the appraisal is to estimate the current market value of the owner's marketable rights and interests in the SUBJECT PROPERTY. The property is to be appraised for its fee simple interest or leased fee interest, whichever is applicable.

If appropriate, estimates of market value "upon completion", "upon stabilization" or "subject to proposed improvements and/or leases" should be provided. SB may also request that the appraiser provide other estimates and advice, as defined in this engagement letter.

DATE (S) OF VALUE

Current market value must be estimated and reported as of a current date to be specified by the APPRAISER but such date shall not be later than the date of the APPRAISER'S last inspection of the SUBJECT PROPERTY.

MINIMUM STANDARDS

The enclosed "Minimum Standards", as well as a signed copy of this letter, **MUST BE INCLUDED IN EACH COPY OF THE APPRAISAL REPORT. REPORTS NOT CONTAINING THESE ITEMS WILL NOT BE ACCEPTED.**

ANALYSES UNDERTAKEN

Presently, Sovereign Bank will continue to use the labels "Complete" and Limited". The appraisal request and engagement will set forth these labels to provide minimum standards and guidance for scope of work determination. Complete and Limited Appraisals are defined as follows:

Complete Appraisal – A Complete Appraisal is expected to include all three approaches to value, i.e., sales comparison, income and cost, unless the approach is not applicable or is not reliable. The appraiser's rationale for omitting an approach must be explained in the appraisal report.

Limited Appraisal – A Limited Appraisal is expected to rely on the single most applicable and reliable of the three valuation approaches, i.e., sales comparison, income, and cost.

TIME OF PERFORMANCE

Three (3) copies of the written appraisal report shall be delivered to SB by **October 11, 2011** (the DEADLINE).

FEE FOR APPRAISAL SERVICE

SB agrees to pay to the APPRAISAL FIRM an appraisal fee of **\$3,000, inclusive** of all expenses, due and payable no more than 45 days after the delivery of the report, provided the complete appraisal report is prepared in accordance with terms of this agreement and delivered on or before the DEADLINE. SOVEREIGN BANK reserves the right to impose a penalty of five (5) percent of the appraisal fee for every week that the delivery of the report is delayed beyond the DEADLINE. This agreement automatically becomes null and void if Sovereign Bank does not receive the appraisal within 25 business days of the due date. However, no penalty shall be imposed for any delay that is beyond the control of the APPRAISER and the APPRAISAL FIRM, **providing the delay is promptly communicated to the undersigned.**

SUPPLEMENTARY SERVICES

The APPRAISER and the APPRAISAL FIRM agree to be available for supplementary services in connection with this appraisal as may be required, such as providing court testimony and updating the appraisal. It is understood that the current rate for court testimony of the APPRAISER is \$175 per hour and that the current fee for appraisal updates by the APPRAISAL FIRM is approximately fifty (50) percent of the fee that would be charged for an original appraisal of the same property, if ordered within a twelve-month period. For further information concerning supplementary services, see exhibit attached entitled *Appraisal Standards Requirements Checklist* prepared for Sovereign Bank.

TERMINATION OF WORK IN PROGRESS

In the event that SB desires to terminate this agreement, notice shall be delivered to the APPRAISAL FIRM and, upon receipt thereof, this agreement shall be terminated. In such cases, SB will pay the APPRAISAL FIRM reasonable expenses incurred up to the time of termination as documented by the APPRAISAL FIRM, provided copies of working papers and file memoranda are sent to SB upon termination of the agreement.

CONTACT PERSONS AND CORRESPONDENCE

Requests for access to the property, lease and operating expense information and other data required for the appraisal should be made in writing to:

Steven Sagi
920 West Washington Avenue
Hagerstown, MD 21740
Telephone: 301.992.1953

One (1) copy of the appraisal reports, two (2) original invoices, and all correspondence pertaining to this appraisal should be submitted to Jeffrey A. Gorman addressed as follows:

Jeffrey A. Gorman
Sovereign Bank
Real Estate Appraisal Unit

15 South Main Street
Chambersburg, PA 17201

Two (2) copies of the appraisal report and one copy of the invoice should be mailed directly to:

Hasan Pride
Sovereign Bank
619 Alexander Road
Princeton, NJ 08540
Mail Stop: 60-571-CM1

Under no circumstances will the appraiser divulge or communicate the appraised value or range of values of the subject property to anyone including the property owner(s), prospective borrower(s), tenant(s), broker(s), SB employee(s), or anyone other than a representative or Designee of the SB Real Estate Appraisal Unit.

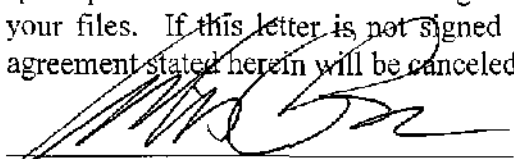
All correspondence regarding this assignment, and the final appraisal report should refer to the PROJECT NAME and APPRAISAL JOB ID as shown below:

PROJECT NAME: Iris G. Sagi & Robert S. Brown
APPRAISAL JOB ID: M28411

Additionally, please include your taxpayer identification number on your invoice to facilitate timely payment.

Telephone inquiries relating to this assignment may be directed to Jeffrey A. Gorman, SB, Telephone 717-217-3591, or by Facsimile at 717-267-2469.

Please indicate your agreement with this letter and your understanding of the *Minimum Standards for Appraisals* prepared for Sovereign Bank, which is a part of this Agreement, by signing this letter in the space provided below and returning the original to the person signed below. Please retain a copy for your files. If this letter is not signed by you, the APPRAISER, and returned within two weeks, the agreement stated herein will be canceled.


William G. Bowen, MAI

MD 04-001
State and Certification/License Number



Jeffrey A. Gorman

Real Estate Appraisal Review

Enclosure: *Minimum Standards for Appraisals* prepared for Sovereign Bank

A/O: Hasan Pride

**MINIMUM STANDARDS FOR APPRAISAL REPORTS PREPARED FOR
SOVEREIGN BANK
August 1, 2006**

All appraisals of real property and interests in real property prepared for Sovereign Bank are to be prepared in accordance with:

- A) The Uniform Standards of Professional Appraisal Practice (Including scope of work requirement).
- B) Supplemental Standards Applicable to Federally Related Transactions.
- C) *Additional Standards and Conditions Required for Appraisals Prepared for Sovereign Bank*

These standards and conditions are described in detail below.

The Uniform Standards of Professional Appraisal Practice (USPAP)

USPAP are recognized throughout the United States as the generally accepted standards for appraisal practice. All appraisal reports prepared for Sovereign Bank must comply fully with USPAP. The complete USPAP text can be ordered from the Appraisal Foundation.

Supplemental Standards Applicable to Federally Related Transactions

Title XI of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA) mandated that bank regulatory agencies establish standards for performing appraisals in connection with federally related transactions (including lending activity). Each agency has issued appraisal regulations requiring compliance with USPAP in addition to supplemental standards applicable to federally related transactions. All appraisals shall, at a minimum:

- 1) Conform to the Uniform Standards of Professional Appraisal Practice (USPAP) adopted by the Appraisal Standards of the Appraisal Foundation.
- 2) Disclose any steps taken that were necessary or appropriate to comply with the Competency Provision of USPAP;
- 3) Be based upon the definition of market value as set forth in Section 34.42(f):

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

- Buyer and seller are typically motivated;
- Both parties are well informed or well advised, and acting in what they consider to be 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.
- 4) i) Be written and presented in a narrative format or on forms that satisfy all the requirements of this section;
 - ii) Be sufficiently descriptive to enable the reader to ascertain the estimated market value and the rationale for the estimate; and
 - iii) Provide detail and depth of analysis that reflect the complexity of the real estate appraised;
 - 5) Analyze and report in reasonable detail any prior sales of the property being appraised that occurred within the three years preceding the date when the appraisal was prepared;
 - 6) Analyze and report data on current revenues, expenses, and vacancies for the property if it *is and will continue to be income-producing*;
 - 7) Analyze and report a reasonable marketing period for the subject property;
 - 8) Analyze and report on current market conditions and trends that will affect projected income or the absorption period to the extent that they affect the value of the subject property;
 - 9) Analyze and report appropriate deductions and discounts for any proposed construction, or any completed properties that are partially leased or leased at other than market rents as of the date of the appraisal, or any tract developments with unsold units;
 - 10) Address, for new construction, a proposed project's marketability and feasibility prospects.
 - 11) Include in the certification required by USPAP an additional statement that the appraisal assignment was not based on a requested minimum valuation, a specific valuation, or the approval of a loan;
 - 12) Contain sufficient supporting documentation with all pertinent information reported so that the appraiser's logic, reasoning, judgment, and analysis in arriving at a conclusion indicate to the reader the reasonableness of the market value reported;
 - 13) Include a legal description of the real estate being appraised as required by USPAP;

- 14) Identify and separately value any personal property, fixtures, or intangible items that are not real property but are included in the appraisal, and discuss the impact of their inclusion or exclusion on the estimate of market value; and
- 15) Follow a reasonable valuation method that addresses the income, sales comparison and cost approaches to market value; reconcile those approaches, and explain the elimination of any approach not used.
- 16) If information required or deemed pertinent to the completion of an appraisal is unavailable, that fact shall be disclosed and explained in the appraisal.

Additional Standards and Conditions Applicable to all Appraisals Prepared for Sovereign Bank

The following standards and conditions apply to all appraisals prepared for Sovereign Bank:

1) The Requirement for "As Is" Current Value

All appraisals prepared for Sovereign Bank must include the Appraiser's estimate of the "as is" current value of the subject property, i. e., the market value, as defined above, of the subject property in its actual condition, as of a specified date. This requirement does not eliminate the need for the Appraiser to estimate and report other values or the prospective value expected upon completion of proposed improvements and/or value upon stabilization. The Appraiser should consult the engagement letter for specific values to be provided for a given assignment.

2) Purpose of the Appraisal and Property Rights to be Appraised

The purpose of appraisals prepared for Sovereign Bank is to estimate the current market value "as is" of the owner's rights and interests in the subject property, subject to any lease or leases in effect as of the date of the appraisal, but as if free and clear of debt, and to provide other estimates and services to Sovereign Bank as defined in the engagement letter. The term "owner's rights and interests" refers to all of the rights and interests that have been pledged to or are owned by Sovereign Bank and could be sold on the open market.

3) Format and Contents of the Appraisal Report

Unless otherwise stipulated in the Sovereign Bank engagement letter, the written appraisal report shall be in a complete self-contained format. Use of limited and/or restricted reports require the specific approval of the Appraisal and Environmental Services Unit.

The full narrative appraisal report **must** include an *Executive Summary*, which concisely sets forth all pertinent facts and conclusions that are detailed in the appraisal report. The written appraisal report **must** contain a copy of all instructions given to the Appraiser, including the engagement letter from Sovereign Bank, these Minimum Standards and a completed **Appraisal Standards Requirements Checklist** which is reproduced on the following pages. Sovereign Bank will not accept reports omitting these items.

4) Visual Microbial Matter (Mold) Inspection

Real Estate Appraisers will complete a visual microbial matter (mold) inspection, which includes the following:

- Is there evidence of water intrusion within building? If so, where and to what extent? Require photographic documentation of issue.
- Is there obvious visual evidence of microbial matter growth within building? If so, where and to what extent? Describe in detail.
- Is there obvious olfactory evidence of microbial matter growth within building? If so, where?

Appraisal Standards Requirements Checklist

Includes Compliance with USPAP, FIRREA & SB Minimum Standards

PROJECT NAME: IRIS G. SAGI AND ROBERT S. BROWN
 JOB ID#: 11128411
 ADDRESS: 920 W. WASHINGTON STREET
HAGERSTOWN, MD. 21140

NA	Page(s)	Requirement	Confirm
	<u>1</u>	1. Identify report type (Self-contained, Summary, Restricted).	<input type="checkbox"/>
	<u>4</u>	2. Signature state certified/licensed appraiser.	<input type="checkbox"/>
	2-3	3. Market value:	
	<u>3</u>	a. Identify real property interest(s) appraised.	<input type="checkbox"/>
	<u>6</u>	b. identify effective date(s) of appraisal.	<input type="checkbox"/>
	<u>4</u>	c. includes "As Is" value.	<input type="checkbox"/>
<input type="checkbox"/>	<u>N/A</u>	d. includes "As Complete" value.	<input type="checkbox"/>
<input type="checkbox"/>	<u>N/A</u>	e. includes "As Stabilized" value.	<input type="checkbox"/>
	<u>4</u>	f. includes marketing period.	<input type="checkbox"/>
		4. Identify the real estate being appraised:	
	<u>15</u>	a. address.	<input type="checkbox"/>
		b. legal description.	<input type="checkbox"/>
<input type="checkbox"/>		c. Identification on tax map.	<input type="checkbox"/>
<input type="checkbox"/>		d. deed reference.	<input type="checkbox"/>
<input type="checkbox"/>		e. plat map.	<input type="checkbox"/>
	<u>9</u>	5. Discloses all assumptions and limiting conditions.	<input type="checkbox"/>
<input type="checkbox"/>		6. For prospective values a limiting condition citing the market conditions from which the estimate was made as detailed in USPAP Supplemental SMT-4.	<input type="checkbox"/>
	<u>N/A</u>		
	<u>12</u>	7. Market value definition per 12 CFR 34.2 f FIRREA.	<input type="checkbox"/>
	<u>3</u>	8. Discuss purpose and intended use of appraisal.	<input type="checkbox"/>
	<u>14</u>	9. Discuss extent of data collection (scope).	<input type="checkbox"/>
		10. For proposed improvements:	
<input type="checkbox"/>		a. examined and have available plans, specs. or other reasonable documentation of the proposed improvements.	<input type="checkbox"/>
<input type="checkbox"/>	<u>N/A</u>	b. indicated evidence of the probable time of completion.	<input type="checkbox"/>
<input type="checkbox"/>		c. indicated evidence of costs, earnings, occupancy projections and competition at time of completion.	<input type="checkbox"/>
		11. Analyzed and reported in reasonable detail prior sales of the property:	
<input type="checkbox"/>	<u>35-39</u>	a. for all properties - sales occurring during the three preceding years, and	<input type="checkbox"/>
<input type="checkbox"/>		b. consider and analyze any current Agreement of Sale, option, or listing of the property, if such information is available.	<input type="checkbox"/>
	<u>15</u>		
		12. Analysis and description of pertinent factors:	
<input type="checkbox"/>	<u>24-25</u>	a. Physical and functional (Site, Improvements).	<input type="checkbox"/>
<input type="checkbox"/>	<u>24</u>	b. Legal (Easements)	<input type="checkbox"/>
<input type="checkbox"/>	<u>17-21</u>	c. Economics (National, Regional, Local)	<input type="checkbox"/>
<input type="checkbox"/>	<u>22</u>	d. Neighborhood (Urban, Commercial, Transitional, etc.)	<input type="checkbox"/>
<input type="checkbox"/>	<u>29</u>	e. Government (Zoning, Taxes)	<input type="checkbox"/>
<input type="checkbox"/>	<u>48-51</u>	f. Market (Occupancy, Rental Rates, Competition, Trends)	<input type="checkbox"/>
	<u>31-32</u>	13. Discuss highest & best use conclusion.	<input type="checkbox"/>
<input type="checkbox"/>	<u>32</u>	14. Explain & support exclusion of usual valuation approaches.	<input type="checkbox"/>

NA	Page(s)	Requirement	Confirm
<input type="checkbox"/>	N/A	15. Cost Approach	<input type="checkbox"/>
<input type="checkbox"/>		a. Land valued as though vacant.	<input type="checkbox"/>
<input type="checkbox"/>		b. Improvements valued for actual contribution to site.	<input type="checkbox"/>
<input type="checkbox"/>		c. Comparable data to estimate cost and depreciation if available.	<input type="checkbox"/>
<input type="checkbox"/>	34	16. Sales Comparison Approach	<input type="checkbox"/>
<input type="checkbox"/>	35-39	a. Comparable sales data.	<input type="checkbox"/>
<input type="checkbox"/>	44	17. Income Approach	<input type="checkbox"/>
<input type="checkbox"/>	46-47	a. Historical/comparable rental/income data.	<input type="checkbox"/>
<input type="checkbox"/>	52-53	b. Historical/comparable expense data.	<input type="checkbox"/>
<input type="checkbox"/>	54	c. Comparable capitalization and/or discount rates.	<input type="checkbox"/>
<input type="checkbox"/>	N/A	d. Cite name and version of DCF software and description of assumptions and methods inherent in software	<input type="checkbox"/>
<input type="checkbox"/>	54-55	e. Rationale for capitalization, discount and growth rates.	<input type="checkbox"/>
<input type="checkbox"/>	N/A	f. Deduction to reach stabilization.	<input type="checkbox"/>
<input type="checkbox"/>		18. Analyzed and reported discounts/deductions for:	<input type="checkbox"/>
<input type="checkbox"/>	N/A	a. proposed construction.	<input type="checkbox"/>
<input type="checkbox"/>		b. completed projects partially leased.	<input type="checkbox"/>
<input type="checkbox"/>		c. projects leased at other than market rents.	<input type="checkbox"/>
<input type="checkbox"/>		d. tract developments with unsold units.	<input type="checkbox"/>
<input type="checkbox"/>		e. assumption of a loan.	<input type="checkbox"/>
<input type="checkbox"/>		19. Separate valuation where there is a significant percentage of:	<input type="checkbox"/>
<input type="checkbox"/>	N/A	a. personal property,	<input type="checkbox"/>
<input type="checkbox"/>		b. fixtures,	<input type="checkbox"/>
<input type="checkbox"/>		c. intangible items, and	<input type="checkbox"/>
<input type="checkbox"/>		d. impact of their inclusion/exclusion on the estimate of market value discussed.	<input type="checkbox"/>
<input type="checkbox"/>	56-57	20. Reconciliation	<input type="checkbox"/>
<input type="checkbox"/>		21. Certification:	<input type="checkbox"/>
<input type="checkbox"/>	6	a. Similar in content to USPAP 2-3.	<input type="checkbox"/>
<input type="checkbox"/>		b. States "assignment was not based on a requested minimum valuation, a specific valuation, or the approval of a loan."	<input type="checkbox"/>
<input type="checkbox"/>		c. States subject property was personally inspected by state certified/licensed appraiser signing report.	<input type="checkbox"/>
<input type="checkbox"/>	56	22. If information was unavailable, that fact was disclosed and explained in the appraisal.	<input type="checkbox"/>
<input type="checkbox"/>	N/A	23. Is there obvious evidence of mold growth within the subject?	<input type="checkbox"/>

Comments:

Signature Inspecting Appraiser: 

Licensed Certified Appraiser #: 04-11729

Licensed/Certified State: MARYLAND

Sovereign Bank Review Appraiser: _____

Date: _____

Reasoning for the exclusion of any approach to value must be supported in the written appraisal report. Additionally, the *income approach* must provide rationale for the capitalization, discount, growth, and inflation rates used. An appraisal report for leased properties must include a lease abstract summarizing the terms and conditions of existing leases. The *sales comparison approach* must contain an analysis of current pertinent listings in addition to sales. Further, photographs of the sales and listings are required. If the *cost approach* is developed, it must contain a land value estimate.

5) Appraisal Update and Supplementary Services

Acceptance of an appraisal assignment for Sovereign Bank indicates that the Appraiser and the Appraisal Firm will be willing to provide supplementary services related to the assignment, such as court testimony and appraisal updates. Appraisal updates, if required, must make reference to the original report, and must fully explain and document any market or property changes affecting the value since the date of value of the original report. The update letter of transmittal must contain the original value estimate, as well as the update value.

6) Appraiser Qualifications

In accepting an assignment for Sovereign Bank, the Appraiser is indicating that he or she is qualified, independent, and competent to complete the assignment, or has disclosed any concerns in this regard to Sovereign Bank. The Appraiser, in accepting an assignment for Sovereign Bank, affirms that he or she is certified as required by federal and state law to complete the particular assignment. **State Certification in the state where the subject property is located, is required, by the appraiser engaged to perform the assignment.** If it is determined in the course of the review process that the appraiser was clearly not qualified, competent, independent, or requisitely certified to complete the assignment accepted, Sovereign Bank will refuse payment. In addition, the assigned appraiser must inspect the property, sign the report and have full involvement in the appraisal process and be able to discuss *in detail* the key issues in the valuation. Except for data gathering, any subcontracting of assignments outside the assigned appraiser's firm must receive prior approval of Sovereign Bank Appraisal Unit.

7) Use of Appraisal Reports

Appraisal reports prepared for Sovereign Bank may be made available to third parties and to authorized reviewers, examiners, regulators, Bank customers and other financial institutions in the regular course of business. Market data and other information contained in appraisal reports prepared for Sovereign Bank may be entered into computerized systems for use in statistical and other analyses at the discretion of Sovereign Bank.

8) Assumptions, Disclosures, and Limiting Conditions

In accordance with USPAP, written appraisal reports must make certain disclosures and set forth all assumptions and limiting conditions that affect the Appraiser's analyses, opinions, and conclusions. Sovereign Bank will not accept any assumptions, disclosures, or limiting conditions which are inconsistent with these Minimum Standards unless approved by Sovereign Bank.

9) Appraisal Review

All appraisal reports submitted to Sovereign Bank are subject to review by Sovereign Bank in accordance with our review guidelines. Appraisers accepting assignments from Sovereign Bank are expected to cooperate with reviewers in providing information as may be required to supplement or clarify information contained in the report, and to make necessary corrections, if requested. This obligation extends beyond the payment of the appraisal fee.

10) Property Inspections

The subject property must be inspected by the Appraiser engaged to perform the assignment, and the date of inspection must be included in the appraisal report. The appraiser should note any deferred repairs/maintenance and include an estimate of cost to cure. While the appraiser is neither required nor expected to be an expert in the field of hazardous substances, the Appraiser is required to report any hazardous substances or signs of hazardous substances observed in the course of inspection of the subject property. The Appraiser is expected to consider and incorporate into the report and the final opinion of value the cost of remedying any noted areas of noncompliance with the requirements of the Americans with Disabilities Act, including fitting buildings with required wheelchair access. For new or proposed multifamily dwellings, the Appraiser must consider HUD Fair Housing Act Guidelines. Sovereign Bank will accept reasonable limiting conditions which disclose the Appraiser's lack of expertise with respect to hazardous substances, and disclaim the Appraiser's responsibility for matters beyond the Appraiser's level of expertise.

11) Expense Analysis

All property expenses must be analyzed and presented by individual expense categories and supported by comparable data and historical data (if available), even in cases in which the tenant(s) is(are) responsible for payment of such expenses. Analysis and presentation of expenses as a percentage of income is unacceptable without independent support and development of individual expense categories.

12) Additional Appraisal Requirements for Specific Property Types

The Appraisal of Multi-Tenant Commercial and Industrial Properties

Appraisals of multi-tenant commercial and industrial properties, including shopping centers, office buildings, and industrial parks must be appraised using all applicable approaches to value including the income approach. The application of direct capitalization and discounted cash flow techniques should be based on the complexity of the assignment. Use of a discounted cash flow analysis generally provides the best measure of the future cash flow streams for multi-tenant properties. Direct capitalization is useful when a property is currently stabilized and is expected to remain so over a normal investment holding period.

For unstabilized properties, the Appraiser should include an estimate of future stabilized value with a discounting for the time to reach stabilization and interim net income deficiencies.

The appraiser is responsible for the validity and accuracy of all calculations and results. Lease by lease DCF analyses must be documented in the appraisal report with an explanation of the process, support for all key assumptions and controlling input, lease data, detailed printouts of projected cash flow, and tabulation of the results. A copy of a diskette providing the DCF analysis should be provided with the written appraisal report.

The Appraisal of Hotels and Motels

Appraisals of Hotels and Motels must include valuation via the income approach using either direct capitalization with an overall rate for properties that are operating at a stabilized level of occupancy and are expected to continue at a stabilized rate for the foreseeable future, or DCF analysis, when changes in market or physical condition or capital expenditures will significantly affect cash flows. In either approach, historical and prospective income and expense must be analyzed and presented.

The Appraisal of Apartment Properties

Appraisals of apartment properties must include valuation via the income approach using either direct capitalization with an overall rate for properties that are operating at a stabilized level of occupancy and are expected to continue at a stabilized rate for the foreseeable future, or DCF analysis, when changes in market or physical condition or capital expenditures will significantly affect cash flows. In either approach, historical and prospective income and expense must be analyzed and presented. Appraisals of new or proposed multi-family dwellings must consider the cost of meeting the requirements of HUD Fair Housing Act and Americans with Disabilities Act Guidelines. Actual income, as opposed to market rents, must

be utilized unless significant differences between market and actual rents can be attributed to property improvements and/or changes in market conditions. In those cases where market rent is utilized, the Appraiser must include calculations of rent loss until the market rent can be achieved.

The Appraisal of Owner Occupied Properties (Partial or Whole)

When valuing an owner occupied property, the Appraiser is requested to provide an estimate of Market Value Assuming a Lease at Current Market Rent. The Appraiser must also provide marketing periods for sale and lease of the property, estimated cost of any tenant improvements, commission schedules, other fixed expenses, and any deferred maintenance of capital improvements, if appropriate.

The Appraisal of Developments with Units for Sale

The appraisal of developments with units for sale such as condominiums, cooperatives, and land subdivisions prepared for Sovereign Bank must clearly state the Appraiser's opinion of the current market value of the property as a whole, as is, as if sold to a single purchaser. The Appraiser must analyze and report the present value of all of the unsold units based on a discounted sellout analysis, which must cover a time frame that is sufficient to sell off all units under development or scheduled for development at the time of appraisal, and incorporates costs to complete, marketing expenses, commissions, and an allocation for profit. A discounted sellout analysis is not required for the valuation of undeveloped future phases of a project that can be valued in bulk on a sales comparison basis.

For multifamily developments the market value estimate should also include an analysis of the rental potential assuming no sales of individual units unless otherwise instructed.

The Appraisal of Proposed Improvements

The appraisal of proposed improvements, i.e., improvements that have not yet been constructed or are under construction at the time of appraisal, must include values "upon completion" and "upon stabilization", identified as prospective values as of a stated future date and must be accompanied by the Appraiser's estimate of the current "as is" value of the subject property.

The Appraisal of Vacant or Partially Leased Income Properties

All appraisals of vacant or partially leased income properties that have not yet achieved a stabilized level of occupancy at the time of appraisal must take into account the full effects of the time required to achieve a stabilized level of occupancy and the expected expenses to be incurred during the rent up period. Such appraisals must include, in addition to the Appraiser's estimate of the current "as is" value, the Appraiser's estimate or estimates of any prospective value required in the engagement letter, including the Appraiser's estimate of the date that occupancy is expected to be stabilized. The projected date for the property to achieve full stabilized occupancy should be reconciled with the Appraiser's market analysis and absorption trends.

The Appraisal of Raw Land

Appraisals of raw land, including properties that include infrastructure improvements, must be valued utilizing comparable sales and listings. Development of a value indication employing the land residual technique is not acceptable except as a test of reasonableness and should not constitute a major component of the valuation analysis. Paired sale and quantitative adjustment grid analyses are not acceptable. Rather, sales and listings should be compared directly to the subject to establish a bracketing of a value indication.

The Appraisal of One to Four Family Residential Property

The written appraisal reports of appraisals of one to four family residential properties may be done on forms approved by the Federal National Mortgage Association (Fannie Mae), unless otherwise stipulated in the engagement letter. Form appraisals should be supplemented as may be required for compliance with USPAP and these Minimum Standards.

The Appraisal of Smaller Residential Apartment Properties

The written appraisal reports of appraisals of five to twenty family residential properties may be done on forms approved by the Federal National Mortgage Association (Fannie Mae), unless otherwise stipulated in the engagement letter. Form appraisals should be supplemented as may be required for compliance with USPAP and these Minimum Standards.

SOVEREIGN BANK MINIMUM APPRAISAL STANDARDS SCOPE OF WORK MEMORANDUM

The 2006 Uniform Standards of Professional Appraisal Practice (USPAP) effective July 1, 2006, establishes the "Scope of Work Rule" to guide the process of developing assignment results. Scope of work, is the work an appraiser performs to develop assignment results. USPAP defines "scope of work" as *the type and extent of research and analyses in an assignment*. The focus of the scope of work rule is on ensuring that work undertaken is sufficient to develop credible assignment results. Previous USPAP terminology relating to "complete" and "limited" assignments and the "Departure Rule" have been officially eliminated in this edition of USPAP. In order to address these changes to USPAP in our daily practice, Sovereign Bank has instituted the following procedural changes effective for all assignments completed after July 1, 2006.

Problem Identification: The Sovereign Bank Appraisal Unit staff will review each request for appraisal services to identify the valuation problem involved, and will specify minimum expectations regarding the scope of work for each assignment within the comments of the "Request for Proposal" (RFP), distributed via electronic mail or with verbal communication to the appraiser. Specifically, as part of our process to provide input and guidance for scope of work determination, Sovereign Bank's Real Estate Appraisal Unit will continue to utilize the labels "Complete" and "Limited" when engaging assignments and continue to require adherence to the SOVEREIGN BANK MINIMUM STANDARDS FOR APPRAISAL ASSIGNMENTS as well as the directive of this memorandum. The terms "Complete" and "Limited" are defined under the section **Analyses Undertaken** as identified in this memorandum.

Assignment Acceptability: Each appraiser responding to an RFP is charged with reviewing the proposed scope of work and advising if they believe additional work would be required and suggesting a revised scope of work if deemed appropriate. In determining whether this proposed scope of work is acceptable, the appraiser must ensure that it would meet or exceed:

- The expectations of parties who are regularly intended users of similar assignments (e.g. other financial institutions),
- What a peer's actions would be in performing the same or similar assignment.

Once the appraiser and Sovereign Bank agree on an acceptable scope of work, and terms for an assignment, the assignment will be awarded. Should information be obtained during the course of the assignment that suggests the scope of work needs to be revised for credible results, please immediately communicate with the Sovereign Bank Real Estate Appraisal Unit.

Analyses Undertaken: Presently, Sovereign Bank will continue to use the labels "Complete" and "Limited". The appraisal request and engagement will set forth these labels to provide minimum standards and guidance for scope of work determination. Complete and Limited Appraisals are defined as follows:

- **Complete Appraisal** – A Complete Appraisal is expected to include all three approaches to value, i.e., sales comparison, income and cost, unless the approach is not applicable or is not reliable. The appraiser's rationale for omitting an approach must be explained in the appraisal report.
- **Limited Appraisal** – A Limited Appraisal is expected to rely on the single most applicable and reliable of the three valuation approaches, i.e., sales comparison, income, and cost.

If the above defined assignment conditions do not allow the development of credible assignment results, the appraiser must determine the appropriate scope work and discuss the determined changes with a professional staff member of the Sovereign Bank Real Estate Appraisal Department.

Reporting: USPAP Standard 2 related to reporting remains unchanged by the Scope of Work Rule. The report formats for Restricted, Summary, and Self-Contained remain in effect. Sovereign Bank will specify the expected level of reporting for a particular assignment during the request for proposal. Regardless of format, the report must contain sufficient information to allow the user to understand the scope of work performed. This may include disclosure of work that was not performed if it may otherwise appear relevant. Unless otherwise specifically instructed, Sovereign Bank will continue to expect a high level of due diligence to be undertaken in researching data for any particular assignment. Our expectation remains the appraiser will complete research and analysis necessary to produce the most current and relevant data available for the assignment. The geographic extent of such research should be consistent with the investment market in which the subject property competes.

**DANIEL J. McVICKER
QUALIFICATIONS**

ADDRESS:

William G. Bowen, Inc.
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13622 Pennsylvania Avenue
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301-797-8770 • 301-416-7242 • 301-416-7413 - Fax
williambowen@msn.com - Email
www.williamgboweninc.com - Web Site
52-1401971 - Federal I.D. Number

BUSINESS:

William G. Bowen, Inc. is a full service appraisal firm with eight full-time appraisers (two FHA approved), performing 1,000 + residential and 100 + commercial, USPAP compliant appraisals annually.

LICENSE:

MD Certified General # 04-11729

SERVICE AREA:

Frederick and Washington Counties, Maryland
Berkeley and Jefferson Counties, West Virginia
Franklin County, Pennsylvania

EXPERIENCE:

Appraisal of Residential, Commercial, Industrial, Farms, Subdivisions, Fair Market Rental Studies, etc.

Associated with William G. Bowen, MAI since July, 2002

EDUCATION:

Shepherd College - Shepherdstown, West Virginia
B.A. - Education, May 1991

APPRAISAL INSTITUTE

- I-110 Appraisal Principals (2002)
- I-120 Appraisal Procedures (2002)
- I-410 Standards of Professional Practice, Part A (USPAP) (2002)
- I-310 Basic Income Capitalization (2003)
- I-320 General Applications (2004)

McKISSOCK CONTINUING EDUCATION

- National USPAP Update 2006, 2008
- Mortgage Fraud (2008)
- Appraising in a Changing Market (2009)

Miscellaneous Education Providers

- Small Residential Income Properties (2005) HCC
- Understanding the Relocation Appraisal (2006) MAA
- Property Inspection Techniques (2006) MAA
- The Sale of Real Estate at Auction (2007) MAA
- Unique Property Appraisal (2007) MAA
- The Expert Witness (2007) MAA
- Rental Property Code Compliance (A) (2007) MREC

CLIENTS SERVED

Individuals and Attorneys

LENDERS AND BUSINESSES

Columbia Bank
Sovereign Bank
Susquehanna Bank
First United Bank and Trust

Bulldog Federal Credit Union
PNC Bank
M&T Bank
Orrstown Bank

**WILLIAM G. BOWEN, MAI
QUALIFICATIONS**

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www.williamgboweninc.com - Web Site
52-1401971 - Federal I.D. Number

BUSINESS: William G. Bowen, Inc. is a full service appraisal firm with nine full-time appraisers (three FHA approved), performing 1,000 + residential and 100 + commercial, USPAP compliant appraisals annually.

CERTIFICATION: Certified General Real Estate Appraiser
Maryland 04-001
Pennsylvania GA-000613-L
West Virginia 070

MEMBER: Appraisal Institute, MAI (1988), # 7826
1990-1995 Chairman of the MD Real Estate Appraisers Commission
Metropolitan Regional Information Systems

QUALIFIED WITNESS: United States Federal Court Baltimore District
United States Federal Court Northern District of West Virginia
United States Bankruptcy Court for District of MD
Frederick County, Maryland Circuit Court
Frederick County, Maryland Board of Property Review
Frederick County, Virginia Circuit Court
Washington County, Maryland Circuit Court
Washington County, Maryland Board of Property Review
Washington County, MD Planning & Zoning Commission
Berkeley County, West Virginia Circuit Court
Jefferson County, West Virginia Circuit Court
Franklin County, Pennsylvania, Common Pleas

SERVICE AREA: Frederick and Washington Counties, Maryland
Berkeley and Jefferson Counties, West Virginia
Franklin County, Pennsylvania

EXPERIENCE: 38 Years in appraising all types of properties; Residential, Commercial, Industrial, Farms, Subdivisions and special use properties. Interests appraised include Fee; Leased Fee; Leasehold; Partial Takings; Agricultural Preservation, historical, scenic, facade, open space, protective, and flowage easements; Avigation, Highway Easements; Surface and subsurface Rights; Rights-of-Way; etc. Other assignments include Fair Market Rental Studies, Real Estate Studies, Planning Reports, Highest and Best Use Analyses, Feasibility Studies, Partial Interest Discounts, etc.

SEMINAR SPEAKER:

The Appraisal Subcommittee of the Federal Financial
Institutions Examinations Council
Appraisal Foundation
Appraisal Qualifications Board
Appraisal Standards Board
Maryland Institute of Continuing Professional
Education of Lawyers, Inc.; etc.

**EDUCATION
AND TRAINING:**

APPRAISAL INSTITUTE

- 1-A Appraisal Principals and Methods (1972)
- 1-B Capitalization Theory & Techniques (1973)
- 2 Urban Properties (1974)
Narrative Report Seminar (1976)
- R-2 Examination (1976)
- 201 Income Property Appraising (1979)
- 202 Income Property Valuation (1985)
- 1B-A Capitalization Theory & Techniques (1986)
- 1B-B Capitalization Theory & Techniques (1986)
- 2-1 Case Studies in Real Estate Valuation (1986)
- 2-2 Valuation Analysis and Report Writing (1986)
- 1A-1 Real Estate Appraisal Principles (1987)
- 1A-2 Basic Valuation Procedures (1987)
- 2-3 Standards of Professional Practice (1987)
- 6 Real Estate Investment Analysis (1987)
- 10 Market Analysis (1987)
Comprehensive Examination (1988)
- 7 Industrial Valuation (1990)
- 4 Litigation Valuation (1992)
Real Estate Due Diligence (1992)
Rates, Ratios & Reasonableness (1992)
FIRREA Compliance/Differences Between
"The Appraisal of Real Estate" (1992)
Other Considerations & Misconceptions in the
Appraisal Process (1992)
- 410 Standards of Professional Practice, Part A (1993, 1997)
Subdivision Analysis (1994)
- 420N Standards of Professional Practice, Part B (1997, 2003)
- SE620 Sales Comparison Valuation of Small, Mixed-Use Properties (1999)
The Master Class (1999)
The Appraiser as Expert Witness (1995)
Commercial Development & Market Update (1996)
Real Estate Capital Sources (1997)
Factors Considered When Developing a Theme Restaurant (1999)
MD Residential Seminar (2000)
Real Estate Value Cycles (2001)
- 400N National USPAP Update (2003) (2005)
The Appraiser as Expert Witness (1995)
Commercial Development & Market Update (1996)
Real Estate Capital Sources: Best Alternatives (1997)
Factors Considered When Developing a Theme Restaurant (1999)
MD Residential Seminar (2000)
- R30244 Asset Valuation (2007)
- R-31822 Trend Watch (2008)
- 685 Partial Interest Valuation (2009)

**Education and
Training (Cont'd)**

Real Estate Value Cycles (2001)
Analyzing Operating Expenses (2001)
Business Practices and Ethics (2003)
Residential Trend Watch Seminar (2006)
Residential Trends Watch (2006)
Evaluating Commercial Construction (2006)
Evaluation Residential Construction (2006)
Analyzing Distressed Real Estate (2006)
Miscellaneous Educational Providers
Fair Housing and Licensing Law (Semi-Annually)
Inspecting Building Foundations for Appraisers (1994)
Types of Surveys (1994)
Environmental Risk and Due Diligence (1994)
Overview of Bill 760 - Lead Paint Remediation in the State of
Maryland (1995)
USPAP Revisions, Departure Provision (1994)
National Flood Insurance Reform Act of 1994
Flood Insurance Update (1995)
MRIS Applications (1996)
Participated in various Real Estate and Appraisal Seminars
Deferred Exchanges and Capital Gains (1996)
Practice of Appraising (1996)
Real Estate Ethics (Semi-Annually)
Professional and Technical Compliance with USPAP I (1997)
Understanding Bankruptcy, Foreclosure (1995)
The Appraiser as Expert Witness (1995)
Buyer's Agency (1995)
Legal Updates (1995, 1997, 1999, 2001, 2003)
Environmental Considerations (1995)
Commercial and Industrial Real Estate Markets (1996)
Pennsylvania State Mandated Course (1997, 1999, 2001, 2003, 2005, 2007)
Uniform Standards Professional Appraisal Practice (2001, 2002, 2003, 2005, 2007,
2008, 2010)
Residential Construction (2003)
Appraising Oddballs (2003)
New Fannie Mac Forms (2005)
Intro. To Commercial Real Estate (2006)
Predatory Lending (2007)
The Cost Approach (2007)
Expert Witness (2008)
Appraising in a Changing Market (2009)

CLIENTS SERVED

Individuals and Attorneys; various Federal, State, County and City Agencies; Local, Regional, and
National Lenders and Businesses; various Relocation Companies, etc.

References

Steven M. Michael	Tower Bank	(301) 393-8595
Timothy Henry, CEO	Centra Bank	(301) 667-0067
David A. Barrett, President	Bulldog Federal Credit Union	(301) 797-6318
Brian M. Holly, MAI, Review Appraiser	U.S. Department of Justice	(202) 305-0296