

SELF CONTAINED APPRAISAL REPORT

ON

**Gyrodyne Company of America, Inc. v The State of New York,
New York State Court of Claims: Case No: 112279**

PROPERTY LOCATED AT

WEST SIDE OF STONY BROOK ROAD AND
SOUTHEAST CORNER OF NORTH COUNTRY ROAD (SR 25A) AND MILLS POND ROAD,
STONY BROOK AND ST. JAMES,
TOWNS OF BROOKHAVEN AND SMITHTOWN,
SUFFOLK COUNTY, NEW YORK

PARTIAL ACQUISITION

TOTAL LAND AREA: 307.89± Acres
TAKING AREA: 245.46± Acres
REMAINDER AREA: 62.43± Acres

PROPERTY ACQUIRED BY: State of New York
MAP # 1
PROPERTY ACQUIRED FROM: Gyrodyne Company of America, Inc.
DATE OF VESTING: November 2, 2005
PREPARED FOR: Robinson & Cole LLP
885 Third Avenue
28th Floor
New York, NY 10022-4834

Prepared by **ROGERS & TAYLOR APPRAISERS, INC.**

ROGERS & TAYLOR APPRAISERS, INC.

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October 17, 2007

Robinson & Cole LLP
885 Third Avenue
28th Floor
New York, NY 10022-4834

Attention: Joseph L. Clasen, Esq.

Re: **Gyrodyne Company of America, Inc. v The State of New York,
New York State Court of Claims: Case No: 112279
S/E/C Mills Pond Road and Route 25A
Stony Brook, New York
Our File # 17021-06**

Dear Mr. Clasen:

Attached please find our appraisal of the compensable damages resulting from a partial fee acquisition of the above referenced property.

The property is located on the west side of Stony Brook Road between University Heights Drive and the Long Island Railroad in the hamlet of Stony Brook, Town of Brookhaven, Suffolk County New York. It is also located on the southeast corner of North Country Road (SR25A) and Mills Pond Road in the hamlet of St. James, Town of Smithtown, Suffolk County, New York. The property is designated on the Suffolk County Tax Map as follows: District: 0200, Section: 272, Block: 2, Lot: 8; District: 0200, Section: 273, Block: 1, Lot: 3; District: 0800, Section: 40, Block: 2, Lots: 4, 11, 13.3, 14 and 15 . The portion of the property located within the Town of Brookhaven is zoned "*L-1*" *Industry*. The portion of the property located within the Town of Smithtown is zoned "*L-1*" *Industry* with the exception of a strip along Mills Pond Road and a portion of the North Country Road frontage. This strip has a depth from frontage of 200 feet and is zoned "*R-43*" *Residence* by the Town of Smithtown. The subject property is somewhat irregular in shape and is located on both the south and north sides of the Long Island Rail Road (LIRR) tracks. Frontage consists of 3,814± feet on Stony Brook Road, 2,737± feet on North Country Road and 530± feet on Mills Pond Road.

The subject property will be described as "Parcel A" and "Parcel B" based on the dividing line created by the LIRR tracks. Parcel A is the portion of the property on the south side of the tracks and is the acquisition area in its entirety. Parcel B is the portion of the property on the north side of the tracks and comprises the remainder area. Within Parcel A are two contiguous parcels; one within the Town of Brookhaven (Stony Brook) containing 181.7± acres and one within the Town of Smithtown (St. James) containing 63.76± acres. These two parcels comprise the acquisition area and total 245.46± acres. Parcel B is comprised of four contiguous lots within the Town of Smithtown as well as a very small, contiguous lot within the Town of Brookhaven. Parcel B totals 62.43± acres. Parcel sizes have been taken directly from maps prepared by L.K. McLean Associates, P.C. (Acquisition Map), Hawkins Webb Jaeger PLLC (Remainder Map and Rezoning Map). Please note that two parcels located within the Town of Smithtown on the south side of the LIRR have not been included in this appraisal as they are not pertinent to the assignment. These lots are designated on the tax maps as 0800-39-5-42.3 and 42.4. They are residential lots containing a combined area of 5.16± acres and are part of a mapped subdivision (Map of Mill Pond Estates, Section 3, Filed 6/2/88). They are unaffected by the taking and do not share unity of use with the larger parcels.

As of the date of vesting, November 2, 2005, the subject property was primarily vacant land. Existing light industrial improvements are located on the north side of the LIRR tracks within Parcel B and consist of 4 masonry and metal buildings totaling 151,480± square feet. Parcel A contains three masonry buildings totaling 49,458± square feet.

Based upon the zoning analysis prepared by Daniel Gulizio, planning expert, as well as the appraiser's determination of highest and best use, it is evident that the zoning of the subject property is inappropriate and should be changed to Planned Development District (PDD) in order to allow for development of a residential community (condominium). This use is the highest and best use of the property as well as the use with the highest reasonable probability, according to Mr. Gulizio. Development of the property under the existing industrial zoning would be limited by the location, access and surrounding land uses as well as other factors restricting and detracting from such use.

The property therefore will be appraised based on the existing zoning as well as based on a change of zone to PDD. A probability of rezoning factor will be applied to the value differential and added to the value as zoned in order to properly estimate the market value of the subject property as of the vesting date.

Existing improvements on both Parcels A and B are considered to be under-improvements in the "as zoned" scenario due to their age, functional utility and physical deterioration. The improvements are inconsistent with the highest and best use in this scenario which would be to re-develop the property with more modern, more intensive light industrial/research and development space. Within the "as rezoned to PDD" scenario, the existing improvements are also inconsistent with the highest and best use as residential acreage with potential for multi-family/condominium development. It is evident that the existing improvements must be removed and any environmental conditions rectified in order to develop the property in accordance with its highest and best use under both valuation scenarios.

It is the appraiser's opinion that the income that could be generated by the existing improvements during the planning, application, approval and development phases effectively offsets the costs associated with demolition and remediation. No costs are to be deducted within any of the valuation scenarios based on this premise.

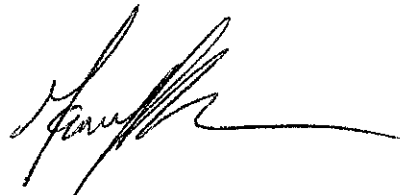
A more complete description of the subject property and other pertinent appraisal data can be found in the following report.

The purpose of this appraisal is to estimate the Market Value of the subject property before and after the partial acquisition by the State of New York as of the vesting date, November 2, 2005. The difference between the market values before and after the acquisition yields the value of the permanent damages that have resulted from the partial acquisition.

After analyzing all the available information, it is my opinion that the total damages are:

ONE HUNDRED TWENTY FIVE MILLION DOLLARS
\$125,000,000.00

Very truly yours,



Gary P. Taylor MAI, SRA
State Certified General Real Estate Appraiser
Lic. # 46000002601

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QUALIFICATIONS OF THE APPRAISER

GARY P. TAYLOR, MAI, SRA

Is President of the firm of Rogers and Taylor Appraisers, Inc. Completed four years as an undergraduate at Trinity College. Major in English.

Has attended seminars, appraisal courses and lectures given by the Society of Real Estate Appraisers, Long Island Society of Real Estate Appraisers, New York State Bar Association, American Society of Appraisers and other Real Estate Courses. Has taken and successfully completed "An Introduction to Appraising Real Property" (Course 101) and "Principles of Income Property Appraising" (Course 201) sponsored by the Society of Real Estate Appraisers. Has also taken and successfully completed "Basic Appraisal Principles, Methods and Techniques" (Course 1A,) "Capitalization Theory and Techniques" (Course 1B) "Introduction to Investment Analysis" (Course 6) sponsored by the Appraisal Institute, and "Principles of Real Estate Investment," sponsored by the New School in New York City. Has successfully completed the RII examination given under the sponsorship of the Society of Real Estate Appraisers.

Is a certified instructor for an "Introduction to Appraising Real Property," "Principles of Income Property Appraising" and "Applied Residential Appraising," as sponsored by the Society of Real Estate Appraisers. National instructor for "Applied Residential Appraising."

Is currently an approved instructor for the Appraisal Institute, 310 Basic Income Capitalization, 510 Advanced Income Capitalization, Course 530 Advanced Sales Comparison and Cost Approach, Course 600 Residential Income Capitalization, Course 610 Cost Approach of Mixed Use Properties, Course 620 Sales Comparison Valuation of Mixed Use Properties, and Course 700 Litigation Valuation Overview. Was the 1992 recipient of the Williams N. Kinnard Jr. Phd. award from the Education Trust of the Appraisal Institute for excellence in education and the 1997 recipient of the *Real Estate Man of the Year Award* from the Long Island Chapter of the Appraisal Institute.

Is an approved instructor by the New York State Department of State in its continuing education programs for Real Estate Sales People. Is a licensed Real Estate Salesman.

Has appraised all types of real estate: Vacant, Improved, Residential, Income, Farm, Commercial, Offices in New York City and Long Island area.

Has testified in Court on tax certiorari proceedings.

Has appraised for condemnation at the local, Town, County, State and Federal levels for both condemners and condemnees.

QUALIFICATIONS OF THE APPRAISER (Cont'd)

GARY P. TAYLOR, MAI, SRA

Has appraised for Villages, Townships, County of Suffolk, various school boards doing municipal appraisals in various purposes.

Has appraised for various New York City and local banks, many New York and local law firms, insurance companies, gasoline companies and the New York Telephone Company.

ASSOCIATION MEMBERSHIPS

MAI, SRA - Appraisal Institute

COMMITTEE MEMBERSHIP

APPRAISAL INSTITUTE

- | | |
|-----------------|--|
| National | <ul style="list-style-type: none">♦ Immediate Past President 2005♦ President, 2004♦ President Elect, 2003♦ Vice President, 2002♦ Chief Reviewer, Course 530♦ Member, Curriculum Committee: 1999 –♦ Member, Center for Advanced Real Estate Analysis Advisory Committee♦ Chair, Faculty Committees - 1996-1998♦ Member, Residential Appraisal Board - 1992 - 1995♦ Chair, Education Committee RAB - 1992 - 1996♦ Member, Education Committee - 1991 - 1998♦ Member, Education Coordination Committee - 1992♦ Member, Publications Committee - 1986 - 1991♦ Chairman, Curriculum Committee - RAB - 1991 |
| Chapter | <ul style="list-style-type: none">♦ President (1992)♦ Executive Vice President (1991) |
| AIREA | <ul style="list-style-type: none">♦ Member National Publications Committee |
| SREA | <ul style="list-style-type: none">♦ Vice President - Member Executive Board (1989/90)♦ Secretary - Member Executive Board (1988/89)♦ Treasurer - Member Executive Board (1987/88)♦ Chairman - Advancement Committee (1986/87)♦ Chairman - Education Committee (1983-85)♦ Chairman - By-Laws Committee (1982)♦ National Chairman - Courses & Examinations♦ - Subcommittee (Course 101) |

NATIONAL DUTIES

- Served as Chief Reviewer and co-developer of Course 210
- Served as Chief Reviewer of Courses 600, 610 & 620
- Served as Reviewer, "The Appraisal of Real Estate" 10th and 11th Editions
- Served as Reviewer, "Appraising Residential Properties" 2nd Edition

♦ R.E. General Appraiser - New York State License 46000002601

GENERAL INFORMATION

SUMMARY OF SALIENT FACTS AND CONCLUSIONS

TYPE OF PROPERTY:	Acreage parcel with minor improvements
REPUTED OWNER:	Gyrodyne Company of America, Inc.
LOCATION OF PROPERTY:	W/S Stony Brook Road and S/E/C North Country Road (SR 25A) and Mills Pond Road, Stony Brook, Town of Brookhaven and St. James, Town of Smithtown, Suffolk County, New York
SUFFOLK COUNTY TAX MAP:	0200-272-2-8 0200-273-1-3 0800-40-2-4, 11, 13.3, 14 and 15
EXISTING ZONING:	"L-1" Industry Town of Brookhaven "L-I" Industry Town of Smithtown
MOST REASONABLE/PROBABLE ZONING:	"PDD" Planned Development District
DATE OF VESTING/VALUATION:	November 2, 2005
LAND AREA BEFORE ACQUISITION:	307.89± Acres
LAND AREA AFTER ACQUISITION:	62.43± Acres
AREA FEE ACQUISITION:	245.46± Acres
TOTAL VALUE BEFORE THE ACQUISITION:	\$153,000,000.00
TOTAL VALUE AFTER THE ACQUISITION:	\$28,000,000.00
TOTAL DAMAGES:	\$125,000,000.00

PHOTOGRAPHS OF THE SUBJECT PROPERTY



SUBJECT PROPERTY – SMITHTOWN PORTION NORTH OF LIRR

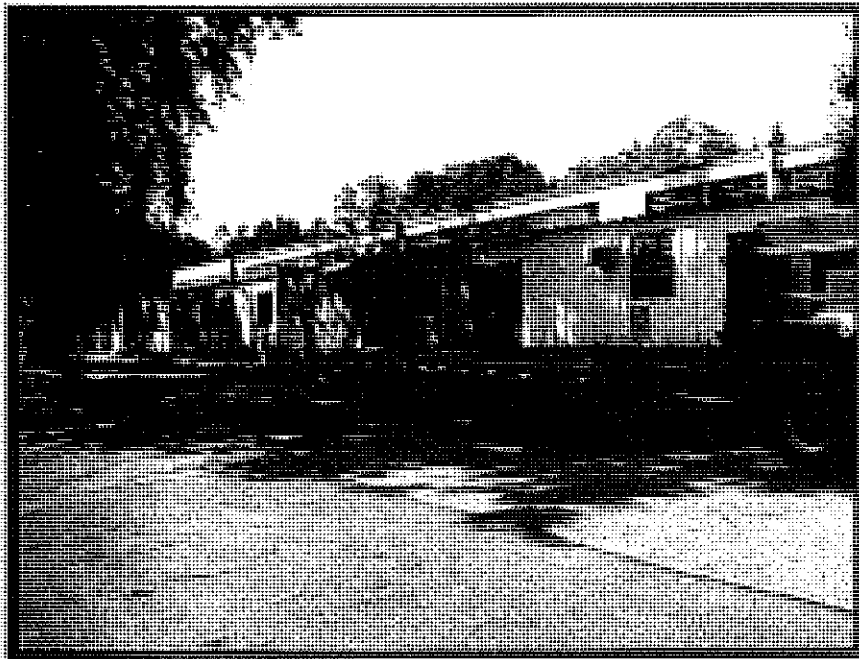


SUBJECT PROPERTY – SMITHTOWN PORTION NORTH OF LIRR

PHOTOGRAPHS OF THE SUBJECT PROPERTY



MILLS POND ROAD FACING NORTH



SUBJECT PROPERTY – SMITHTOWN PORTION NORTH OF LIRR

PHOTOGRAPHS OF SUBJECT PROPERTY

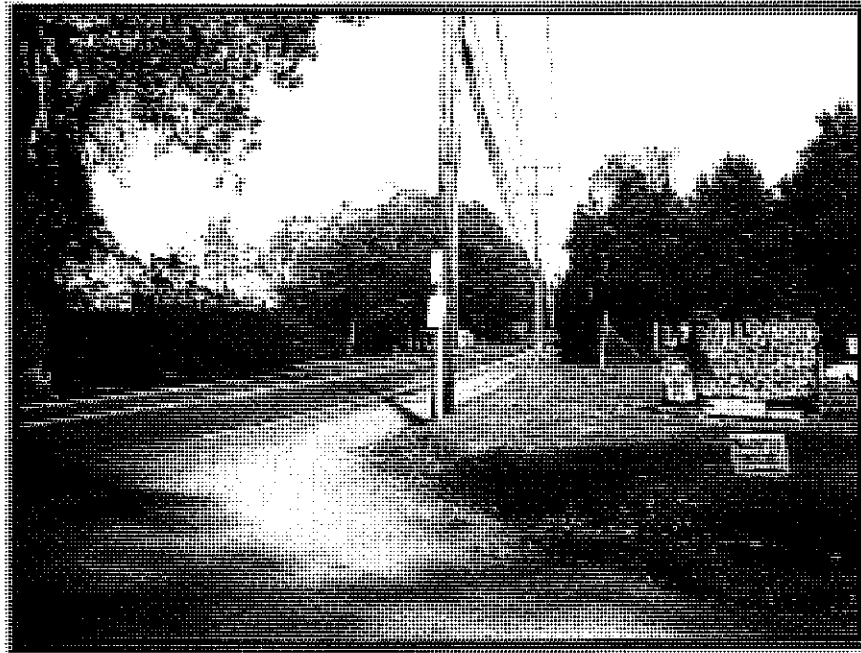


SUBJECT PROPERTY – SMITHTOWN PORTION NORTH OF LIRR



SUBJECT PROPERTY – SMITHTOWN PORTION NORTH OF LIRR

PHOTOGRAPHS OF SUBJECT PROPERTY



NORTH COUNTRY ROAD FACING EAST



STONY BROOK ROAD FACING SOUTH-SUBJECT ON RIGHT

PHOTOGRAPHS OF SUBJECT PROPERTY



SUBJECT PROPERTY – INTERIOR ACCESS ROAD FACING WEST-SUBJECT ON RIGHT



SUBJECT PROPERTY – SOUTH SIDE OF LIRR (TAKING AREA)

PHOTOGRAPHS OF SUBJECT PROPERTY



SUBJECT PROPERTY – SOUTH SIDE OF LIRR (TAKING AREA)



SUBJECT PROPERTY – SOUTH SIDE OF LIRR (TAKING AREA)

PHOTOGRAPHS OF SUBJECT PROPERTY



SUBJECT PROPERTY – SOUTH SIDE OF LIRR (TAKING AREA)

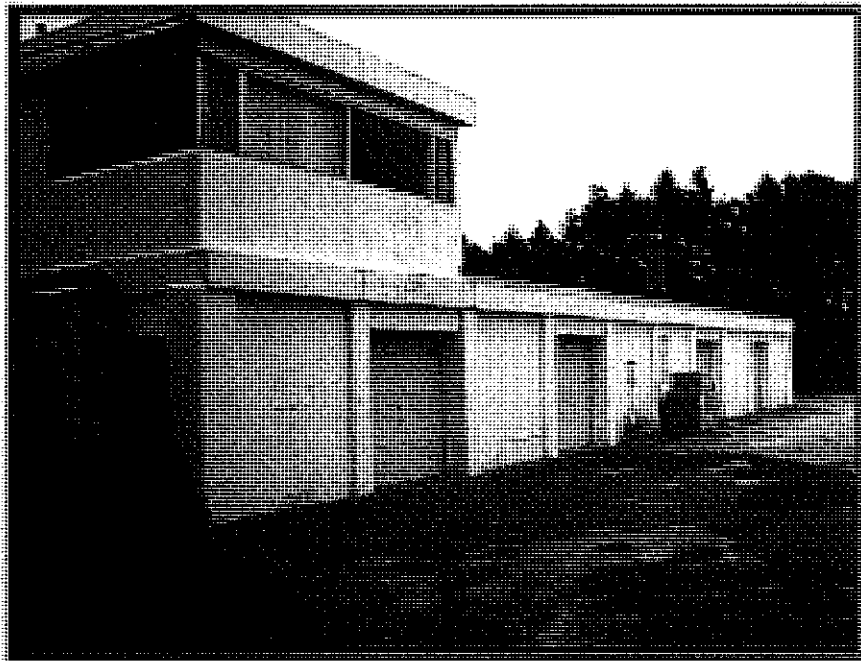


**STONY BROOK ROAD FACING NORTH AT SUBJECT PROPERTY
(ON LEFT)**

PHOTOGRAPHS OF SUBJECT PROPERTY



**SUBJECT PROPERTY – IMPROVEMENTS SOUTH OF LIRR
(TAKING AREA)**

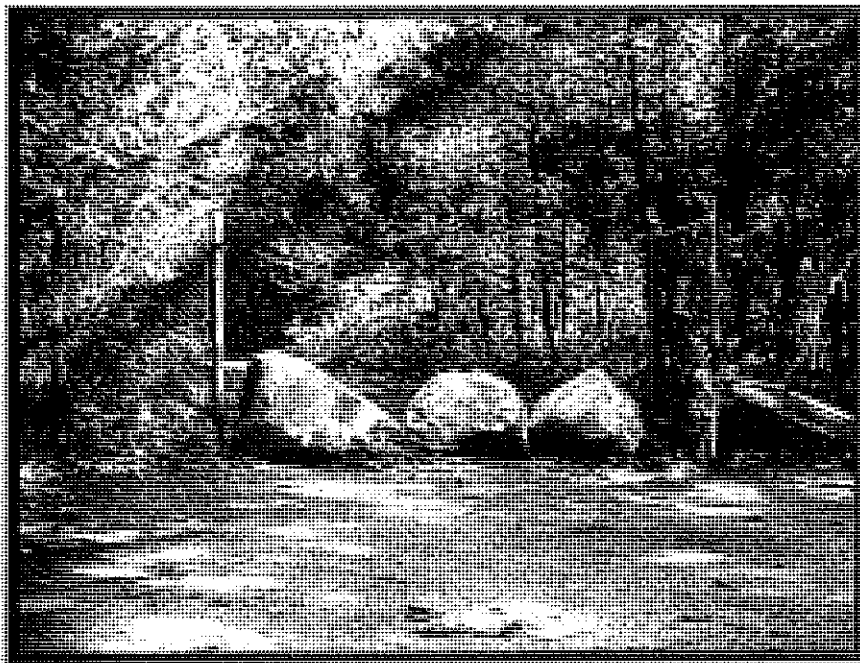


**SUBJECT PROPERTY – IMPROVEMENTS SOUTH OF LIRR
(TAKING AREA)**

PHOTOGRAPHS OF SUBJECT PROPERTY



**SUBJECT PROPERTY – IMPROVEMENTS SOUTH OF LIRR
(TAKING AREA)**



SUBJECT PROPERTY – SOUTH SIDE OF LIRR (TAKING AREA)

DATE OF APPRAISAL

The date at which Market Value is estimated is November 2, 2005, the date of vesting. This report is being written as of October 17, 2007.

INTENDED USE OF THE APPRAISAL

The intended use of this appraisal report is to provide the client with an estimate of the Market Value of the damages resulting from a partial acquisition of the subject property by the State of New York as of the vesting date, November 2, 2005.

INTENDED USER OF THE APPRAISAL

The intended user of the appraisal is our client, the law firm of Robinson & Cole LLP.

PURPOSE OF THE APPRAISAL

The purpose of this appraisal is to estimate the damages that result from a partial fee acquisition of the subject property. This will be done by estimating the Market Value of the subject property before and after the acquisition, as of the vesting date, November 2, 2005.

MARKET VALUE, DEFINED

Market Value is defined 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 sale as of a specified date and 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, with each acting in what he considers his own best interest;
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 normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

"Real estate-related financial transaction" means any transaction involving:

1. The sale, lease, purchase, investment in or exchange of real property, including interests in property, or the financing thereof; or
2. The refinancing of real property or interests in real property; or
3. the use of real property or interests in property as security for a loan or investment, including mortgage-backed securities.¹

"STABILIZED OCCUPANCY":

Occupancy at that point in time when abnormalities in supply and demand or any additional transitory conditions cease to exist and the existing conditions are those expected to continue over the economic life of the property; the optimum range of long-term occupancy which an income-producing real estate project is expected to achieve under competent management after exposure for leasing in the open market for a reasonable period of time at terms and conditions comparable to competitive offerings.

^{*}The Dictionary of Real Estate Appraisal, Fourth Edition, Appraisal Institute, Pg. 177, C. 2002.

¹Federal Reserve Bank of New York, The Federal Register: Real Estate Appraisal Standards Amendments to Regulation H and Y Final Rule (New York, Federal Reserve Bank of New York, 1990), page 2.

MARKET VALUE, DEFINED (Cont'd.)

"REASONABLE EXPOSURE TIME IN MARKET VALUE ESTIMATES":

Exposure time may be defined as follows: The estimated length of time the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal; a retrospective estimate based upon an analysis of past events assuming a competitive and open market.

Exposure time is different for various types of real estate and under various market conditions. It is noted that the overall concept of reasonable time but also adequate, sufficient and reasonable effort. This statement focuses on the time component. The estimate may be expressed as a range and can be based on one or more of the following:

- Statistical information about days on market;
- Information gathered through sales verification; and
- Interviews of market participants.

The reasonable exposure period is a function of price, time and use, not an isolated estimate of time alone.

"MARKETING TIME ESTIMATES":

The reasonable marketing time is an estimate of the amount of it time might take to sell a property interest in real estate at the estimated market value level during the period immediately after the effective date of an appraisal.

Marketing time differs from exposure time, which is always presumed to proceed the effective date of an appraisal. The estimate may be expressed as a range and can be based on one or more of the following:

- Statistical information about days on market;
- Information gathered through sales verification;
- Interviews of market participants; and
- Anticipated changes in market conditions.

Related information garnered through this process include other market conditions that may affect marketing time, such as the identification of typical buyers and sellers for the type of real estate involved and typical equity investment levels and/or financing terms. The reasonable marketing time is a function of price, time, use and anticipated market conditions such as changes in the cost and availability of funds; not an isolated estimate of time alone.

MARKET VALUE, DEFINED (Cont'd.)

EXTRAORDINARY ASSUMPTION

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

MARKET VALUE "AS IS"

An estimate of the market value of a property in its' present condition subject to the market conditions prevalent as of the effective date of the appraisal, without hypothetical conditions, assumptions or qualifications as to the physical or legal aspects of the property. If the property has not achieved stabilized occupancy or sellout as of the date of the appraisal, all applicable deductions and discounts need to be applied in order to estimate the "as is" value.

The most frequent deductions include, but are not necessarily limited to, unearned entrepreneurial profit; the costs necessary to market the space or units (sales commissions, leasing commissions, and advertising expenses); the costs necessary to maintain the property until it achieves sellout or lease-up, as appropriate; the real estate taxes on unsold units or un-leased space; the associated administrative expenses; and other marketing, holding, and administrative costs/expenses that may be applicable and appropriate.

PROSPECTIVE MARKET VALUE UPON COMPLETION OF CONSTRUCTION

A forecast of the market value of a property that is proposed, under construction, under conversion, or in the process of rehabilitation, subject to the assumption that the improvements are 100% completed as of a specified future date. Implicit in this definition is the assumption that the property has achieved 100% unit sellout, or stabilized occupancy, as appropriate, as of the projected date of completion. Should anticipated market conditions indicate that complete unit sellout, or stabilized occupancy, is not likely as of the date of completion, all appropriate deductions and discounts, similar to those referenced above, should be applied.

PROSPECTIVE MARKET VALUE UPON REACHING STABILIZED OCCUPANCY

A forecast of the market value of a property that is expected to occur at the estimated date of stabilized occupancy. Implicit in this definition is the assumption that all improvements to the property have been physically completed and that the property has been leased to its optimum level of long-term occupancy as of the date of value.

PROPERTY RIGHTS APPRAISED

The subject property is being appraised in order to determine the market value of the damages resulting from a partial acquisition by the State of New York. As this appraisal is being prepared in conjunction with a condemnation proceeding and the subject is being appraised as vacant land, the property will be appraised on the basis of Fee Simple Ownership.

A fee simple estate is defined in real estate terminology as follows:

"Absolute ownership unencumbered by any other interest or estate; subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat."¹

¹The Dictionary of Real Estate Appraisal, Fourth Edition, (2002) Pg. 113, The Appraisal Institute.

APPRAISAL PROBLEM

The subject property consists of a large, industrially zoned parcel of land located on North Country Road, Stony Brook Road and Mill Pond Road in Stony Brook, Town of Brookhaven and St. James, Town of Smithtown, New York. The parcel is comprised of several tax lots containing a total area of 307.89± acres. The scope of the appraisal is limited to the Sales Comparison Approach to Value as this is the most pertinent approach in the appraisal of vacant land.

The appraisal problem is to estimate the damages resulting from a partial acquisition of the subject property as of the vesting date, November 2, 2005. The fee taking area contains a total area of 245.46± acres.

The permanent loss in value as a result of the taking is due to the acquisition of land area by the State of New York. This value loss will be quantified by estimating the market value of the subject property before the taking and after the taking. The value differential is attributable to the direct damages suffered by the subject property as a result of the taking. Direct damages have resulted from the actual land acquired. No indirect damages have been sustained.

OWNERSHIP AND OCCUPANCY

OWNERSHIP: Gyrodyne Company of America, Inc.

OCCUPANCY: Vacant land with minimal tenant and owner-occupied improvements.

SALES HISTORY OF THE PROPERTY

The subject property has been in the current ownership or related title for more than 20 years.

SCOPE OF THE APPRAISAL

In order to estimate the compensable damages as a result of the taking, the estimated market value of the subject property must be estimated both before and after the taking. To perform this appraisal, we have undertaken the following:

- Inspected the subject property on several occasions. October 17, 2006 was the date of last full inspection.
- Reviewed population growth, income characteristics, employment trends, and other demographic trends which impact on the subject property.
- Analyzed the supply and demand in the subject's market to determine the highest and best use and isolate and identify those factors which impact value. Inspected the surrounding area to establish neighborhood characteristics, vacancy levels, quality and type of properties in the area.
- Researched comparable land sales in the County of Suffolk. Several sources were utilized, including but not limited to the Suffolk County Clerk's Office as well as published sources such as RealQuest, Comps, Inc. and the New York State SalesWeb.
- Established the subject and comparable lot sizes via taking maps, tax maps, surveys, or plotting of the legal description from the deeds.
- Viewed and photographed the comparable sales.
- Reviewed zoning regulations applicable to the subject property and the comparable sales via the zoning maps and code books published by the appropriate municipality having jurisdiction.
- Reviewed the Zoning Analysis prepared by Mr. Daniel Gulizio, planning expert, regarding the feasibility of the subject receiving a zoning change to Planned Development District. Based on the analysis as well as the appraiser's highest and best use analysis, a zoning change to PDD seems the most reasonable and probable scenario.
- Investigated assessments, tax rates, and historical tax rates through the Town Assessors' Offices.
- Established a history for the subject property via researching prior sales in published sources listed above as well as property records in the Suffolk County Department of Real Estate.
- Verified the sales via interviews with the buyer, seller, attorneys or real estate sales persons having first hand knowledge of the deal. Analyzed comparable sales to arrive at a value conclusion via the sales approach before and after the taking
- Estimated before and after market values and allocated direct damages.

SUFFOLK COUNTY DEMOGRAPHIC SUMMARY REPORT

POPULATION

In 2005, the population in the identified market area was 1,498,863. The census revealed a population of 1,419,369 in 2000, and a population of 1,321,647 in 1990. The total change in population between 1990 and 2000 was 7.39% indicating an annual average growth rate of 0.74%. By 2010, the population is projected to be 1,573,642, representing a change of 4.99% from 2005. The projected annual average population growth rate between 2005 and 2010 is 1.00%. The annual average growth rate based on future projections appears to be increasing as compared to historical growth rate figures.

Males comprise 49.19% of the current population, while females comprise the remaining 50.81%. Of the total population, 24.36% are under the age of 18 years. Another 65.90% are between the ages of 18 and 64, an indication of the potential workforce in the area. The remaining 9.74% of the people are aged 65 or older. In 2005, the median age of the population in the identified market was 38.2 years, as compared to the 36.3 year median age reported for the US base geography. The population density was 1,624.2 people per square mile.

HOUSEHOLDS

In 2005, there were 501,044 households in the identified market area. The Census revealed household counts of 424,641 in 1990 and 469,299 in 2000. The total change in households was 10.52% over that 10 year period. The indicated average annual growth rate in households was 1.05%. By 2010, the number of households is projected to be 530,089 indicating a change of 5.80% from 2005. Between 2005 and 2010, the indicated average annual household growth rate is expected to be 1.16%. The annual average growth rate based on future projections appears to be increasing as compared to historical growth rate figures.

In 2005, the average household size was 2.93 persons. In 1990, the average household size was 3.04, as compared to 2.96 in 2000 indicating that average household size is decreasing during that period.

In 2005, the median number of years in residence was 6.2 as compared to 3.3 years in the US Index Base. The average number of vehicles per household was 2.2. The number of households without a vehicle was 18,536.

SUFFOLK COUNTY DEMOGRAPHIC SUMMARY REPORT (cont'd)

INCOME

In 2005, the median household income in the identified market area was \$72,823. The US index base had a reported median household income of \$46,338. In 1990, the median household income was \$49,229 as compared to \$65,570 in 2000. The total change in median household income between 1990 and 2000 was 33.19%. The indicated average annual growth rate was 3.32%. By 2010, the median household income is projected to be \$83,191, indicating a projected total growth rate of 14.24% from 2005. The projected annual average growth equates to 2.85%. The annual average growth rate based on future projections appears to be decreasing as compared to historical growth rate figures.

In 2005, the per capita income was \$34,689, as compared to the US base which reported a per capita income of \$24,385. In 2005, the average household income was \$102,350, as compared to the US base which reported an average household income of \$64,443. In 2005, 14.12% of all households reported an average household income of less than \$24,999. In addition, 37.57% of households reported an average income of between \$25,000 and \$74,999, and 29.10% averaged between \$75,000 and \$124,999. The remaining 19.21% of all households reported an average household income exceeding \$125,000.

HOUSING

In 2000, the median housing value in the identified market area was \$184,380, representing a change of 11.51% from the reported median housing value of \$165,345 in 1990. This comparison indicates annual average growth rates in housing values of 1.15%. During that same period the US median housing value ranged from \$78,382 in 1990 to \$115,194 in 2000, indicating a total growth of 46.97% and an annual average growth rate of 4.70%.

In 2005, the total reported occupancy level in all housing units was 501,044, or 91.63%. Of that total, there were 406,605 reported owner-occupied housing units and 94,439 renter-occupied units. Owner-occupied units represent 74.36% of all occupied housing units as compared to the 17.27% occupied by renters. Between 1990 and 2000, the reported occupancy level in all housing units ranged from 424,641 (88%) to 469,299 (90%). The annual average occupancy level in all housing units appears to be increasing.

In 1990, the Census revealed the average rent in the identified market area was \$696, as compared to \$865 in 2000. These figures indicate rental rates have increased during that period.

SUFFOLK COUNTY DEMOGRAPHIC SUMMARY REPORT (cont'd)

EMPLOYMENT

In 2005, there were 769,345 people over the age of 16 in the identified market area. Of that total, 95.52% were employed, 4.40% were unemployed, and 0.08% were in the armed forces. In 2000, unemployment was reported to be 2.57%, as compared to 3.23% in 1990.

In 2005, there were 536,905 employees (daytime population) and 55,986 business establishments. In 2000, white collar workers comprised 64.47% of the employed workforce, while those employed in blue collar occupations comprised the remaining 35.53%. In 2000, manufacturing jobs accounted for 6.01% of the employed workforce and, service industry jobs accounted for 21.83% of the workforce.

In 2000, the average time traveled to work was 24 minutes, as compared to 18 minutes in 1990. During that period average travel time to work changed by 34.7%. In comparison, the average travel time reported in the US base area was 21 minutes in 2000.

EDUCATIONAL ATTAINMENT

In 2005, 80.33% of the population over the age of 25 had earned a high school diploma in the identified market area, while 19.67% did not earn a high school diploma. In comparison, 81.69% of the population over the age of 25 in the US index base earned a high school diploma. In 1990, the population attaining a high school diploma was 82.22%, as compared to 86.19% in 2000. These figures indicate high school graduation rates within the identified market area have been decreasing since 2000.

In 2005, a total of 14.23% of the population over 25 in the identified market area attended some college courses, while 7.53% earned an Associates Degree. Another 18.20% earned a Bachelor's degree, and 12.98% earned a Graduate degree. In comparison, the index base of US reported 18.96% of the population attended some college courses, while 7.05% earned an Associates degree. Within the US base, another 16.90% earned a Bachelor's degree, and 9.66% earned a Graduate degree.

SUFFOLK COUNTY DEMOGRAPHIC SUMMARY REPORT (cont'd)

HOUSEHOLDS BY INCOME

	1990		2000		2005		2010		Percent Change	
	Census		Census		Estimate		Projectio n		1990 to 2000	2005 to 2010
\$0 - \$15,000	47,321	11.1%	37,575	8.0%	36,711	7.3%	36,379	6.9%	-20.6%	-0.9%
\$15,000 - \$24,999	41,003	9.7%	34,123	7.3%	34,055	6.8%	32,243	6.1%	-16.8%	-5.3%
\$25,000 - \$34,999	48,518	11.4%	37,964	8.1%	34,909	7.0%	35,026	6.6%	-21.8%	0.3%
\$35,000 - \$49,999	79,107	18.6%	60,636	12.9%	58,831	11.7%	50,435	9.5%	-23.3%	-14.3%
\$50,000 - \$74,999	109,501	25.8%	101,618	21.7%	94,506	18.9%	86,952	16.4%	99.7%	-8.0%
\$75,000 - \$99,999	53,071	12.5%	77,574	16.5%	84,521	16.9%	78,047	14.7%	46.2%	-7.7%
\$100,000 - \$149,999	33,421	7.9%	75,799	16.2%	96,688	19.3%	120,547	22.7%	126.8%	24.7%
\$150,000 +	12,556	3.0%	44,010	9.4%	60,823	12.1%	90,460	17.1%	250.5%	48.7%
Average Hhld Income	\$56,998		\$79,413		\$102,350		\$116,263		39.3%	13.6%
Median Hhld Income	\$49,229		\$65,570		\$72,823		\$83,191		33.2%	14.2%
Per Capita Income	\$18,411		\$26,257		\$34,689		\$39,676		42.6%	14.4%

SUFFOLK COUNTY DEMOGRAPHIC SUMMARY REPORT (cont'd)

EMPLOYMENT AND BUSINESS

	1990		2000		2005		2010		Percent Change	
	Census		Census		Estimate		Projection		1990 to 2000	2005 to 2010
Age 16 + Population	1,033,503		1,086,445		769,345		818,130		5.1%	6.3%
In Labor Force	700,148	67.8%	711,463	65.5%	769,345	65.5%	818,130	65.5%	1.6%	6.3%
Employed	665,649	95.1%	682,898	96.0%	734,877	95.5%	781,412	95.5%	2.6%	6.3%
Unemployed	33,395	4.8%	27,968	3.9%	33,833	4.4%	36,058	4.4%	-16.3%	6.6%
In Armed Forces	1,017	0.1%	597	0.1%	635	0.1%	660	0.1%	-41.3%	3.9%
Not In Labor Force	333,355	32.3%	374,982	34.5%	404,950	34.5%	430,401	34.5%	12.5%	6.3%
Number of Employees (Daytime Pop)					536,905					
Number of Establishments					55,986					
Emp in Blue Collar Occupations			242,621	35.5%						
Emp in White Collar Occupations			440,277	64.5%						

HOUSING UNITS

	1990		2000		2005		2010		Percent Change	
	Census		Census		Estimate		Projection		1990 to 2000	2005 to 2010
Total Housing Units	481,232		522,323		546,832		574,377		8.5%	5.0%
Owner Occupied	340,212	70.7%	374,360	71.7%	406,605	74.4%	436,816	76.0%	10.0%	7.4%
Renter Occupied	84,424	17.5%	94,939	18.2%	94,439	17.3%	93,273	16.2%	12.5%	-1.2%
Vacant	56,598	11.8%	53,024	10.2%	45,788	8.4%	44,288	7.7%	-6.3%	-3.3%

SUFFOLK COUNTY DEMOGRAPHIC SUMMARY REPORT (cont'd)

EDUCATIONAL ATTAINMENT

	1990		2000		2005		2010		Percent Change	
	Census		Census		Estimate		Projection		1990 to 2000	2005 to 2010
Age 25+ Population	853,399		941,222		1,000,530		1,057,208		10.3%	-11.5%
Grade K - 8	50,455	5.9%	32,218	3.4%	81,117	8.1%	82,468	7.8%	-36.1%	1.7%
Grade 9 - 12	101,215	11.9%	88,997	9.5%	115,705	11.6%	116,319	11.0%	-12.1%	0.5%
High School Graduate	280,522	32.9%	294,485	31.3%	274,013	27.4%	294,745	27.9%	5.0%	7.6%
Some College, No Degree	160,830	18.9%	183,123	19.5%	142,392	14.2%	131,809	12.5%	13.9%	-7.4%
Associates Degree	63,936	7.5%	74,954	8.0%	75,296	7.5%	85,068	8.1%	17.2%	13.0%
Bachelor's Degree	112,022	13.1%	147,220	15.6%	182,097	18.2%	205,961	19.5%	31.4%	13.1%
Graduate Degree	84,356	9.9%	111,461	11.8%	129,910	13.0%	140,838	13.3%	32.1%	8.4%
No Schooling Completed			8,764	0.9%						

AREA DATA

ST. JAMES-5 MILE RADIUS-MILL POND ROAD

Population

In 2005, the population in the identified market area was 158,033. The census revealed a population of 148,591 in 2000, and a population of 142,100 in 1990. The total change in population between 1990 and 2000 was 4.57% indicating an annual average growth rate of 0.46%. By 2010, the population is projected to be 166,974, representing a change of 5.66% from 2005. The projected annual average population growth rate between 2005 and 2010 is 1.13%. The annual average growth rate based on future projections appears to be increasing as compared to historical growth rate figures.

Males comprise 49.17% of the current population, while females comprise the remaining 50.83%. Of the total population, 23.53% are under the age of 18 years. Another 68.18% are between the ages of 18 and 64, an indication of the potential workforce in the area. The remaining 8.29% of the people are aged 65 or older. In 2005, the median age of the population in the identified market was 37.8 years, as compared to the 36.3 year median age reported for the US base geography. The population density was 2,012.1 people per square mile.

Households

In 2005, there were 50,570 households in the identified market area. The Census revealed household counts of 42,578 in 1990 and 47,212 in 2000. The total change in households was 10.88% over that 10 year period. The indicated average annual growth rate in households was 1.09%. By 2010, the number of households is projected to be 53,848 indicating a change of 6.48% from 2005. Between 2005 and 2010, the indicated average annual household growth rate is expected to be 1.30%. The annual average growth rate based on future projections appears to be increasing as compared to historical growth rate figures.

In 2005, the average household size was 2.93 persons. In 1990, the average household size was 3.13, as compared to 2.95 in 2000 indicating that average household size was decreasing during the period from 1990 through 2000.

In 2005, the median number of years in residence was 6.8 as compared to 3.3 years in the US Index Base. The average number of vehicles per household was 2.3. The number of households without a vehicle was 1,415.

AREA DATA (Cont'd)

ST. JAMES-5 MILE RADIUS-MILL POND ROAD

Income

In 2005, the median household income in the identified market area was \$86,273. The US index base had a reported median household income of \$46,350. In 1990, the median household income was \$56,840 as compared to \$77,470 in 2000. The total change in median household income between 1990 and 2000 was 36.29%. The indicated average annual growth rate was 3.63%. By 2010, the median household income is projected to be \$99,969, indicating a projected total growth rate of 15.87% from 2005. The projected annual average growth equates to 3.17%. The annual average growth rate based on future projections appears to be decreasing as compared to historical growth rate figures.

In 2005, the per capita income was \$37,631, as compared to the US base which reported a per capita income of \$23,594. In 2005, the average household income was \$112,634, as compared to the US base which reported an average household income of \$61,553. In 2005, 10.80% of all households reported an average household income of less than \$24,999. In addition, 31.19% of households reported an average income of between \$25,000 and \$74,999, and 30.98% averaged between \$75,000 and \$124,999. The remaining 17.63% of all households reported an average household income exceeding \$125,000.

Housing

In 2000, the median housing value in the identified market area was \$230,147 representing a change of 22.70% from the reported median housing value of \$187,566 in 1990. This comparison indicates annual average growth rates in housing values of 2.27%. During that same period the US median housing value ranged from \$78,382 in 1990 to \$115,194 in 2000.

In 2005, the total reported occupancy level in all housing units was 50,570, or 98.56%. Of that total, there were 43,754 reported owner occupied housing units and 6,816 renter occupied units. Owner occupied units represent 85.27% of all occupied housing units as compared to the 13.28% occupied by renters. Between 1990 and 2000, the reported occupancy level in all housing units ranged from 42,578 (96%) to 47,212 (97%). The annual average occupancy level in all housing units appears to be increasing.

In 1990, the Census revealed the average rent in the neighborhood was \$707, as compared to \$850 in 2000. These figures indicate rental rates have increased during that period.

AREA DATA (Cont'd)

ST. JAMES-5 MILE RADIUS-MILL POND ROAD

Employment

In 2005, there were 81,455 people over the age of 16 in the identified market area. Of that total, 96.30% were employed, 3.69% were unemployed and 0.01% were in the armed forces. In 2000, unemployment was reported to be 2.13%, as compared to 2.88% in 1990.

In 2005, there were 50,421 employees (daytime population) and 4,990 business establishments. In 2000, white collar workers comprised 73.24% of the employed workforce, while those employed in blue collar occupations comprised the remaining 26.76%. In 2000, manufacturing jobs accounted for 5.30% of the employed workforce and, service industry jobs accounted for 23.68% of the workforce.

In 2000, the average time traveled to work was 24 minutes, as compared to 18 minutes in 1990. During that period average travel time to work changed by 33.5%. In comparison, the average travel time reported in the US base area was 21 minutes in 2000.

Educational Attainment

In 2005, 94.61% of the population over the age of 25 had earned a high school diploma in the identified market area, while 5.39% did not earn a high school diploma. In comparison, 85.31% of the population over the age of 25 in the US index base earned a high school diploma. In 1990, the population attaining a high school diploma was 86.78%, as compared to 91.50% in 2000. These figures indicate high school graduation rates within the identified market area have been increasing since 2000.

In 2005, a total of 15.07% of the population over 25 in the identified market area attended some college courses, while 9.93% earned an Associates Degree. Another 21.47% earned a Bachelor's degree, and 19.07% earned a Graduate degree. In comparison, the index base of US reported 19.78% of the population attended some college courses, while 7.37% earned an Associates degree. Within the US base, another 17.64% earned a Bachelor's degree, and 10.09% earned a Graduate degree.

AREA DATA

STONY BROOK-5 MILE RADIUS-STONY BROOK ROAD

Population

In 2005, the population in the identified market area was 165,514. The census revealed a population of 155,933 in 2000, and a population of 147,404 in 1990. The total change in population between 1990 and 2000 was 5.79% indicating an annual average growth rate of 0.58%. By 2010, the population is projected to be 174,593, representing a change of 5.49% from 2005. The projected annual average population growth rate between 2005 and 2010 is 1.10%. The annual average growth rate based on future projections appears to be increasing as compared to historical growth rate figures.

Males comprise 49.36% of the current population, while females comprise the remaining 50.64%. Of the total population, 23.74% are under the age of 18 years. Another 68.79% are between the ages of 18 and 64, an indication of the potential workforce in the area. The remaining 7.47% of the people are aged 65 or older. In 2005, the median age of the population in the identified market was 37.1 years, as compared to the 36.3 year median age reported for the US base geography. The population density was 2,107.4 people per square mile.

Households

In 2005, there were 52,483 households in the identified market area. The Census revealed household counts of 44,313 in 1990 and 49,081 in 2000. The total change in households was 10.76% over that 10 year period. The indicated average annual growth rate in households was 1.08%. By 2010, the number of households is projected to be 55,801 indicating a change of 6.32% from 2005. Between 2005 and 2010, the indicated average annual household growth rate is expected to be 1.26%. The annual average growth rate based on future projections appears to be increasing as compared to historical growth rate figures.

In 2005, the average household size was 2.97 persons. In 1990, the average household size was 3.16, as compared to 2.99 in 2000 indicating that average household size is decreasing during that period.

In 2005, the median number of years in residence was 6.7 as compared to 3.3 years in the US Index Base. The average number of vehicles per household was 2.3. The number of households without a vehicle was 1,492.

AREA DATA (Cont'd)

STONY BROOK-5 MILE RADIUS-STONY BROOK ROAD

Income

In 2005, the median household income in the identified market area was \$82,575. The US index base had a reported median household income of \$46,350. In 1990, the median household income was \$55,291 as compared to \$74,063 in 2000. The total change in median household income between 1990 and 2000 was 33.95%. The indicated average annual growth rate was 3.40%. By 2010, the median household income is projected to be \$93,732, indicating a projected total growth rate of 13.51% from 2005. The projected annual average growth equates to 2.70%. The annual average growth rate based on future projections appears to be decreasing as compared to historical growth rate figures.

In 2005, the per capita income was \$36,140, as compared to the US base which reported a per capita income of \$23,594. In 2005, the average household income was \$109,626, as compared to the US base which reported an average household income of \$61,553. In 2005, 10.78% of all households reported an average household income of less than \$24,999. In addition, 33.67% of households reported an average income of between \$25,000 and \$74,999, and 30.54% averaged between \$75,000 and \$124,999. The remaining 25.01% of all households reported an average household income exceeding \$125,000.

Housing

In 2000, the median housing value in the identified market area was \$204,105 representing a change of 17.25% from the reported median housing value of \$174,073 in 1990. This comparison indicates annual average growth rates in housing values of 1.73%. During that same period the US median housing value ranged from \$78,382 in 1990 to \$115,194 in 2000.

In 2005, the total reported occupancy level in all housing units was 52,483, or 98.32%. Of that total, there were 44,985 reported owner occupied housing units and 7,499 renter occupied units. Owner occupied units represent 84.27% of all occupied housing units as compared to the 14.05% occupied by renters. Between 1990 and 2000, the reported occupancy level in all housing units ranged from 44,313 (96%) to 49,081 (97%). The annual average occupancy level in all housing units appears to be increasing.

In 1990, the Census revealed the average rent in the identified market area was \$711, as compared to \$896 in 2000. These figures indicate rental rates have increased during that period.

AREA DATA (Cont'd)

STONY BROOK-5 MILE RADIUS-STONY BROOK ROAD

Employment

In 2005, there were 86,310 people over the age of 16 in the identified market area. Of that total, 95.87% were employed, 4.11% were unemployed and 0.02% were in the armed forces. In 2000, unemployment was reported to be 2.42%, as compared to 2.98% in 1990.

In 2005, there were 58,018 employees (daytime population) and 5,824 business establishments. In 2000, white collar workers comprised 71.38% of the employed workforce, while those employed in blue collar occupations comprised the remaining 28.62%. In 2000, manufacturing jobs accounted for 5.12% of the employed workforce and, service industry jobs accounted for 23.87% of the workforce.

In 2000, the average time traveled to work was 24 minutes, as compared to 18 minutes in 1990. During that period average travel time to work changed by 29.8%. In comparison, the average travel time reported in the US base area was 21 minutes in 2000.

Educational Attainment

In 2005, 94.16% of the population over the age of 25 had earned a high school diploma in the identified market area, while 5.84% did not earn a high school diploma. In comparison, 85.31% of the population over the age of 25 in the US index base earned a high school diploma. In 1990, the population attaining a high school diploma was 87.09%, as compared to 90.53% in 2000. These figures indicate high school graduation rates within the identified market area have been increasing since 2000.

In 2005, a total of 15.51% of the population over 25 in the identified market area attended some college courses, while 9.72% earned an Associates Degree. Another 20.09% earned a Bachelor's degree, and 18.71% earned a Graduate degree. In comparison, the index base of US reported 19.78% of the population attended some college courses, while 7.37% earned an Associates degree. Within the US base, another 17.64% earned a Bachelor's degree, and 10.09% earned a Graduate degree.

NEIGHBORHOOD DATA

ST. JAMES

Population

In 2005, the population in the identified market area was 13,744. The census revealed a population of 13,268 in 2000, and a population of 12,703 in 1990. The total change in population between 1990 and 2000 was 4.45% indicating an annual average growth rate of 0.44%. By 2010, the population is projected to be 14,191, representing a change of 3.25% from 2005. The projected annual average population growth rate between 2005 and 2010 is 0.65%. The annual average growth rate based on future projections appears to be increasing as compared to historical growth rate figures.

Males comprise 47.19% of the current population, while females comprise the remaining 52.81%. Of the total population, 24.29% are under the age of 18 years. Another 59.72% are between the ages of 18 and 64, an indication of the potential workforce in the area. The remaining 15.99% of the people are aged 65 or older. In 2005, the median age of the population in the identified market was 40.8 years, as compared to the 36.3 year median age reported for the US base geography. The population density was 3,029.0 people per square mile.

Households

In 2005, there were 4,741 households in the identified market area. The Census revealed household counts of 4,256 in 1990 and 4,555 in 2000. The total change in households was 7.03% over that 10 year period. The indicated average annual growth rate in households was 0.70%. By 2010, the number of households is projected to be 4,923 indicating a change of 3.84% from 2005. Between 2005 and 2010, the indicated average annual household growth rate is expected to be 0.77%. The annual average growth rate based on future projections appears to be increasing as compared to historical growth rate figures.

In 2005, the average household size was 2.79 persons. In 1990, the average household size was 2.87, as compared to 2.81 in 2000 indicating that average household size is decreasing during that period.

In 2005, the median number of years in residence was 7.6 as compared to 3.3 years in the US Index Base. The average number of vehicles per household was 2.2. The number of households without a vehicle was 169.

NEIGHBORHOOD DATA (CONT'D)

ST. JAMES

Income

In 2005, the median household income in the identified market area was \$79,638. The US index base had a reported median household income of \$46,350. In 1990, the median household income was \$51,852 as compared to \$71,050 in 2000. The total change in median household income between 1990 and 2000 was 37.02%. The indicated average annual growth rate was 3.70%. By 2010, the median household income is projected to be \$90,873, indicating a projected total growth rate of 14.11% from 2005. The projected annual average growth equates to 2.82%. The annual average growth rate based on future projections appears to be decreasing as compared to historical growth rate figures.

In 2005, the per capita income was \$37,093, as compared to the US base which reported a per capita income of \$23,594. In 2005, the average household income was \$103,670, as compared to the US base which reported an average household income of \$61,553. In 2005, 12.87% of all households reported an average household income of less than \$24,999. In addition, 33.50% of households reported an average income of between \$25,000 and \$74,999, and 31.66% averaged between \$75,000 and \$124,999. The remaining 21.97% of all households reported an average household income exceeding \$125,000.

Housing

In 2000, the median housing value in the identified market area was \$226,462 representing a change of 24.59% from the reported median housing value of \$181,765 in 1990. This comparison indicates annual average growth rates in housing values of 2.46%. During that same period the US median housing value ranged from \$78,382 in 1990 to \$115,194 in 2000.

In 2005, the total reported occupancy level in all housing units was 4,741, or 98.94%. Of that total, there were 4,261 reported owner occupied housing units and 480 renter occupied units. Owner occupied units represent 88.92% of all occupied housing units as compared to the 11.08% occupied by renters. Between 1990 and 2000, the reported occupancy level in all housing units ranged from 4,256 (96%) to 4,555 (97%). The annual average occupancy level in all housing units appears to be increasing.

In 1990, the Census revealed the average rent in the identified market area was \$723, as compared to \$856 in 2000. These figures indicate rental rates have increased during that period.

NEIGHBORHOOD DATA (CONT'D)

ST. JAMES

Employment

In 2005, there were 6,469 people over the age of 16 in the identified market area. Of that total, 96.71% were employed and 3.29% were unemployed. In 2000, unemployment was reported to be 1.67%, as compared to 2.04% in 1990.

In 2005, there were 3,358 employees (daytime population) and 411 business establishments. In 2000, white collar workers comprised 69.00% of the employed workforce, while those employed in blue collar occupations comprised the remaining 31.00%. In 2000, manufacturing jobs accounted for 4.61% of the employed workforce and, service industry jobs accounted for 21.15% of the workforce.

In 2000, the average time traveled to work was 25 minutes, as compared to 17 minutes in 1990. During that period average travel time to work changed by 44.5%. In comparison, the average travel time reported in the US base area was 21 minutes in 2000.

Educational Attainment

In 2005, 93.79% of the population over the age of 25 had earned a high school diploma in the identified market area, while 6.21% did not earn a high school diploma. In comparison, 85.31% of the population over the age of 25 in the US index base earned a high school diploma. In 1990, the population attaining a high school diploma was 84.78%, as compared to 90.31% in 2000. These figures indicate high school graduation rates within the identified market area have been increasing since 2000.

In 2005, a total of 16.72% of the population over 25 in the identified market area attended some college courses, while 11.35% earned an Associates Degree. Another 18.49% earned a Bachelor's degree, and 15.97% earned a Graduate degree. In comparison, the index base of US reported 19.78% of the population attended some college courses, while 7.37% earned an Associates degree. Within the US base, another 17.64% earned a Bachelor's degree, and 10.09% earned a Graduate degree.

NEIGHBORHOOD DATA

STONY BROOK

Population

In 2005, the population in the identified market area was 14,219. The census revealed a population of 13,727 in 2000, and a population of 13,737 in 1990. The total change in population between 1990 and 2000 was -0.07% indicating an annual average growth rate of -0.01%. By 2010, the population is projected to be 14,681, representing a change of 3.25% from 2005. The projected annual average population growth rate between 2005 and 2010 is 0.65%. The annual average growth rate based on future projections appears to be increasing as compared to historical growth rate figures.

Males comprise 49.00% of the current population, while females comprise the remaining 51.00%. Of the total population, 24.85% are under the age of 18 years. Another 64.77% are between the ages of 18 and 64, an indication of the potential workforce in the area. The remaining 10.38% of the people are aged 65 or older. In 2005, the median age of the population in the identified market was 40.3 years, as compared to the 36.3 year median age reported for the US base geography. The population density was 2,484.0 people per square mile.

Households

In 2005, there were 4,957 households in the identified market area. The Census revealed household counts of 4,532 in 1990 and 4,758 in 2000. The total change in households was 4.98% over that 10 year period. The indicated average annual growth rate in households was 0.50%. By 2010, the number of households is projected to be 5,154 indicating a change of 3.98% from 2005. Between 2005 and 2010, the indicated average annual household growth rate is expected to be 0.80%. The annual average growth rate based on future projections appears to be increasing as compared to historical growth rate figures.

In 2005, the average household size was 2.83 persons. In 1990, the average household size was 2.99, as compared to 2.85 in 2000 indicating that average household size is decreasing during that period.

In 2005, the median number of years in residence was 6.8 as compared to 3.3 years in the US Index Base. The average number of vehicles per household was 2.3. The number of households without a vehicle was 82.

NEIGHBORHOOD DATA (CONT'D)

STONY BROOK

Income

In 2005, the median household income in the identified market area was \$97,811. The US index base had a reported median household income of \$46,350. In 1999, the median household income was \$64,023 as compared to \$87,615 in 2000. The total change in median household income between 1990 and 2000 was 36.85%. The indicated average annual growth rate was 3.68%. By 2010, the median household income is projected to be \$113,126, indicating a projected total growth rate of 15.66% from 2005. The projected annual average growth equates to 3.13%. The annual average growth rate based on future projections appears to be decreasing as compared to historical growth rate figures.

In 2005, the per capita income was \$44,911, as compared to the US base which reported a per capita income of \$23,594. In 2005, the average household income was \$131,164, as compared to the US base which reported an average household income of \$61,553. In 2005, 8.43% of all households reported an average household income of less than \$24,999. In addition, 26.74% of households reported an average income of between \$25,000 and \$74,999, and 32.37% averaged between \$75,000 and \$124,999. The remaining 32.46% of all households reported an average household income exceeding \$125,000.

Housing

In 2000, the median housing value in the identified market area was \$236,453 representing a change of 20.59% from the reported median housing value of \$196,083 in 1990. This comparison indicates annual average growth rates in housing values of 2.06%. During that same period the US median housing value ranged from \$78,382 in 1990 to \$115,194 in 2000.

In 2005, the total reported occupancy level in all housing units was 4,957, or 97.21%. Of that total, there were 4,587 reported owner occupied housing units and 370 renter occupied units. Owner occupied units represent 89.96% of all occupied housing units as compared to the 10.04% occupied by renters. Between 1990 and 2000, the reported occupancy level in all housing units ranged from 4,532 (95%) to 4,758 (96%). The annual average occupancy level in all housing units appears to be increasing.

In 1990, the Census revealed the average rent in the identified market area was \$951, as compared to \$1,162 in 2000. These figures indicate rental rates have increased during that period.

NEIGHBORHOOD DATA (CONT'D)

STONYBROOK

Employment

In 2005, there were 7,449 people over the age of 16 in the identified market area. Of that total, 97.31% were employed and 2.69% were unemployed. In 2000, unemployment was reported to be 1.56%, as compared to 2.50% in 1990.

In 2005, there were 4,783 employees (daytime population) and 572 business establishments. In 2000, white collar workers comprised 82.63% of the employed workforce, while those employed in blue collar occupations comprised the remaining 17.37%. In 2000, manufacturing jobs accounted for 5.57% of the employed workforce and, service industry jobs accounted for 29.21% of the workforce.

In 2000, the average time traveled to work was 24 minutes, as compared to 19 minutes in 1990. During that period average travel time to work changed by 27.3%. In comparison, the average travel time reported in the US base area was 21 minutes in 2000.

Educational Attainment

In 2005, 96.21% of the population over the age of 25 had earned a high school diploma in the identified market area, while 3.79% did not earn a high school diploma. In comparison, 85.31% of the population over the age of 25 in the US index base earned a high school diploma. In 1990, the population attaining a high school diploma was 93.46%, as compared to 94.95% in 2000. These figures indicate high school graduation rates within the identified market area have been increasing since 2000.

In 2005, a total of 12.88% of the population over 25 in the identified market area attended some college courses, while 8.27% earned an Associates Degree. Another 24.20% earned a Bachelor's degree, and 31.72% earned a Graduate degree. In comparison, the index base of US reported 19.78% of the population attended some college courses, while 7.37% earned an Associates degree. Within the US base, another 17.64% earned a Bachelor's degree, and 10.09% earned a Graduate degree.

NEIGHBORHOOD DESCRIPTION

St. James and Stony Brook

The subject property is located in the hamlets of St. James and Stony Brook, Towns of Smithtown and Brookhaven, Suffolk County, New York. The subject area is bound by the Village of Head of the Harbor, Old Stony Brook and Old Field to the north, Lake Grove and Nesconset to the south, Setauket and East Setauket to the east, and Head of the Harbor, Smithtown and the Village of the Branch to the west. The neighborhood is located in the northeastern portion of the Town of Smithtown and the northwestern portion of the Town of Brookhaven. Access to the area is achieved via a combination of primary and secondary roadways. Primary roadways in the area include Nicolls Road, Middle Country Road (SR 25) and Nesconset Highway (SR 347). Secondary roadways include North Country Road (New York State Route 25A), Stony Brook Road and Moriches Road. Commuter railroad transportation is accessible via the Long Island Railroad which maintains stations in both St. James and Stony Brook. The railroad provides service within the Long Island area as well as access to New York City.

The subject is situated along the south side of North Country Road, east side of Mills Pond Road and the west side of Stony Brook Road. North Country Road and Stony Brook Road are two-lane roadways which are moderately traveled thoroughfares within the community. They are both somewhat winding with hilly portions and limited sight stretches. Stony Brook Road, in particular, is winding and hilly, especially where it fronts the subject property. Mills Pond Road is a narrow, two-lane roadway that experiences limited traffic and is not a primary access route for the community. This road connects North Country Road to Moriches Road. The immediate vicinity of the subject property is primarily residential in nature with single family homes surrounding the property. Stony Brook University, a major SUNY campus, is located just east of the subject. The north side of North Country Road in proximity to the subject has some agricultural properties including a large farm. North Country Road has stretches that are improved with small commercial properties such as small strip shopping centers, professional buildings, restaurants, delis, real estate offices, etc.

There is very limited commercial activity in the form of major retail or related development in the immediate area. Major shopping and commercial activity is located south of the subject along Nesconset Highway and Middle Country Road. The Smith Haven Mall, a major regional shopping mall, is located approximately 2½ miles south of the subject property. Other major retail development exists along Nesconset Highway and Middle Country Road in the form of large anchored shopping centers as well as other forms of major commercial development (office buildings, national chain restaurants, auto dealerships, etc.)

NEIGHBORHOOD DESCRIPTION (Cont'd)

The Stonybrook/St. James area is regarded as one of the most desirable locations in Suffolk County. It is located on the North Shore of Long Island in proximity to the exclusive villages of Head of the Harbor, Old Field, Nissequogue and Poquott. Other neighborhoods are equally as attractive, including Setauket, Port Jefferson and East Setauket. The school districts that serve the subject neighborhood are the Three Village School District and the Smithtown School District, both highly regarded, consistently highly rated districts.

Many recreational, cultural, religious and aesthetic resources are available within or immediately surrounding the subject neighborhood. There are several private as well as public golf courses in the immediate area, including St. Georges Country Club, Nissequogue Country Club, Harbor Hills Country Club, and Smithtown Landing Golf Course, which is a Town-owned course. Smithtown Bay, Stony Brook Harbor and the Long Island Sound are just north of the subject area and provide ample access to beaches, boating and fishing. Some of the most picturesque shoreline on the north shore of Long Island is accessible and can be seen all along the bay, sound and harbor. The presence of Stony Brook University can be regarded as a positive influence on the area. It provides extensive employment opportunities as well as educational and cultural resources. Stony Brook University Hospital is an integral component of the facility and provides first class health care as well as affiliation with the University medical school. Churches of all denominations as well as Synagogues and other religious resources are also located within the immediate area or in close proximity in neighboring communities.

As will be demonstrated in the Highest and Best Use Analysis within this report, the subject's Light Industrial zoning must be regarded as inappropriate. The subject's location, as influenced by surrounding properties, access thoroughfares and the nature of the community, is not appropriate for full-scale light industrial development as permitted by current zoning. The conclusions of Mr. Daniel Gulizio, planning expert, within his "Zoning Analysis" (a copy of which can be found in the addenda of this appraisal report) indicate that residential development based on a Change of Zone to Planned Development District (PDD) is the most reasonable, probable and appropriate use of the subject property. These conclusions are well supported by Mr. Gulizio in his analysis through recitation of precedents for such zoning and planning decisions within the Town of Brookhaven and the Town of Smithtown.

NEIGHBORHOOD DESCRIPTION (Cont'd)

The residential development scenario based on the Change of Zone to "PDD" is further supported by the demographic trends that have been exhibited in the area over the last several years. While population in the immediate and surrounding areas has been steadily increasing, the average household size has been diminishing. Furthermore, the median age within the population has been increasing. These factors all contribute to the trend toward the down-sizing or streamlining of living accommodations for a large portion of the population. Condominium living has become more and more popular due to many factors including the easing of the maintenance burden, modern, efficient, manageable living space, availability of recreational and other amenities and somewhat reduced tax and mortgage burdens. Many middle-aged and older residents are selling homes that have become larger and more burdensome than they are comfortable with and are seeking more manageable, more convenient lifestyle options.

The market on Long Island has demonstrated a strong trend toward increased demand and rapid absorption related to multi-family/condominium properties. Several complexes have been highlighted within the Highest and Best use section of this report and are indicative of these trends toward strong demand and rapid absorption. The subject's excellent residential location, demographic composition, site characteristics and other desirable qualities coupled with the market-related factors detailed above create an environment that is extremely conducive to residential development as would take place based on the Change of Zone to "PDD."

AERIAL VIEW OF SUBJECT



KEYHOLE AERIAL



GLOBEXPLORER AERIAL



VALUATION OF ENTIRE PROPERTY

USE OF THE PROPERTY, BEFORE ACQUISITION

As of the date of vesting, November 2, 2005, the property was primarily vacant land. Existing improvements on both Parcels A and B are considered to be under-improvements in the "as zoned" scenario due to their age, functional utility and physical deterioration. The improvements are inconsistent with the highest and best use in this scenario which would be to re-develop the property with more modern, more intensive light industrial/research and development space. Within the "as rezoned to PDD" scenario, the existing improvements are also inconsistent with the highest and best use as residential acreage with potential for multi-family/condominium development. It is evident that the existing improvements must be removed and any environmental conditions rectified in order to develop the property in accordance with its highest and best use under both valuation scenarios. It is the appraiser's opinion that the income that could be generated by the existing improvements during the planning, application, approval and development phases effectively offsets the costs associated with demolition and remediation. No costs are to be deducted within any of the valuation scenarios based on this premise.

HIGHEST AND BEST USE, BEFORE ACQUISITION

Highest and Best Use is defined as: "That 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".

"Alternatively, that use from among reasonably probable and legal alternative uses, found to be physically possible, appropriately supported, financially feasible and which results in highest land value"¹.

The subject property is analyzed as though vacant and available for development. Consideration is given to alternative programs of development among potential uses which are:

- 1) Physically possible, based upon topography, land area and site configuration;
- 2) Legally permissible, in compliance with zoning, deed restrictions or other constraints;
- 3) Economically feasible and fulfilling an identifiable demand in the market, and
- 4) Maximally productive thus, resulting in the highest present land value.

The highest and best use analysis views the subject property as vacant in order to place the subject site into proper perspective, thus considering alternative programs of development. Alternative programs of development are further examined if the intended or current use does not reflect the highest and best use.

¹The Dictionary of Real Estate Appraisal, Appraisal Institute, 4TH Edition.

HIGHEST AND BEST USE BEFORE (CONT'D)

PHYSICAL

In the analysis of the subject property, key considerations to determine the Highest and Best Use are the location, size, accessibility and overall physical characteristics of the site.

As detailed within the zoning analysis developed by Mr. Daniel Gulizio, planning expert (see addenda for copy of "Zoning Analysis"), the subject property is not physically suited for development based on its existing Light Industrial zoning classifications. Development under the existing zoning would be inappropriate and limited due to the site's limited access to major thoroughfares. The roadways on which the subject fronts are inadequate to support full-scale development based on existing zoning. North Country Road is a two-lane route that is improved primarily with residential homes. Commercial development along North Country Road in this area is quite limited. Mills Pond Road is a two-lane street that is substandard in width. This roadway does not provide adequate access to support full-scale light industrial development. It is a somewhat narrow, winding residential route that is subject to periodic flooding at its northerly terminus. Stony Brook Road is also a two-lane, winding roadway that is primarily a residential street that is not conducive to supporting full-scale light industrial development as would occur based on existing zoning.

The subject has adequate topography, soil conditions and shape to support light industrial or related development permissible under the existing zoning classification. The poor access, however, is judged to be a significant deterrent to such development.

The physical characteristics of the subject property are much more suited for residential development as could take place based on the change of zone scenario to a Planned Development District ("PDD") classification. The access from the three fronting roadways is adequate to support development with a multiple-residence community, most probably clustered within several sections of the overall site. Such development and use is less dependent on access to commercial thoroughfares. There appear to be no adverse easements or encroachments affecting the subject site which would hamper its development based on this change of zone scenario.

Based upon the property location, immediately surrounding land uses, road frontage, accessibility, configuration etc., it is the appraiser's opinion that the physical highest and best use of the subject site is for a change of zoning to "PDD" and development with a multiple residence community (condominium complex).

HIGHEST AND BEST USE BEFORE (CONT'D)

LEGAL

As previously indicated, the existing zoning of the site is "L-1" and "L-I" Industrial Districts. Light industrial development is permitted within these zones and encompasses a variety of office, warehouse and manufacturing uses, subject to provisions related to physical characteristics such as lot size, bulk yard requirements, drainage, parking, landscaping, etc. According to Mr. Gulizio's Zoning Analysis, the subject property, as of right based on existing zoning, could be legally be developed with approximately 1,710,000 square feet of commercial development including 11,400 parking spaces, 1,320,000 square feet of industrial development including 3,940 parking spaces along with 30,000 square feet of central services and approximately 15 acres of open space and recreation areas. (Yield analysis provided by BJF Planning, as reported in Mr. Gulizio's Zoning Analysis). While the yield and development scheme outlined above is the legal use of the property based on existing zoning, it has been demonstrated that this type of development is inappropriate due to physical constraints as well as the nature of the surrounding land uses and the neighborhood as a whole.

Mr. Gulizio's Zoning Analysis considers the potential yield associated with a variety of residential zoning districts within the Towns of Brookhaven and Smithtown (see copy of Zoning Analysis within Addenda of this report). Mr. Gulizio concludes that the development of the subject property with the most reasonable probability involves a change of zone to Planned Development District (PDD) in order to allow for the development of a residential (Multi-unit/condominium) community. This development scenario is considered the legal highest and best use of the subject property.

FEASIBLE USE

The highest and best feasible use based on all factors contributing to feasibility is for a change of zone to Planned Development District (PDD) and subsequent development with a multi-unit (condominium) residential complex. The physical characteristics of the site, the surrounding land uses and nature of the immediate neighborhood coupled with the limited potential for "as-zoned" development all point to multi-family residential development as the most feasible utilization of the subject property. This conclusion is well-supported by Mr. Gulizio's Zoning Analysis that must be considered an integral part of this Highest and Best Use analysis.

HIGHEST AND BEST USE BEFORE (CONT'D)

MAXIMALLY PRODUCTIVE

The maximally productive and therefore most economically sound use of the subject property is for a change of zone to Planned Development District (PDD) and subsequent development with a multi-unit (condominium) residential complex. The strong demand for residential housing as well as the desirable residential nature of the subject's neighborhood create a climate conducive to the residential development scenario. As of the date of vesting, the residential housing market was experiencing unprecedented strength with demand and market values at all-time highs. It is clear that a change of zone to PDD and the development that would take place accordingly would be the maximally productive and most economically sound utilization of the subject property. The following chart is a summary of several recently constructed condominium projects within the Towns of Brookhaven and Smithtown. The rapid sell-out and continued demand are indications that the market has been very strong for this type of development.

RECENT CONDOMINIUM PROJECTS – TOWNS OF BROOKHAVEN AND SMITHTOWN

Community	Complex Name	Address	# of Units	Year Opened	Comments
Coram, Town of Brookhaven	Country Pointe	Granny Rd.	240	2005	Sold Out Unrestricted occupancy
Coram, Town of Brookhaven	The Oaks @ Hawkins Path	Hawkins Path	37	2004	Sold Out Seniors
Coram, Town of Brookhaven	Sterling Woods	Gettysburg Dr.	61	2002	Sold Out Unrestricted occupancy
Eastport, Town of Brookhaven	Encore Atlantic Shores	CR 51 & Encore Ct.	240	2005	Approx. 50 units remain Seniors
Lake Grove, Town of Brookhaven	Encore Lake Grove	Moriches Rd. & Route 347	228	2005	Sold Out Seniors
Miller Place, Town of Brookhaven	Country Pointe	Jersey Circle	110	2004	Sold Out Unrestricted occupancy
Mount Sinai, Town of Brookhaven	Plymouth Estates	Canal Rd. & CR 83	285	2005	89 units remain Seniors
Port Jefferson Sta., Town of Brookhaven	Setauket Meadows	Hulse Rd.	150	2004	Sold out Seniors
Stony Brook, Town of Brookhaven	The Oaks @ Stony Brook	Oxhead Rd.	45	2004	Sold out Seniors
Kings Park, Town of Smithtown	Country Pointe	Indian Head Rd.	137	2004	Sold out Unrestricted occupancy
Nesconset, Town of Smithtown	Country Pointe	Tiffany Way & Browns Rd.	88	2003	Sold out Unrestricted occupancy

HIGHEST AND BEST USE BEFORE (CONT'D)

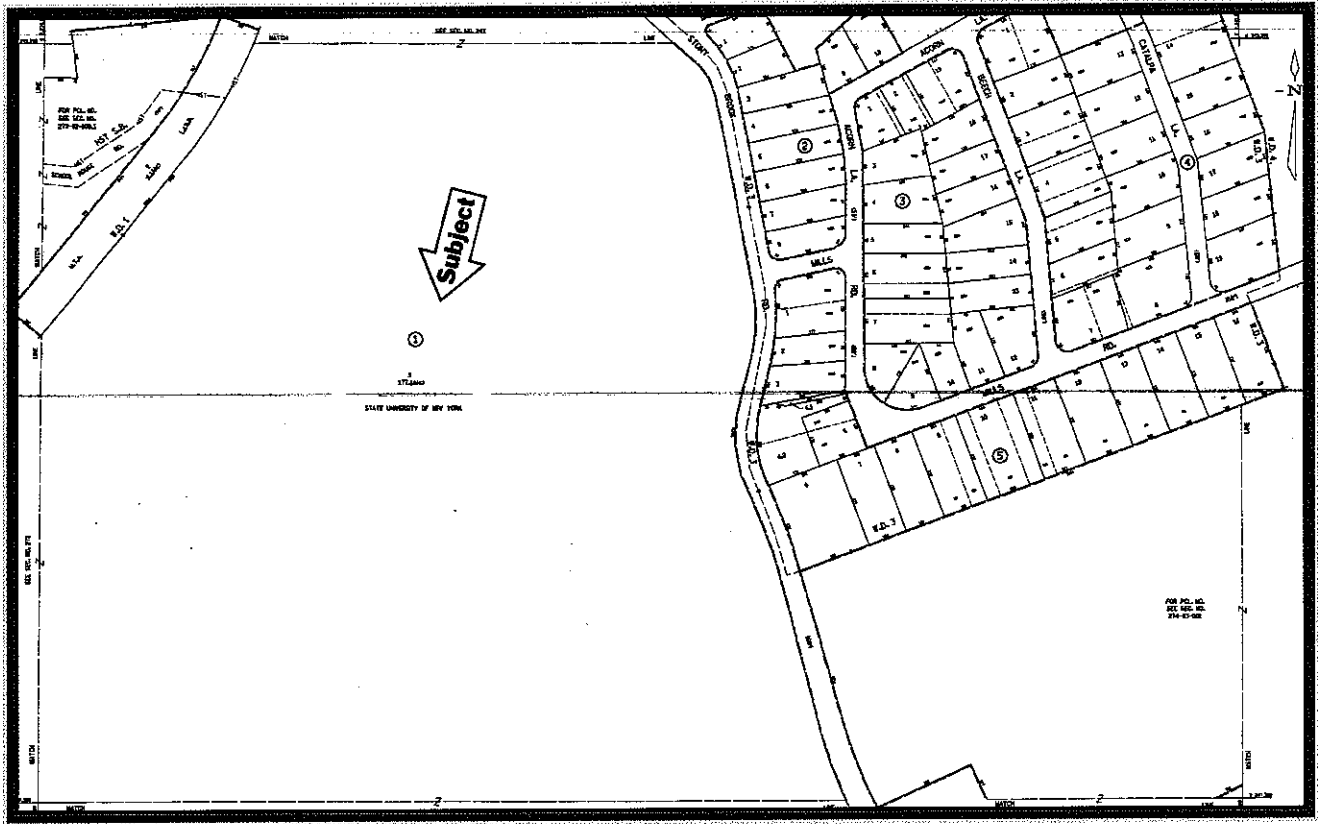
CONCLUSION

The appraiser has considered the four tests applicable to highest and best use. As a result of the analysis as well as the Zoning Analysis conducted by Daniel Gulizio, it has been concluded that the highest and best use of the subject property is for a change of zone to Planned Development District and development with a multi-family residential community.

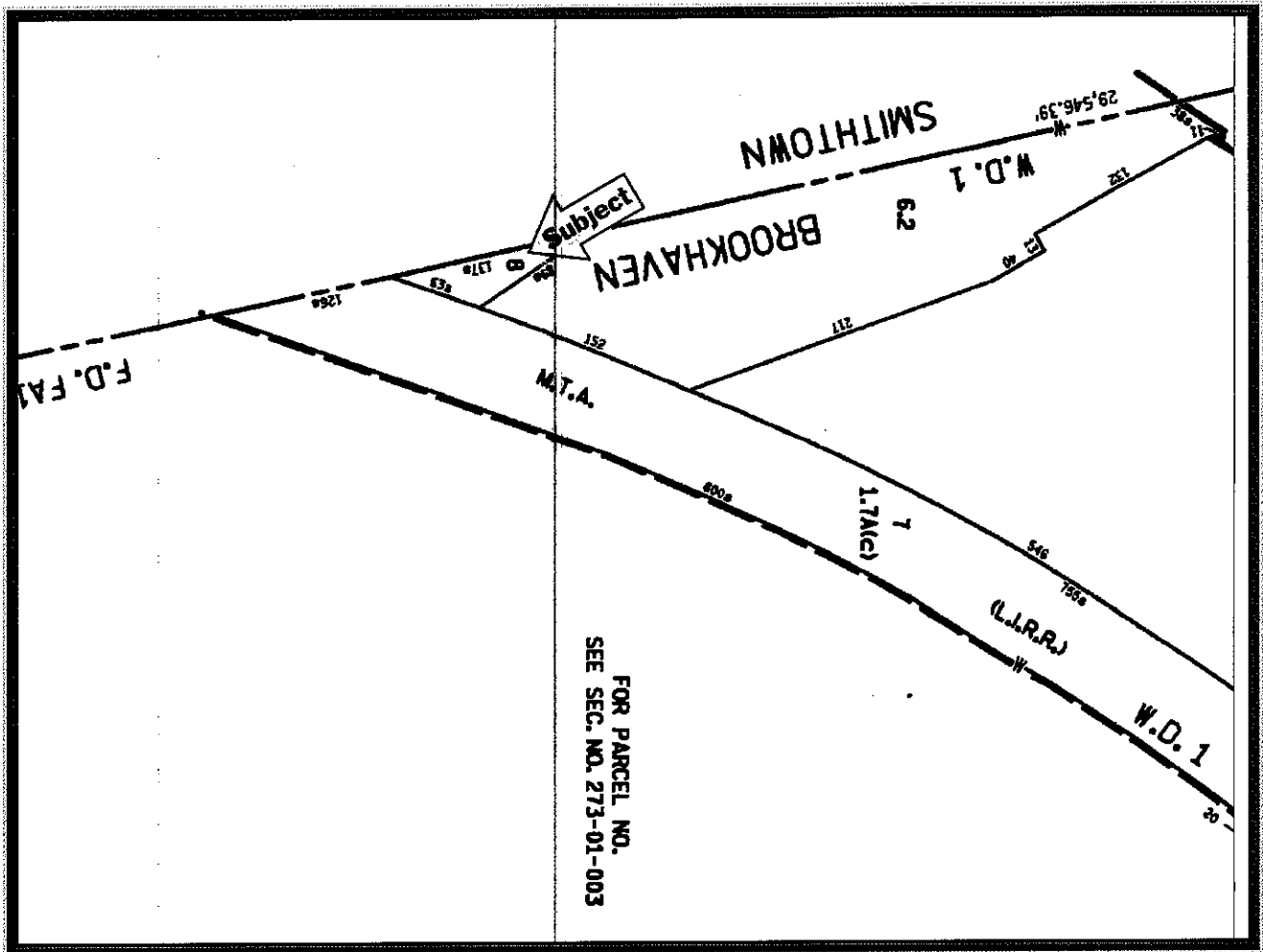
Mr. Gulizio has concluded, based on his research and expertise that the probability of the portion of the subject property within the Town of Brookhaven receiving a change of zone to PDD ranges from 90% to 95%. His projected probability related to the portion of the property within the Town of Smithtown ranges from 70% to 75%. He further concludes that the most probable yield density based on this change of zone would range from 3 to 6 units per acre for the subject property in both Townships.

Based on Mr. Gulizio's findings, the subject property within the Town of Brookhaven has been appraised based on two change of zone scenarios: a yield density of 4 units per acre with a 95% probability of receiving a change of zone and; a yield density of 5 units per acre with a 90% probability of receiving a change of zone. Likewise, the property within the Town of Smithtown has been appraised based on two scenarios as follows: a yield density of 4 units per acre with a 75% probability of receiving a change of zone and; a yield density of 5 units per acre with a 70% probability of receiving a change of zone. As stated previously, the market values based on the change of zone scenario are derived by appraising the property as zoned as well as based on receiving the change of zone. The probability factor is applied to the value differential (as rezoned less as zoned values) and the resulting figure is then added to the value derived as zoned to yield the market value based on the highest and best use as receiving the change of zone to PDD.

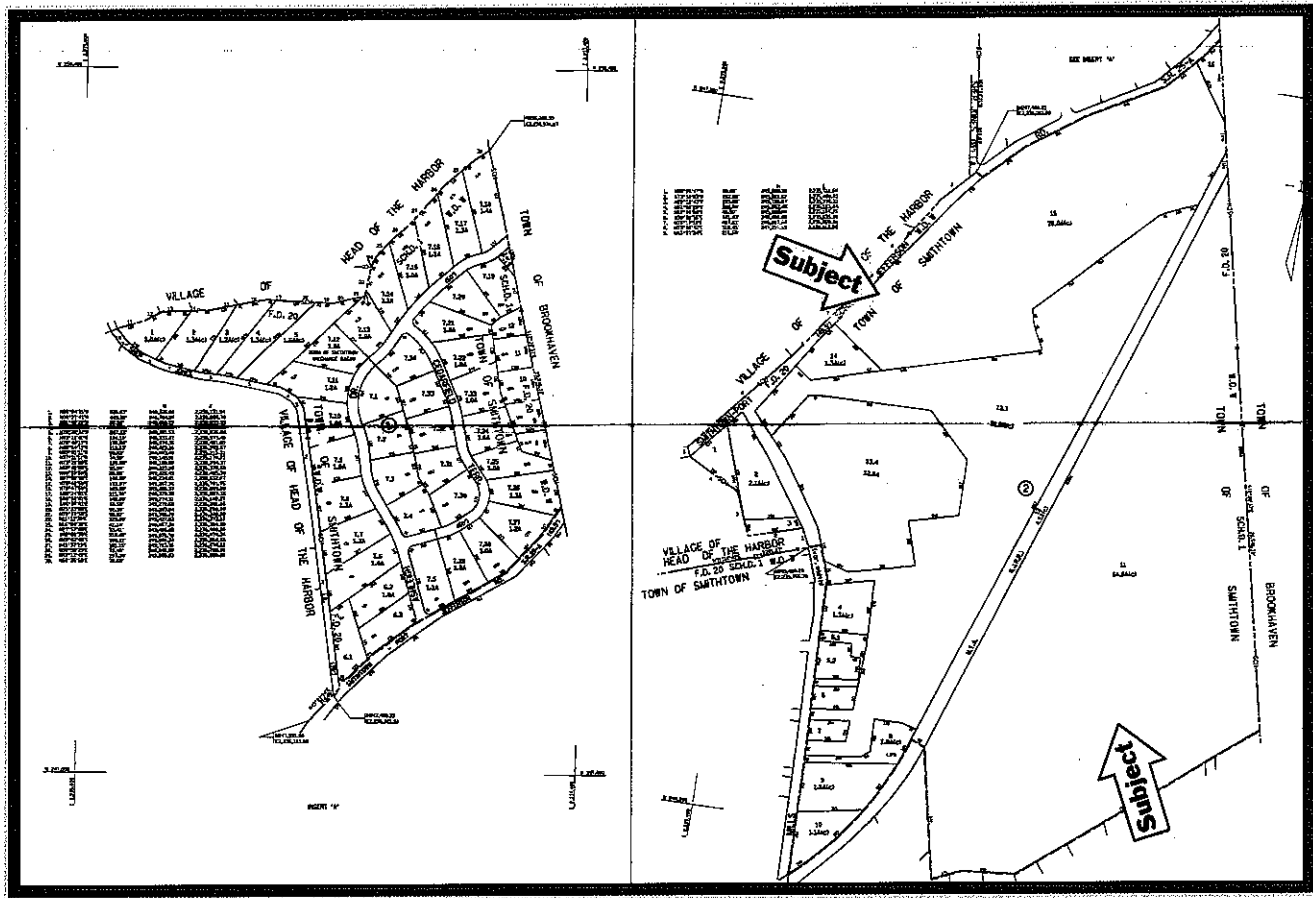
TAX MAP LOCATING SUBJECT PROPERTY (TOWN OF BROOKHAVEN PORTION)



TAX MAP LOCATING SUBJECT PROPERTY (TOWN OF BROOKHAVEN PORTION)



TAX MAP LOCATING SUBJECT PROPERTY (TOWN OF SMITHTOWN PORTION)



ZONING OF THE PROPERTY

AS IS ZONING

Town of Brookhaven

L Industrial 1 District (Light Industry)

The existing zoning of the subject property is *L Industrial 1 District (Light Industry)* as specified by the Town of Brookhaven. The town specifies additional requirements if a property which lies within this zone is also located within a "Hydrogeologic Sensitive Zone." According to Meg Shetka of the Town of Brookhaven Department of Environmental Protection, the subject is not located in such a zone. The subject is partially located within an "Historic Transition Overlay Zone." Properties located within one of these zones are regulated by certain guidelines related to architectural style and development scheme. These guidelines are enforced in an effort to preserve the historic nature of the communities in which these properties are situated. The guidelines with the transition zones are somewhat less stringent than those within actual historic overlay zones.

Based on information provided by the Town of Brookhaven, the following is a summary of the basic requirements of this zoning classification:

Permitted Uses:

A wide variety of non-residential uses, including light industrial and office buildings.

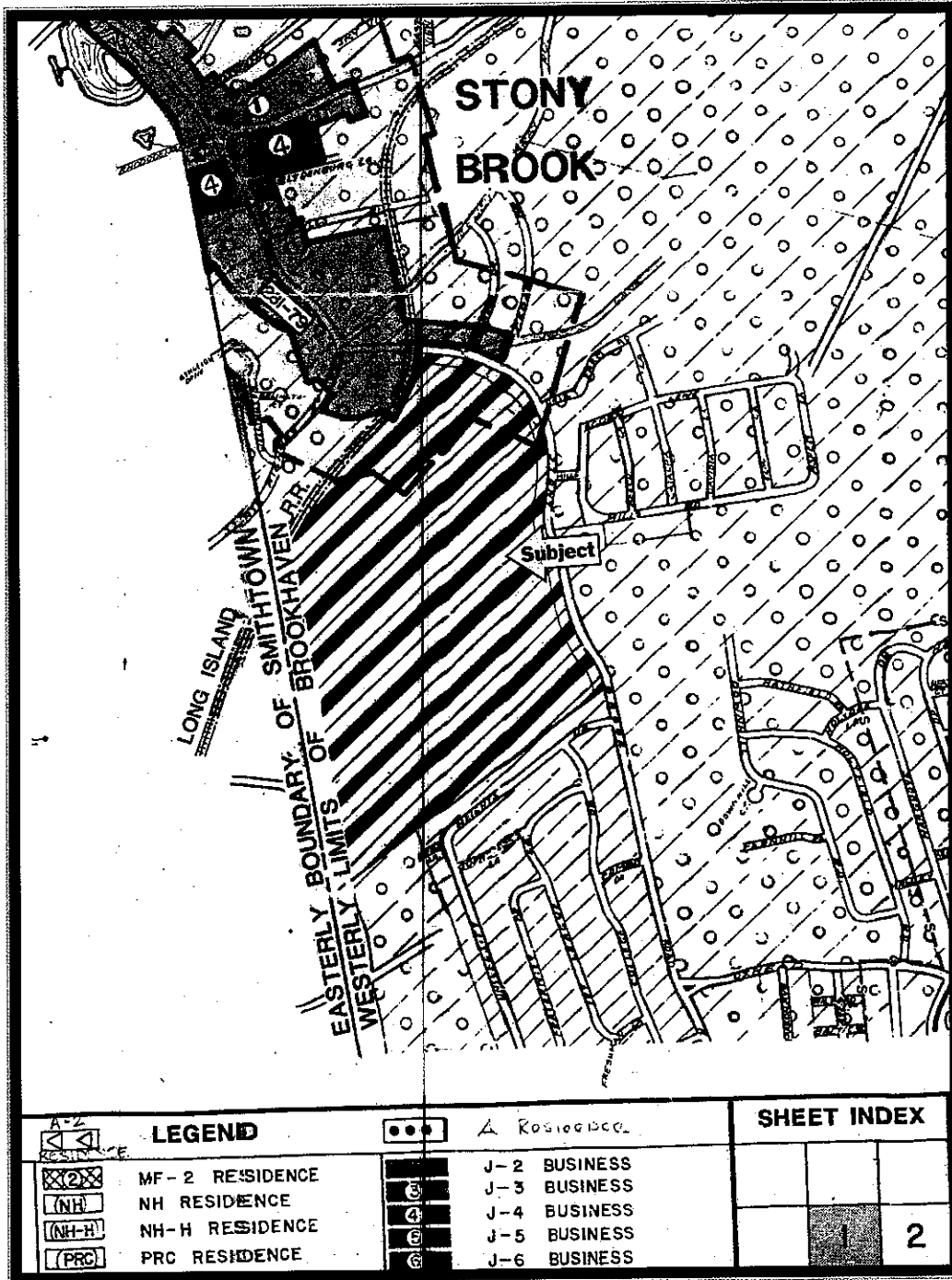
Requirements

Minimum Lot Area:	40,000 Sq. Ft., Typically
Minimum Width Throughout:	100 Feet
Maximum Floor Area Ratio:	35%
Minimum Front Yard:	50 Feet, 100 Feet for parcels 5 acres or more
Minimum Side Yards:	10 Feet, 50 Feet for parcels 5 acres or more
Minimum Rear Yard:	50 Feet
Maximum Height:	50 Feet/3 Stories

ZONING MAP LOCATING SUBJECT PROPERTY

AS IS ZONING

Town of Brookhaven



ZONING OF THE PROPERTY

AS IS ZONING

Town of Smithtown

LI Light Industrial District

A summary of the *LI Light Industrial District* zoning classification is as follows:

Permitted Uses:

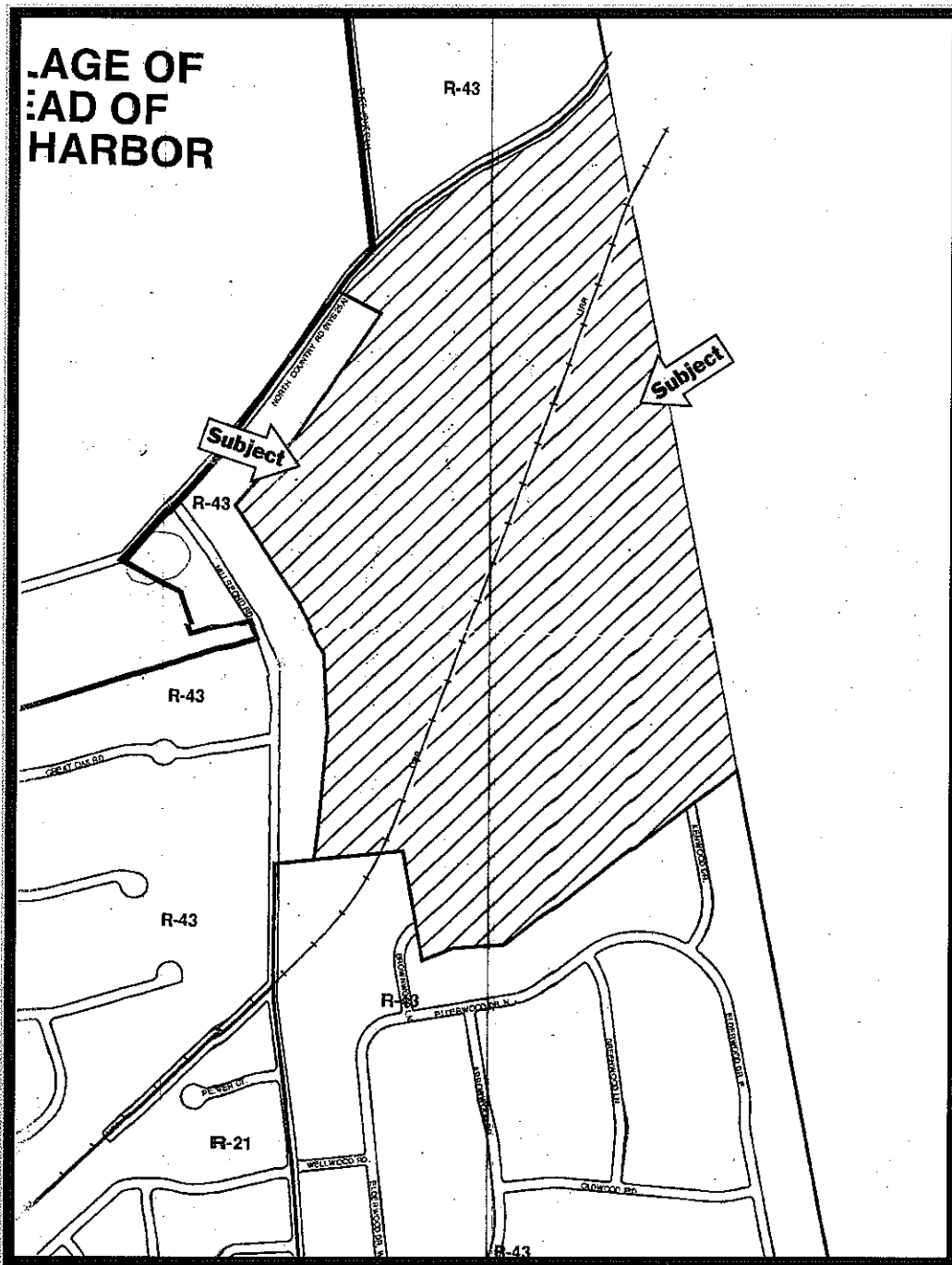
This district permits a wide variety of community facility, business and industrial uses.

Requirements

Minimum Lot Area:	80,000 Sq. Ft. (43,560 Sq. Ft. for properties located within a planned industrial park.)
Minimum Lot Frontage:	100 feet
Minimum Road Frontage:	50 feet
Minimum Front Yard:	50 feet
Minimum Side Yards:	20 feet per yard, 40 feet (total of both)
Minimum Rear Yard:	50 feet
Maximum Building Height:	35 feet
Maximum Gross Floor Area (% of lot area):	42%
Minimum Landscaped Area (% of lot area):	18%
Minimum Potential Parking Area (% of lot area):	40%

ZONING MAP LOCATING SUBJECT PROPERTY

TOWN OF SMITHTOWN



ZONING OF THE PROPERTY

AS REZONED TO PLANNED DEVELOPMENT DISTRICT

Please see "Zoning Analysis" Section VI, Zoning District Analysis, prepared by Mr. Daniel Gulizio, planning expert located within the addenda of this appraisal report.

TAXES AND ASSESSED VALUATION

The subject property has been assessed and taxed according to the rolls of the Towns of Brookhaven and Smithtown as follows:

Tax Lot #	Land Assessment	Total Assessment	2005/06 Taxes	2005 Equalization Rate	Equalized Value
0200-272-2-8	No Record	No Record	No Record	0.84%	N/A
0200-273-1-3	72,800	75,500	\$164,429.97	0.84	\$8,988,095
0800-40-2-4	975	975	\$1,524.03	1.30%	\$75,000
0800-40-2-11	48,450	73,450	\$114,810.49	1.30%	\$5,650,000
0800-40-2-13.3	24,645	98,590	\$153,287.97 w/exemption \$154,107.11 w/out exempt.	1.30%	\$7,583,846
0800-40-2-14	975	1,760	\$2,751.06	1.30%	\$135,385
0800-40-2-15	21,000	21,000	\$32,825.33	1.30%	\$1,615,385

SALES COMPARISON APPROACH, BEFORE ACQUISITION

The Sales Comparison Approach indicates an estimate of value as indicated by sales of similar properties which have occurred in the market. This approach is defined as:

"A set of procedures in which a value indication is derived by comparing the property being appraised to similar properties that have been sold recently, applying appropriate units of comparison, and making adjustments to the sale prices of the comparables based on the elements of comparison."¹

This approach requires an appraiser to gather information on transfers of similar property. These transfers are then analyzed to determine the indications of value for the subject property, i.e., price/square foot, gross rent multipliers, overall rates, etc...

Once this data has been collected, the appraiser makes the appropriate adjustments to the sales. These adjustments include such differences as time, location, size, condition, etc. It must be noted that the sales are adjusted to the subject. The adjustment process, when completed, yields an indicated value of the subject property. The adjustment process actually adjusts the sales as if they contained all the characteristics of the subject property after adjustments.

A determination has been made, based on the Highest and Best use Analysis as well as the Zoning Analysis prepared by Mr. Daniel Gulizio, planning expert, that a Change of Zone to Planned Development District (PDD) in order to allow for the development of a multi-family residential community is the most probable and reasonable use of the subject property.

Mr. Gulizio has concluded, based on his research and expertise that the probability of the portion of the subject property within the Town of Brookhaven receiving a change of zone to PDD ranges from 90% to 95%. His projected probability related to the portion of the property within the Town of Smithtown ranges from 70% to 75%. He further concludes that the most probable yield density based on this change of zone would range from 3 to 6 units per acre for the subject property in both Townships.

¹The Dictionary of Real Estate Appraisal, Fourth Edition, c2002, The Appraisal Institute, Pg 255

SALES COMPARISON APPROACH, BEFORE ACQUISITION (Cont'd)

Based on Mr. Gulizio's findings, the subject property within the Town of Brookhaven has been appraised based on two change of zone scenarios: a yield density of 4 units per acre with a 95% probability of receiving a change of zone and; a yield density of 5 units per acre with a 90% probability of receiving a change of zone. Likewise, the property within the Town of Smithtown has been appraised based on two scenarios as follows: a yield density of 4 units per acre with a 75% probability of receiving a change of zone and; a yield density of 5 units per acre with a 70% probability of receiving a change of zone. As stated previously, the market values based on the change of zone scenario are derived by appraising the property as zoned as well as based on receiving the change of zone. The probability factor is applied to the value differential (as rezoned less as zoned values) and the resulting figure is then added to the value derived as zoned to yield the market value based on the highest and best use as receiving the change of zone to PDD.

Please note: The property has been appraised within the "As Rezoned to PDD" scenario based upon an initial analysis as rezoned to "PDD." An adjustment will be made to the per unit value conclusion to reflect the time and cost involved in obtaining the change of zone to "PDD."

Existing improvements on both Parcels A and B are considered to be under-improvements in the "as zoned" scenario due to their age, functional utility and physical deterioration. The improvements are inconsistent with the highest and best use in this scenario which would be to re-develop the property with more modern, more intensive light industrial/research and development space. Within the "as rezoned to PDD" scenario, the existing improvements are also inconsistent with the highest and best use as residential acreage with potential for multi-family/condominium development. It is evident that the existing improvements must be removed and any environmental conditions rectified in order to develop the property in accordance with its highest and best use under both valuation scenarios. It is the appraiser's opinion that the income that could be generated by the existing improvements during the planning, application, approval and development phases effectively offsets the costs associated with demolition and remediation. No costs are to be deducted within any of the valuation scenarios based on this premise.

SALES COMPARISON APPROACH, BEFORE ACQUISITION (Cont'd)

AS ZONED AT VESTING

SALES	1	2	3	4	5	6	7
SUBJECT North Country Rd. & Stony Brook Rd. Stony Brook & St. James							
Location	Sunrise Highway, Bayport	River Road, Yaphank	Crooked Hill Rd., Commack	Route 110, E. Farmingdale	Commack Rd., Deer Park	CR 58, Riverhead	Burman Blvd. Calverton
Sale Date	1/26/06	5/17/05	5/17/05	1/7/05	10/10/03	2/3/03	4/19/07
Sales Price	\$8,874,000	\$3,350,000	\$18,000,000	\$12,900,000 as adjd.	\$30,000,000	\$2,969,092	\$5,657,750
Zoning	Ind. 1	L-3 Ind.	LI-Ind.	G Ind.	Ga Ind.	Ind. A	PIP
Size (Acres)	62.43 - 181.7	30.0	43.15	24.65	81.0	21.1	32.33
Price/Acre	\$391,615	\$111,667	\$417,149	\$523,327	\$370,370	\$140,715	\$175,000
Market Cond.	0%	+4.2%	+4.2%	+7.5%	+20%	+26.7%	0%
Sales Price/Acre Adj'd. For Market Cond	\$391,615	\$116,357	\$434,669	\$562,577	\$444,444	\$178,286	\$175,000

ADJUSTMENTS

Location	-25%	+35%	-35%	-35%	-35%	-5%	+10%
Zoning	0%	0%	0%	0%	0%	0%	0%
Lot Size	-20%	-20%	-5%	-20%	0%	-20%	-20%
Utility	-20%	+10%	-20%	-20%	-30%	0%	0%
Total Adj.	-65%	+25%	-60%	-75%	-65%	-25%	-10%
Adj'd. Sales Price/Acre	\$137,065	\$145,446	\$173,868	\$140,644	\$155,555	\$133,715	\$157,500

INDICATED VALUE \$150,000/Acre

SALES COMPARISON APPROACH, BEFORE ACQUISITION (Cont'd)

AS ZONED AT VESTING

EXPLANATION OF ADJUSTMENTS

MARKET CONDITIONS—The market has demonstrated that the value of vacant industrial land in the subject market area had been appreciating at a steady rate through 2005. A rate of 10% per annum has been applied to all sales occurring prior to vesting. Sales #1 and 7 occurred after vesting but were included in the analysis. Sale #1 reportedly went into contract on October 18, 2005, before the vesting date. Sale #7 reportedly went into contract on March 31, 2006, slightly after the vesting. This sale has been included due to the limited number of sales of large tracts of industrially zoned land in the pertinent time frame and market.

LOCATION - Sales #1, 3, 4, 5 and 6 have been adjusted downward for location to compensate for their superior locations as compared to the subject property. The subject is located in what is considered a far inferior industrial location while the adjusted sales have more suitable industrial/commercial locations. Sales #2 and 7 have been adjusted upward due to their inferior locations in what are considered more remote, less accessible areas. Sale #2 is located in a rural, undeveloped area near the Long Island Expressway in Yaphank. Sale #7 is located within the former Northrop-Grumman aircraft testing property that is just beginning to be redeveloped with light industrial and related facilities. This location has not yet become a primary location for industrial land.

ZONING- The subject property and all sales share similar industrial zoning with similar overall requirements.

LOT SIZE - The market has demonstrated that vacant industrial land in the subject area is bought on a price per acre or price per square foot basis. Sales #1, 2, 3, 4, 6 and 7 are all significantly smaller than the subject parcels and have been adjusted downward within this category to reflect the principle that smaller parcels typically sell for more on a unit basis (per acre basis) than larger parcels. Sale #5 did not require an adjustment for size.

UTILITY- Sales #1, 3, 4 and 5 have been adjusted downward for this variable while Sale #2 has been adjusted upward. These adjustments have been made to reflect relative differences in access, frontage, parcel shape, topography and overall utility and suitability for development.

SALES COMPARISON APPROACH, BEFORE ACQUISITION (Cont'd)

AS ZONED AT VESTING

EXPLANATION OF ADJUSTMENTS

CONCLUSION - After analysis and adjustments, the sales ranged from a low of \$133,715 per acre to a high of \$173,868 per acre. The estimated conclusion of market value is \$150,000 per acre based on the existing light industrial zoning in place on the subject parcels as of the date of vesting. The parcels have estimated market values based on existing light industrial zoning as follows:

Parcel "A" - 245.46± Acres @ \$150,000/Acre = \$36,819,000
Round To: \$36,820,000

Parcel "B" - 62.43± Acres @ \$150,000/Acre = \$9,364,500
Round To: \$9,365,000

**Total Estimated Market Value, Before Acquisition,
As Zoned at Vesting: \$46,185,000**

SALES COMPARISON APPROACH, BEFORE ACQUISITION (Cont'd)

AS REZONED TO PDD AT VESTING

SALES	8	9	10	11	12	13	14	
Location	North Country Rd. & Stony Brook Rd. Stony Brook & St. James	East Moriches-Riverhead Rd. Eastport	New Moriches Rd. Lake Grove	Orinoco Drive Bay Shore	Old Country Rd. Westhampton	Locust Ave. Oakdale	Lakeview Ave. Bayport	Canal Rd. Mt. Sinai
Sale Date	11/2/05 Vesting Date	2/2004	6/2004	3/2004	8/2004	10/10/06	2/22/06	3/9/05
Total Sales Price	\$18,000,000	\$22,800,000	\$8,000,000	\$19,970,000	\$3,900,000	\$6,240,000	\$45,030,000	
Land Area (Acres)	74.79	42.96	11.1	66.597	3.8	8.11	40.8	
Approvals	Assumed change of zone	Yes	Yes	Yes	Yes	Yes	Yes	Yes
# of Units	240	228	90	189	28	32	285	
Units/Acre	4-5	3.2	8.1	2.8	7.4	3.9	6.99	
Sales Price per Unit	\$75,000	\$100,000	\$88,888	\$105,661	\$139,288	\$195,000	\$158,000	
Market Conditions Adjmt.	+25%	+21.25%	+23.75%	+17.5%	0%	0%	+8.75%	
Price per Unit Adj. for Market Conditions	\$93,750	\$121,250	\$110,000	\$124,152	\$139,288	\$195,000	\$171,825	

ADJUSTMENTS

Location	+30%	+15%	+35%	+10%	+20%	+10%	0%
Approvals	-5%	-10%	-5%	-5%	-5%	-10%	-10%
Size (# of Units)	0%	0%	-15%	-5%	-25%	-25%	0%
Utility/Restrictions	+5%	+5%	-15%	+5%	-15%	0%	-10%
Yield/Density	0%	0%	+10%	-5%	+10%	0%	+5%
Total Adjustment	+30%	+10%	+10%	0%	-15%	-25%	-15%
Adjusted Value per Unit	\$121,875	\$133,375	\$121,000	\$124,152	\$118,395	\$146,250	\$146,051

INDICATED VALUE: \$130,000.00/Unit

AS REZONED TO PDD AT VESTING

EXPLANATION OF ADJUSTMENTS

MARKET CONDITIONS: The market has demonstrated that the value of vacant multi-family/condominium land in the subject market area had been appreciating at a steady rate through 2005. A rate of 15% per annum has been applied to all sales occurring prior to vesting. Sales #12 and 13 occurred after vesting but were included in the analysis. Sale #13 reportedly went into contract before the vesting date. Sale #7 reportedly went into contract on November 28, 2005, slightly after the vesting. This sale has been included due to the limited number of sales of multi-family/condominium land in the pertinent time frame and market.

LOCATION: Sales #8, 9, 10, 11, 12 and 13 have been adjusted upward for location to compensate for their inferior locations as compared to the subject. The subject is located in Stony Brook/St. James in a very desirable north shore Long Island community. The nature of the subject's community, school district and surrounding properties are very favorable when viewed in the context of their influence on real estate. The adjusted sales are judged to be inferior in terms of these variables. Sale #14 did not require adjustment.

APPROVALS - The subject is being appraised within the valuation scenario as if it has received a change of zone to Planned Development District, allowing development with a multi-family/condominium complex. Full approvals are not assumed for the subject. All the sales have been adjusted downward for this variable as they each had full approvals in place as of the dates of sale. Sales #9, 13 and 14 were adjusted downward more significantly as the approvals in place on these sales were secured by the grantors while the other sales involved the buyers securing the approvals for development.

SIZE (# OF UNITS) – Sales #10, 11, 12 and 13 have been adjusted downward for this variable to account for the principle that projects with fewer units typically sell for more on a per unit basis as opposed to projects with a larger number of units. The subject is projected to contain unit counts ranging from 249 to 908, significantly larger numbers of units than the adjusted sales.

UTILITY/RESTRICTIONS – Sales #8, 9 and 11 have been adjusted upward for this variable due to the somewhat restricted nature of the approvals. These complexes are restricted to seniors and this factor is judged to be a slight negative in terms of restrictions on marketability. Sales #10, 12 and 14 are also restricted to seniors but these sales have required downward adjustments as they did not require the construction of sewage treatment plants as they had access to existing facilities. This factor is a significant benefit due to the costs associated with sewage treatment facilities. Sale # 13 did not require adjustment for this variable.

SALES COMPARISON APPROACH, BEFORE ACQUISITION (Cont'd)

AS REZONED TO PDD AT VESTING

EXPLANATION OF ADJUSTMENTS (CONT'D)

YIELD/DENSITY – Sales #10, 12 and 14 have been adjusted upward for this variable while Sale #11 has been adjusted downward to reflect the concept that parcels with higher density yields typically sell for less on a per unit basis as compared with parcels with lower yields. This adjustment considers the potential for open space, superior views, common areas and larger building envelopes due to lower density yields.

CONCLUSION - The sales ranged from an unadjusted low of \$75,000.00 per unit to a high of \$195,000.00 per unit. After adjustments, the range was from \$118,395.00 per unit to \$146,250.00 per unit. From this range we have selected **\$130,000.00 per unit** as the estimated value of the subject property as rezoned to "PDD." This per unit value conclusion must be adjusted downward to reflect the time and cost associated with obtaining the change of zone to "PDD." A downward adjustment of 5% has been applied to the per unit value conclusion as follows:

<u>Value per Unit as Rezoned</u>	<u>Adjustment Factor</u>	<u>Final Value Conclusion per Unit (Rd.)</u>
\$130,000.00	0.95	\$125,000.00

The total estimated value of the subject parcel based on the change of zone to Planned Development District (PDD) can be calculated for each of the subject parcels as follows:

95% and 75% Scenario Value Calculation

Parcel A - Brookhaven Portion @ 95% Probability:

181.7± Acres x 4 Units/Acre = 726 Units
726 Units x \$125,000/Unit = \$90,750,000 - \$27,255,000 (as zoned value) = \$64,495,000 (value differential)
x 95% = \$60,320,250 + \$27,255,000 = **\$87,575,250**

Parcel A - Smithtown Portion @ 75% Probability:

63.76± Acres x 4 Units/Acre = 255 Units
255 Units x \$125,000/Unit = \$31,875,000 - \$9,564,000 (as zoned value) = \$22,311,000 (value differential)
x 75% = \$16,733,250 + \$9,564,000 = **\$26,297,250**

Parcel A – Brookhaven Portion + Smithtown Portion 95% and 75% Probability = \$113,872,500
Round To \$113,870,000

Parcel B - Smithtown @ 75% Probability:

62.43± Acres x 4 Units/Acre = 249 Units
249 Units x \$125,000/Unit = \$31,125,000 - \$9,364,500 (as zoned value) = \$21,760,500 (value differential)
x 75% = \$16,320,375 + \$9,364,500 = **\$25,684,875**

Round To \$25,680,000

Total Parcels A and B @ 95% and 75% Probability \$139,550,000

SALES COMPARISON APPROACH, BEFORE ACQUISITION (Cont'd)

AS REZONED TO PDD AT VESTING

90% and 70% Scenario Value Calculation

Parcel A - Brookhaven Portion @ 90% Probability:

181.7± Acres x 5 Units/Acre = 908 Units

908 Units x \$125,000/Unit = \$113,500,000 - \$27,255,000 (as zoned value) = \$86,245,000 (value differential)

x 90% = \$77,620,500 + \$27,255,000 = **\$104,875,500**

Parcel A - Smithtown Portion @ 70% Probability:

63.76± Acres x 5 Units/Acre = 318 Units

318 Units x \$125,000/Unit = \$39,750,000 - \$9,564,000 (as zoned value) = \$30,186,000 (value differential)

x 70% = \$21,130,200 + \$9,564,000 = **\$30,694,200**

Parcel A – Brookhaven Portion + Smithtown Portion 95% and 75% Probability = \$135,569,700
Round To \$135,570,000

Parcel B - Smithtown @ 70% Probability:

62.43± Acres x 5 Units/Acre = 312 Units

312 Units x \$125,000/Unit = \$39,000,000 - \$9,364,500 (as zoned value) = \$29,635,500 (value differential)

x 70% = \$20,744,850 + \$9,364,500 = **\$30,109,350**

Round To \$30,110,000

Total Parcels A and B @ 90% and 70% Probability \$165,680,000

RECONCILIATION AND CONCLUSION OF VALUE, BEFORE

VALUE INDICATED BY THE COST APPROACH	Not Applicable
VALUE INDICATED BY THE INCOME APPROACH	Not Applicable
VALUE INDICATED BY THE SALES COMPARISON APPROACH	
95% AND 75% PROBABILITY SCENARIO	\$139,550,000.00
90% AND 70% PROBABILITY SCENARIO	\$165,680,000.00
RECONCILED VALUE:	\$153,000,000.00

The final conclusion of value of the subject property has been estimated as reconciled above based upon the Sales Comparison Approach. Adequate market data were uncovered in our development of the Sales Comparison Approach to consider it reliable and well supported. The Cost Approach and Income Approach were not developed as the property has been appraised as vacant land.

DESCRIPTION OF PROPERTY AND RIGHTS TAKEN

The property is located on the west side of Stony Brook Road between University Heights Drive and the Long Island Railroad in the hamlet of Stony Brook, Town of Brookhaven, Suffolk County New York. It is also located on the southeast corner of North Country Road (SR25A) and Mills Pond Road in the hamlet of St. James, Town of Smithtown, Suffolk County, New York. The property is designated on the Suffolk County Tax Map as follows: District: 0200, Section: 272, Block: 2, Lot: 8; District: 0200, Section: 273, Block: 1, Lot: 3; District: 0800, Section: 40, Block: 2, Lots: 4, 11, 13.3, 14 and 15 . The portion of the property located within the Town of Brookhaven is zoned "*L-1*" *Industry*. The portion of the property located within the Town of Smithtown is zoned "*L-1*" *Industry* with the exception of a strip along Mills Pond Road and a portion of the North Country Road frontage. This strip has a depth from frontage of 200 feet and is zoned "*R-43*" *Residence* by the Town of Smithtown. The subject property is somewhat irregular in shape and is located on both the south and north sides of the Long Island Railroad tracks. Frontage consists of 3,814± feet on Stony Brook Road, 2,737± feet on North Country Road and 530± feet on Mills Pond Road.

For clarification, the subject property has been described as "Parcel A" and "Parcel B" based on the dividing line created by the LIRR tracks. Parcel A is the portion of the property on the south side of the tracks and is the acquisition area in its entirety. Parcel B is the portion of the property on the north side of the tracks and comprises the remainder area. Within Parcel A are two contiguous parcels; one within Brookhaven Township (Stony Brook) containing 181.7± acres and one within Smithtown Township (St. James) containing 63.76± acres. These two parcels comprise the acquisition area and total 245.46± acres. Parcel B is comprised of four contiguous lots within the Town of Smithtown as well as a very small, contiguous lot within the Town of Brookhaven. Parcel B totals 62.43± acres.

As of the date of vesting, November 2, 2005, the property was primarily vacant land. Existing light industrial improvements are located on the north side of the LIRR tracks within Parcel B and consist of 4 masonry and metal buildings totaling 151,480± square feet. Parcel A contains three masonry buildings totaling 49,458± square feet.

DESCRIPTION OF PROPERTY AND RIGHTS TAKEN (CONT'D)

Existing improvements on both Parcels A and B are considered to be under-improvements in the "as zoned" scenario due to their age, functional utility and physical deterioration. The improvements are inconsistent with the highest and best use in this scenario which would be to re-develop the property with more modern, more intensive light industrial/research and development space. Within the "as rezoned to PDD" scenario the exiting improvements are also inconsistent with the highest and best use as residential acreage with potential for multi-family/condominium development. It is evident that the existing improvements must be removed and any environmental conditions rectified in order to develop the property in accordance with its highest and best use under both valuation scenarios. It is the appraiser's opinion that the income that could be generated by the existing improvements during the planning, application, approval and development phases effectively offsets the costs associated with demolition and remediation. No costs are to be deducted within any of the valuation scenarios based on this premise.

The acquisition is considered a partial fee taking as the subject parcels are considered to have unity of use and ownership. The taking consists of 245.46± acres of the entire 307.89± acres comprising the subject property. The taking area involves the entirety of the parcel described herein as Parcel "A." The fee taking is slightly irregular in shape with 3,814± feet of frontage along the west side of Stony Brook Road. It abuts the Long Island Railroad at its northerly boundary and consists of essentially vacant land zoned for light industrial use at the time of vesting.

EFFECT OF TAKING ON THE PROPERTY

The effect of the taking on the property is to reduce the total land area from 307.89± acres prior to the taking to 62.43± acres after the taking. It is the appraiser's opinion that no severance damages have resulted from the State's acquisition as the remainder property has the same market value both before and after the vesting.

VALUATION OF REMAINDER PROPERTY

DESCRIPTION OF THE PROPERTY, AFTER THE ACQUISITION

LAND

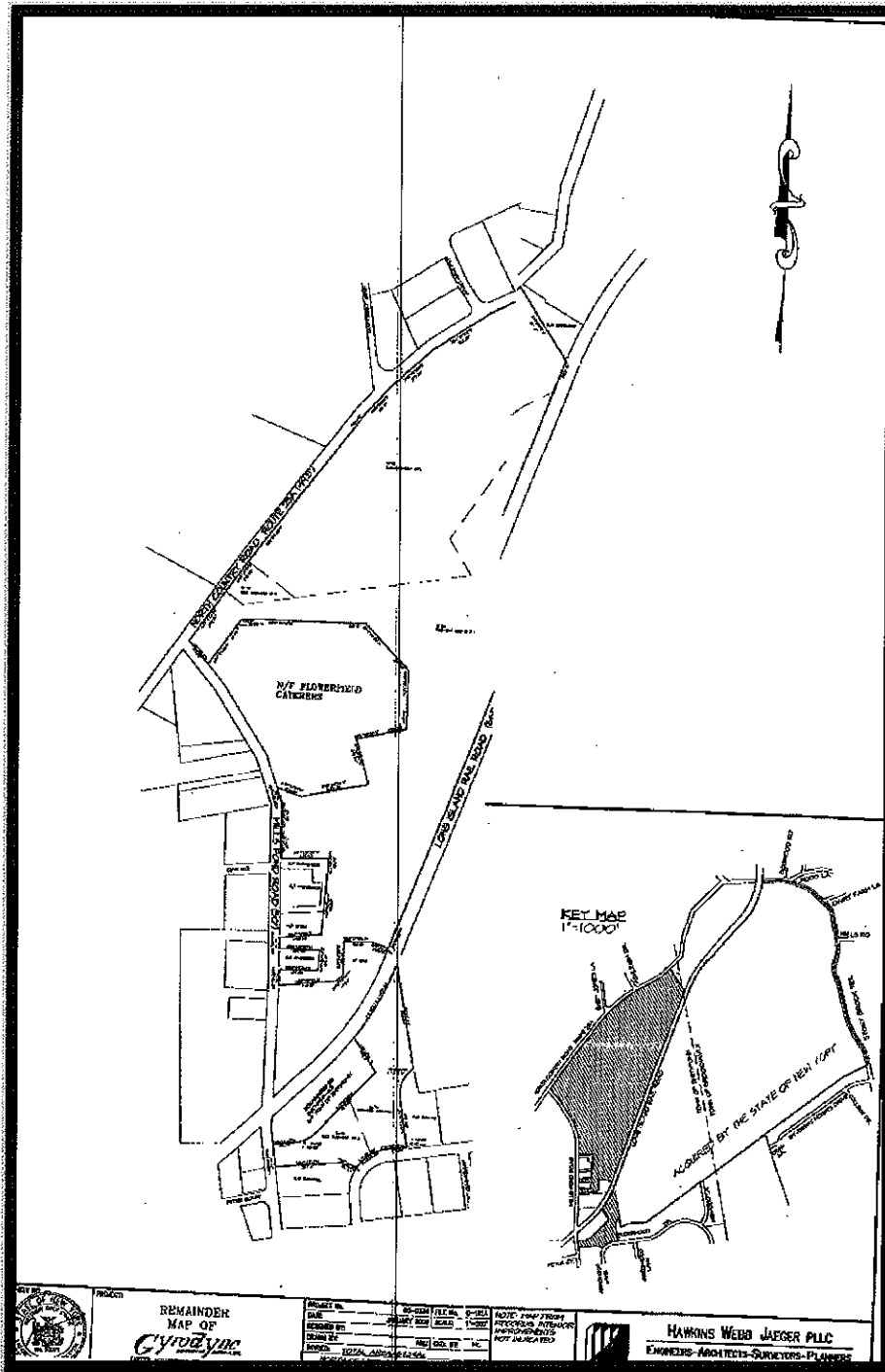
The property is located on the southeast corner of North Country Road (SR25A) and Mills Pond Road in the hamlet of St. James, Town of Smithtown, Suffolk County, New York. The property is designated on the Suffolk County Tax Map as follows: District: 0200, Section: 272, Block: 2, Lot: 8; District: 0800, Section: 40, Block: 2, Lots: 4, 13.3, 14 and 15. The property is zoned "L-I" *Industry* with the exception of a strip along Mills Pond Road and a portion of the North Country Road frontage. This strip has a depth from frontage of 200 feet and is zoned "R-43" *Residence* by the Town of Smithtown. The subject property is somewhat irregular in shape and is located on the east and north sides of the Long Island Railroad tracks. Frontage consists 2,737± feet on North Country Road and 530± feet on Mills Pond Road.

The remainder parcel (Parcel B as described throughout) is comprised of four contiguous lots within the Town of Smithtown as well as a very small, contiguous lot within the Town of Brookhaven. The remainder parcel (Parcel B) contains a total land area of 62.43± acres.

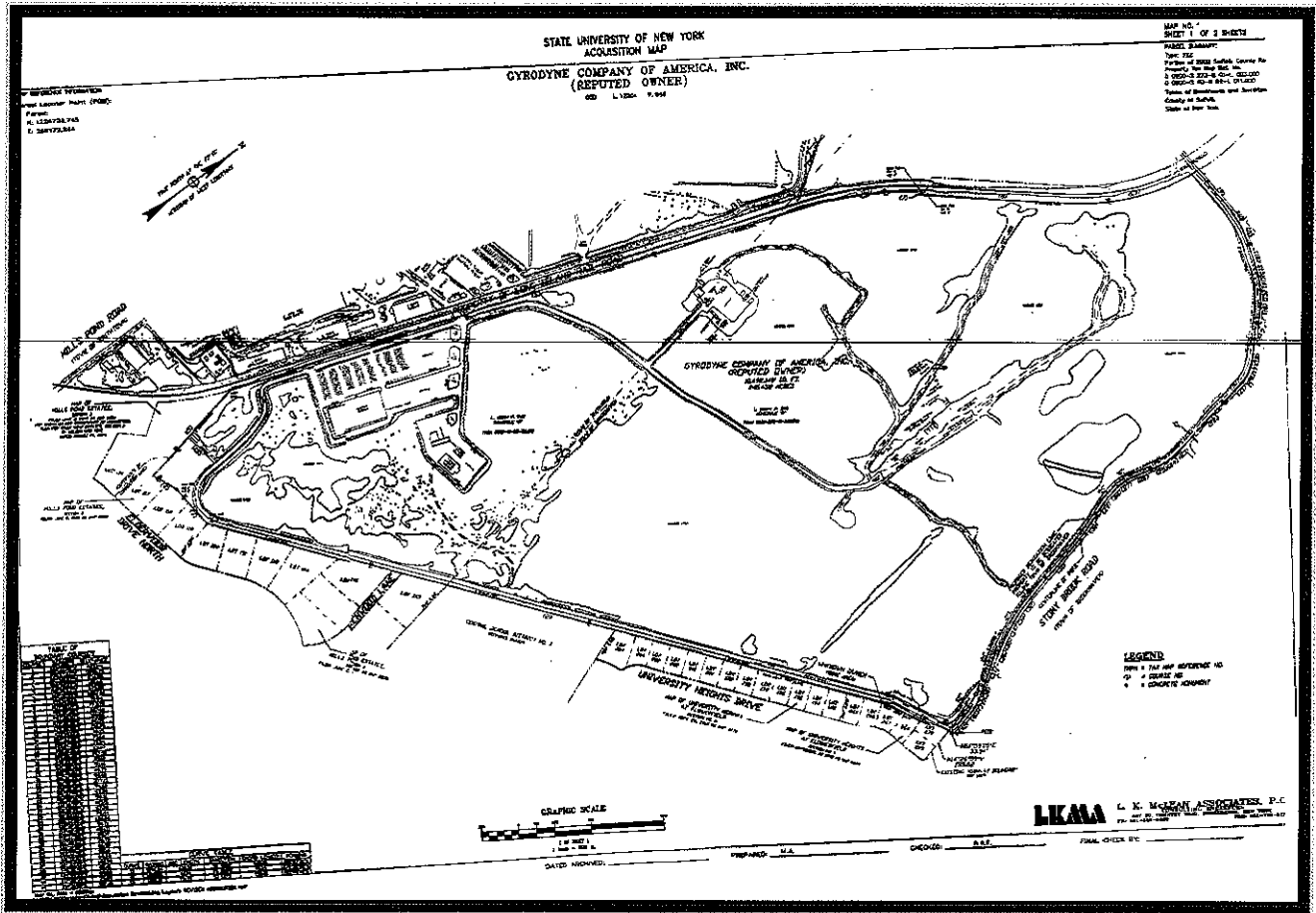
IMPROVEMENTS

As of the date of vesting, November 2, 2005, the property was primarily vacant land. Existing light industrial improvements consist of 4 masonry and metal buildings totaling 151,480± square feet. Existing improvements are considered to be under-improvements in the "as zoned" scenario due to their age, functional utility and physical deterioration. The improvements are inconsistent with the highest and best use in this scenario which would be to re-develop the property with more modern, more intensive light industrial/research and development space. Within the "as rezoned to PDD" scenario the existing improvements are also inconsistent with the highest and best use as residential acreage with potential for multi-family/condominium development. It is evident that the existing improvements must be removed and any environmental conditions rectified in order to develop the property in accordance with its highest and best use under both valuation scenarios. It is the appraiser's opinion that the income that could be generated by the existing improvements during the planning, application, approval and development phases effectively offsets the costs associated with demolition and remediation. No costs are to be deducted within any of the valuation scenarios based on this premise.

REMAINDER MAP OF SUBJECT PROPERTY (NORTH OF LIRR)



TAKING MAP OF THE SUBJECT PROPERTY



USE OF THE PROPERTY, AFTER ACQUISITION

The remainder property is essentially vacant land zoned predominantly for light industrial use. Building improvements consist of consist of 4 masonry and metal buildings totaling 151,480± square feet. The buildings are primarily tenant-occupied although there is some vacant space as well as owner-occupied portions.

As previously noted, existing improvements are considered to be under-improvements in the "as zoned" scenario due to their age, functional utility and physical deterioration. The improvements are inconsistent with the highest and best use in this scenario which would be to re-develop the property with more modern, more intensive light industrial/research and development space. Within the "as rezoned to PDD" scenario the existing improvements are also inconsistent with the highest and best use as residential acreage with potential for multi-family/condominium development. It is evident that the existing improvements must be removed and any environmental conditions rectified in order to develop the property in accordance with its highest and best use under both valuation scenarios. It is the appraiser's opinion that the income that could be generated by the existing improvements during the planning, application, approval and development phases effectively offsets the costs associated with demolition and remediation. No costs are to be deducted within any of the valuation scenarios based on this premise.

HIGHEST AND BEST USE, AFTER ACQUISITION

Highest and Best Use is defined as: "That 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".

"Alternatively, that use from among reasonably probable and legal alternative uses, found to be physically possible, appropriately supported, financially feasible and which results in highest land value"¹.

The subject property is analyzed as though vacant and available for development. Consideration is given to alternative programs of development among potential uses which are:

- 1) Physically possible, based upon topography, land area and site configuration;
- 2) Legally permissible, in compliance with zoning, deed restrictions or other constraints;
- 3) Economically feasible and fulfilling an identifiable demand in the market, and
- 4) Maximally productive thus, resulting in the highest present land value.

The highest and best use analysis views the subject property as vacant in order to place the subject site into proper perspective, thus considering alternative programs of development. Alternative programs of development are further examined if the intended or current use does not reflect the highest and best use.

¹Dictionary of Real Estate Appraisal, Appraisal Institute, 4TH Edition.

HIGHEST AND BEST USE, AFTER (CONT'D)

PHYSICAL

In the analysis of the subject property, key considerations to determine the Highest and Best Use are the location, size, accessibility and overall physical characteristics of the site.

As detailed within the zoning analysis developed by Mr. Daniel Gulizio, planning expert (see addenda for copy of Zoning Analysis), the subject property is not physically suited for development based on its existing Light Industrial zoning classifications. Development under the existing zoning would be inappropriate and limited due to the site's limited access to major thoroughfares. The roadways on which the subject fronts are inadequate to support full-scale development based on existing zoning. North Country Road is a two-lane route that is improved primarily with residential homes. Commercial development along North Country Road in this area is quite limited. Mills Pond Road is a two-lane street that is substandard in width. This roadway does not provide adequate access to support full-scale light industrial development. It is a somewhat narrow, winding residential route that is subject to periodic flooding at its northerly terminus.

The subject has adequate topography, soil conditions and shape to support light industrial or related development permissible under the existing zoning classification. The poor access however is judged to be a significant deterrent to such development.

The physical characteristics of the subject property are much more suited for residential development as could take place based on the change of zone scenario to a Planned Development District ("PDD") classification. The access from the two fronting roadways is adequate to support development with a multiple-residence community, most probably clustered within several sections of the overall site. Such development and use is less dependent on access to commercial thoroughfares. There appear to be no adverse easements or encroachments affecting the subject site which would hamper its development based on this change of zone scenario.

Based upon the site's location, immediately surrounding land uses, road frontage, accessibility, configuration etc., it is the appraiser's opinion that the physical highest and best use of the subject property is for a change of zoning to "PDD" and development with a multiple residence community (condominium complex).

HIGHEST AND BEST USE, AFTER (CONT'D)

LEGAL

As previously indicated, the existing zoning of the site is "*L-I*" Industrial District. Light industrial development is permitted within this zone and encompasses a variety of office, warehouse and manufacturing uses, subject to provisions related to physical characteristics such as lot size, bulk yard requirements, drainage, parking, landscaping, etc. According to Mr. Gulizio's Zoning Analysis, the subject property, as of right based on existing zoning, could be legally be developed with light industrial and/or related building improvements. While this development scheme above is the legal use of the property based on existing zoning, it has been demonstrated that this type of development is inappropriate due to physical constraints as well as the nature of the surrounding land uses and the neighborhood as a whole.

Mr. Gulizio's Zoning Analysis considers the potential yield associated with a variety of residential zoning districts within the Town of Smithtown (see copy of Zoning Analysis within Addenda of this report). Mr. Gulizio concludes that the development of the subject property with the most reasonable probability involves a change of zone to Planned Development District (PDD) in order to allow for the development of a residential (multi-unit/condominium) community. This development scenario is considered the legal highest and best use of the subject property.

FEASIBLE USE

The highest and best feasible use based on all factors contributing to feasibility is for a change of zone to Planned Development District (PDD) and subsequent development with a multi-unit (condominium) residential complex. The physical characteristics of the site, the surrounding land uses and nature of the immediate neighborhood coupled with the limited potential for "as-zoned" development all point to multi-family residential development as the most feasible utilization of the subject property. This conclusion is well-supported by Mr. Gulizio's Zoning Analysis that must be considered an integral part of this Highest and Best Use analysis.

HIGHEST AND BEST USE, AFTER (CONT'D)

MAXIMALLY PRODUCTIVE

The maximally productive and therefore most economically sound use of the subject property is for a change of zone to Planned Development District (PDD) and subsequent development with a multi-unit (condominium) residential complex. The strong demand for residential housing as well as the desirable residential nature of the subject's neighborhood create a climate conducive to the residential development scenario. As of the date of vesting, the residential housing market was experiencing unprecedented strength with demand and market values at all-time highs. It is clear that a change of zone to PDD and the development that would take place accordingly would be the maximally productive and most economically sound utilization of the subject property. The following chart is a summary of several recently constructed condominium projects within the Towns of Brookhaven and Smithtown. The rapid sell-out and continued demand are indications that the market has been very strong for this type of development.

RECENT CONDOMINIUM PROJECTS – TOWNS OF BROOKHAVEN AND SMITHTOWN

Community	Complex Name	Address	# of Units	Year Opened	Comments
Coram, Town of Brookhaven	Country Pointe	Granny Rd.	240	2005	Sold Out Unrestricted occupancy
Coram, Town of Brookhaven	The Oaks @ Hawkins Path	Hawkins Path	37	2004	Sold Out Seniors
Coram, Town of Brookhaven	Sterling Woods	Gettysburg Dr.	61	2002	Sold Out Unrestricted occupancy
Eastport, Town of Brookhaven	Encore Atlantic Shores	CR 51 & Encore Ct.	240	2005	Approx. 50 units remain Seniors
Lake Grove, Town of Brookhaven	Encore Lake Grove	Moriches Rd. & Route 347	228	2005	Sold Out Seniors
Miller Place, Town of Brookhaven	Country Pointe	Jersey Circle	110	2004	Sold Out Unrestricted occupancy
Mount Sinai, Town of Brookhaven	Plymouth Estates	Canal Rd. & CR 83	285	2005	89 units remain Seniors
Port Jefferson Sta., Town of Brookhaven	Setauket Meadows	Hulse Rd.	150	2004	Sold out Seniors
Stony Brook, Town of Brookhaven	The Oaks @ Stony Brook	Oxhead Rd.	45	2004	Sold out Seniors
Kings Park, Town of Smithtown	Country Pointe	Indian Head Rd.	137	2004	Sold out Unrestricted occupancy
Nesconset, Town of Smithtown	Country Pointe	Tiffany Way & Browns Rd.	88	2003	Sold out Unrestricted occupancy

HIGHEST AND BEST USE, AFTER (CONT'D)

CONCLUSION

The appraiser has considered the four tests applicable to highest and best use. As a result of the analysis as well as the Zoning Analysis conducted by Daniel Gulizio, it has been concluded that the highest and best use of the subject property is for a change of zone to Planned Development District and development with a multi-family residential community.

Mr. Gulizio has concluded, based on his research and expertise that the probability of the portion of the subject property within the Town of Smithtown ranges from 70% to 75%. He further concludes that the most probable yield density based on this change of zone would range from 3 to 6 units per acre for the subject property.

Based on Mr. Gulizio's findings, the subject property within the Town of Smithtown has been appraised based on two scenarios as follows: a yield density of 4 units per acre with a 75% probability of receiving a change of zone and; a yield density of 5 units per acre with a 70% probability of receiving a change of zone. As stated previously, the market values based on the change of zone scenario are derived by appraising the property as zoned as well as based on receiving the change of zone. The probability factor is applied to the value differential (as rezoned less as zoned values) and the resulting figure is then added to the value derived as zoned to yield the market value based on the highest and best use as receiving the change of zone to PDD.

SALES COMPARISON APPROACH, AFTER ACQUISITION

The Sales Comparison Approach indicates an estimate of value as indicated by sales of similar properties which have occurred in the market. This approach is defined as:

"A set of procedures in which a value indication is derived by comparing the property being appraised to similar properties that have been sold recently, applying appropriate units of comparison, and making adjustments to the sale prices of the comparables based on the elements of comparison."¹

This approach requires an appraiser to gather information on transfers of similar property. These transfers are then analyzed to determine the indications of value for the subject property, i.e., price/square foot, gross rent multipliers, overall rates, etc...

Once this data has been collected, the appraiser makes the appropriate adjustments to the sales. These adjustments include such differences as time, location, size, condition, etc... It must be noted that the sales are adjusted to the subject. The adjustment process, when completed, yields an indicated value of the subject property. The adjustment process actually adjusts the sales as if they contained all the characteristics of the subject property after adjustments.

A determination has been made, based on the Highest and Best use Analysis as well as the Zoning Analysis prepared by Mr. Daniel Gulizio, planning expert, that a Change of Zone to Planned Development District (PDD) in order to allow for the development of a multi-family residential community is the most probable and reasonable use of the subject property.

Mr. Gulizio has concluded, based on his research and expertise that the probability of the portion of the subject property within the Town of Smithtown receiving a change of zone to PDD ranges from 70% to 75%. He further concludes that the most probable yield density based on this change of zone would range from 3 to 6 units per acre for the subject property.

¹The Dictionary of Real Estate Appraisal, Fourth Edition, c2002, The Appraisal Institute, Pg 255

SALES COMPARISON APPROACH, AFTER ACQUISITION (Cont'd)

Based on Mr. Gulizio's findings, the property within the Town of Smithtown has been appraised based on two scenarios as follows: a yield density of 4 units per acre with a 75% probability of receiving a change of zone and; a yield density of 5 units per acre with a 70% probability of receiving a change of zone. As stated previously, the market values based on the change of zone scenario are derived by appraising the property as zoned as well as based on receiving the change of zone. The probability factor is applied to the value differential (as rezoned less as zoned values) and the resulting figure is then added to the value derived as zoned to yield the market value based on the highest and best use as receiving the change of zone to PDD.

Please note: The property has been appraised within the "As Rezoned to PDD" scenario based upon an initial analysis as rezoned to "PDD." An adjustment will be made to the per unit value conclusion to reflect the time and cost involved in obtaining the change of zone to "PDD."

Existing improvements are considered to be under-improvements in the "as zoned" scenario due to their age, functional utility and physical deterioration. The improvements are inconsistent with the highest and best use in this scenario which would be to re-develop the property with more modern, more intensive light industrial/research and development space. Within the "as rezoned to PDD" scenario the existing improvements are also inconsistent with the highest and best use as residential acreage with potential for multi-family/condominium development. It is evident that the existing improvements must be removed and any environmental conditions rectified in order to develop the property in accordance with its highest and best use under both valuation scenarios. It is the appraiser's opinion that the income that could be generated by the existing improvements during the planning, application, approval and development phases effectively offsets the costs associated with demolition and remediation. No costs are to be deducted within any of the valuation scenarios based on this premise.

SALES COMPARISON APPROACH, AFTER ACQUISITION (Cont'd)

AS ZONED AT VESTING

SALES	SUBJECT	1	2	3	4	5	6	7
Location	North Country Rd. & Mill Pond Road, St. James	Sunrise Highway, Bayport	River Road, Yaphank	Crooked Hill Rd., Commack	Route 110, E. Farmingdale	Commack Rd., Deer Park	CR 58, Riverhead	Burman Blvd. Calverton
Sale Date	11/2/05 Vesting Date	1/26/06	5/17/05	5/17/05	1/7/05	10/10/03	2/3/03	4/19/07
Sales Price		\$8,874,000	\$3,350,000	\$18,000,000	\$12,900,000 as adjd.	\$30,000,000	\$2,969,092	\$5,657,750
Zoning		Ind. 1	L-3 Ind.	LI-Ind.	G Ind.	Ga Ind.	Ind. A	PIP
Size (Acres)	62.43	22.66	30.0	43.15	24.65	81.0	21.1	32.33
Price/Acre	N/A	\$391,615	\$111,667	\$417,149	\$523,327	\$370,370	\$140,715	\$175,000
Market Cond.		0%	+4.2%	+4.2%	+7.5%	+20%	+26.7%	0%
Sales Price/Acre Adj. For Market Cond.	N/A	\$391,615	\$116,357	\$434,669	\$562,576	\$444,444	\$178,286	\$175,000
ADJUSTMENTS								
Location		-25%	+35%	-35%	-35%	-35%	-5%	+10%
Zoning		0%	0%	0%	0%	0%	0%	0%
Lot Size		-20%	-20%	-5%	-20%	0%	-20%	-20%
Utility		-20%	+10%	-20%	-20%	-30%	0%	0%
Total Adj.		-65%	+25%	-60%	-75%	-65%	-25%	-10%
Adj. Sales Price/Acre		\$137,065	\$145,446	\$173,868	\$140,644	\$155,555	\$133,715	\$157,500
INDICATED VALUE		\$150,000/Acre						

SALES COMPARISON APPROACH, AFTER ACQUISITION (Cont'd.)

AS ZONED AT VESTING

EXPLANATION OF ADJUSTMENTS

MARKET CONDITIONS—The market has demonstrated that the value of vacant industrial land in the subject market area had been appreciating at a steady rate through 2005. A rate of 10% per annum has been applied to all sales occurring prior to vesting. Sales #1 and 7 occurred after vesting but were included in the analysis. Sale #1 reportedly went into contract on October 18, 2005, before the vesting date. Sale #7 reportedly went into contract on March 31, 2006, slightly after the vesting. This sale has been included due to the limited number of sales of large tracts of industrially zoned land in the pertinent time frame and market.

LOCATION - Sales #1, 3, 4, 5 and 6 have been adjusted downward for location to compensate for their superior locations as compared to the subject property. The subject is located in what is considered a far inferior industrial location while the adjusted sales have more suitable industrial/commercial locations. Sales #2 and 7 have been adjusted upward due to their inferior locations in what are considered more remote, less accessible areas. Sale #2 is located in a rural, undeveloped area near the Long Island Expressway in Yaphank. Sale #7 is located within the former Northrop-Grumman aircraft testing property that is just beginning to be redeveloped with light industrial and related facilities. This location has not yet become a primary location for industrial land.

ZONING- The subject property and all sales share similar industrial zoning with similar overall requirements.

LOT SIZE - The market has demonstrated that vacant industrial land in the subject area is bought on a price per acre or price per square foot basis. Sales #1, 2, 3, 4, 6 and 7 are all significantly smaller than the subject parcels and have been adjusted downward within this category to reflect the principle that smaller parcels typically sell for more on a unit basis (per acre basis) than larger parcels. Sale #5 did not require an adjustment for size.

UTILITY- Sales #1, 3, 4 and 5 have been adjusted downward for this variable while Sale #2 has been adjusted upward. These adjustments have been made to reflect relative differences in access, frontage, parcel shape, topography and overall utility and suitability for development.

CONCLUSION - After analysis and adjustments, the sales ranged from a low of \$133,715 per acre to a high of \$173,868 per acre. The estimated conclusion of market value is \$150,000 per acre based on the existing light industrial zoning in place on the subject parcels as of the date of vesting. The parcels have estimated market values based on existing light industrial zoning as follows:

Parcel "B" - 62.43± Acres @ \$150,000/Acre = \$9,364,500
Round To: \$9,365,000

SALES COMPARISON APPROACH, AFTER ACQUISITION (Cont'd.)

AS REZONED TO PDD AT VESTING

SALES	8	9	10	11	12	13	14
Location	North Country Rd. & Mill Pond Road, St. James	New Moriches Rd. Lake Grove	Orinoco Drive Bay Shore	Old Country Rd. Westhampton	Locust Ave. Oakdale	Lakeview Ave. Bayport	Canal Rd. Mt. Sinai
Sale Date	11/2/05 Vesting Date	6/2004	3/2004	8/2004	10/10/06	2/22/06	3/9/05
Total Sales Price	\$18,000,000	\$22,800,000	\$8,000,000	\$19,970,000	\$3,900,000	\$6,240,000	\$45,030,000
Land Area (Acres)	74.79	42.96	11.1	66.597	3.8	8.11	40.8
Approvals	Yes	Yes	Yes	Yes	Yes	Yes	Yes
# of Units	240	228	90	189	28	32	285
Units/Acre	3.2	5.3	8.1	2.8	7.4	3.9	6.99
Sales Price per Unit	\$75,000	\$100,000	\$88,888	\$105,661	\$139,288	\$195,000	\$158,000
Market Conditions Adjmt.	+25%	+21.25%	+23.75%	+17.5%	0%	0%	+8.75%
Price per Unit Adj. for Market Conditions	\$93,750	\$121,250	\$110,000	\$124,152	\$139,288	\$195,000	\$171,825

ADJUSTMENTS

Location	+30%	+15%	+35%	+10%	+20%	+10%	0%
Approvals	-5%	-10%	-5%	-5%	-5%	-10%	-10%
Size (# of Units)	0%	0%	-15%	-5%	-25%	-25%	0%
Utility/Restrictions	+5%	+5%	-15%	+5%	-15%	0%	-10%
Yield/Density	0%	0%	+10%	-5%	+10%	0%	+5%
Total Adjustment	+30%	+10%	+10%	0%	-15%	-25%	-15%
Adjusted Value per Unit	\$121,875	\$133,375	\$121,000	\$124,152	\$118,395	\$146,250	\$146,051

INDICATED VALUE: \$130,000.00/Unit

SALES COMPARISON APPROACH, AFTER ACQUISITION (Cont'd.)

AS REZONED TO PDD AT VESTING

EXPLANATION OF ADJUSTMENTS

MARKET CONDITIONS: The market has demonstrated that the value of vacant multi-family/condominium land in the subject market area had been appreciating at a steady rate through 2005. A rate of 15% per annum has been applied to all sales occurring prior to vesting. Sales #12 and 13 occurred after vesting but were included in the analysis. Sale #13 reportedly went into contract before the vesting date. Sale #7 reportedly went into contract on November 28, 2005, slightly after the vesting. This sale has been included due to the limited number of sales of multi-family/condominium land in the pertinent time frame and market.

LOCATION: Sales #8, 9, 10, 11, 12 and 13 have been adjusted upward for location to compensate for their inferior locations as compared to the subject. The subject is located in St. James in a very desirable north shore Long Island community. The nature of the subject's community, school district and surrounding properties are very favorable when viewed in the context of their influence on real estate. The adjusted sales are judged to be inferior in terms of these variables. Sale #14 did not require adjustment.

APPROVALS - The subject is being appraised within the valuation scenario as if it has received a change of zone to Planned Development District, allowing development with a multi-family/condominium complex. Full approvals are not assumed for the subject. All the sales have been adjusted downward for this variable as they each had full approvals in place as of the dates of sale. Sales #9, 13 and 14 were adjusted downward more significantly as the approvals in place on these sales were secured by the grantors while the other sales involved the buyers securing the approvals for development.

SIZE (# OF UNITS) - Sales #10, 11, 12 and 13 have been adjusted downward for this variable to account for the principle that projects with fewer units typically sell for more on a per unit basis as opposed to projects with a larger number of units. The subject is projected to contain unit counts ranging from 249 to 908, significantly larger numbers of units than the adjusted sales.

UTILITY/RESTRICTIONS - Sales #8, 9 and 11 have been adjusted upward for this variable due to the somewhat restricted nature of the approvals. These complexes are restricted to seniors and this factor is judged to be a slight negative in terms of restrictions on marketability. Sales #10, 12 and 14 are also restricted to seniors but these sales have required downward adjustments as they did not require the construction of sewage treatment plants as they had access to existing facilities. This factor is a significant benefit due to the costs associated with sewage treatment facilities. Sale # 13 did not require adjustment for this variable.

SALES COMPARISON APPROACH, AFTER ACQUISITION (Cont'd)

AS REZONED TO PDD AT VESTING

EXPLANATION OF ADJUSTMENTS (CONT'D)

YIELD/DENSITY – Sales #10, 12 and 14 have been adjusted upward for this variable while Sale #11 has been adjusted downward to reflect the concept that parcels with higher density yields typically sell for less on a per unit basis as compared with parcels with lower yields. This adjustment considers the potential for open space, superior views, common areas and larger building envelopes due to lower density yields.

CONCLUSION - The sales ranged from an unadjusted low of \$75,000.00 per unit to a high of \$195,000.00 per unit. After adjustments, the range was from \$118,395.00 per unit to \$146,250.00 per unit. From this range we have selected **\$130,000.00 per unit** as the estimated value of the subject property as rezoned to "PDD." This per unit value conclusion must be adjusted downward to reflect the time and cost associated with obtaining the change of zone to "PDD." A downward adjustment of 5% has been applied to the per unit value conclusion as follows:

<u>Value per Unit as Rezoned</u>	<u>Adjustment Factor</u>	<u>Final Value Conclusion per Unit (Rd.)</u>
\$130,000.00	0.95	\$125,000.00

The total estimated value of the subject parcel based on the change of zone to Planned development District (PDD) can be calculated for each of the subject parcels as follows:

75% Scenario Value Calculation

Parcel B (Remainder Parcel) - Smithtown @ 75% Probability:

62.43± Acres x 4 Units/Acre = 249 Units
249 Units x \$125,000/Unit = \$31,125,000 - \$9,364,500 (as zoned value) = \$21,760,500 (value differential)
x 75% = \$16,320,375 + \$9,364,500 = **\$25,684,875**
Round To **\$25,680,000**

70% Scenario Value Calculation

Parcel B (Remainder Parcel) - Smithtown @ 70% Probability:

62.43± Acres x 5 Units/Acre = 312 Units
312 Units x \$125,000/Unit = \$39,000,000 - \$9,364,500 (as zoned value) = \$29,635,500 (value differential)
x 70% = \$20,744,850 + \$9,364,500 = **\$30,109,350**
Round To **\$30,110,000**

RECONCILIATION AND CONCLUSION OF VALUE, AFTER

VALUE INDICATED BY THE COST APPROACH	Not Applicable
VALUE INDICATED BY THE INCOME APPROACH	Not Applicable
VALUE INDICATED BY THE SALES COMPARISON APPROACH	
75% PROBABILITY SCENARIO	\$25,680,000.00
70% PROBABILITY SCENARIO	\$30,110,000.00
RECONCILED VALUE:	\$28,000,000.00

The final conclusion of value of the subject property has been estimated as reconciled above based upon the Sales Comparison Approach. Adequate market data were uncovered in our development of the Sales Comparison Approach to consider it reliable and well supported. The Cost Approach and Income Approach were not developed as the property has been appraised as vacant land.

ALLOCATION OF DAMAGES

ALLOCATION OF BEFORE AND AFTER VALUES

Before Value:	\$153,000,000.00
After Value:	<u>\$28,000,000.00</u>
Difference	\$125,000,000.00

DIRECT DAMAGES:

\$125,000,000.00

ALLOCATION OF SEVERANCE DAMAGES

Severance Damages	\$0.00
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APPRAISED COMPENSATION

BREAKDOWN OF INTERESTS

The total damages were incurred by the fee owner. No other interests were appraised.

ADDENDA

UNDERLYING ASSUMPTIONS AND LIMITING CONDITIONS

This appraisal is made subject to the following assumptions and limiting conditions:

1. Certain opinions, data and statistics which were furnished by others are not guaranteed but were gathered from sources believed to be accurate and reliable.
2. No survey was made, therefore, the dimensions of the land and so forth are either taken from records believed to be reliable or from the owner. No responsibility is assumed for their accuracy.
3. No liability is assumed for matters of a legal character such as title defects, liens, encroachments or easements.
4. The submission of this appraisal does not require future testimony or appearance in court or before any agency without special arrangements for that eventuality.
5. The distribution of the total value between land and the improvements applies only under the program of utilization and conditions stated in the report and invalidated under other programs of utilization or conditions or if used in making a summation appraisal.
6. It is assumed that there are no hidden or unapparent conditions of the property, subsoil or structures which would render it more or less valuable. No responsibility is assumed for such factors or for engineering required to discover such factors.
7. Disclosure of the contents of this appraisal report is governed by the By-Laws and regulations of the Appraisal Institute. Neither all nor any part of the contents of this appraisal (especially any conclusions as to value, the identity of the appraiser or the firm with which he is connected, or any reference to the Appraisal Institute) shall be disseminated to the public through advertising media, public relations media, news media, sales media or any other public means of communication without the prior written consent and approval of the person(s) signing this report.
8. It is assumed that the property is free and clear of all liens other than those mentioned in this report and that the property will be efficiently managed and properly maintained.

UNDERLYING ASSUMPTIONS AND LIMITING CONDITIONS (Cont'd)

9. One of the signatories of this report is a member of the Appraisal Institute. The Bylaws and Regulations of the Institute require each member to control the use and distribution of any report signed by such member. Therefore, except as hereinafter provided, the party for whom this appraisal was prepared may distribute copies of it, in the reports entirety, to such third parties as may be selected by the party for whom this appraisal was prepared; however, selected portions of this report shall not be given to third parties without prior written consent of the signatories. Further, neither all nor any part of this appraisal shall be disseminated to the general public by the use of advertising media, public relations media, news media, sales media or other media for public communication without the prior written consent of the signatories of this appraisal report.

10. The existence of potentially hazardous material and/or toxic waste used in the construction or maintenance of the subject building, which may or may not be present, was not observed by us. Nor do we have any knowledge of the existence of such materials in or on the property. We, however, are not qualified to detect such substances. The existence of asbestos, toxic waste, or similar hazardous materials is likely to have an adverse effect on the value of the subject property. We recommend that the client retain an expert in this field if desired.

CERTIFICATION OF THE APPRAISER

We hereby certify that Rogers and Taylor Appraisers, Inc. was employed to appraise the damages on property located at:

**WEST SIDE OF STONY BROOK ROAD AND
SOUTHEAST CORNER OF NORTH COUNTRY ROAD (SR 25A) AND MILLS POND ROAD,
STONY BROOK AND ST. JAMES,
TOWNS OF BROOKHAVEN AND SMITHTOWN,
SUFFOLK COUNTY, NEW YORK**

Neither Rogers and Taylor Appraisers, Inc., nor we have a present or contemplated future interest in the real estate that is the subject of this appraisal report.

We have no personal interest or bias with respect to the subject matter of this appraisal report or the parties involved.

To the best of our knowledge and belief, the statements of fact contained in this appraisal report, upon which the analysis, opinions and conclusions expressed herein are based, are true and correct.

This appraisal report sets forth all of the limiting condition (imposed by the terms of my assignment or by the undersigned) affecting the analysis, opinions and conclusions contained in this report.

This appraisal report has been made in conformity with and is subject to the requirements of the Code of Professional Ethics and Standards of Professional Conduct of the Appraisal Institute.

No one other than the undersigned prepared the analysis, opinions and conclusions concerning real estate that are set forth in this appraisal report.

Our analyses, opinions and conclusions were developed and this report was prepared in conformity with the Uniform Standards of Professional Appraisal Practice.

We certify that the use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.

We certify that the appraisal assignment was not based on a requested minimum valuation, a specific valuation, or the approval of a loan.

We certify that compensation is not contingent on an action or event resulting from the analyses, opinions, or conclusions in, or the use of, this report.

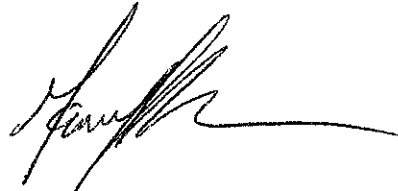
Gary P. Taylor personally inspected the subject property.
Benjamin T. Mojallali assisted in various aspects of the preparation of the appraisal.

CERTIFICATION OF THE APPRAISER (Cont'd)

The Appraisal Institute conducts a voluntary program of continuing education for its designated members. MAI's and RM's who meet the minimum standards of this program are awarded periodic educational certification. As of the date of this report, Gary P. Taylor has completed the requirements under the continuing education program of the Appraisal Institute.

Based upon the data analyzed, it is my opinion that the damages resulting from the partial acquisition incurred on the property located at WEST SIDE OF STONY BROOK ROAD AND SOUTHEAST CORNER OF NORTH COUNTRY ROAD (SR 25A) AND MILLS POND ROAD, STONY BROOK AND ST. JAMES, TOWNS OF BROOKHAVEN AND SMITHTOWN, SUFFOLK COUNTY, NEW YORK, are as follows:

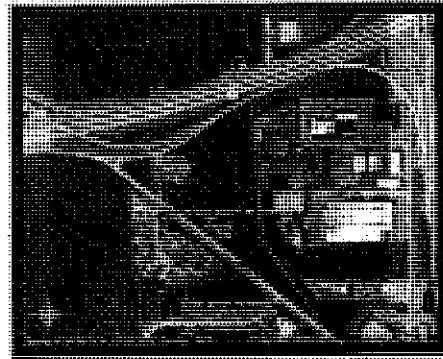
ONE HUNDRED TWENTY FIVE MILLION DOLLARS
\$125,000,000.00



Gary P. Taylor MAI, SRA
State Certified General Real Estate Appraiser
Lic. # 46000002601

MARKET DATA SALES

MARKET DATA SALE # 1
S/E/C OF SUNRISE HIGHWAY & CHURCH STREET, BAYPORT, NEW YORK



DESCRIPTION: Industrial Land

GRANTOR: Blair Realty (50%), New England Village, LLC (25%)
 South Capital, LLC (25%)
 1 Rabro Drive
 Hauppauge, New York 11788

GRANTEE: Lowe's Home Center, Inc.
 P.O. Box 1111
 280 High Street, East
 North Wilkesboro, NC 28656

SIZE: 18.82± Acres (without paper streets)
 22.66± Acres (with paper streets)

CONSIDERATION: \$8,874,000.00
 \$391,615.00/Sq.Ft.
 (with paper streets)

VERIFIED WITH: Copy of Deed by JHG & Lee Rosner with grantor group.

(-)

LIBER: 12446
PAGE: 325
DEED: 01/26/2006
RECD: 04/20/2006
SURVEY DATE: 01/24/2001
R.S. \$35,496.00
ZONING: Industrial "I"
MORTGAGE: None noted
TAX MAP #:

District	Section	Block	Lot
0500	23900	0300	010003
0500	23900	0300	007000
0500	23900	0300	008000
0500	23900	0300	012003
0500	23900	0300	020001
0500	23900	0300	021001
0500	23900	0300	022000
0500	23900	0300	023003
0500	23900	0300	023000
0500	23900	0300	023001
0500	23900	0300	025001
0500	23900	0300	037000
0500	23900	0300	038000
0500	23900	0300	039000
0500	23900	0300	040000
0500	23900	0300	042000
0500	23900	0300	043000
0500	23900	0300	044000
0500	26100	0200	045001
0500	26100	0200	001000
0500	26100	0200	003000
0500	23900	0300	005000
0500	23900	0300	013002
0500	23900	0300	024000
0500	13900	0300	025000
0500	26100	0200	005000
0500	26100	0200	002000
0500	26100	0200	004000
0500	23900	0300	026000
0500	26100	0200	027000
0500	26100	0200	006000
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0500	23900	0300	041000
0500	23900	0300	013003

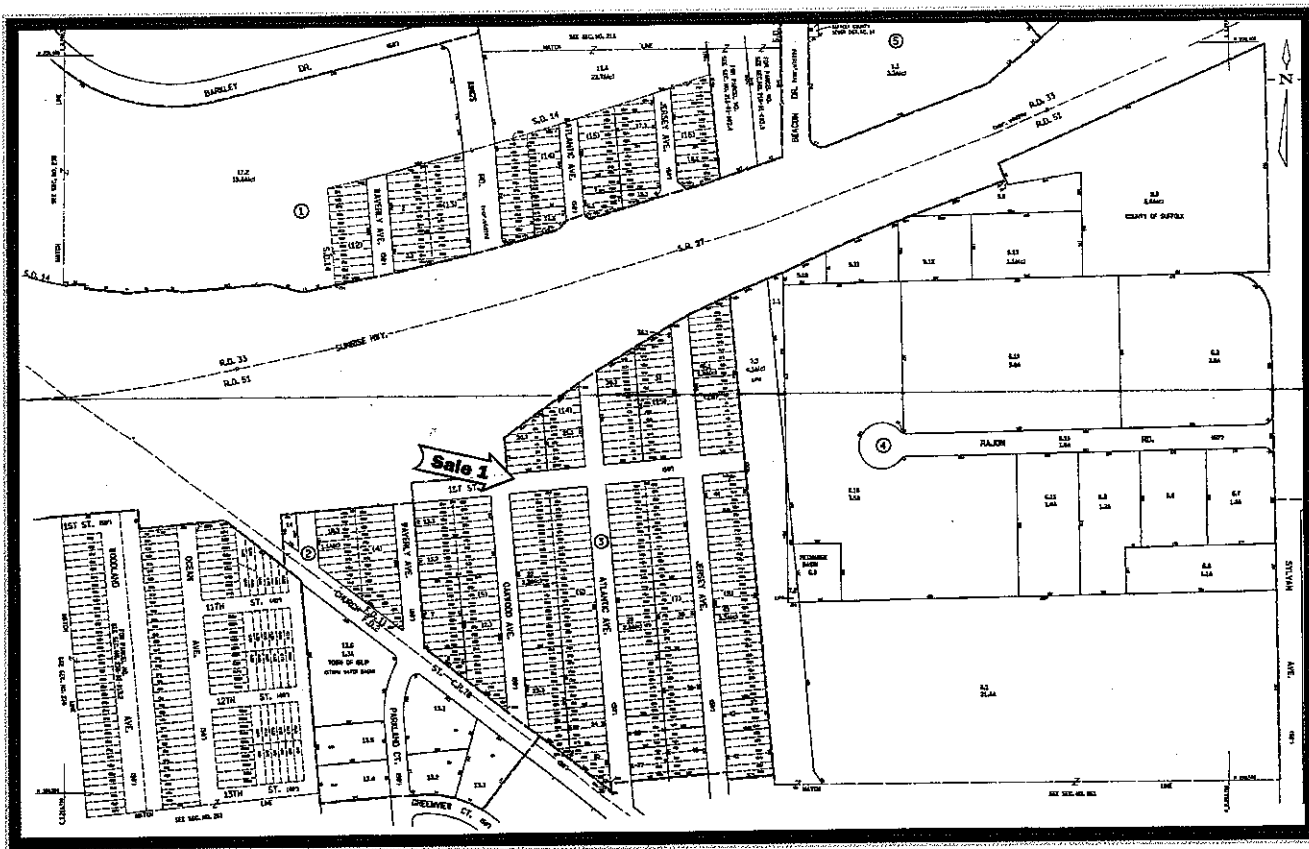
HIGHEST & BEST USE: As utilized

UTILITIES: Public

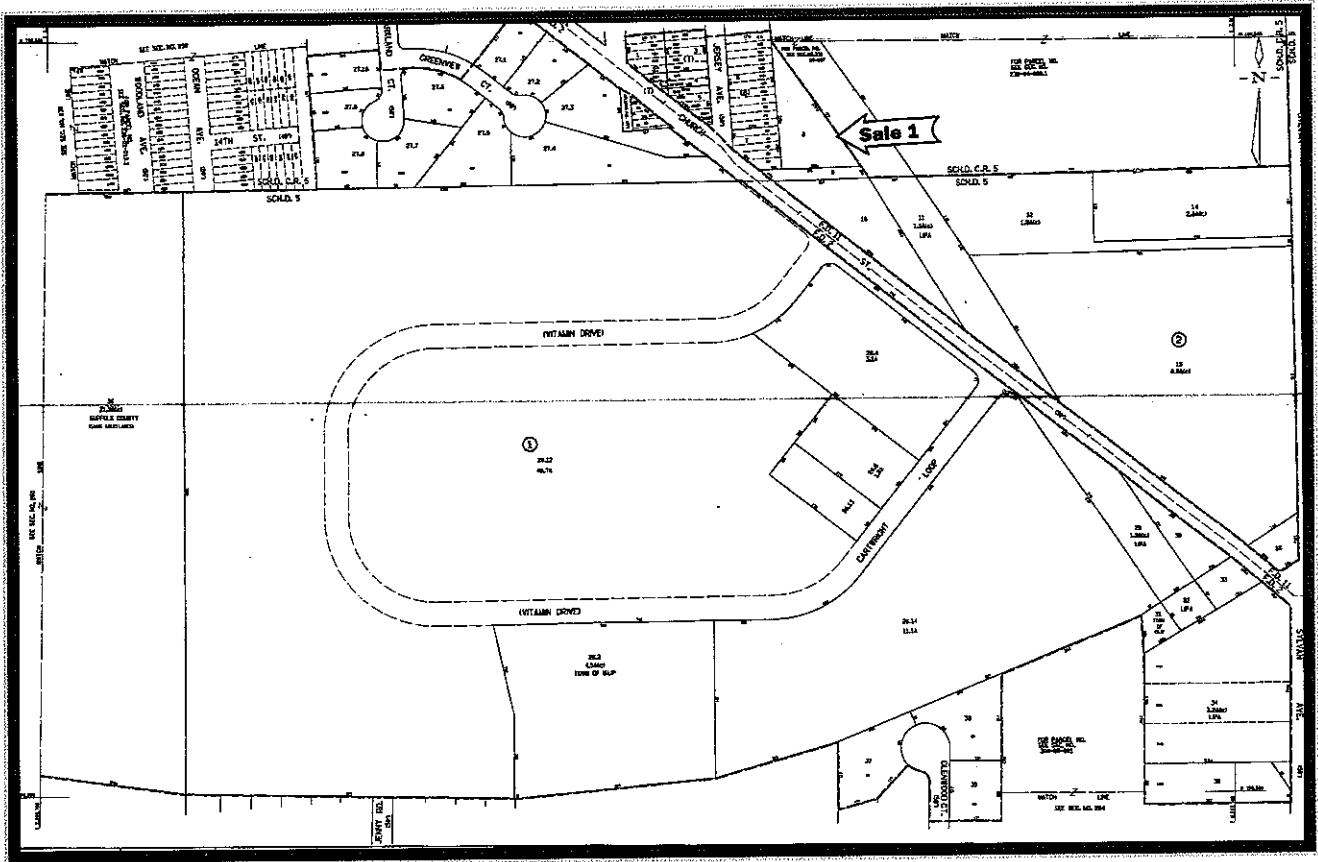
IMPROVEMENTS: Vacant land

COMMENTS:
 This site is located at the southern terminus of Veterans Highway where it intersects with Sunrise Highway. This site consists of numerous tax lots and paper streets. Grantee plans to develop site with a Lowe's Home Center. Broker indicated grantee purchased property without any permits. Broker also said that there is a possibility that the town may not grant the permit. As time of inspection, no application had been made.

TAX MAP LOCATING SALE # 1



TAX MAP LOCATING SALE # 1



MARKET DATA SALE #2
S/E/C BROADWAY ROAD AND RIVER ROAD, YAPHANK, TOWN OF BROOKHAVEN, NY



DESCRIPTION: Vacant Industrially Zoned Land

GRANTOR: Riverway Associates, LLC
 1434 Crown Point Rd.
 Shrewsbury, Vt.

GRANTEE: Lake Grove School
 Moriches Rd.
 Lake Grove, NY

SIZE: 30.0+ acres

CONSIDERATION: \$3,350,000.00 or \$111,667/acre

VERIFIED WITH: Copy of deed and Guy Germano, atty
 for the grantee

(-)

LIBER: 12392
 PAGE: 145

DEED: 5/17/05
 RECD: 6/13/05

R.S.: \$13,400.00

ZONING L-3 Industry

DISTRICT: 0200
 SECTION: 640
 BLOCK: 1
 LOT: 1.1

MORTGAGE: Conventional Financing

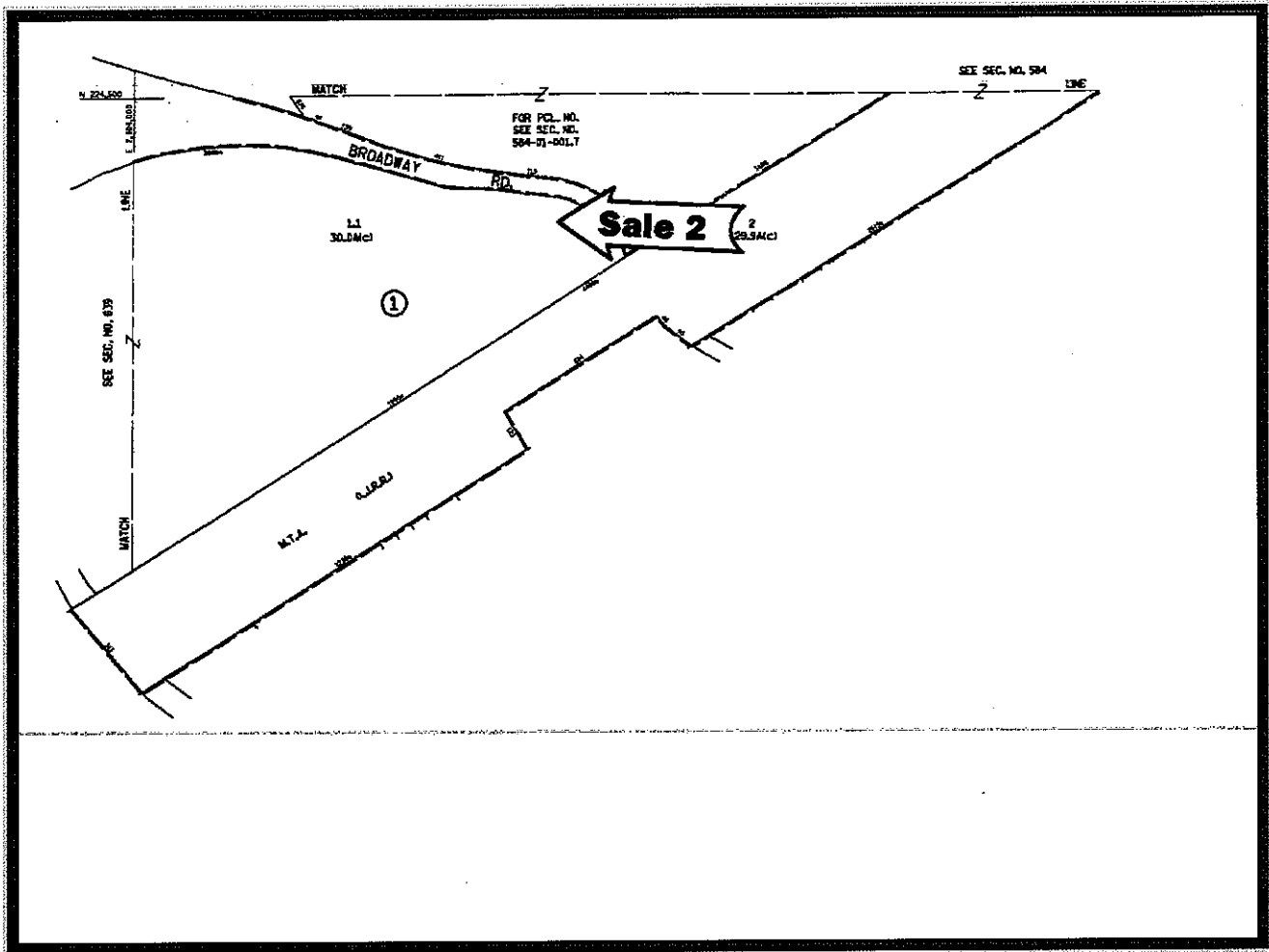
HIGHEST &
 BEST USE: As zoned for light
 industrial or related
 development

UTILITIES: All municipal utilities
 available.

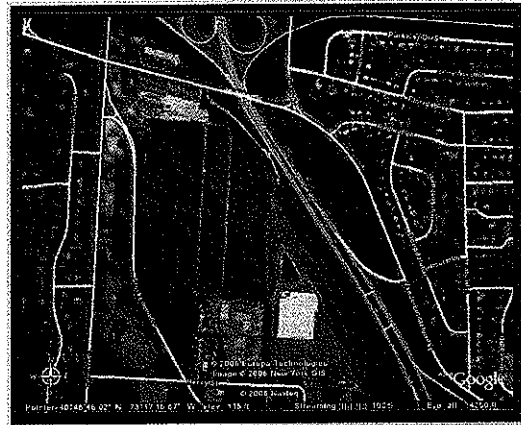
IMPROVEMENTS: None - vacant land

COMMENTS: Grantee has tentative
 plans to construct an educational facility on the site. No
 plans or applications have been formally filed.

TAX MAP LOCATING SALE # 2



**MARKET DATA SALE # 3
NO # CROOKED HILL ROAD, COMMACK, NEW YORK**



DESCRIPTION: Industrial Vacant Land

GRANTOR: Honeywell International, Inc.
101 Columbia Road
Morristown, NJ 07962

GRANTEE: PJ Venture II, LLC
4 Garret Place
Commack, NY 11725

SIZE: 43.15 ± Acres

CONSIDERATION: \$18,000,000.00
\$417,149/Acre

VERIFIED WITH: Copy of Deed by JHG 11-11-2006 and Peter Consatio w/ grantee group.

(-)

LIBER: 12388
PAGE: 436

DEED: 05/17/2005
RECD: 05/18/2005

R.S.: \$72,000.00

ZONING: Industrial, Light

DISTRICT: 800
SECTION: 173
BLOCK: 1 3 4 3
LOT: 39.1 22, 51.1 27 85.1

MORTGAGE: None noted

HIGHEST & BEST USE: As utilized

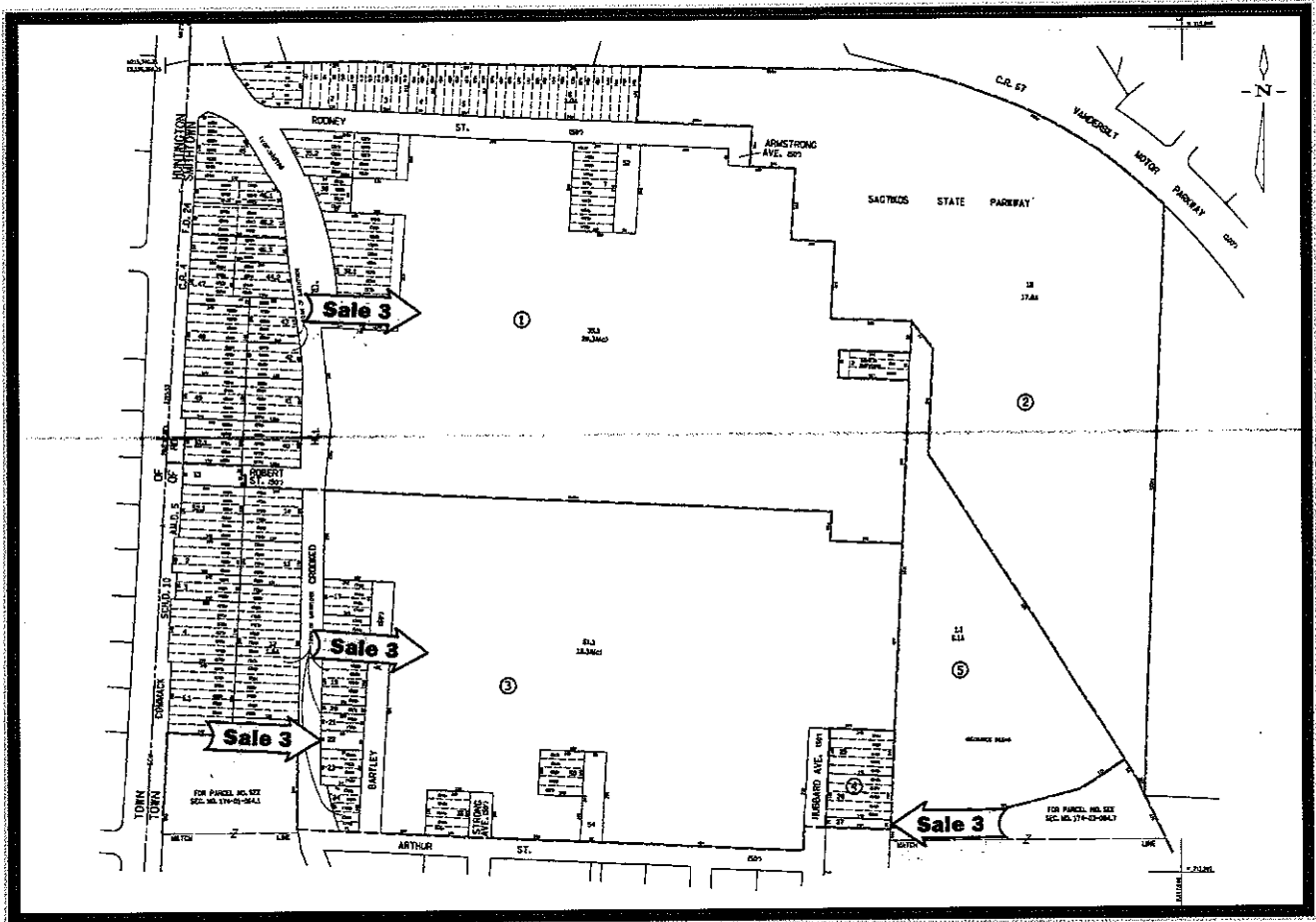
UTILITIES: All Public utilities available

IMPROVEMENTS: None at time of sale.

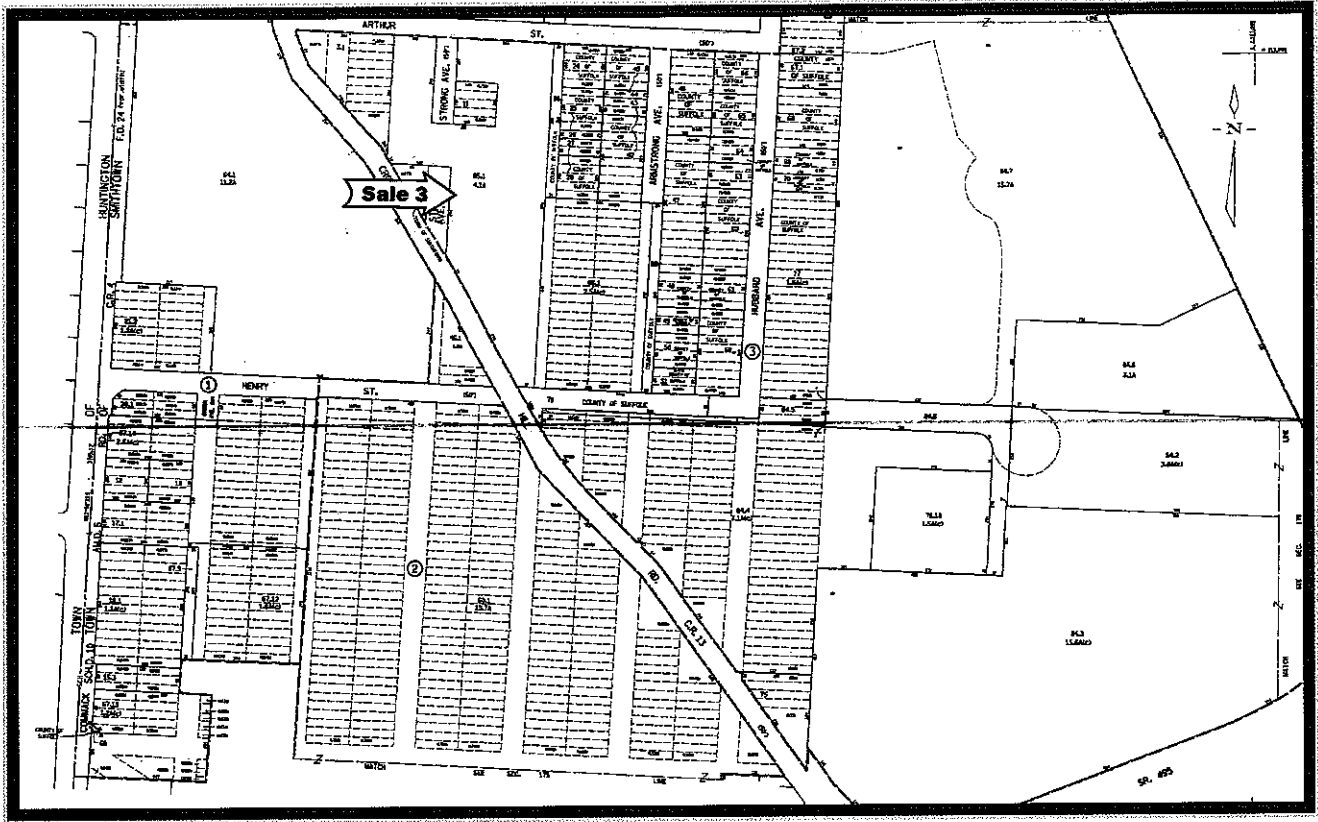
COMMENTS:

After title grantee obtained approvals to develop the site with 3 "Big" Box retail units (Home Depot, Kohl's and Walmart). This site was level and at road grade at time of sale.

TAX MAP LOCATING SALE # 3



TAX MAP LOCATING SALE # 3



MARKET DATA SALE # 4
E/S OF ROUTE 110 (BROAD HOLLOW ROAD) NORTH OF ROUTE 109, EAST FARMINGDALE, NY



DESCRIPTION: Vacant Industrially Zoned Land

GRANTOR: Polytechnic University of Brooklyn
 Six MetroTech Center
 Brooklyn, NY

GRANTEE: POLY-JAZ Realty, LLC,
 POLY C LLC &
 BRPR II LLC
 500 Old Country Road
 Garden City, NY

SIZE: Land: 24.65± acres or

CONSIDERATION: \$12,500,000.00 (*)

VERIFIED WITH: Town Assessor Office,
 appraiser files, copy of deed
 and Barry Langman, atty. for
 the grantee update by BTM on
 10/07 for (17021)

(l)

LIBER: 12376
 PAGE: 434

DEED: 1/7/05

R.S.: \$50,000.00

ZONING: "G" Industrial

DISTRICT: 100
 SECTION: 71
 BLOCK: 1
 LOT: 1

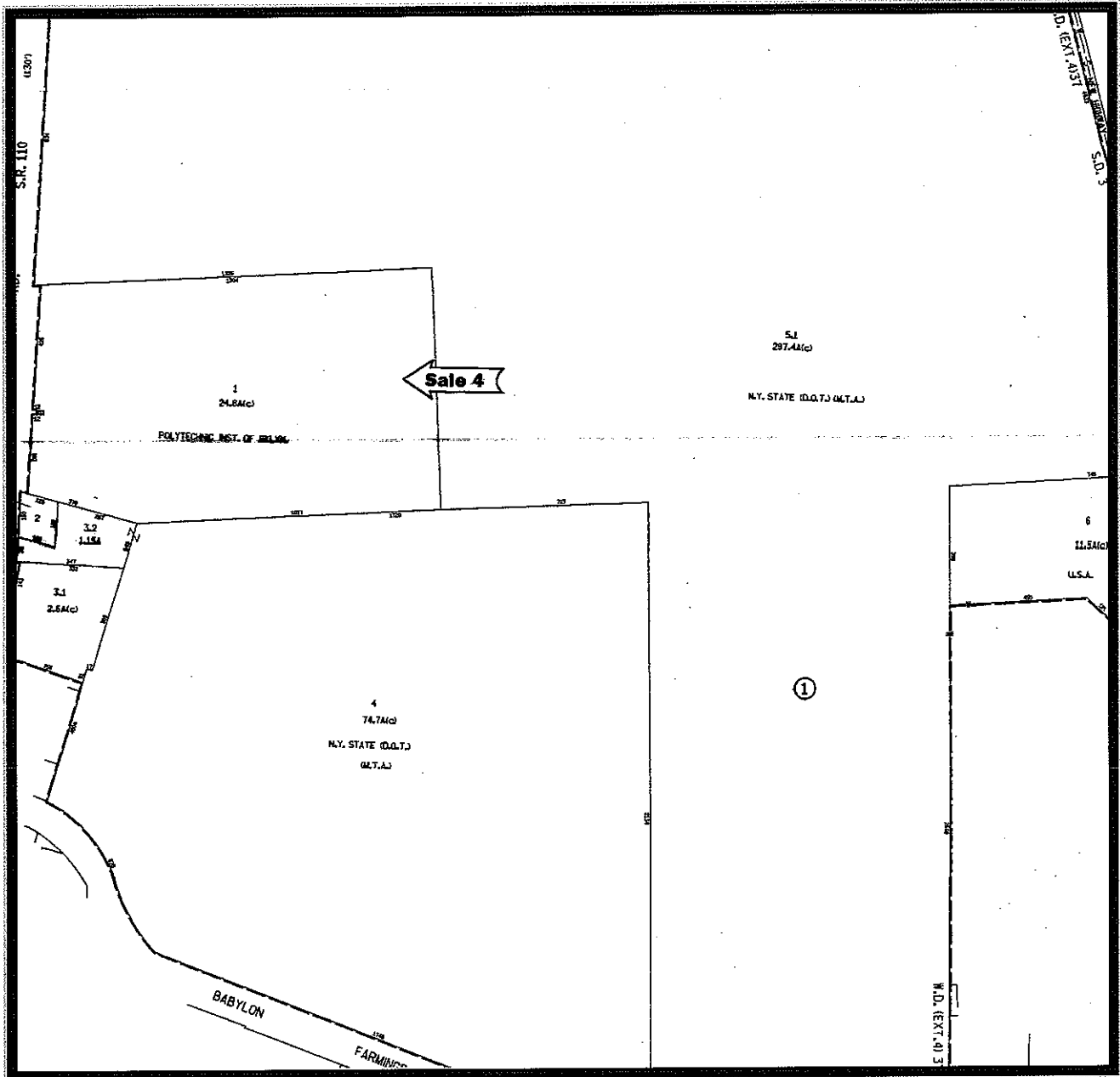
COMMENTS:

This is the sale of a slightly irregular shaped parcel with excellent frontage along Route 110. The site was improved with the Long Island campus of the Polytechnic Institute of Brooklyn. The 15 existing buildings were razed to make way for a 192,000± square foot shopping center anchored by Wal-Mart. Approvals were in place prior to sale and secured by the buyer at their own expense.

(*) Sale Analysis

Sale Price	\$12,500,000.00
Plus demolition cost	\$5,000,000.00 (est. by buyer)
Less salvage value:	<u>\$4,600,000.00 (est. by buyer)</u>
Adjusted Price	\$12,900,000.00
Price Per Acre	\$523,327.00

TAX MAP LOCATING SALE # 4



**MARKET DATA SALE # 5
455 COMMACK ROAD, DEER PARK, NY**



DESCRIPTION: Industrial Development Site

GRANTOR: AIL Systems Inc.
C/O edo Corporation
60 East 42nd Street, Ste. 5010
New York, NY

GRANTEE: Deer Park Ent, LLC
c/o Blumenfeld Development
Group, Ltd.
6800 Jericho Turnpike
Syosset, New York

SIZE: 81.0± acres

CONSIDERATION: \$29,000,000.00 (*)
\$358,024.69/acre

VERIFIED WITH: Public records, copy of deed and
John Racanelli, Attorney for the
grantee and Town of Babylon
Planning Department. Updated
by BTM on 10/07 (17021)

(*) Sale Analysis

Sale Price: \$29,000,000.00
Plus Demolition Costs \$1,000,000.00
Adjusted Value \$30,000,000.00
Adjusted Value/acre \$370,370.00

(/)

LIBER : 12312
PAGE: 665
DEED: 10/10/2003
RECD: 4/9/2004
TRANSFER TAX: \$116,000.00
ZONING: Industrial GA

DISTRICT: 100
SECTION: 68
BLOCK: 1
LOT: 46.003

MORTGAGE: Conventional Financing
\$19,000,000.00 (Fleet Bank)

HIGHEST &
BEST USE: As zoned for
Industrial/commercial
development

UTILITIES: All municipal utilities available

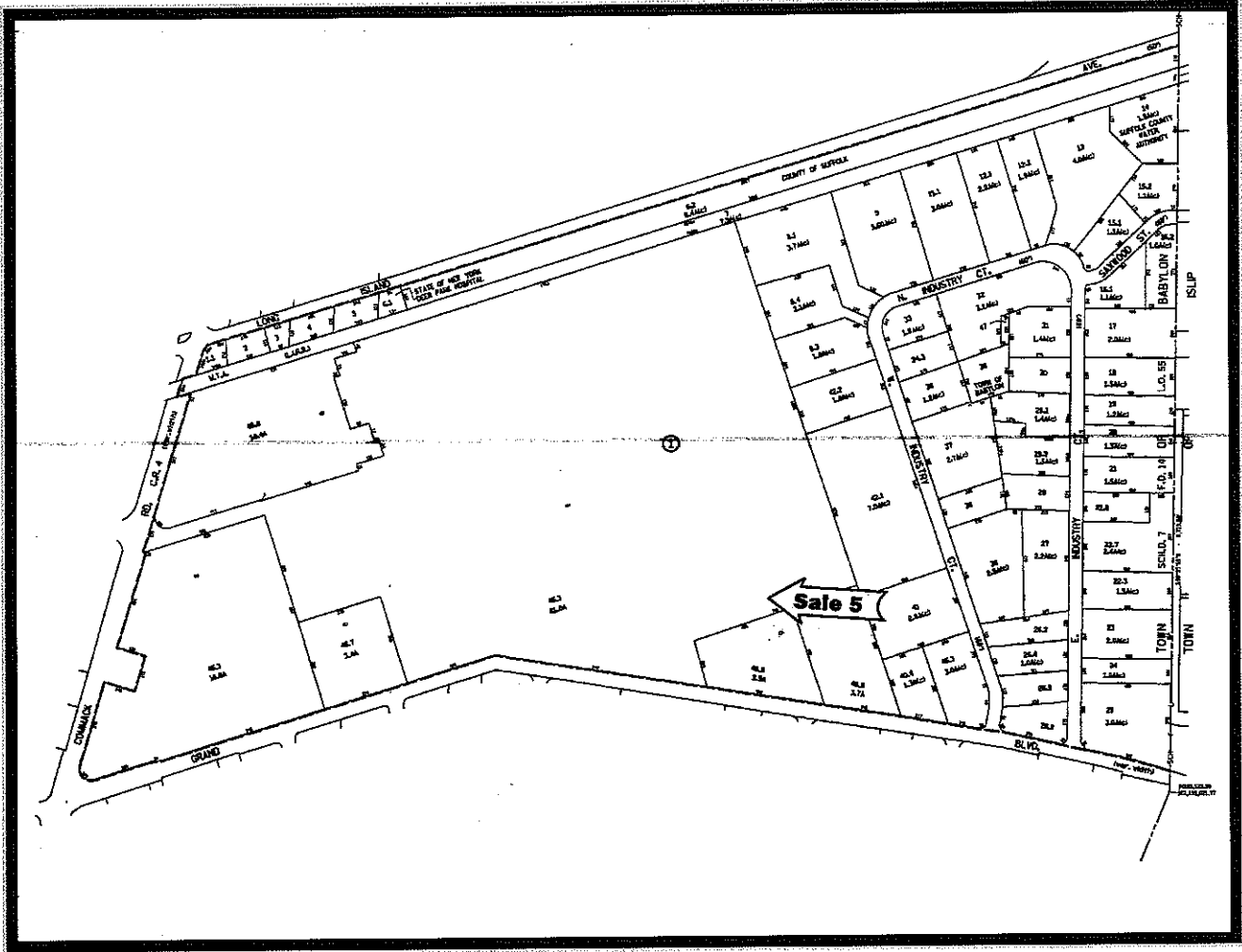
IMPROVEMENTS: To be razed.

COMMENTS:

This site contain the former AIL Corp. plant. The building is approximately 300,000± SqFt and will be razed to make way for a new Tanger Mall and retail center. The site sold as is with no approvals. Final site plan approval was granted on 2/27/2006 with a zoning variance granted on 3/9/2006. It should be noted that retail development is permitted with a variance within the Industrial Ga.

Demolition costs are reduced, due to the assumption that there will be some salvage value from the existing building.

TAX MAP LOCATING SALE # 5



MARKET DATA SALE #6
NORTH SIDE, OLD COUNTRY ROAD (COUNTY ROAD 58), 2,286.62± FT WEST OF WARSAW
DRIVE, RIVERHEAD, NEW YORK



DESCRIPTION: Industrial Vacant Land

GRANTOR: Riverhead Industrial Properties

GRANTEE: Headriver, LLC

SIZE: Land: 21.1± Acres

CONSIDERATION: \$2,969,092
 \$140,715/Acre

VERIFIED WITH: Suffolk County Public Records and grantee's attorney, Allen M. Smith, by HSK on 6/20/03 (14813).

(-)

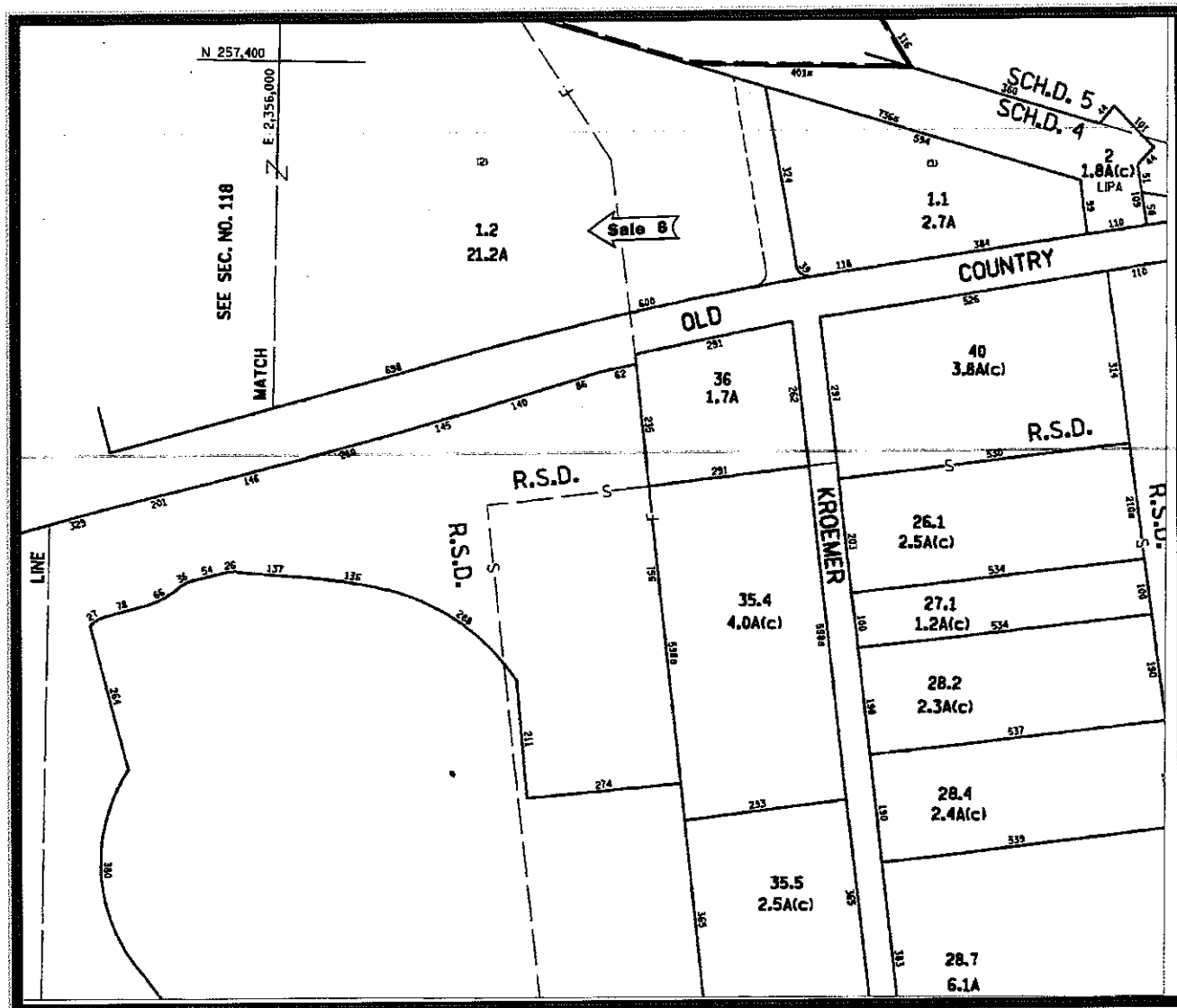
LIBER: 12235
 PAGE: 559
 DEED: 2/3/2003
 RECD: 2/14/2003
 R.S.: \$11,878.00
 ZONING: Industrial A District
 (Town of Riverhead)

DISTRICT: 600
 SECTION: 119
 BLOCK: 1
 LOT: 1.2

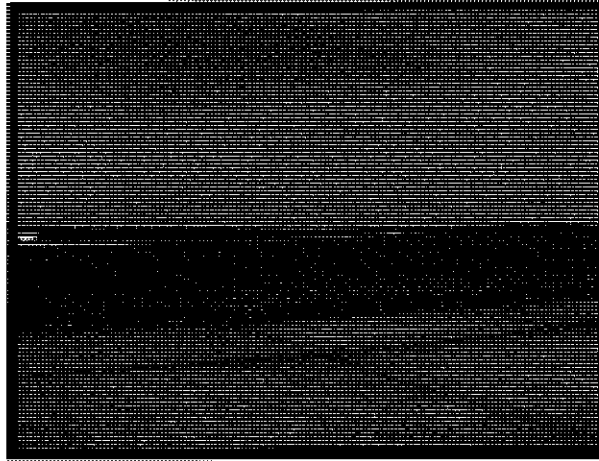
COMMENTS:
 Vacant, mostly wooded parcel of land at the time of sale. Very busy commercial location across from the *Tanger Outlet Center*. The site has some frontage along the easterly terminus of the Long Island Expressway (not open in this location as per the deed). The deed grants certain access and utility easements to the grantor and others, and also specifies certain other site restrictions, including buffer zones, which are detailed in the deed.

According to the grantee's attorney, Allen M. Smith, this property was acquired as a future site for a Lowe's home improvement center although it sold without any approvals for such a use. Mr. Smith further indicated that as of 6/03, the application had not received a "supermajority" approval and the matter was under appeal. He also indicated that the grantee (Headriver, LLC or The Lerner Organization) would be the lessor to Lowe's if and when the project is developed.

TAX MAP LOCATING SALE # 6



MARKET DATA SALE # 7
BURMAN BOULEVARD, CALVERTON, TOWN OF RIVERHEAD, NY



DESCRIPTION: Vacant Industrial Land

GRANTOR: M-GBC, LLC
c/o Burman Properties
2545 Hempstead Tpk.
East Meadow, NY

GRANTEE: Riveredge, LLC
1295 Pulaski Rd.
Riverhead, NY

SIZE: Land: 32.332+ acres or

CONSIDERATION: \$5,657,750.00
\$175,000.00 per acre

VERIFIED WITH: In-house appraisal, copy of
closing statement, deed and
grantee corp. by BTM on
10/07 (17021)

(X)

LIBER: 12501
PAGE: 607

DEED: 4/19/07
CONTRACT: 3/31/06

R.S.: \$22,631.00

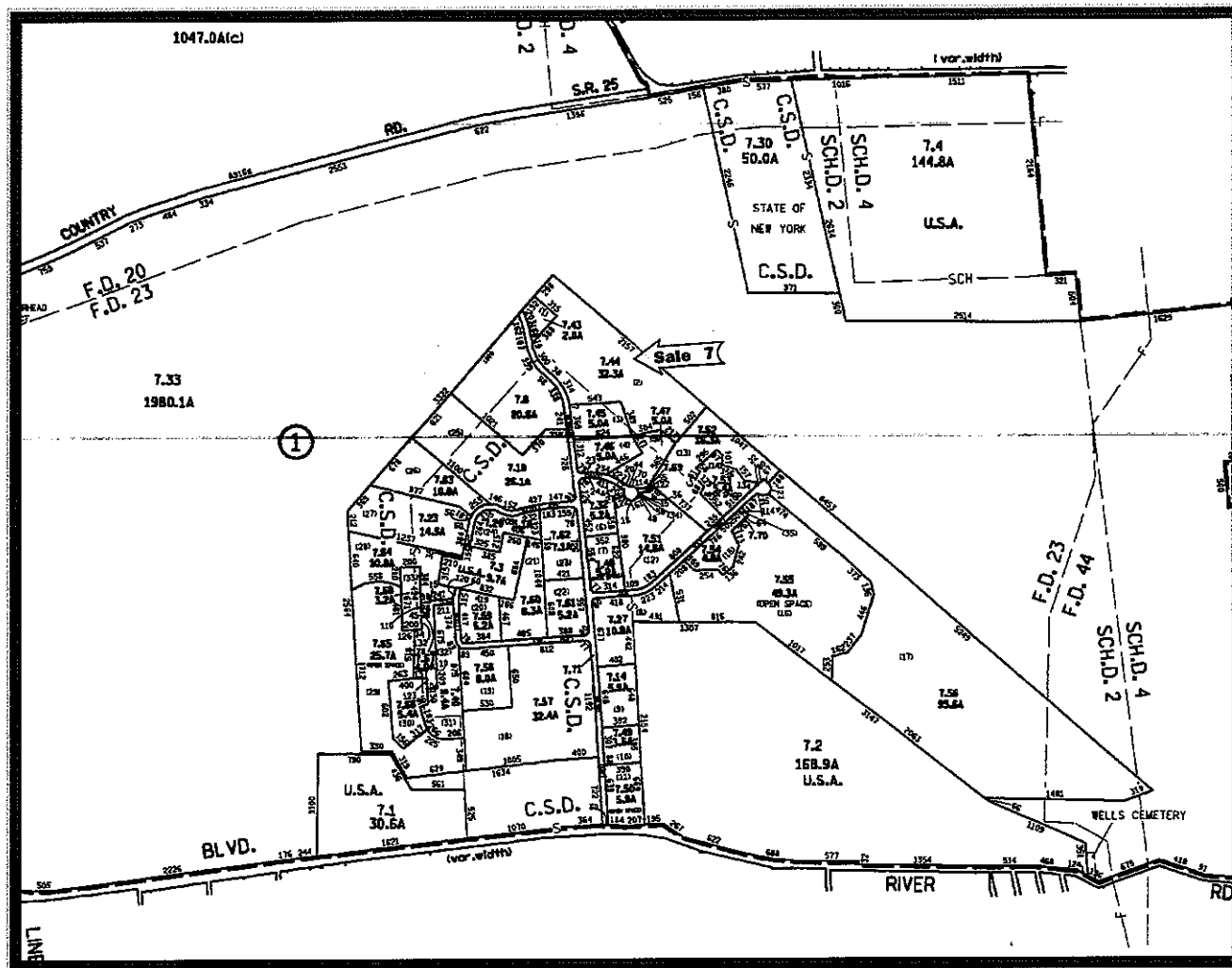
ZONING: "PIP" Planned Industrial
Park

DISTRICT: 600
SECTION: 135
BLOCK: 1
LOT: 7.044

COMMENTS:

Vacant Industrially zoned land purchased for development of 114,375 square foot warehouse. Site has potential for approximately 140,000 square feet of space beyond the initial development proposal. Buyer intends to expand in the future, following completion of primary warehouse building.

TAX MAP LOCATING SALE # 7



MARKET DATA SALE # 8
N/E/C EAST MORICHES-RIVERHEAD ROAD AND EASTORT ROAD, EASTPORT,
TOWN OF BROOKHAVEN, NY



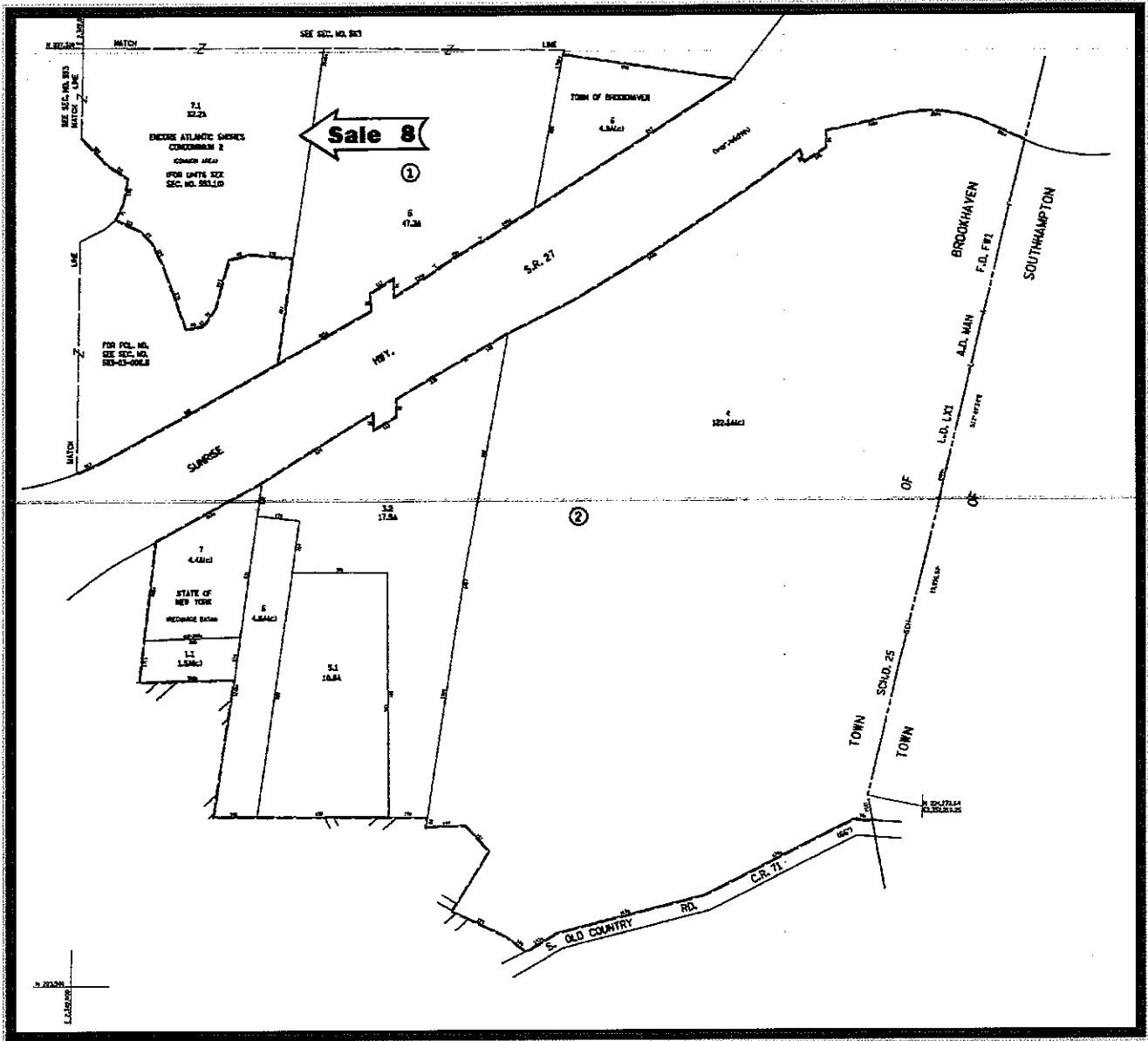
DESCRIPTION: Vacant Residential Acreage
 GRANTOR: Eastport Senior, LLC
 Address: 2545 Hempstead Turnpike, East Meadow
 GRANTEE: Spectram Skanska Inc.
 d/b/a Eastport Land and Home LLC
 Address: 115 Stevens Ave., Valhalla, NY
 SIZE: 74.79+ acres
 240 units
 YIELD: 3.2 units per acre
 CONSIDERATION: \$18,000,000.00
 \$75,000.00/unit
 VERIFIED WITH: Copy of contract (by EMZ),
 Robert Zimmerman, Attorney for
 the grantee and Deed
 by BTM on 3/06
 (15253)

*NEW LOT #
 DISTRICT: 200 200
 SECTION: 593 594
 BLOCK: 3 1
 LOTS: 6.4 & 6.5 7
 (-)

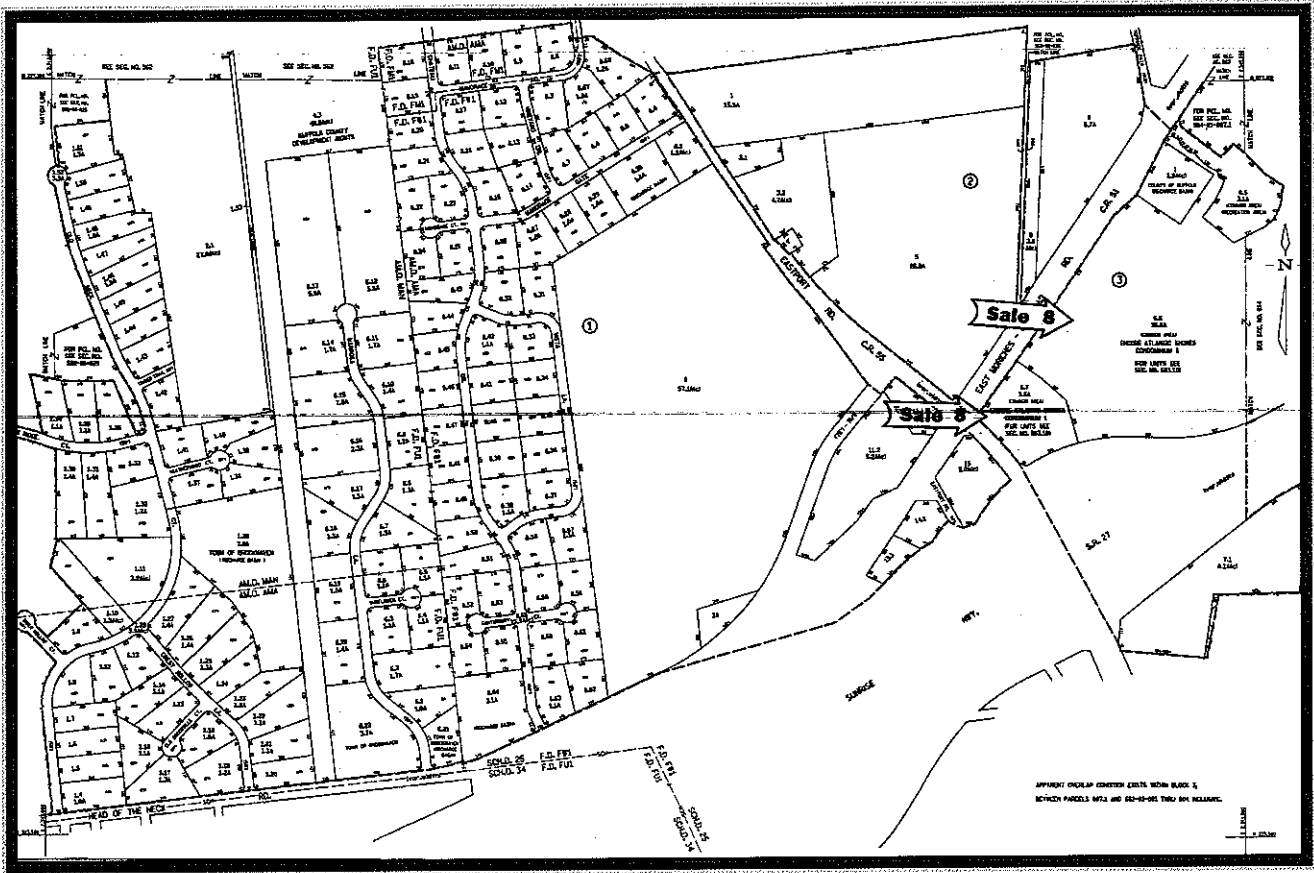
LIBER: 12314
 PAGE: 104
 DEED DATE: 2/25/2004
 CONTRACT: 7/23/2002
 ZONING "PRC" Residence
 District: 200 200 200
 SECTION: 593 594 563*
 BLOCK: 3 1 4
 LOT: 2-6 1-4 3
 HIGHEST &
 BEST USE: As zoned for residential
 development
 UTILITIES: All available municipal
 utilities

IMPROVEMENTS:
 None at time of sale. This contract contingent upon the
 buyer obtaining approvals to construct 240 senior
 units/homes (cluster type development). According to
 the Brookhaven Planning Department, approvals were
 granted early 2003. The proposed unit sizes will range
 from 1,621 + Sq.Ft. to 2,709+ Sq.Ft. with a central
 clubhouse approximately 11,000+ Sq.Ft. that will offer
 additional amenities. Contract as of 7/2002.

TAX MAP LOCATING SALE # 8



TAX MAP LOCATING SALE # 8



MARKET DATA SALE # 9
EAST SIDE OF NEW MORICHES ROAD, LAKE GROVE, NEW YORK

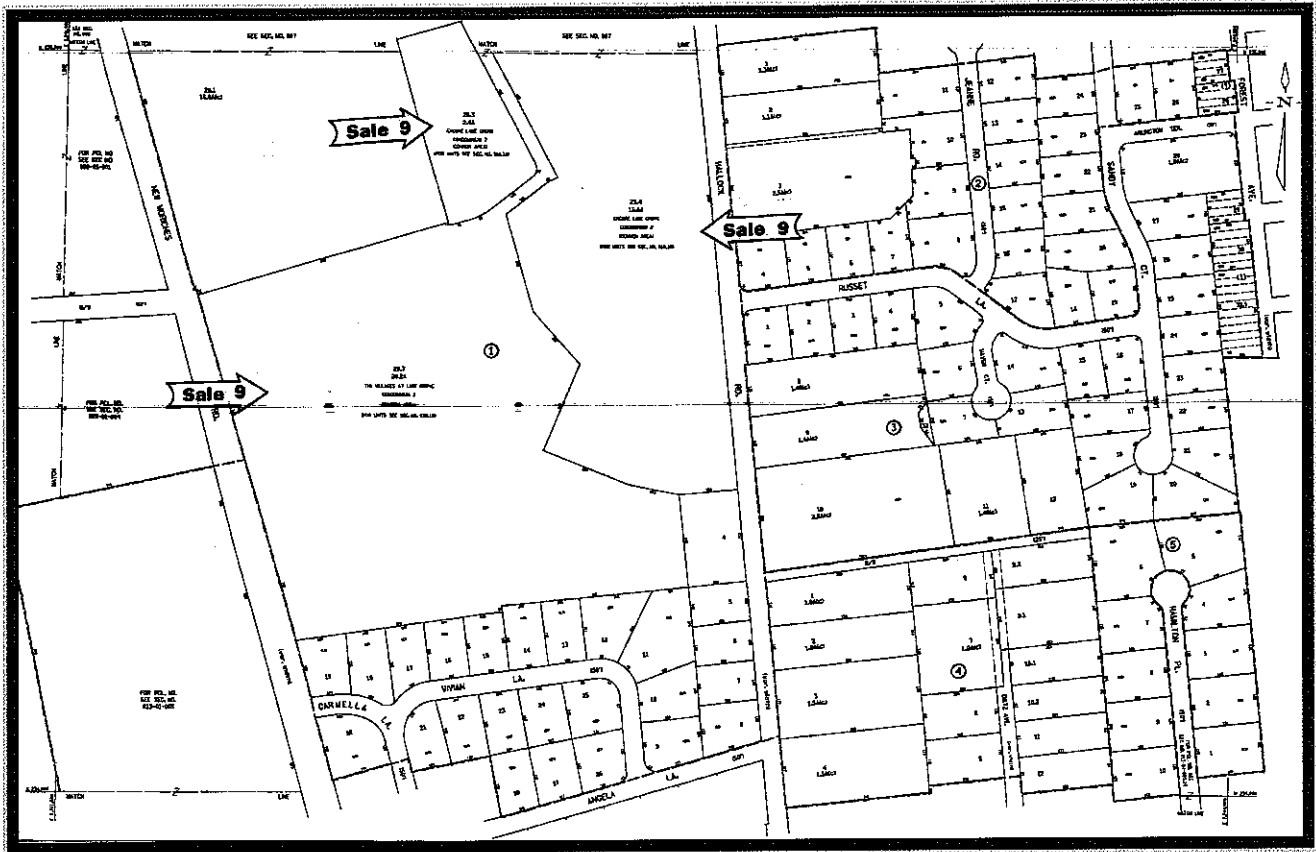


DESCRIPTION: Vacant Residential Land
CONTRACTOR: Three Grove Partners, LP
CONTRACTEE: Lake Grove Home, LLC a/k/a
Spectrum Real Estate
Development, LLC
SIZE: 42.96± Acres
228 units
YIELD 5.30 units per acre
CONSIDERATION: \$22,800,000.00
\$100,000.00/unit
VERIFIED WITH: Copy of Contract, Public Record
and David Sloane, atty. for the Grantee (15253)

(-)

LIBER/PAGE: 12334/288
DEED DATE: 6/2/04
RECORDED: 7/30/04
R.S.: \$91,200.00
TAX MAP: 208-10-1-29.2
ZONING: PRC
HIGHEST & BEST USE: Multi-Family Residential
Development
UTILITIES: All municipal utilities
available. Sewage treatment plant to be constructed on
site.
IMPROVEMENTS:
None. Site has been improved with an 18 hole
executive golf course and driving range as of the date
of sale.
COMMENTS:
This sale was contingent on the seller obtaining
approval for 228 age restricted condominium units.

TAX MAP LOCATING SALE # 9



**MARKET DATA SALE #10
MYSTIC PINES, ORINOCO DRIVE, BAY SHORE, NY 11716**



DESCRIPTION: Condo Land

GRANTOR: Orinoco-Manor, Inc.
PO Box 332
Brightwaters, NY 11718

GRANTEE: Pulte Homes of New York, Inc.
631 Commack Road,
Commack, NY 11725

SIZE:
Land: 11.09 acres (483,183 SF)
Units: 30 (single family condo units)
60 (senior condo units)

CONSIDERATION: \$8,000,000.00
\$88,888.89/Unit

VERIFIED WITH: Peter Brindley of Pulte Homes,
Closing Statement, Public
Records & Alignment Plan
(16945-06)

LIBER/PAGE: 12310-657

DEED: March 18, 2004
RECORDED: March 30, 2004

CONTRACT DATED: July 15, 2003

R.S.: \$32,000.00

DIST: 500
SECTION: 416
BLOCK: 2
LOTS: 119.001

MORTGAGE: Conv.

ZONING: Residence 'CA' & 'C'

HIGHEST & BEST USE: As Zoned

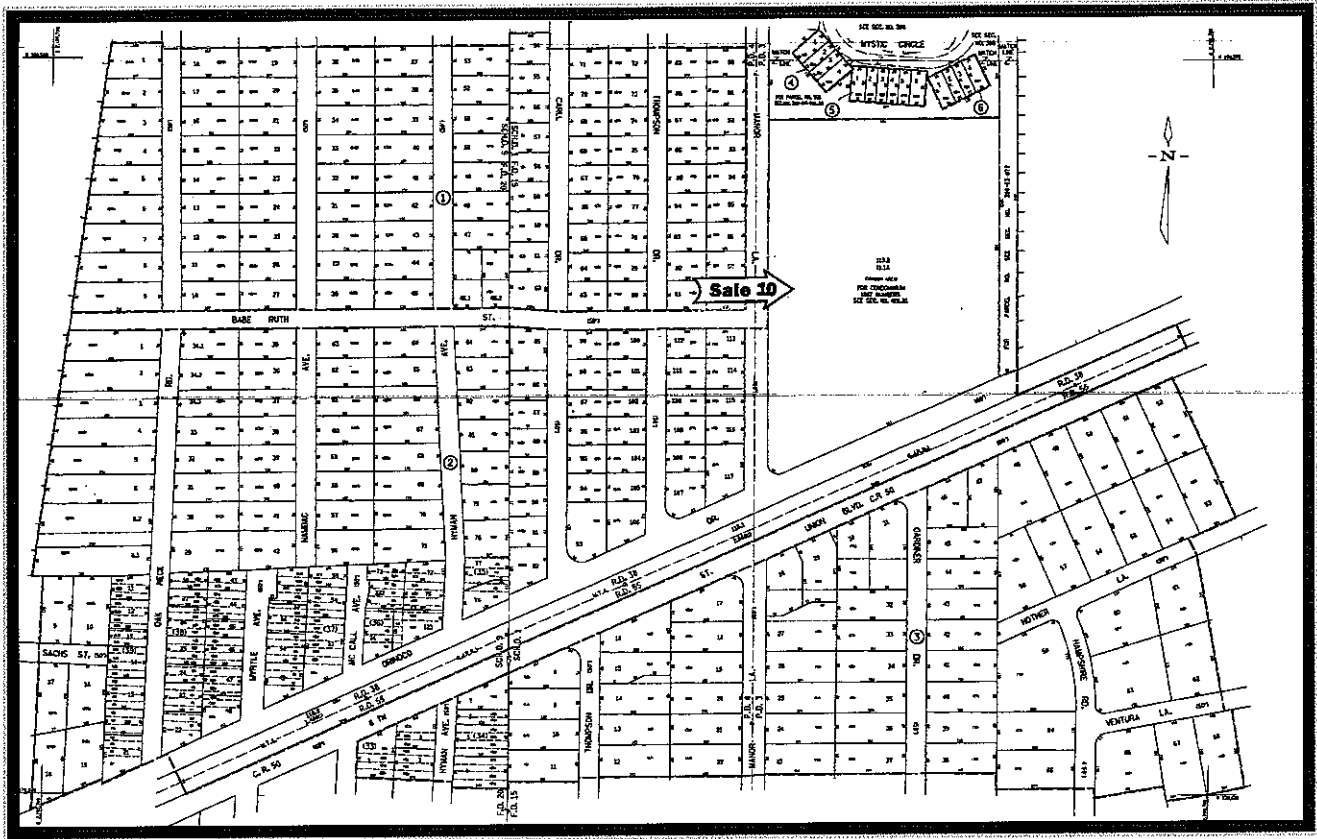
UTILITIES: All public with on-site
recharge basin.

(-)

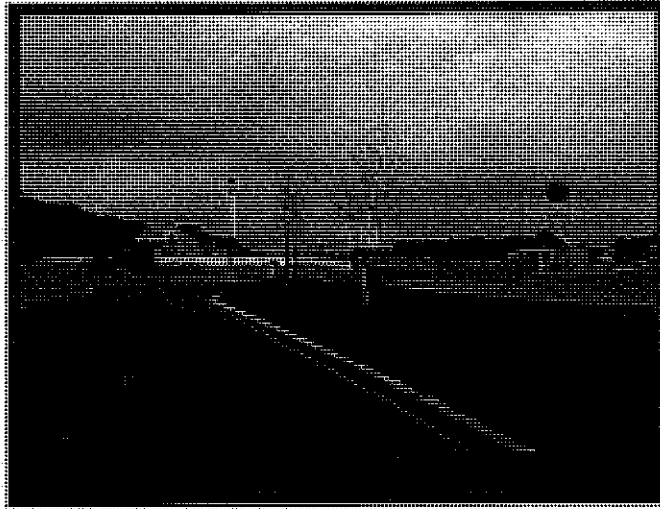
COMMENTS: Site proposed to be developed with 90 1 & 2-story senior condominium units. Four proposed unit styles – Two 4-unit buildings; nine 5-unit buildings; five 6-unit buildings; One 7-unit building. Units range in size from 2,206± Sq.Ft. to 2,210± Sq.Ft. Club house and gate house. Total of 173 on-site parking spaces. Final approvals granted September 12, 2002 – obtained by grantee

Access to public sewer system provided.

TAX MAP LOCATING SALE # 10



**MARKET DATA SALE #11
WESTHAMPTON PINES, OLD COUNTRY ROAD, WESTHAMPTON, NY 11716**



DESCRIPTION: Condo Land

GRANTOR: Westhampton-Old Country Senior Housing LLC
124 Atlantic Avenue
Lynbrook, NY

GRANTEE: Pulte Homes of New York, Inc.
Long Island Division
570 Expressway Dr. South,
Suite One
Medford, NY 11763

SIZE:
Land: 66.597 acres
(2,900,965,320 SF)
Units: 189 (senior condo units)

CONSIDERATION: \$19,845,000.00
Demolition costs: \$ 125,000.00
Total Consideration: \$19,970,000.00

\$105,661.37/Unit

VERIFIED WITH: Peter Brindley of Pulte Homes,
Closing Statement & Copy of
NYS Combined Real Estate
Transfer Tax Return

SALE DATE: August 13, 2004

DISTRICT: 900
SECTION: 329
BLOCK: 1
LOTS: 12.002

ZONING: RPDD (Residential Planned
Development District)

HIGHEST &
BEST USE: As Zoned

UTILITIES: All public with on-site
proposed underground
sewage treatment tanks.

COMMENTS: Sale was consummated as
the acquisition of Westhampton-Old Country Senior
Housing, LLC, whose sole holdings were comprised of
the subject property. The property was then transferred
from the LLC to Pulte Homes without consideration.

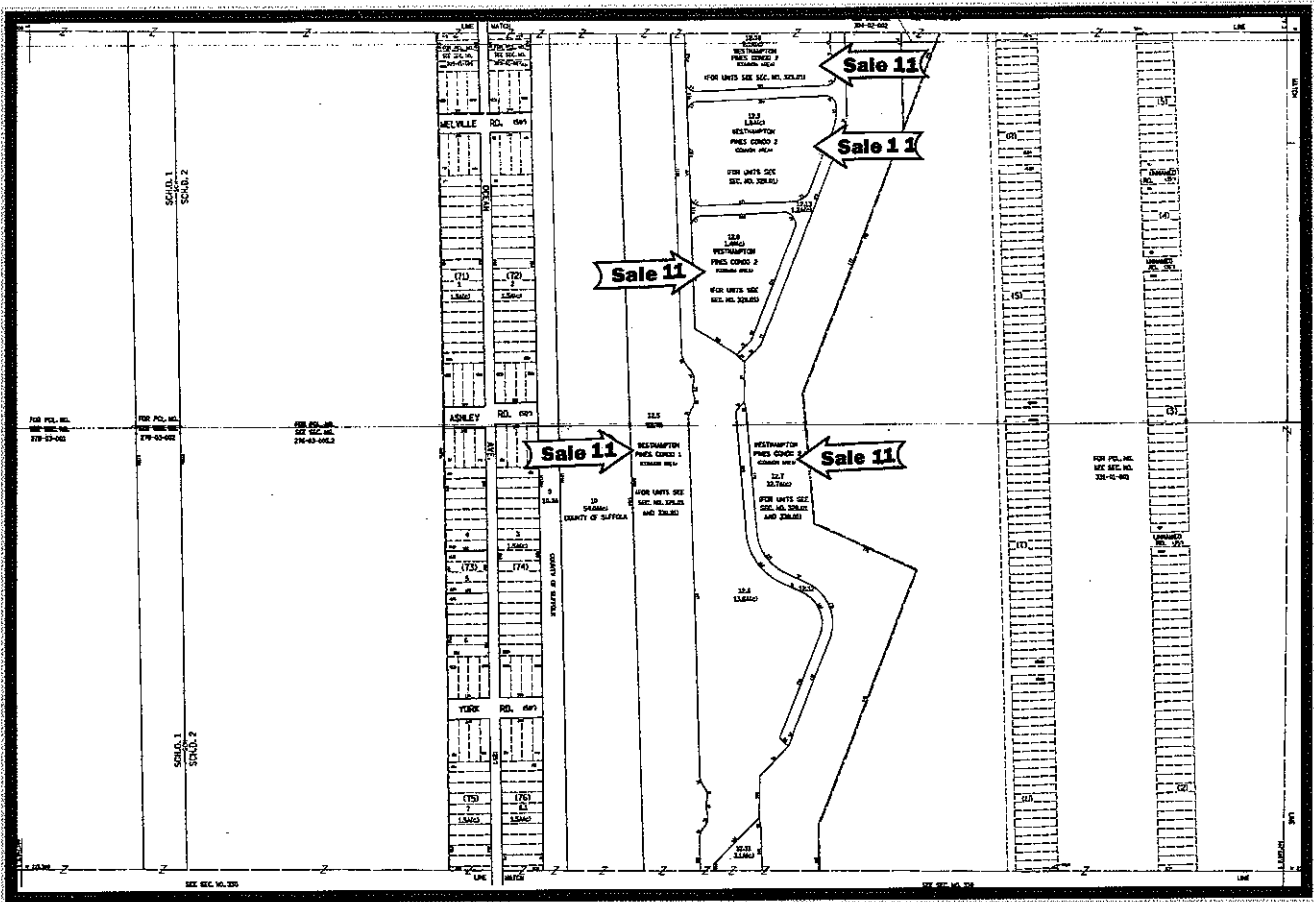
Site proposed to be developed with 189 1 & 2-story
senior condominium units. Four proposed unit styles –
68 'A' units @ 2,400± Sq.Ft. 102 'B/D' units* @ 2,000-
2,385± Sq.Ft. and 19 'C' units @ 1,667± Sq.Ft. Club
house and gate house. Municipal approvals in place.
Total of 487 on-site parking spaces.

* - depending on market demand unit may be 'B' style
or 'D' style

On site sewage treatment plant required.

(-)

TAX MAP LOCATING SALE # 11



**MARKET DATA SALE #12
EAST SIDE OF LOCUST AVENUE, SOUTH OF SUNRISE HIGHWAY, OAKDALE, NEW YORK**



DESCRIPTION: Vacant Residential Acreage

GRANTOR: Oakwood Realty, LLC
20 East 46th Street, 15th Floor
New York, New York

GRANTEE: V. Calvosa (Locust Cove, LLC)
840 Lincoln Avenue Ste. 14
Bohemia, New York

SIZE:
Land: 3.8±acre
28 units

YIELD: 7.36 units per acre

CONSIDERATION: \$3,900,000.00
\$139,285.71/unit
\$1,026,316/Acre

VERIFIED WITH: Grantee and copy of deed

LIBER: 12475
PAGE: 588

DEED DATE: 10/10/2006
CONTRACT: 11/28/05

ZONING: Residence C

DISTRICT: 500
SECTION: 328
BLOCK: 2
LOT: 37.002

BEST USE: As zoned for residential
development

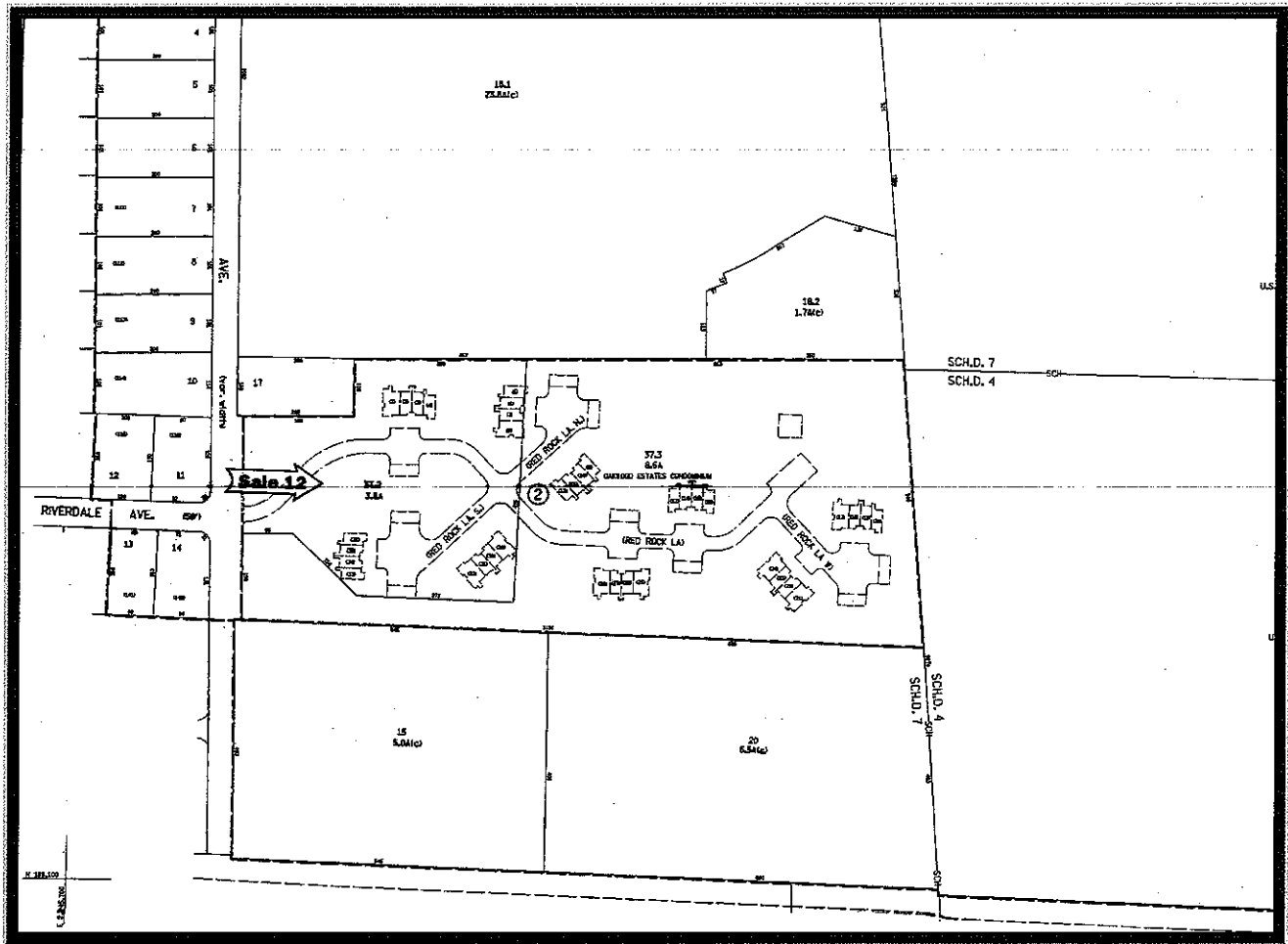
UTILITIES: All available municipal
utilities

IMPROVMENTS:
This site sold with municipal approval to construct 28 senior condominium units. There will be 20 duplex units approximately 1,590± Sq.Ft. each, 8 flats ranging from 1,160± Sq.Ft. to 1,286± Sq.Ft. The developer estimates the duplex to sell at \$550,000.00 with the 4 upper level flats selling at \$425,000.00. It was reported that the 2 or 3 of the lower level flats must be designated as affordable with selling price of \$260,000.00. The remaining lower level flats will be priced at 95% of the upper level flats or \$405,000.00.

The complex will have a small recreation building and a man-made pond. In addition, the complex will connect to an existing sewer treatment plant located at the Affinity Skilled Living Center.

(-)

TAX MAP LOCATING SALE # 12



**MARKET DATA SALE #13
LAKEVIEW WOODS, MONTAUK HWY & LAKEVIEW AVENUE, BAYPORT, NY 11705**



DESCRIPTION: Condo Land

GRANTOR: Lakeview at Bayport LLC
720 Smithtown ByPass, Ste A
Smithtown, NY 11787

GRANTEE: Pulte Homes of New York, Inc.
Long Island Division
570 Expressway Dr. South,
Suite One
Medford, NY 11763

SIZE:
Land: 8.11 acres (353,385 SF)
Units: 32 (condominium units)

CONSIDERATION: \$6,080,000.00
Demolition costs: \$ 160,000.00
Total Consideration: \$6,240,000.00

\$195,000.00/Unit

VERIFIED WITH: Peter Brindley of Pulte Homes,
Closing statement.

SALE DATE: February 22, 2006

DISTRICT: 500
SECTION: 332
BLOCK: 4
LOTS: 19

MORTGAGE: Conv.

ZONING: Residence 'CA'
(change of zone 1/27/2005)

HIGHEST & BEST USE: As Zoned

UTILITIES: All public with on-site
proposed underground
sewage treatment tanks.

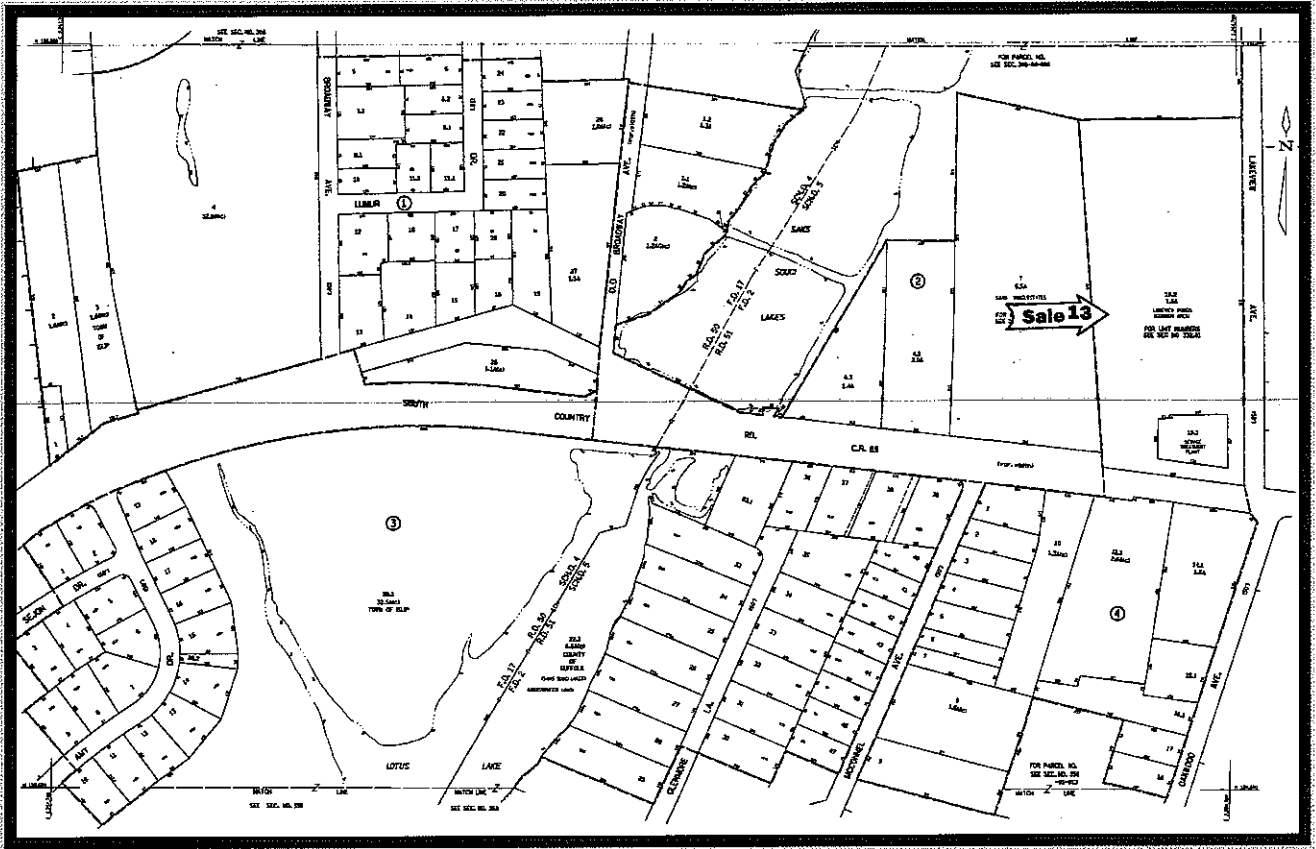
COMMENTS: Sale was consummated as
the acquisition of Lakeview at Bayport, LLC, whose
sole holdings were comprised of the subject property.
The property was then transferred from the LLC to
Pulte Homes without consideration.

Site proposed to be developed with 32 2-story
condominium units. Three style of units - 16 units @
2,051± Sq.Ft. 11 units @ 2,237± Sq.Ft. and 5 units @
2,278± Sq.Ft. Club house and gate house. Change of
zone as indicated above. Total of 70 parking stalls
provided. Final approvals granted March 2005 (grantor
obtained).

On site sewage treatment plant required. According to
Mr. Brindley, the contract was signed in early 2005.

(-)

TAX MAP LOCATING SALE # 13



MARKET DATA SALE # 14
NORTHWEST CORNER CANAL ROAD AND PATCHOGUE-MOUNT SINAI ROAD, MOUNT SINAI,
NEW YORK



DESCRIPTION: Vacant Residential Land

GRANTOR: Mt. Sinai Manor Development
 Co., L.P.
 213 Glen Street
 Glen Cove, NY, NY

GRANTEE: North Shore Farmland Corp.
 17 Baylis Avenue
 Port Jefferson, NY

SIZE: 40.8+/- acres

CONSIDERATION: \$45,030,000.00
 \$158,000.00/Unit Land

VERIFIED WITH: Copy of deed and Marilyn Price,
 atty. for the grantee by BTM on
 10/07 (17021)

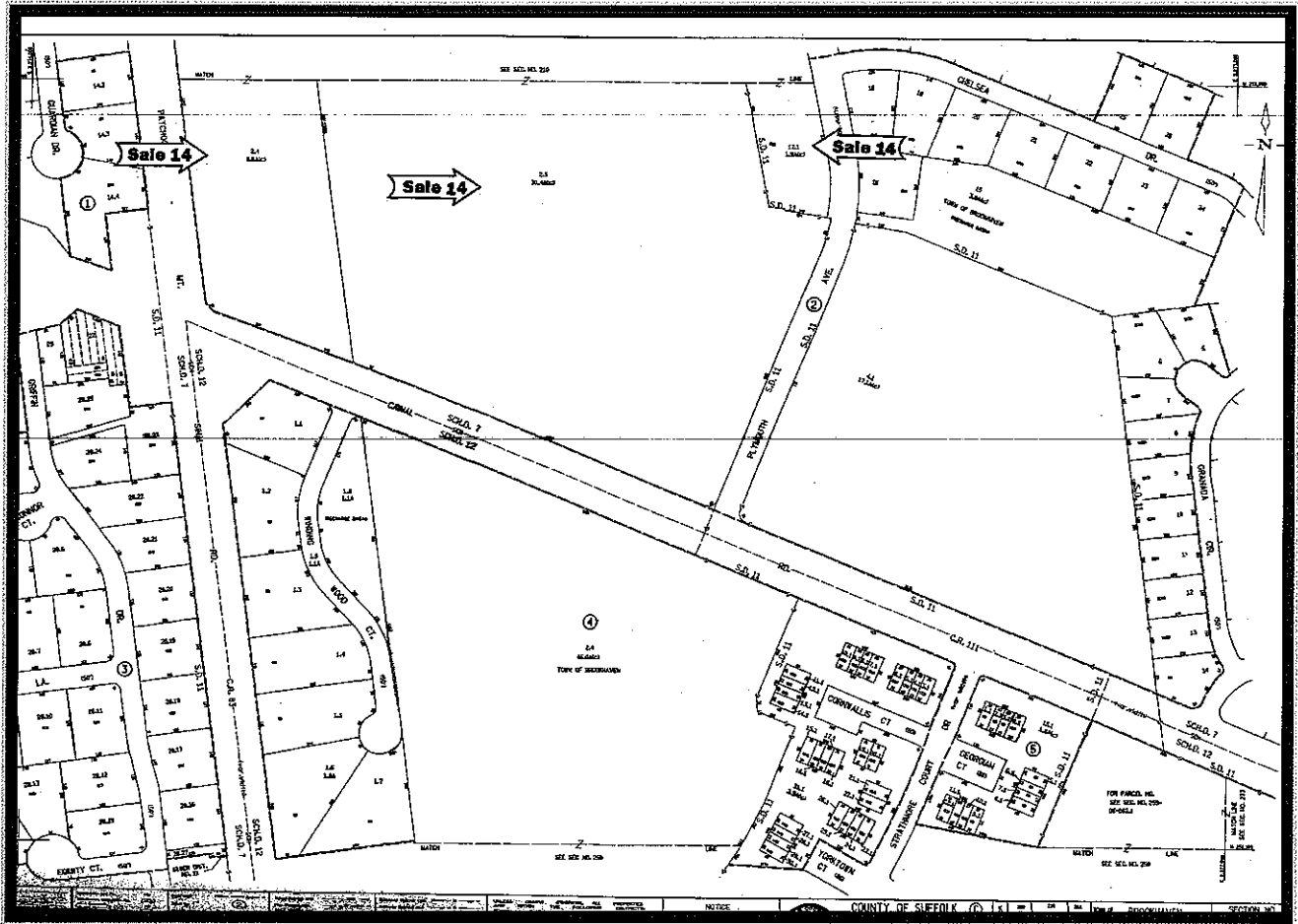
(x)

LIBER : 12377
 PAGE: 617
 DEED: 3/9/05
 RECD: 3/18/05
 TRANSFER TAX: \$180,120.00
 ZONING: PRC
 DISTRICT: 200
 SECTION: 232
 BLOCK: 2
 LOT: 2.4, 2.5, 17.1
 MORTGAGE: Conventional Financing
 HIGHEST &
 BEST USE: As zoned for
 residential development

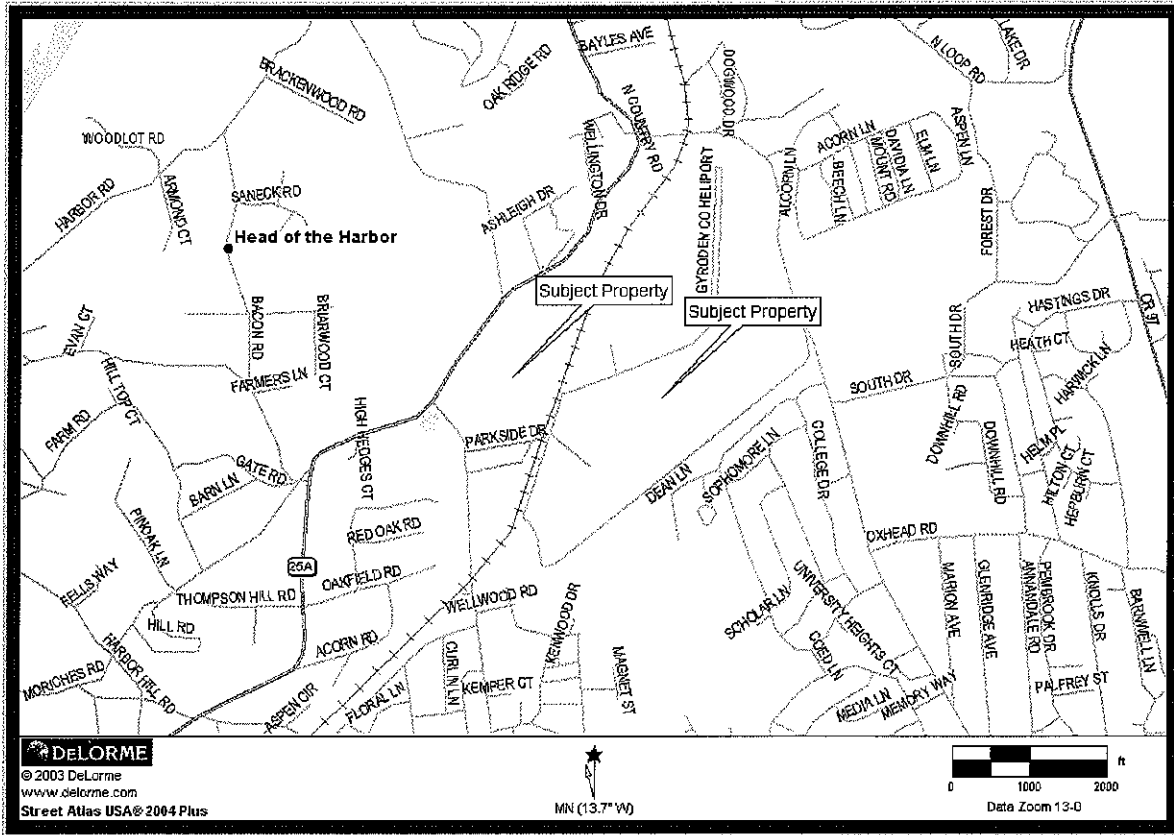
UTILITIES: All municipal utilities available

COMMENTS: This sale represents the transfer of a multi-unit development site (Plymouth Estates) approved for 285 senior's town homes (condominium ownership). Approvals were in place as of the date of sale and had been secured by the grantor. The site reportedly has access to an existing municipal sewage treatment facility. Construction began shortly after this sale closed.

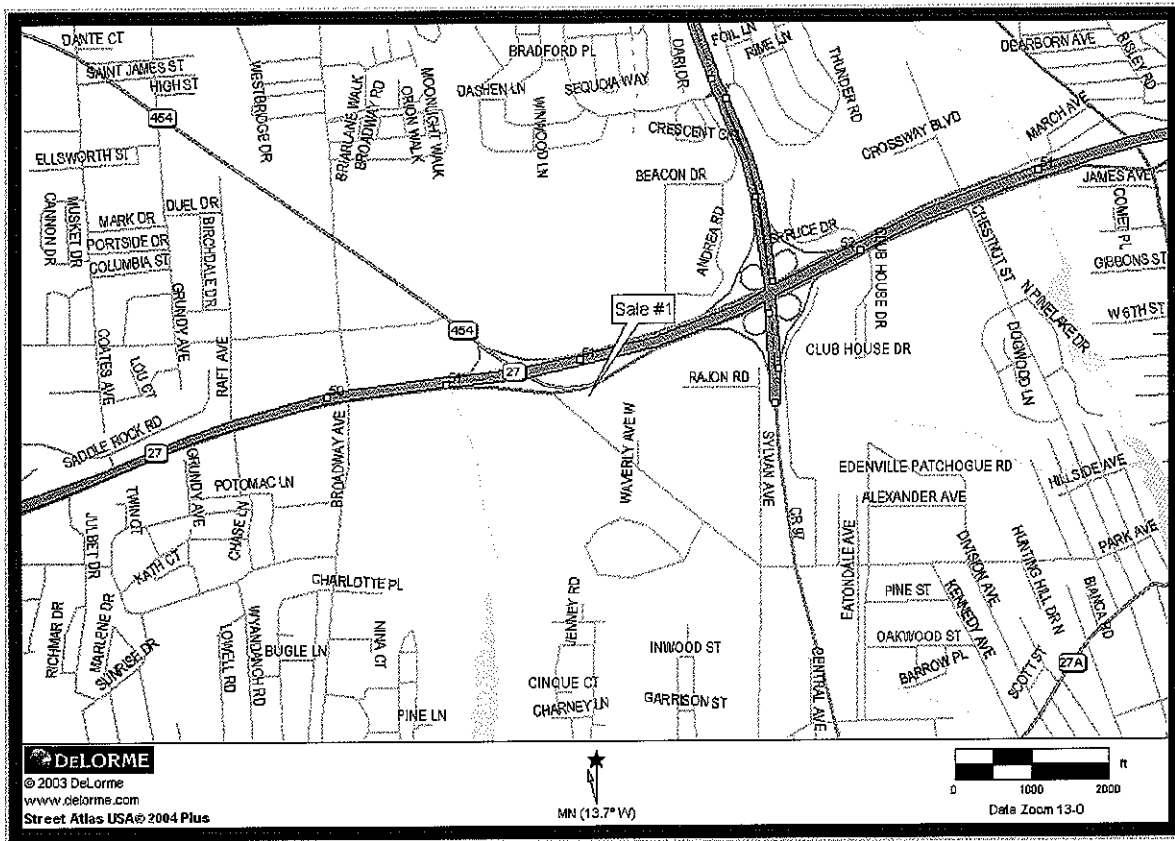
TAX MAP LOCATING SALE # 14



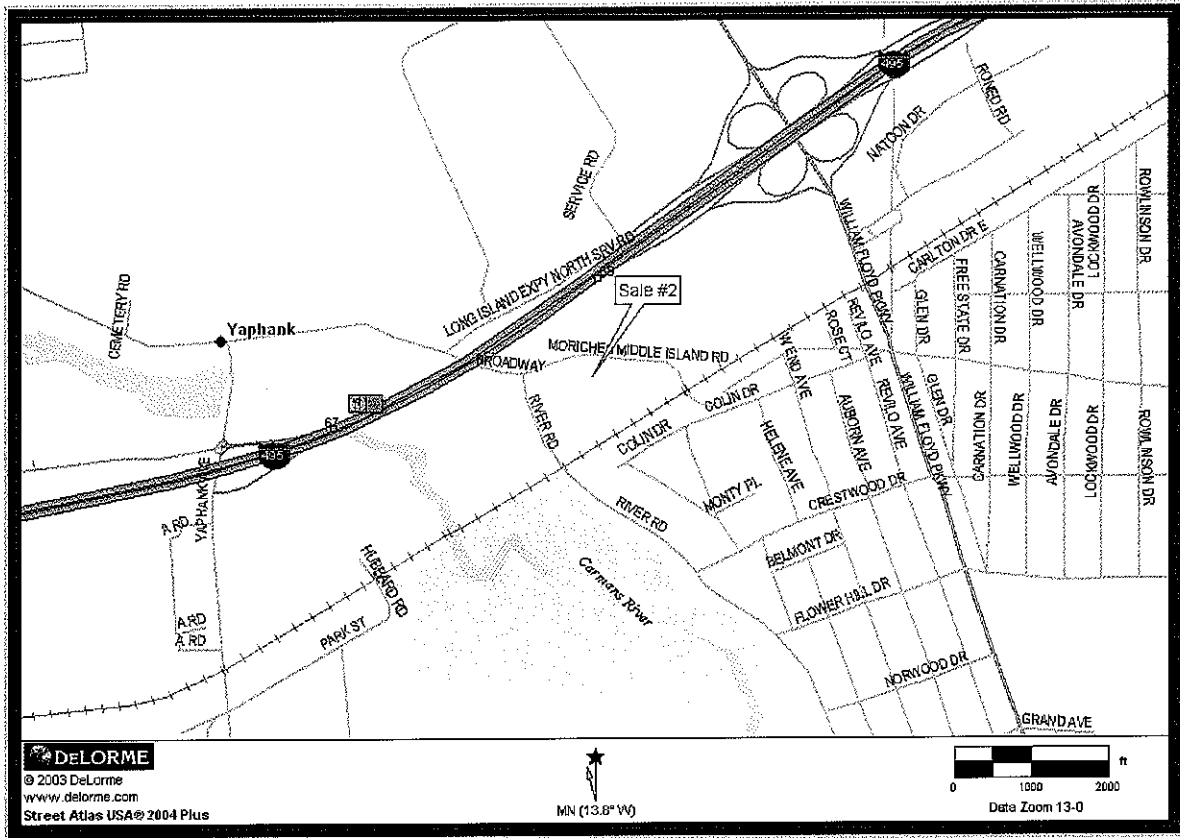
AREA MAPS LOCATING SUBJECT PROPERTY AND COMPARABLE SALES



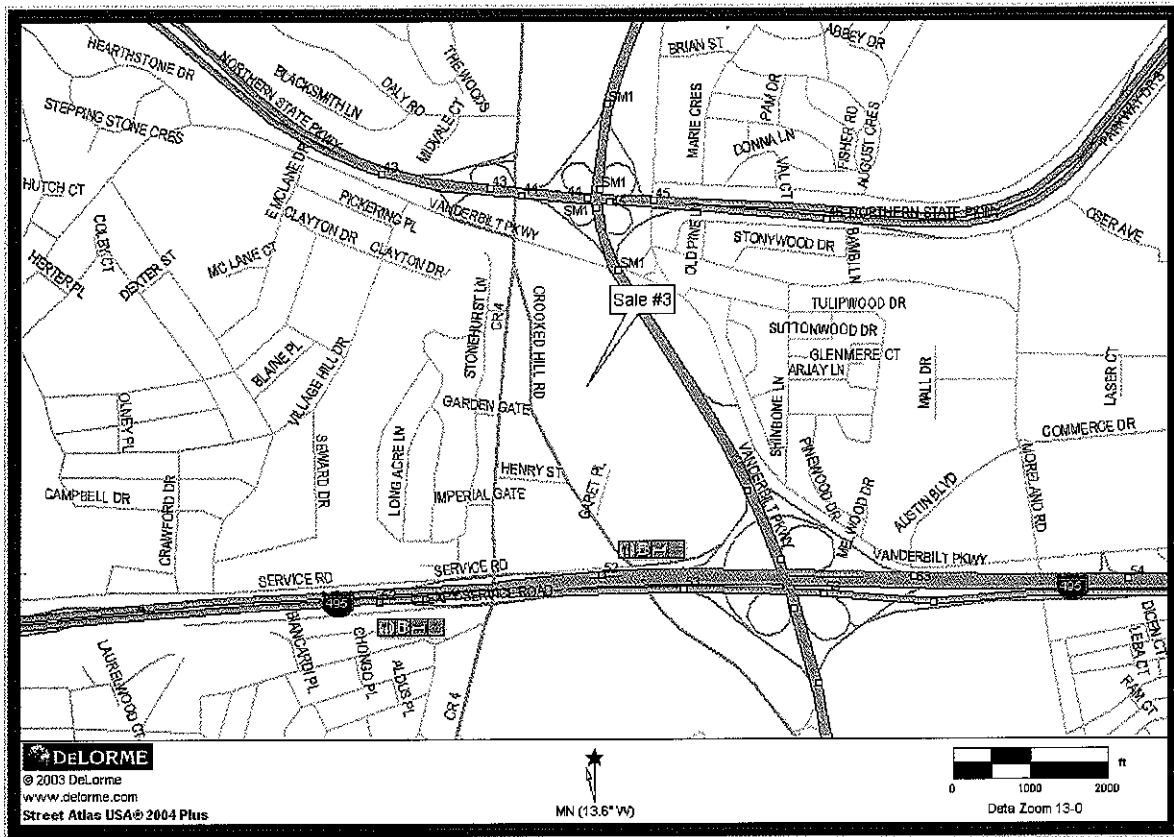
AREA MAPS LOCATING SUBJECT PROPERTY AND COMPARABLE SALES



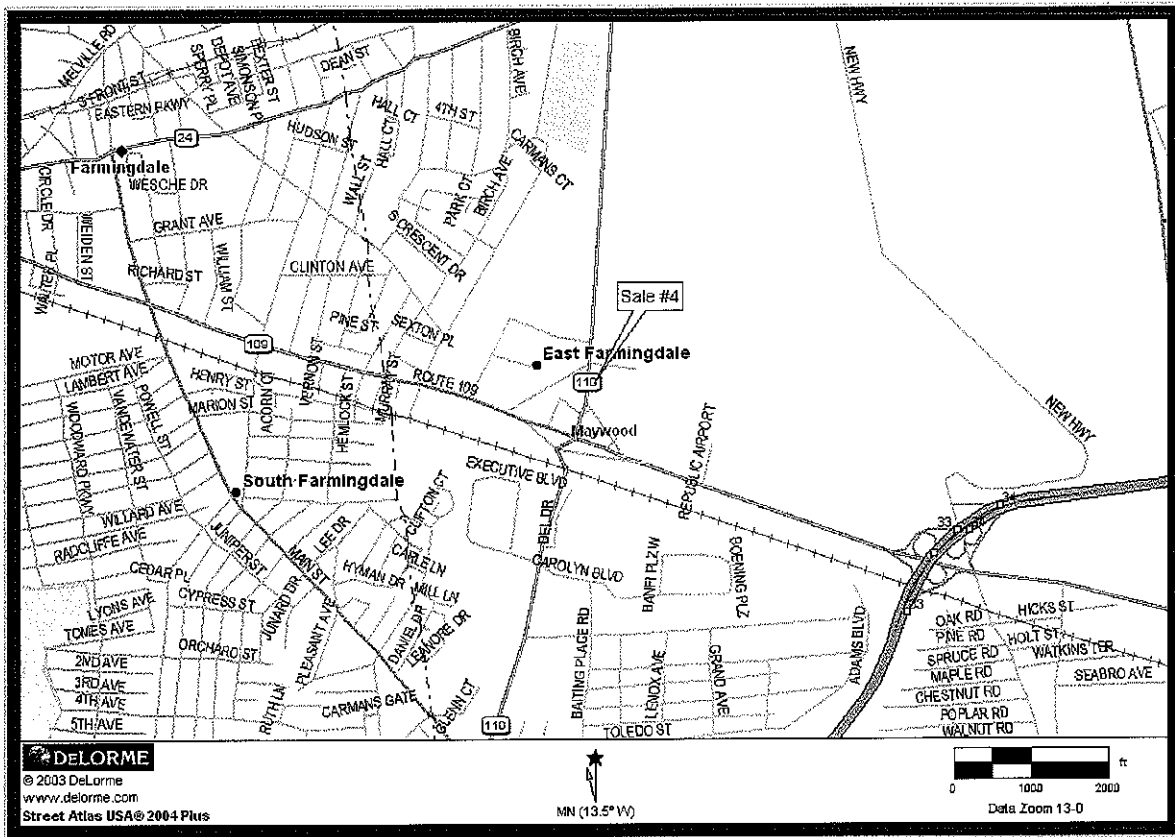
AREA MAPS LOCATING SUBJECT PROPERTY AND COMPARABLE SALES



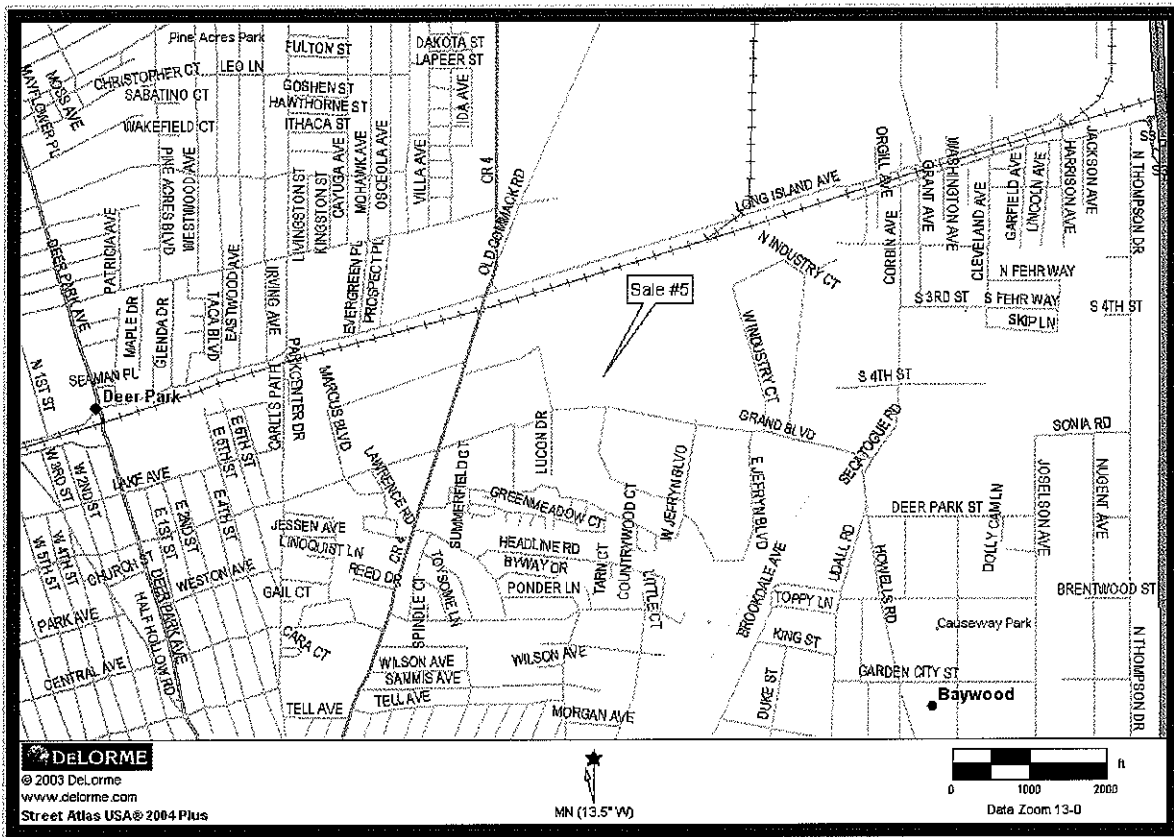
AREA MAPS LOCATING SUBJECT PROPERTY AND COMPARABLE SALES



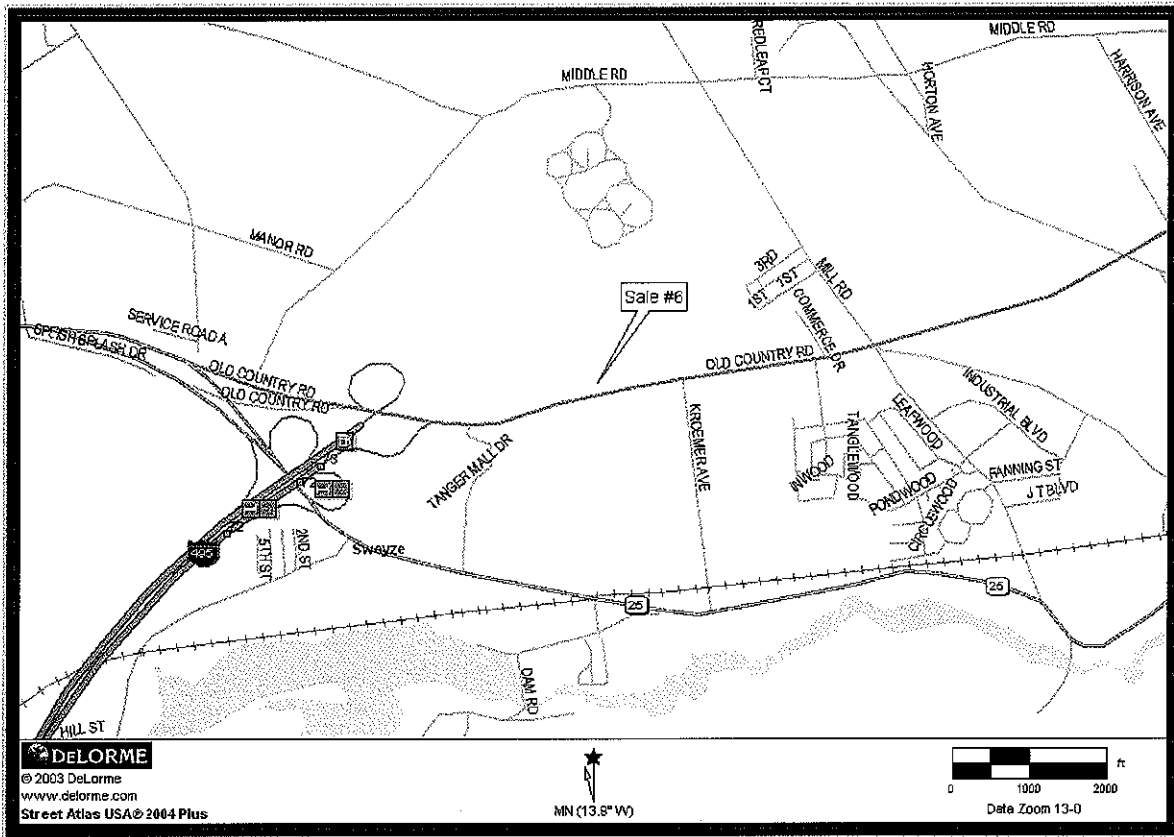
AREA MAPS LOCATING SUBJECT PROPERTY AND COMPARABLE SALES



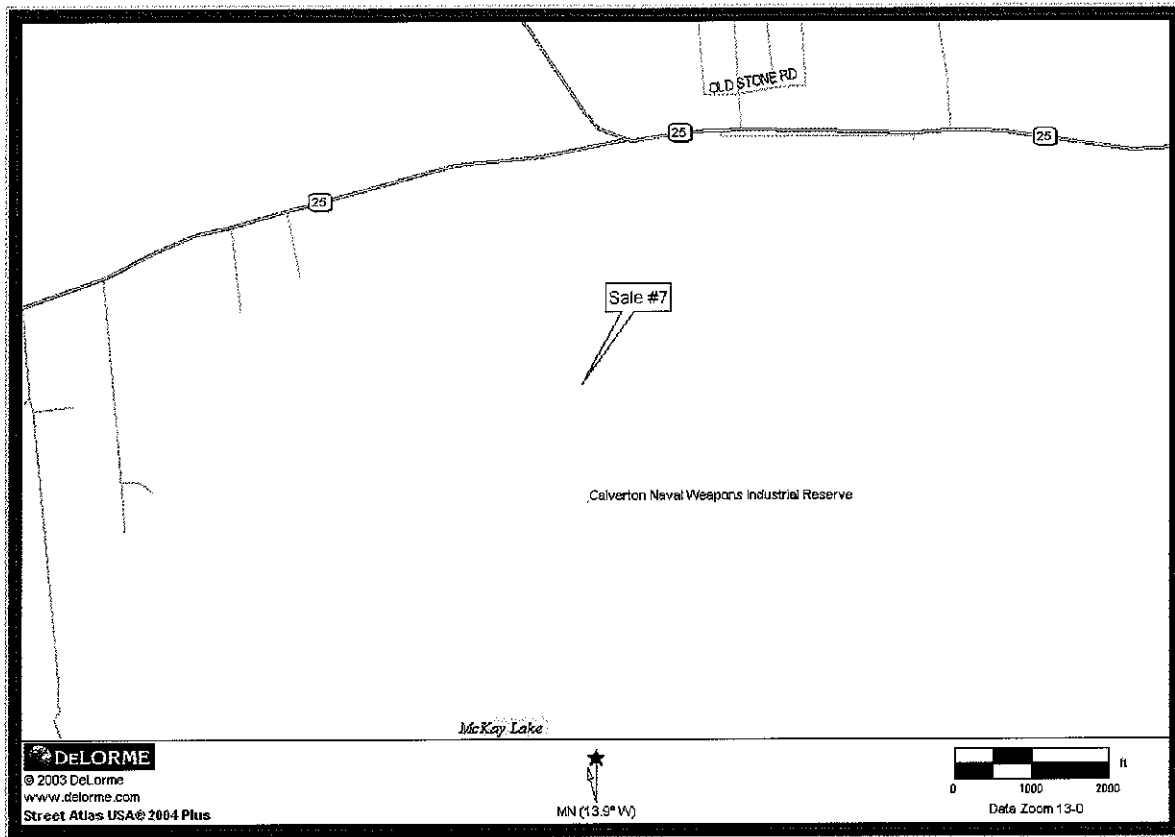
AREA MAPS LOCATING SUBJECT PROPERTY AND COMPARABLE SALES



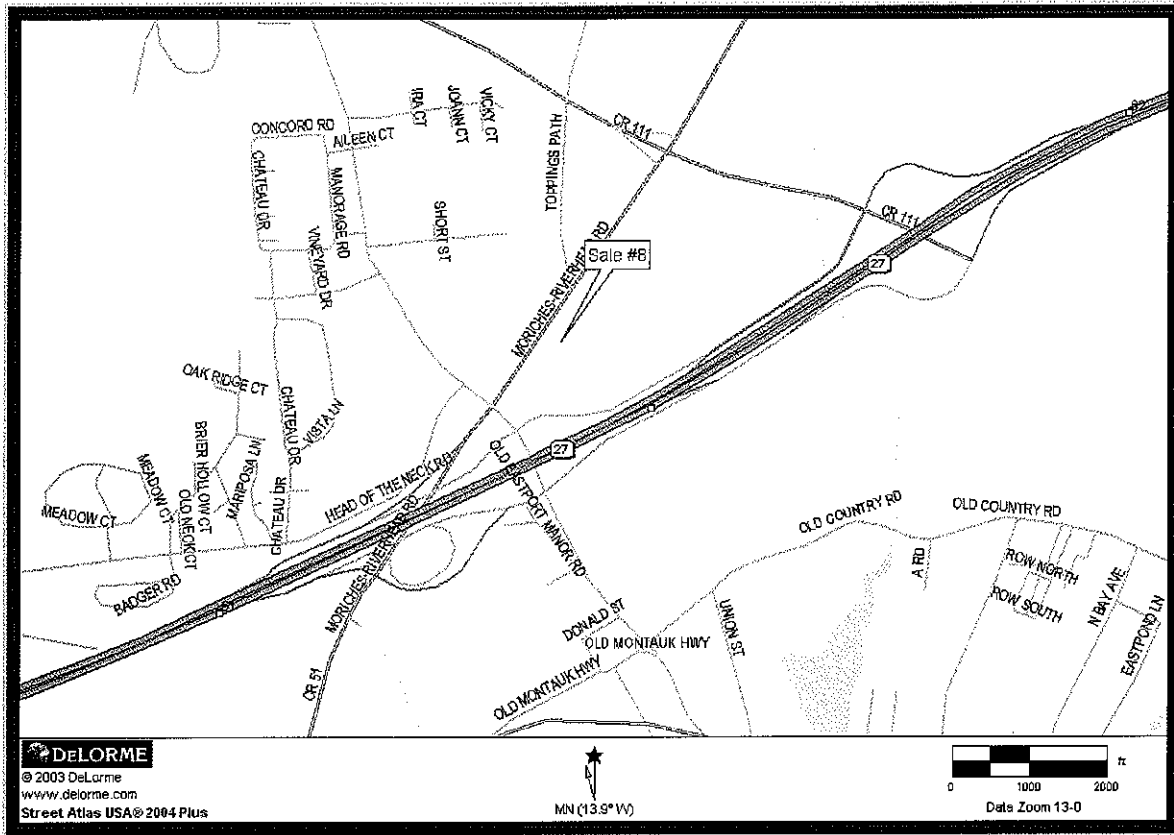
AREA MAPS LOCATING SUBJECT PROPERTY AND COMPARABLE SALES



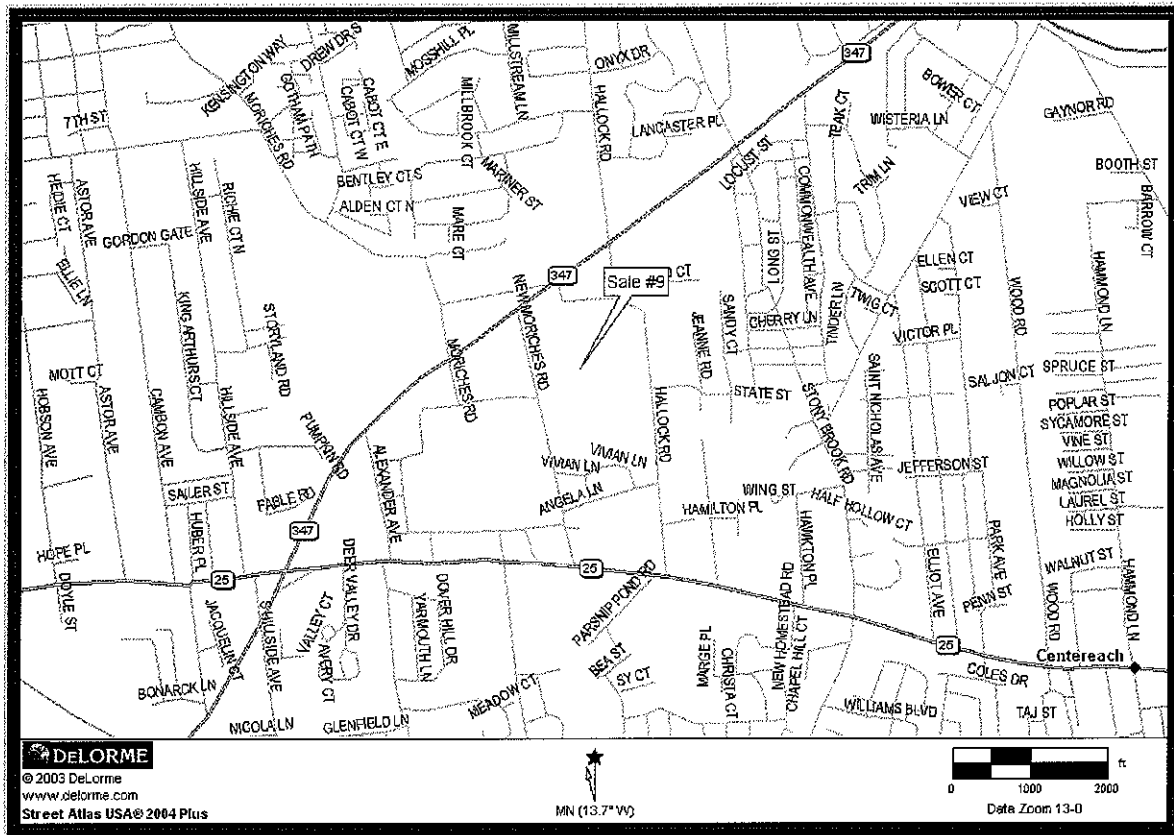
AREA MAPS LOCATING SUBJECT PROPERTY AND COMPARABLE SALES



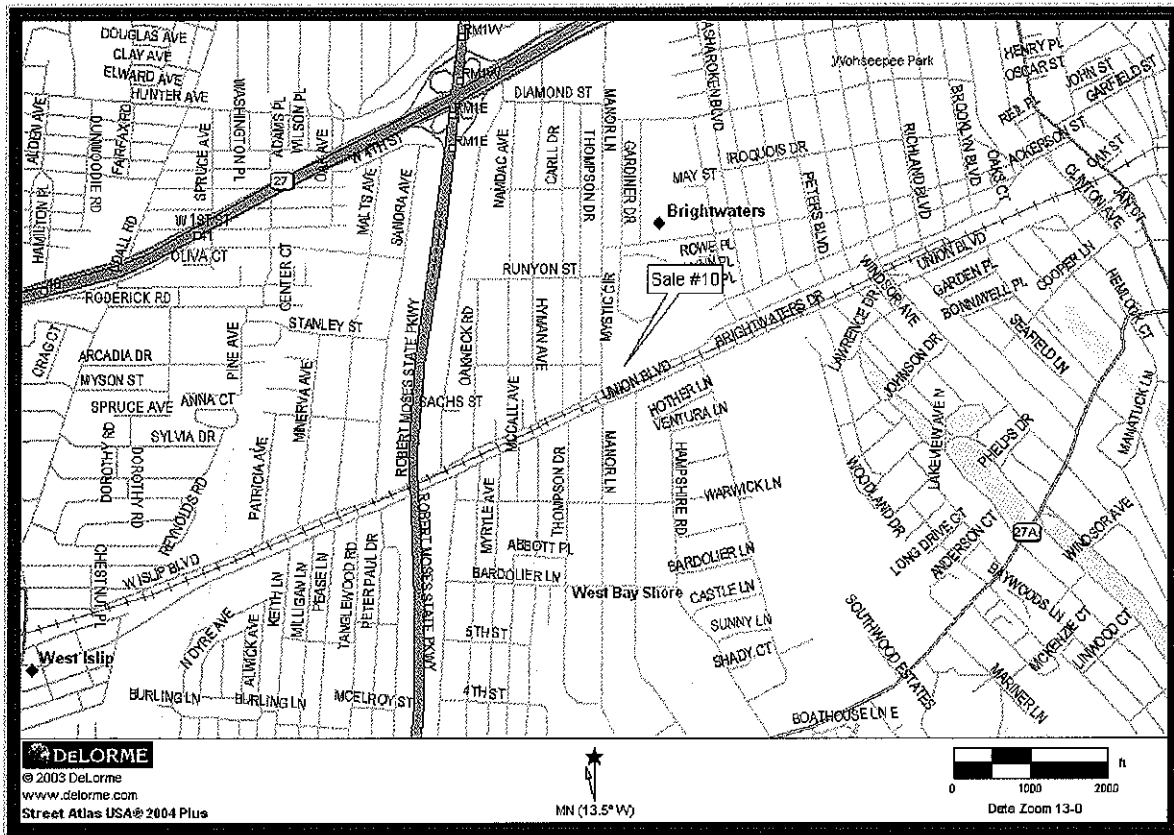
AREA MAPS LOCATING SUBJECT PROPERTY AND COMPARABLE SALES



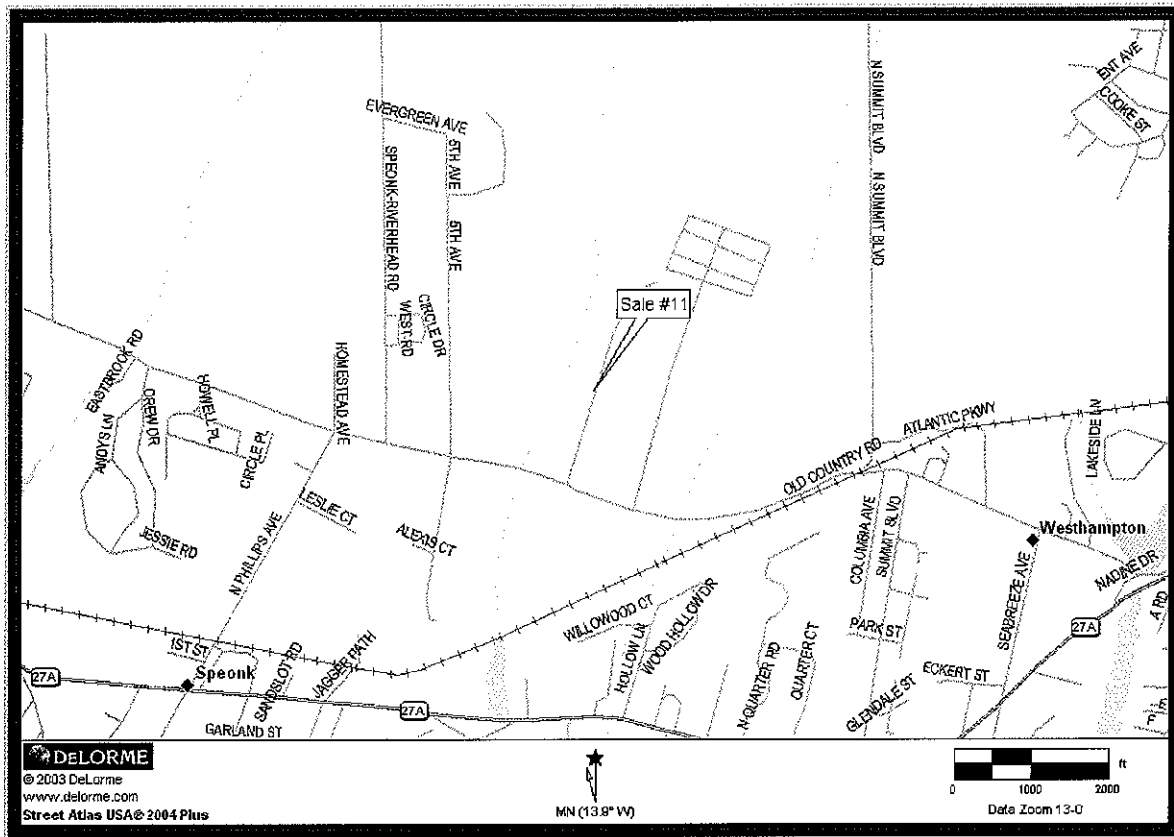
AREA MAPS LOCATING SUBJECT PROPERTY AND COMPARABLE SALES



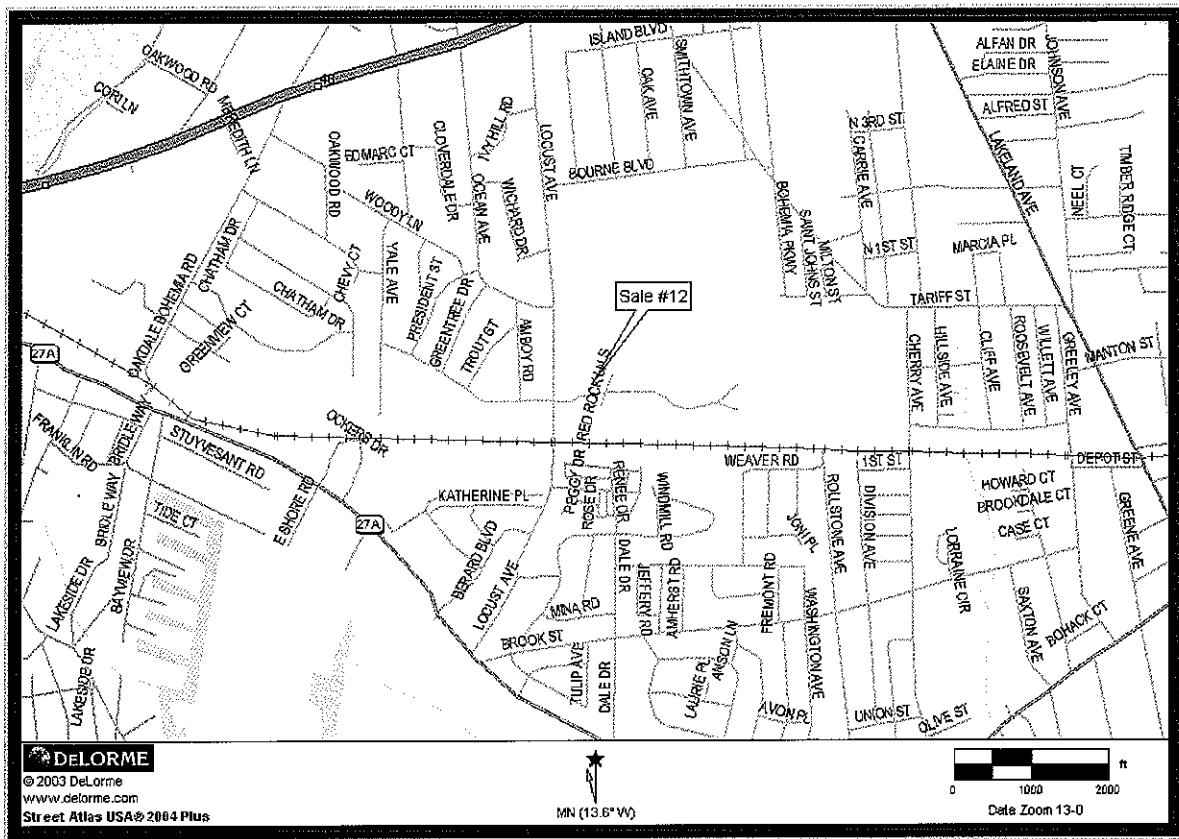
AREA MAPS LOCATING SUBJECT PROPERTY AND COMPARABLE SALES



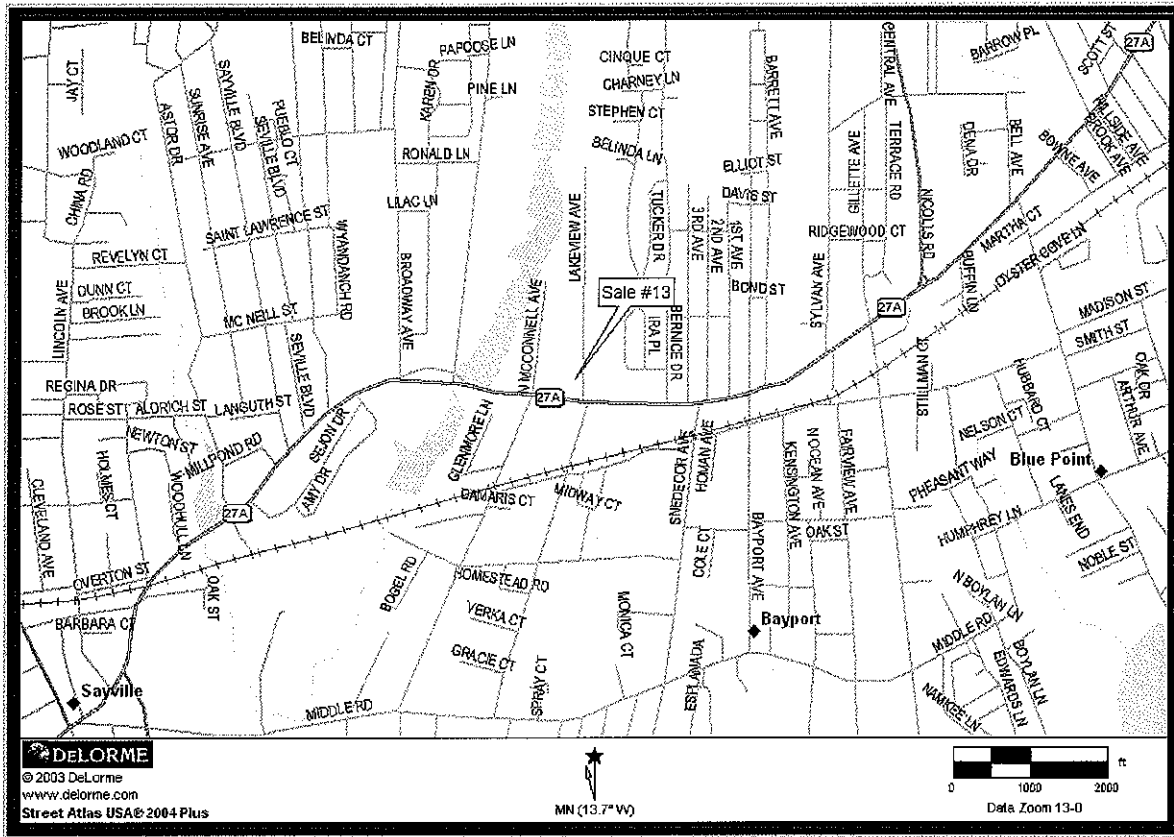
AREA MAPS LOCATING SUBJECT PROPERTY AND COMPARABLE SALES



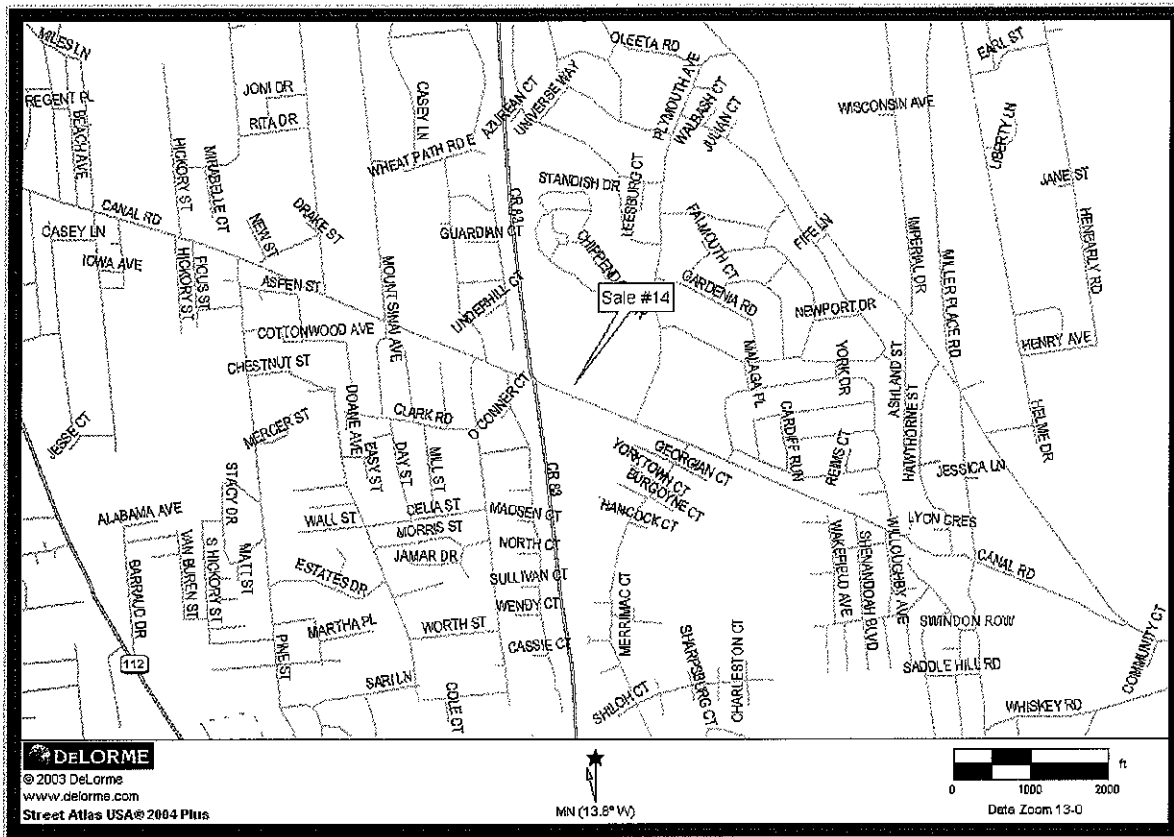
AREA MAPS LOCATING SUBJECT PROPERTY AND COMPARABLE SALES



AREA MAPS LOCATING SUBJECT PROPERTY AND COMPARABLE SALES

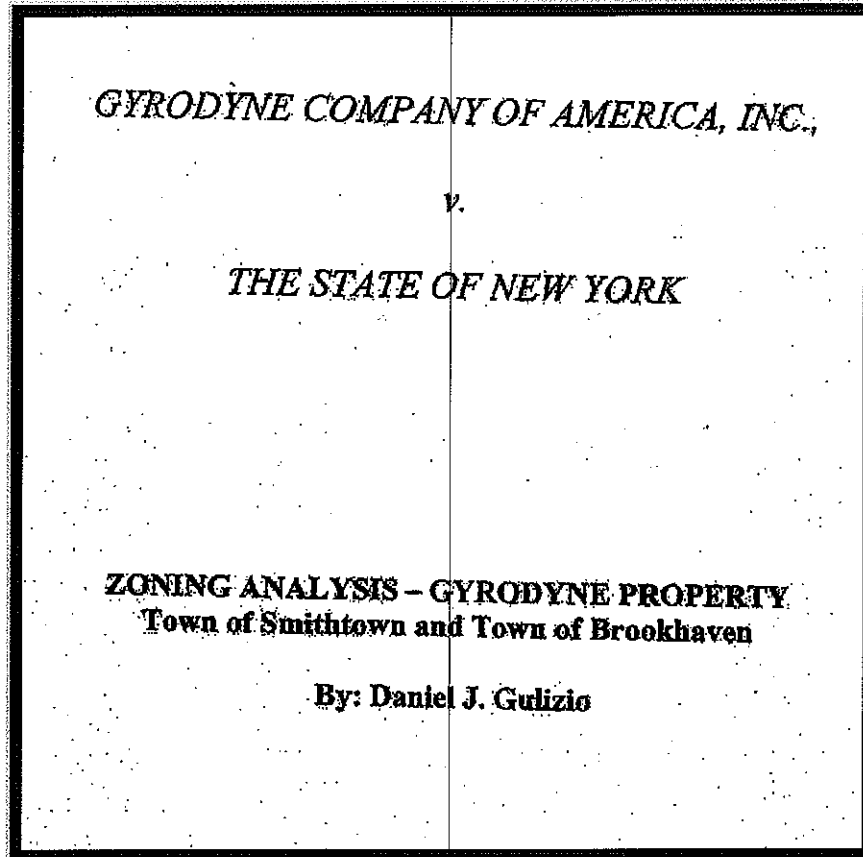


AREA MAPS LOCATING SUBJECT PROPERTY AND COMPARABLE SALES



ZONING ANALYSIS – GYRODYNE PROPERTY

Town of Smithtown and Town of Brookhaven



ZONING ANALYSIS – GYRODYNE PROPERTY

Town of Smithtown and Town of Brookhaven

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| II. | Geographic Setting |
| III. | Site Statistics |
| IV. | Procedural Setting |
| V. | As-Of-Right Analysis |
| VI. | Zoning District Analysis |
| VII. | The Comprehensive Plan |
| VIII. | Analysis of Recent Change of Zone Amendments |
| IX. | Conclusions |

ZONING ANALYSIS – GYRODYNE PROPERTY

Town of Smithtown and Town of Brookhaven

I. EXECUTIVE SUMMARY

The subject property is located in the Towns of Brookhaven and Smithtown. It is situated in the northeast corner of the Town of Smithtown and the northwest corner of the Town of Brookhaven. It is bounded by NYS Route 25A to the north, Stony Brook Road to the east and Mills Pond Road to the west. Elderwood Drive North and University Heights Drive also bound the property to the south.

“Reasonable probability” is the standard used to determine the likelihood of development associated with a particular parcel. Reasonable probability is determined by a number of factors. These include the existing zoning, the nature and character of development surrounding the property, site constraints such as access, topography, property shape and environmental limitations, the municipality’s policies as embodied in a comprehensive plan and recent policies of the municipality as reflected in specific amendments to the zoning map through change of zone applications and Town Board Own Motion change of zones.

Based upon an analysis of these criteria, a change of zone to Planned Development District (PDD) in order to allow for the development of a residential community is the use with the highest reasonable probability.

The nature and character of development surrounding the subject property, both within the Town of Brookhaven as well as the Town of Smithtown, consists overwhelmingly of single-family residential development. The development of the subject parcel under its existing light industrial zoning would be inconsistent with this predominantly residential pattern of land use. The variety of manufacturing, warehouse and other industrial uses that would be permitted under the existing zoning pattern would be inconsistent with existing development, result in significant adverse impacts to surrounding homes and would have a deleterious effect on surrounding property values. Traffic resulting from the development of light industrial uses, which could potentially include medical office uses resulting in significant trip generation, also is likely to result in significant adverse impacts to surrounding single-family residential development. Heavy truck traffic associated with manufacturing and warehouse uses would also result in a decreased quality of life for surrounding residents and a diminution of property values.

Development of the subject property under the existing light industrial zoning category would also be limited by the site’s location with limited access to major commercial roadways. Route 25A in the vicinity of the subject parcel is a two-lane roadway comprised of residential single-family development and low density uses such as a farm. Retail development is limited to scattered strip commercial zoning with little or no regional retail development. Mills Road is a two-lane substandard width residential street running north to south along the west side of the property. Commercial or industrial development would be inconsistent with this residential roadway. In addition, the substandard width of this roadway for even residential purposes coupled with the

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frequent flooding associated with the northern terminus of the roadway make it ill suited for the heavy traffic patterns associated with commercial or industrial development. Stony Brook Road adjoins the subject parcel to the east. This winding, and at times narrow, two-lane roadway is also primarily developed with residential uses in the vicinity of the subject parcel and is similarly ill suited for commercial or industrial development.

Perhaps the most important elements in determining the "reasonable probability" of development of a parcel are the policies and guidelines of the community as contained within the municipality's comprehensive plan. Indeed, the comprehensive plan has been described as the essence of zoning. It represents a blueprint for development as courts have consistently found that zoning actions must be made in accordance with a comprehensive plan.

The Town of Brookhaven 1996 Comprehensive Land Use Plan specifically recommends that the subject property be rezoned to Planned Development District (PDD). It specifically identifies the need to consider rezoning "inappropriate spot industrial zoning" such as the subject parcel. The 1996 Plan, as will be discussed in more detail, specifically states that the Town should:

- Consider eliminating inappropriately zoned and surplus industrial properties. Eliminate industrial zoning that is isolated and located too far from major roadways and other transportation access and that is unlikely to be developed.
- In addition, spot industrial zoning should be eliminated and industrial zoning that intrudes into, accessed through, or is surrounded by residential areas should be eliminated.

Finally, in reviewing the recent policies of a Town, as reflected in recent amendments to the zoning map effectuated through change of zone applications, it is noted that there have been two prior rezonings to Planned Development District (PDD) ranging in density from 3.33 units per acre to 10.97 units per acre within the Town of Brookhaven as well as a series of rezonings within the Town of Smithtown which have similarly allowed for the development of residential uses with densities ranging from 1.6 units per acre to fourteen (14) units per acre.

This analysis concludes that the development alternative that has the most reasonable probability involves a change of zone to Planned Development District (PDD) with a density of between three (3) to six (6) units per acre. Based upon an analysis of the nature and character surrounding the subject property, an evaluation of site constraints, a review of Town zoning policies contained within its comprehensive plan and analysis of recent rezonings it can be said with 90-95% certainty that the Change of Zone to PDD would have been granted by the Town Board of the Town of Brookhaven. Similarly, it can be said with 70-75% certainty that such a rezoning would have been granted by the Town Board of the Town of Smithtown based upon analysis of the above criteria.

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II. GEOGRAPHIC SETTING:

The subject property is located in the Towns of Brookhaven and Smithtown, being situated in the northeast corner of the Town of Smithtown and the northwest corner of the Town of Brookhaven.

The property is bounded by Stony Brook Road to the east and New York State (NYS) Route 25A to the north. To the southeast the subject property is bounded by University Heights Drive (within the Town of Brookhaven) and to the southwest the subject property is bounded by Elderwood Drive North (within the Town of Smithtown). The subject property is bounded on the west by Mills Pond Road. The subject property is also segmented by the Long Island Rail Road (LIRR) which bisects the property in a northeasterly-southwesterly direction.

The subject property, formerly the site of a helicopter manufacturing facility, encompasses a total of approximately 308 acres and is zoned for light industrial development. Access to the subject property is currently provided via Mills Pond Road, NYS Route 25A and Stony Brook Road.

Development surrounding the subject property consists primarily of residential uses. To the south of the subject parcel within both the Town of Brookhaven and the Town of Smithtown there are single-family homes along with an elementary school. To the east along Stony Brook Road development consists of single-family residential homes and the State University of New York (SUNY) at Stony Brook. North, along NYS Route 25A, development consists of a mixture of residential (single-family homes and a place of worship) and commercial uses with increasing amounts of retail development as one moves south and west along NYS Route 25A.

III. SITE STATISTICS:

The subject property consists of several properties totaling approximately 308 acres within the Towns of Smithtown and Brookhaven. That portion of the property within the Town of Brookhaven includes approximately 182 acres, zoned L-1 Light Industrial District. That portion of the property within the Town of Smithtown consists of approximately 126 acres within two tracts bisected by the Long Island Rail Road (LIRR).

IV. PROCEDURAL SETTING:

On November 2, 2005 the State of New York through SUNY Stony Brook vested title in approximately 245.5 acres of the 308-acre subject property through the use of eminent domain. SUNY Stony Brook had previously declared its interest in the property in order to facilitate the expansion of its campus and the development of a "Research and Development Park" referred to as the "Center for Excellence in Wireless and Information

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Technology" (CEWIT). The 245.5 acres includes property within both the Town of Brookhaven (182 acres) and the Town of Smithtown (63.5 acres) and encompasses that portion of the property west of Stony Brook Road and south or east of the Long Island Rail Road (LIRR).

The purpose of this analysis is to consider the potential development of the approximately 308-acre property prior to the State acquisition (the entirety) as well as that portion of the property not acquired by the State (the remainder). This will involve a review of development under the existing light industrial zoning as well as potential development through a change of zone action.

V. AS-OF-RIGHT ANALYSIS

Light industrial development allows for a variety of office, warehouse and manufacturing uses as of right subject to the provision of adequate improvements in the form of drainage, parking, landscaping and buffers.

L-1 Light Industrial zoning within the Town of Brookhaven requires a minimum lot area of 40,000 square feet along with a minimum lot width of one hundred (100) feet. Typically, a minimum of twenty percent (20%) of the property is required to be reserved for landscaping and buffers with variations required in connection with specifically identified uses. A maximum Floor Area Ratio (FAR) of .35 is permitted.

L-1 zoning within the Town of Smithtown is also a light industrial zoning district with a minimum lot area requirement of 80,000 square feet (Note: Lot area may be reduced to 43,560 square feet for Planned Industrial Parks as defined by Town Code). A minimum width of one hundred (100) feet is required at the setback line and a minimum street frontage of 50 feet (50') is also required. A maximum permitted FAR of .42, along with a minimum landscaped area of eighteen percent (18%), are also required.

Based upon the above, it has been estimated that development under the existing zoning would permit approximately 1,710,000 square feet of commercial development, including 11,400 parking spaces, 1,320,000 square feet of industrial development, including 3,940 parking spaces, along with 30,000 square feet of central services and approximately 15 acres of open space and recreation areas. (Yield analysis provided by BFI Planning)

VI. ZONING DISTRICT ANALYSIS

As indicated by the above, the subject parcel is primarily surrounded by a variety of residential development with some limited retail services. In addition, while the property maintains frontage to New York State Route 25A, Stony Brook Road and Mills Pond Road access to accommodate the potential industrial/commercial development is limited.

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The following analysis considers potential yield associated with a variety of residential zoning districts within the Town of Brookhaven and the Town of Smithtown.

Town of Brookhaven:

MF/PRC Residence Districts:

MF Residence District and PRC Residence District contain the same dimensional, density and other standards with one important distinction. The PRC Residence District is limited to senior citizens, as defined by the Town Code, while the MF Residence District allows for the development of non-age restricted housing units. For the purposes of the following discussion, MF Residence and PRC Residence Districts will be discussed collectively based upon their similar composition.

Permitted uses within the MF and PRC Residence Districts include rental housing units, attached or semi-attached single-family residences and detached single-family residences.

Site location is based upon criteria within the Code which established three tiers of appropriate locations for the development of MF or PRC units. Preference is given to "Primary Zones" defined as those areas of the Town within approximately 500 feet of a Main Street Business District. In addition, "commercial sites or industrially zoned sites used for commercial purposes, which provide opportunities for redevelopment as housing sites, or housing sites designated pursuant to an approved Hamlet Center Plan or Corridor Study, may be considered as primary zones."

"Secondary Zones" consist of those areas of the Town, outside of a Main Street Business District, which are located on connector roadways and which maintain convenient access to commercial centers and public or private transportation services.

Finally, "Tertiary Zones" are defined as those areas of the Town NOT designated as a primary or secondary zone which may be appropriate for moderate density housing based upon the creation of public amenities for the benefit of both residents and the general public.

Density within the MF and PRC Residence Districts varies, with the highest densities permitted within Primary Zones and the lowest densities within Tertiary Zones. In addition, all developments are required to maintain a minimum of ten percent (10%) of all units as affordable units, pursuant to Town guidelines. Maximum permitted densities may also be increased through the use of the transfer of development rights associated with environmentally sensitive land, state or locally designated open space acquisition sites or Pine Barrens credits. In addition, maximum permitted densities may be increased through the provision of affordable housing in excess of the minimum requirements.

In summary, base density within a Primary Zone is 6 units per acre. Density may be increased to 9 units per acre provided that for each additional market rate unit above 6 units per acre, two additional units are designated as affordable units. A maximum of 12

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units per acre may also be permitted within a Primary Zone, provided 100% of the units are maintained as affordable or workforce units pursuant to town guidelines.

Base density within a Secondary Zone is 4 units per acre with yield based upon a combination of the as-of-right yield of the subject property together with the transfer of development rights associated with environmentally sensitive land. Similar to a Primary Zone, a minimum of ten percent (10%) of all units must be maintained as affordable or workforce units pursuant to Town guidelines. Similarly, density may also be increased within a Secondary Zone to 6 units per acre, provided that for each unit above 4 units per acre, two additional units are designated as affordable or workforce units. Finally, the maximum permitted density within a Secondary Zone may be increased to 8 units per acre provided that all units are maintained as affordable or workforce housing units pursuant to Town guidelines.

Densities within a Tertiary Zone range in similar fashion to Primary and Secondary Zones with a range of between 2-4 units per acre depending on transfer of development rights and the percent of workforce or affordable units.

MF and PRC Residence Districts require a minimum lot area of one acre for Primary Zones and a minimum lot area of eight acres for Secondary or Tertiary Zones.

PRCHC Residence District:

PRCHC Residence District allows as-of-right adult care facilities as defined and licensed by the New York State Department of Health. In addition, via a special use permit, PRCHC Residence District permits dining, recreation, social and cultural facilities for the sole use of residents of the community and medical offices – provided that such uses are intended primarily for the benefit of the residents and further provided that said use does not exceed 5,000 square feet or 3% of the total gross floor area of the site.

Maximum permitted density within a PRCHC Residence District is 8 units per acre or 12 beds per acre, whichever is less. A minimum lot area of ten (10) acres is required along with a minimum lot width of two hundred (200) feet.

It is important to note that density may be increased through a "hardship" provision within the code and that a minimum of ten percent (10%) of all units are required to be maintained as affordable.

Planned Development District (PDD):

The Planned Development District within the Town of Brookhaven was originally enacted March 1, 1994, and subsequently repealed and reenacted July 11, 1995. The purposes of the PDD are the following:

- (1) It is hereby found and determined by the Town Board of the Town of Brookhaven that there

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exist in the Town vast but diminishing natural resources and tracts of land which must be preserved and protected for the benefit of this and future generations. This need is balanced by a need to accommodate and provide for the future economic welfare and development of the Town.

- (2) The purpose of this Planned Development District legislation is to create the type of planning and zoning flexibility which is necessary to achieve environmentally sensitive, economically beneficial and socially desirable development which is more creative and imaginative in its land use and design than is possible under the more rigid, conventional regulations currently in place. This type of sound planning is designed to achieve a commonality of benefits for the otherwise sometimes competing interests of planners, environmentalists, residents, civic groups, business people and developers by recognizing the unique locational, servicing and physiographic characteristics of varying parcels of land, and then shifting and modifying the development permitted on each in order to achieve benefits to the public and to the owner of the property.
- (3) It is, therefore, the intent of the Town Board to enact zoning which can be used as a positive planning tool by offering incentives to encourage comprehensive, coordinated planning and design, and the creation of developments and communities which are visually attractive, fiscally responsible, economically feasible and environmentally sensitive.

In addition, the stated goals of the PDD included:

- (1) To encourage more desirable and publicly beneficial arrangements and designs of land uses in accordance with the comprehensive plan of the Town of Brookhaven (including the draft 1987 Land Use Plan, the 1985 Open Space Study and this Zoning Code), the Long Island Pine Barrens Protection Act (Article 67 of the New York State Environmental Conservation Law), the Central Pine Barrens Comprehensive Land Use Plan (prepared by the Central Pine Barrens Joint Planning and Policy Commission), the Long Island Comprehensive Special Groundwater Protection Area Plan (prepared by the Long Island Regional Planning Board pursuant to Article 65 of the New York State Environmental Conservation Law) and other applicable plans of Town, county, regional, state and federal agencies.
- (2) To help implement the Central Pine Barrens Comprehensive Land Use Plan by providing a zoning mechanism designed to facilitate the transfer of Pine Barrens Credits (PBC's) from the core area of the Central Pine Barrens to receiving sites which are located and designed in a manner capable of accommodating the transferred development rights.
- (3) To encourage preservation and protection of the Town's natural environmental resources, including groundwater quality and quantity, the diversity of plant and animal communities, and significant habitat areas for rare, endangered, threatened and special concern species.
- (4) To encourage the preservation of large, undisturbed, contiguous areas of naturally vegetated open space, wherever possible adjacent to existing large public/quasi-public open space areas. Where adjacent location is not possible, to create natural open space linkages which are of appropriate size, location and character so as to maintain the connectivity of open space for environmental, visual and recreational functions so as to create, as far as is practicable, continuous and contiguous open space systems.
- (5) To encourage protection of scenic vistas, historical buildings and sites, sensitive archaeological areas and other important cultural resources.
- (6) To encourage the conservation and enhancement of the visual quality and rural character of undeveloped areas of the Town by protecting visible open space, farmland and wild and scenic and recreational rivers, encouraging the creation and/or preservation of vegetative buffers along highways and between potentially conflicting land uses, and by the careful siting, design and buffering of building development.

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- (7) To minimize flooding and erosion by protecting the functions of wetlands, waterbodies, watercourses, floodplains, areas of high water table, steep slopes, erosion hazard areas and natural vegetative cover.
- (8) To minimize stormwater runoff and maximize the quality and quantity of groundwater recharge by reducing land disturbance, using natural drainage systems wherever possible, filtering runoff from impervious surfaces, and maximizing on-site recharge.
- (9) To encourage protection of aquifers and minimize pollutants entering the soil and groundwater by maximizing the preservation of naturally vegetated areas, planting appropriate native species in areas which are to be landscaped, and utilizing proper fertilizer, pesticide, fungicide, and herbicide management techniques.
- (10) To locate, plan and design or redesign communities so that they will have a clear "sense of place" and will enable residents to reside, work, shop and enjoy recreational and cultural activities in the same area.
- (11) To offer the opportunity for a balanced array of housing designed to meet the needs of the Town and the region.
- (12) To encourage high-quality, environmentally sensitive industrial and commercial land uses on suitable and appropriately located parcels well served by transportation facilities and utility services.
- (13) To encourage the efficient use of existing and planned infrastructure, and to encourage the clustering of development so as to facilitate the economical and efficient construction and operation of wastewater treatment plants to service as much of the Town's development as practical.
- (14) To encourage the efficient provision and delivery of governmental services, including educational, cultural, recreational and emergency services.
- (15) To help assure that new development will be fiscally sound in terms of revenues produced versus expenditures required, including consideration of operating as well as capital costs for the services and facilities required for its residents.
- (16) To encourage protection of air quality by the clustering of development so as to encourage the use of public transportation and car pooling, as well as the provision of trails to encourage biking and walking.
- (17) To provide an efficient system of transportation infrastructure designed to maximize safety and minimize vehicular travel.
- (18) To provide for the efficient use of land and other finite resources.
- (19) To minimize the consumption of energy through the appropriate siting and design of communities, buildings and infrastructure.
- (20) To encourage the properly planned revitalization, rehabilitation and/or redevelopment of existing downtowns, shopping centers, strip commercial and industrial areas.
- (21) To reclaim and allow the proper redevelopment of environmentally impacted sites.
- (22) To prevent inappropriate development on state, previously filed subdivision maps encompassing wetlands, high water table areas, steep slopes and other terrain generally considered to be unsuitable for development.

Procedurally, implementation of a PDD involves a two-step process: including (1) an application to the Town Board for a Change of Zone and approval of a PDD Master Plan; and (2) an application for site plan and/or subdivision approval by the Planning Board within the approved PDD, subject to the requirements of the approved PDD Master Plan.

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In reviewing the PDD, the Town Board must consider the extent to which the application serves to implement the legislative intent, purposes and goals set forth within the PDD, the proposed mix of land uses and their planned design and arrangement on the site, including compatibility with site environmental conditions, and with neighboring streets and land uses, the potential impact of the proposed development upon the area in which it is located, and upon the Town and the region as a whole and the adequacy of the proposed phasing plan to insure that each phase will be self-sustaining if future phases shall be delayed or abandoned.

Development within the PDD may consist of any mixture of uses in an amount and intensity consistent with the maximum permitted densities within the underlying zoning categories. In addition, the Town Board is empowered to allow an increase in the maximum permitted densities pursuant to the transfer of development rights from environmentally sensitive land identified pursuant to the Central Pine Barrens Comprehensive Management Plan, or through the provision of special public benefits. A special public benefit is defined as:

A feature or amenity offered by a PDD applicant which exceeds the minimum requirements of this article and any other applicable regulations, and is intended to help further the achievement of the legislative intent, purposes and goals of PDD zoning. Examples include increased land preservation, the construction or improvement of public facilities, services or utilities, the provision of special design amenities, and other such public benefits which exceed normally applicable requirements.

Town of Smithtown:

R-6 Townhouse District:

R-6 Townhouse District allows for the development of townhouses with a minimum lot area of 217,800 square feet and a minimum lot width of 100 feet. The maximum permitted density within the R-6 Townhouse District is one unit per 7,260 square feet or 6 units per acre (excluding land required for public facilities such as highways, recharge basins, parks and similar facilities).

RC Retirement Community District:

RC Retirement Community District allows for the development of senior housing units with a minimum lot area of 435,600 square feet and a minimum lot width of 200 feet. The maximum permitted density within the RC Retirement District is one unit per 4,356 feet or 10 units per acre.

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RM-GA Garden Apartment District:

RM-GA Garden Apartment District allows for the development of garden apartments or rental units provided a minimum lot area of 87,120 square feet is maintained along with a minimum lot width of 200 feet. The maximum permitted density within the RM-GA Garden Apartment District is one unit per 2,500 square feet or 17.4 units per acre.

VII. COMPREHENSIVE PLAN ANALYSIS:

State Courts have described the Comprehensive Plan as the "essence of zoning" and have determined that all land use regulations must be made in accordance with a comprehensive plan. New York State defines a comprehensive plan as...

Materials, written and/or graphic, including but not limited to maps, charts, studies, resolutions, report, and other descriptive material that identify the goals, objectives, principles, guidelines, policies, standards, devices, and instruments for the immediate and long-range protection, enhancement, growth, and development of the locality."

The 1996 Comprehensive Land Use Plan is the most recent town-wide land use plan for the Town of Brookhaven. It offers the following comments with respect to industrial development:

- *Inappropriate spot industrial zoning is present in certain locations in the Town. In other cases, the existing industrial zoning is located too far from major roadways and other major transportation access to be considered viable. Some industrial zoning was found to be inappropriate because it was surrounded by or intruded into residential areas.*

Analysis of the subject property reveals that it is in all respects consistent with the inappropriate pattern of land use contained within the above-referenced comprehensive plan provision. It is reflective of "spot zoning" in that it is the only industrial tract in the vicinity and it is surrounded by both residential zoning patterns (primarily single-family residential districts) and residential uses. In addition, it is not located in close proximity to major commercial roadways such as the Long Island Expressway, Sunrise Highway or Middle Country Road. In addition, it does not maintain convenient access to public transportation such as the LIRR. Finally, as stated previously, the property is surrounded to the south, east, north and west by primarily single-family residential development.

- *In many cases the tax base issue has become the impetus for the location of industry rather than a relationship between the amount of industrial zoned land and the potential demand regardless of whether or not it is located properly to serve its intended use (proximity to transportation such as highways, water and rail) and in some cases, without consideration of its*

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impact on adjacent properties or the environment....This "fiscal" theory of zoning (that each school district requires some industrial zoning) however becomes counter-productive as the taxing district may benefit from the scattered industrial users (although the tax benefits of industry are often overstated) but the Town loses in its attempt to rationally control development.

The above Comprehensive Plan provision once again accurately describes the inappropriate nature of the existing industrial zoning pattern. Manufacturing and warehouse uses, permitted "as of right" within a light industrial zone, are properly located adjacent to major transportation facilities in order to better accommodate anticipated truck traffic and heavy trip generation. While good planning and smart growth principles advocate mixed use development consisting of residential uses and retail and personal service uses, they also dictate that light industrial and heavy commercial uses continue to maintain appropriate buffers and separation from residential development, particularly single-family residential development.

Recommended industrial land use and zoning changes contained with the Comprehensive Plan offer the following additional comments:

- *Consider eliminating inappropriately zoned and surplus industrial properties. Eliminate industrial zoning that is isolated and located too far from major roadways and other transportation access and that is unlikely to be developed.*

The above referenced Comprehensive Plan recommendation also reflects the inappropriate nature of the subject parcel due to its lack of access and its distance from major transportation services. While the subject property has been utilized by a variety of marginal industrial uses over the years, its distance from major roadways makes it unlikely that it would be successful in attracting significant industrial users. This is particularly true when viewed in context with available industrial holdings south in the vicinity of the Long Island Expressway.

- *In addition, spot industrial zoning should be eliminated and industrial zoning that intrudes into, accessed through, or is surrounded by residential areas should be eliminated.*

The above Comprehensive Plan provision once again advocates for the rezoning of parcels, such as the subject parcel, which are spot zoned, accessed through, or surrounded by residential areas. Access to the subject parcel from NYS Route 25A, Stony Brook Road or Mills Pond Road would involve direct access via primarily residential roadways. It is again noted that Mills Pond Road, like Stony Brook Road, is a narrow and winding roadway, substandard in width, with the predominant land use pattern being comprised of single-family residential development.

- *Underutilized or inactive industrially-zoned parcels should be considered for rezoning.*

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The subject parcel has been underutilized for industrial purposes for many years. The availability of hundreds of acres of vacant industrial land adjacent to the Long Island Expressway make it unlikely that the subject parcel would be fully utilized for industrial purposes in the near future.

- *Industrially-zoned parcels located along undeveloped major roadways with unlikely future development should be considered for rezoning.*

The above Comprehensive Plan provision once again recommends that parcels similar to the subject parcel which are located along undeveloped major roadways such as this portion of NYS Rote 25A and are unlikely candidates for future development, should be considered for rezoning.

- *Where large industrial zoned parcels or assemblages of parcels exist, the Town should consider rezoning to a PDD to promote future flexible development.*

The subject parcel is in fact one of the largest privately held assemblages of property within Stony Brook. Not only is it consistent with the above criteria and thus should be considered for rezoning but it is "specifically" recommended for rezoning to PDD within the Town's 1996 Comprehensive Land Use Plan (See Proposed Zoning Map annexed as Exhibit 2).

Based upon the above analysis and recommendations, the Town of Brookhaven 1996 Comprehensive Land Use Plan recommended that the Gyrodyne property be rezoned to Planned Development District (PDD).

NOTE: It is noted that the Town of Smithtown is in the process of updating its Comprehensive Plan at the time of this study. In view of the dated nature of existing Smithtown comprehensive planning materials, this analysis places a greater emphasis on other factors discussed herein.

VIII. ANALYSIS OF RECENT CHANGE OF ZONE AMENDMENTS:

Amendments to a Town's zoning map in the form of Changes of Zone or Town Board Own Motion Changes of Zone are an important element in consideration of the reasonable probability of development of a parcel as they reflect the Town's current thinking with respect to individual land use policies. While the Comprehensive Plan serves as a blueprint for development and a guide for individual applications before the Town Board, individual rezoning applications reflect the implementation of the municipality's land use policies on a daily basis.

The following rezonings reflect the Town of Brookhaven as well as the Town of Smithtown's comfort with support for rezonings to allow for the development of

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moderate and higher density housing developments. The greater number of applications within the Town of Brookhaven is a reflection of the greater availability of land for development within Brookhaven Township as well as the more mature nature of Smithtown's population. As a western Suffolk County Town, Smithtown has matured more quickly with respect to development build out than the Town of Brookhaven which serves as the dividing point between western Suffolk County and the five eastern Suffolk County Towns.

The number of rezoning applications within the Towns of Brookhaven and Smithtown to multiple-family and planned retirement or senior citizen housing types is also a reflection of the support for the diversification of each town's housing stock. Long Island as a post World War II suburban community has developed predominantly with single-family residential homes. As Long Island's population continues to age and mature, its housing needs continue to diversify. The number of rezoning applications which allow for the development of multiple-family and senior citizen housing types reflects both the support for the diversification of Long Island's housing stock as well as the market demand for these housing types.

The following is a summary of recent Change of Zone amendments within the Towns of Brookhaven and Smithtown.

Town of Brookhaven:

There have been several zoning actions relevant to the subject analysis within the Town of Brookhaven. The following is a brief summary of the most relevant actions:

- Silver Corporate Park. Involved a Change of Zone from L-1 Industrial District to PRCHC District in order to allow for the development of 620 housing units on a 117-acre tract involving a density of 5.2 units per acre. It is located in the community of Yaphank adjacent to the Long Island Expressway.
- Heritage Square. Involved a Change of Zone to PRCHC District in order to allow for the development of 582 units of housing on 51.5 acres resulting in a density of 11.4 units per acre. It is located in the Community of Moriches.
- Mile Development. Involved a Change of Zone from Residence A-1 District, L-1 Industrial District and L-3 Industrial District to PRC District in order to allow for the development of 477 senior citizen housing units on 128 acres resulting in a density of 3.7 units per acre. It is located in the community of Mastic, adjacent to Sunrise Highway.
- Fairfield at Ronkonkoma. Involved a Change of Zone from J-7 Business District to MF2 District in order to allow for the development of a 60-unit apartment complex on 5.5 acres resulting in a density of 11 units per acre. It is located in Ronkonkoma, just north of the Ronkonkoma train station.

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- **Setauket Meadows.** Involved a Change of Zone from L-1 and B-1 Districts to PRC District in order to allow for the development of 150 senior citizen housing units on 49.4 acres resulting in a density of 3 units per acre. It is located in the community of Setauket.
- **Earth Grow at East Moriches.** Involved a Change of Zone from L-1 to PRC District in order to allow for the development of 324 senior citizen housing units on 46.2 acres resulting in a density 7 units per acre. It is located adjacent to the north side of Frowein Road in the community of East Moriches.
- **Eastport Senior Living.** Involved a Change of Zone from Residence A-1 District to PRC District in order to allow for the development of 240 senior citizen housing units on 74.3 acres resulting in a density of 3.23 units per acre. It is located adjacent to C.R. 51 in the community of Eastport.
- **Parkshaw Associates.** Involved a Change of Zone from A-1 Residence District to PDD. The application involved the development of 450 units of rental apartments along with the development of an 18-hole golf course, restaurant and park on 243.7 acres. The golf course encompassed 152 acres, the restaurant 2.1 acres, parkland 47.2 acres and the municipal dedication was 2.1 acres. The remaining 41 acres involved the development of 450 units, resulting in a density of approximately 10.97 units per acre.
- **Laurel Hill Associates.** Involved a Change of Zone to PDD of several tracts of land in the community of Mount Sinai. The Change of Zone ultimately involved the development of 720 units of housing consisting of single-family homes, senior housing units, nursing home units and congregate care units along with the development of a golf course. The total density for the project is 3.3 units per acre.

Town of Smithtown:

- **Hamlet Estates.** Involved a Change of Zone to R-6 Townhouses in order to allow for the development of 167 units on 104 acres, resulting in a density of 1.6 units per acre. It is located on the northwest corner of NYS Route 347 and Moriches Road.
- **Galleria (Avalon Commons).** Involved a Change of Zone to R-6 Townhouses and RM-GA in order to allow for the development of townhomes and rental apartment units with a maximum density of 14.8 units per acre.

The above zoning actions reflect a broad range of densities associated with residential Change of Zone actions. Residential densities within the Town of Brookhaven ranged from 3 units per acre to 11 units per acre. Residential densities within the Town of Smithtown ranged from 1.6 units per acre to over 14 units per acre.

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Collectively, these rezoning applications represent support within each town to diversify the community's housing stock in order to meet the needs and tastes of all residents at all income levels. As Long Island's population continues to mature and as our population continues to age, commonly referred to as the "graying" of our population, the need to provide for multiple-family and senior citizen housing types will also continue to grow. As mentioned previously the significant number of rezoning applications to multiple-family and senior citizen housing types also reflects the demand for such housing types within the market and within the region.

IX. CONCLUSION

Based upon the above, the development of the subject property with the most reasonable probability involves a Change of Zone to Planned Development District (PDD) in order to allow for the development of a residential community.

"Reasonable probability" is determined through the analysis of several factors. These factors include the nature and character of development surrounding the property and its compatibility and consistency with the predominant land use patterns within the community. As discussed previously, the subject property is surrounded by overwhelmingly residential zoning patterns and residential land uses. Development of the subject property in accordance with the existing light industrial zoning designation would be inconsistent with surrounding residential development and would likely result in significant adverse impacts to surrounding residential uses.

Additional factors to be considered include an analysis of the site itself and its suitability for a variety of land use types. As stated previously, the subject parcel does not maintain convenient access to major commercial corridors such as the Long Island Expressway, Sunrise Highway or Middle Country Road. NYS Route 25A, located adjacent to the northerly border of the subject parcel, is a two-lane roadway developed with a mixture of residential and local commercial uses. There are no regional commercial uses in close proximity to the subject parcel. Mills Pond Road, which adjoins the parcel to the west, is a narrow and winding substandard width road developed with primarily residential uses and it is thus ill suited to industrial development. The same can be said of Stony Brook Road, which is also a narrow and winding two-lane roadway, primarily developed with residential uses.

Recent zoning actions by a municipality reflect the policies and attitudes of the community and are thus also important when considering the reasonable probability of development of a parcel. Recent rezoning actions within the Town of Brookhaven have demonstrated a willingness to rezone parcels from both residential as well as industrial zoning categories in order to allow for the development of moderate and high density residential communities. Two such actions involved the change of zone of large assemblages of land, similar in context to the subject parcel, to PDD. Density for these projects ranged from 3.33 units per acre to 10.97 units per acre. Similarly, within the Town of Smithtown recent rezonings have permitted residential densities of up to 14 units per acre.

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Lastly, determinations regarding the reasonable probability of development of a parcel are based upon an analysis of the Town's vision for future development as embodied within its comprehensive plan. The Comprehensive Plan has been described as the "essence of zoning" and courts have consistently reinforced the notion that zoning must be in accordance with a comprehensive plan. The Town of Brookhaven 1996 Comprehensive Land Use Plan specifically identifies the need to:

Consider eliminating inappropriately zoned and surplus industrial properties. Eliminate industrial zoning that is isolated and located too far from major roadways and other transportation access and that is unlikely to be developed.

In addition it recommends that:

...spot industrial zoning should be eliminated and industrial zoning that intrudes into, accessed through, or is surrounded by residential areas should be eliminated...and...

Where large industrial zoned parcels or assemblages of parcels exist, the Town should consider rezoning to a PDD to promote future flexible development.

Based upon the above, the development of the subject parcel that maintains the most reasonable probability involves a Change of Zone to Planned Development District (PDD) at a density of between 3-6 units per acre. In consideration of all of the previously discussed factors it is with 90-95% certainty that the Town Board of the Town of Brookhaven would approve such an action. It is with 70-75% accuracy that such an action would be approved by the Town Board of the Town of Smithtown.

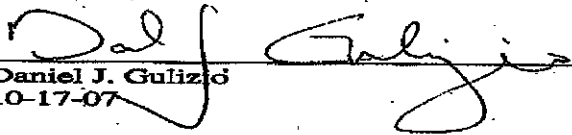
Remainder Analysis:

The remainder consists of approximately 62.5 acres of property located within the Town of Smithtown. Residential development maintains the highest reasonable probability of development at a density of 3-6 units to the acre based upon similar considerations to the above discussion for the entirety. It is with 70-75 % accuracy that such an action would be approved by the Town of Smithtown.

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This report was prepared by Daniel J. Gulizio.


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10-17-07

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