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An appraisal of the Inntowner Hotel, 2424 University Avenue, Madison, Wisconsin. December 1, 1983

Landmark Research, Inc.

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AN APPRAISAL OF
THE INNTOWNER HOTEL
MADISON, WISCONSIN

Landmark
Research
Inc.

AN APPRAISAL OF

THE INNTOWNER HOTEL
2424 UNIVERSITY AVENUE
MADISON, WISCONSIN

AS OF

DECEMBER 1, 1983

PREPARED FOR:

DAVID A. LENZ, PRESIDENT
NORTH CENTRAL MANAGEMENT, INC.
MADISON, WISCONSIN

PREPARED BY:

LANDMARK RESEARCH, INC.

Landmark
Research
Inc.

James A. Graaskamp, Ph.D., S.R.E.A., C.R.E.

Jean B. Davis, M.S.

December 7, 1983

Mr. David A. Lenz, President
North Central Management, Inc.
6425 Odana Road
P.O. Box 4383
Madison, WI 53711

Dear Mr. Lenz:

RE: Appraisal of the Proposed InnTowner Hotel as if complete
as of December 1, 1983

We are transmitting the analysis and report requested on the
property to be known as the InnTowner Hotel, located at 2424
University Avenue, Madison, Wisconsin.

It is the opinion of the appraisers that the market value of
the subject as if complete, as of July 1, 1983, reflecting the
assumptions and limiting conditions presented in the attached
report and financed with a non-participation, 13.125 percent,
30 year loan with a debt cover ratio of 1.50 in the second
fiscal year, is:

FOUR MILLION FIVE HUNDRED THOUSAND DOLLARS
(\$4,500,000)

of this amount, the market value of the subject land, as of
December 1, 1983, is:

FIVE HUNDRED FIFTY THOUSAND DOLLARS
(\$550,000)

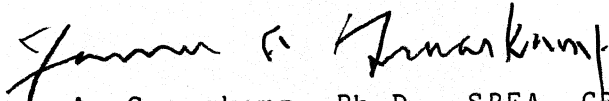
Our going concern valuation of the proposed 120-room InnTowner
Hotel indicates a value of \$37,500 per room.

A basic element of these valuations is a hotel/motel market
analysis of Madison and the conclusions of a July 1983 study of
the specific market for the InnTowner.

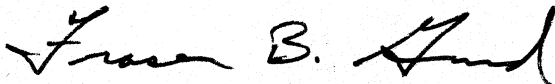
Mr. David A. Lenz, President
Page Two
December 7, 1983

We are pleased to have been of service and remain available to answer any specific questions you may have regarding this appraisal and report.

FOR LANDMARK RESEARCH, INC.



James A. Graaskamp, Ph.D., SREA, CRE
Urban Land Economist



Fraser B. Gurd, MS

Enclosures

jc

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I. PURPOSE OF THE APPRAISAL

This appraisal is an estimate of the market value of the proposed InnTowner Hotel. The organization of this report follows the appraisal process and attempts to convey its essential elements and conclusions. Section II of this report presents a description and analysis of the subject property and Section III describes the valuation model and the final value estimate.

A. The Appraisal Problem

Authorized by David A. Lenz, President of North Central Management, Inc., developer of the InnTowner Hotel for FranCorp, Inc., a wholly owned subsidiary of the Fiore Coal and Oil Company, this appraisal is to be used in conjunction with an application for a mortgage loan that will provide permanent financing for the proposed project.

This appraisal presumes going concern value and, therefore, includes both real and personal property furnishings associated with the proposed hotel, restaurant, and meeting rooms.

B. Identification of the Subject Property and the Legal Interest to be Appraised

1. Identification of the Subject Property

The Fiore property, located at 2408 - 2438 University Avenue, at the corner of the intersection of University Avenue and Highland Avenue, is held in fee simple title by FranCorp,

Inc., having been transferred from the parent corporation in September 1983. The subject was originally acquired April 19, 1947, by Fiore Coal & Oil, recorded in Volume 495, Page 556, and since that time was sold in part to the City of Madison on July 13, 1965, for the construction of Campus Drive. The remaining land in Fiore's ownership is described in the survey performed by Arnold & O'Sheridan, Inc., consulting engineers, dated October 19, 1973, as follows:

Part of the NE 1/4 of the NE 1/4 of Section 21, T7N, R9E (Town of Madison) now in the City of Madison, Dane County, Wisconsin to wit;

Beginning at an iron stake at the intersection of the north right-of-way line of University Avenue and the west right-of-way line of Highland Avenue; thence N 7 degrees 23 minutes west, 91.65 feet; thence N 82 degrees 38 minutes east, .56 feet; thence N 2 degrees 7 minutes 35 seconds west, 131.38 feet; thence on a curve to the left which has a radius of 3,889.71 feet and a long chord that bears N 85 degrees 12 minutes 50 seconds east, 295.92 feet; thence N 83 degrees 1 minute 50 seconds east, 41.49 feet; thence south 5 degrees 12 minutes east, 214.09 feet; thence south 83 degrees 29 minutes west, 341.58 feet to the point of beginning.

Subject to the limited highway easement as shown.

Containing 74,335 square feet.

The limited easement mentioned above was purchased by the City of Madison on July 13, 1965, and consists of the northern 25 feet of the subject property. This easement was purchased by the City "for the right to construct and maintain, cut or fill slopes on the following described lands in Dane County, State

of Wisconsin, but without prejudice to the owners right to flatten these slopes or to construct improvements on said lands, providing said improvements will not impair the highway facilities constructed within the new right-of-way. Included for such purposes is the right to operate necessary equipment thereon and the right of ingress and egress as long as required for such public purpose." This easement encumbers the property to the extent that should the owner wish to cut into the slope which comprises the highway easement, it would be necessary for him to maintain the slope with the construction of a retaining wall.

2. Legal Interest Appraised

The ownership interest appraised is a fee simple interest in the property described above including land, improvements, and other furnishings identified in this report. Fee simple title assumption ignores any mortgage claims and operating leases which may exist, and treats the property as a single ownership interest. A search of the subject property's title was neither made nor provided for use in this appraisal.

C. Date of Appraisal

This appraisal is made as of December 1, 1983, and the analysis and conclusions are applicable to that date. The appraisal, therefore, represents the value of the subject

property as if complete on December 1, 1983, per schematic plans in Section II and specifications made available to the appraisers at the offices of Sieger Architects and North Central Management, Inc., on November 22, 1983, and at the offices of FranCorp, Inc., on November 28, 1983.

D. Definition of Value

As used in this appraisal and report, the term "market value" is defined as:

The most probable price in terms of money 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, knowledgeably and assuming the price is not affected by undue stimulus.

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

1. buyer and seller are typically motivated.
2. both parties are well informed or well advised, and each acting in what they consider their own best interest.
3. a reasonable time is allowed for exposure in the open market.
4. payment is made in cash or its equivalent.
5. financing, if any, is on terms generally available in the community at the specified date and typical for the property type in its locale.
6. the price represents a normal consideration for the property sold unaffected by special financing amounts and/or terms, services, fees, costs, or credits incurred in the transaction. [1]

[1] Byrl N. Boyce, Real Estate Appraisal Terminology, Revised Edition, AIREA, SREA, Ballinger, Cambridge, Mass., 1981, pp. 160-161.

E. Statements of General Assumptions and
Limiting Conditions

1. Contributions of Other Professionals

- . Information furnished by others in this report, while believed to be reliable, is in no sense guaranteed by the appraisers.
- . Because no legal advice was available, the appraiser assumes no responsibility for legal matters.
- . All information furnished regarding property for sale or rent, financing, or projections of income and expenses, is from sources deemed reliable. No warranty or representation is made regarding the accuracy thereof, and it is submitted subject to errors, omissions, change of price, rental or other conditions, prior sale, lease, financing, or withdrawal without notice.

2. Facts and Forecasts Under
Conditions of Uncertainty

- . The comparable sales data relied upon in this appraisal is believed to be from reliable sources. Though all the comparables were examined, it was not possible to inspect them all in detail. The value conclusions are subject to the accuracy of said data.
- . Projections of the effective demand for space are based upon the best available data concerning the market, but are projected under conditions of uncertainty.
- . Since the projected mathematical models are based on estimates and assumptions, which are inherently subject to uncertainty and variation depending upon evolving events, we do not represent them as results that will actually be achieved.
- . Engineering analyses of the subject property were neither provided for use nor made as a part of this appraisal contract. Any representation as to the suitability of the site for uses suggested in this analysis is therefore based only on a rudimentary investigation by the appraiser and the value conclusions are subject to said limitations.

- . Although the arithmetic of the computer output has been hand checked for accuracy, no guarantee is made of the program's infallibility.
- . Sketches in this report are included to assist the reader in visualizing the property. These drawings are for illustrative purposes only and do not represent an actual survey of the property.

3. Controls on Use of Appraisal

- . Values for various components of the subject parcel as contained within the report are valid only when making a summation and are not to be used independently for any purpose and must be considered invalid if so used.
- . Possession of this report or any copy thereof does not carry with it the right of publication nor may the same be used for any other purpose by anyone without the previous written consent of the appraiser or the applicant and, in any event, only in its entirety.
- . Neither all nor any part of the contents of this report shall be conveyed to the public through advertising, public relations, news, sales, or other media without the written consent and approval of the authors, particularly regarding the valuation conclusions and the identity of the appraisers, of the firm with which they are connected, or any of their associates.
- . This report shall not be used in the client's reports or financial statements, prospecti, or other documents filed with any governmental agency, unless: (1) prior to making any such reference in any report or statement or any document filed with the Securities and Exchange Commission or other governmental agency, Landmark Research, Inc., is allowed to review the text of such reference to determine the accuracy and adequacy of such reference to the appraisal report prepared by the appraiser; (2) in the appraiser's opinion the proposed reference is not untrue or misleading in light of the circumstances under which it is made; and (3) written permission has been obtained by the client from the appraiser for these uses.

II. DESCRIPTION AND ANALYSIS OF THE SUBJECT PROPERTY

The economic productivity of the subject site depends on the interrelationship of the static or physical site characteristics of the parcel, the linkages of the location to generators of room and restaurant demand which contribute to its revenue potential, and the dynamics of people's perception of the location and related improvements.

A. Physical Attributes of the Site

1. Location

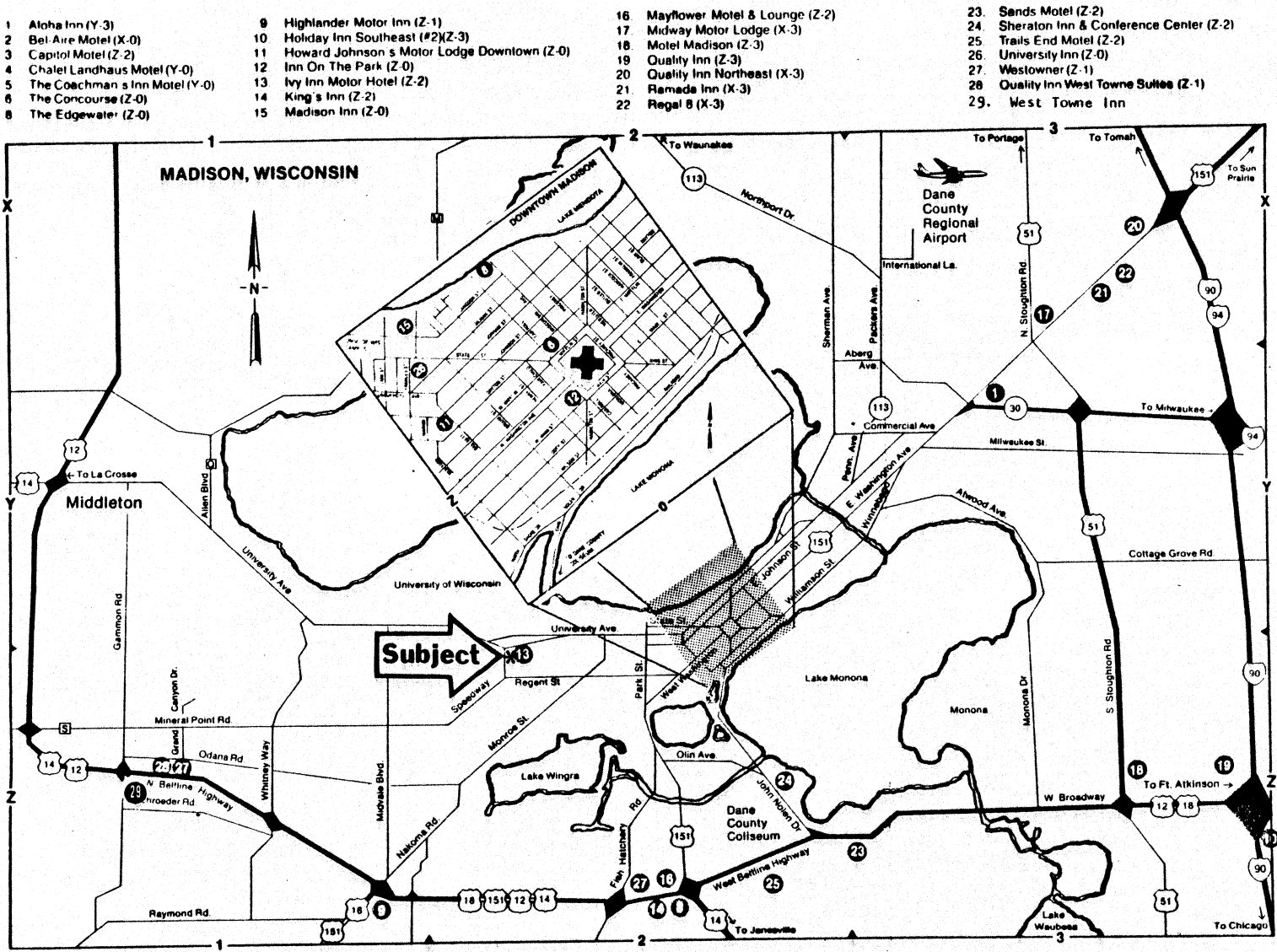
The subject site is located on the near west side of Madison, approximately 2-1/2 miles west of the Capitol Concourse (see Exhibit 1, Area Map) and 1/2 mile south of the University of Wisconsin Hospital and Clinics, the William S. Middleton Memorial Veterans' Hospital, the U.S. Forest Products Research Laboratory, the Waisman Center on Mental Retardation and Human Development, and the Wisconsin Alumni Research (WARF) Building. (See Exhibits 2 and 3).

2. Size

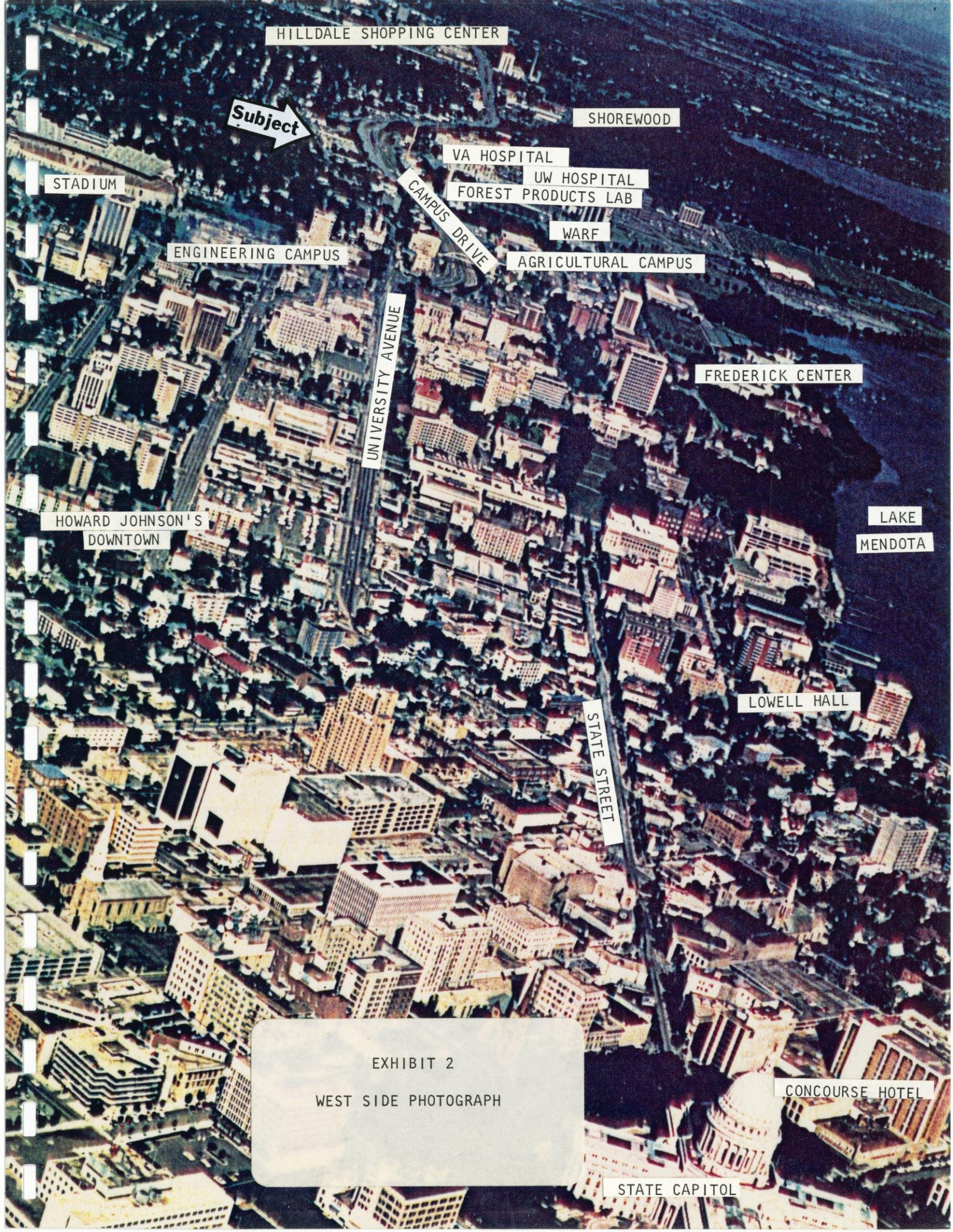
The site is approximately rectangular with 341 feet of frontage along University Avenue and a depth of 214 feet parallel to Highland Avenue and has a total area of 74,335

EXHIBIT 1

MADISON HOTELS AND MOTELS
AREA MAP



Source: Greater Madison Convention & Visitors Bureau



HILLDALE SHOPPING CENTER

Subject

SHOREWOOD

STADIUM

VA HOSPITAL

UW HOSPITAL

FOREST PRODUCTS LAB

WARF

ENGINEERING CAMPUS

AGRICULTURAL CAMPUS

CAMPUS DRIVE

UNIVERSITY AVENUE

FREDERICK CENTER

HOWARD JOHNSON'S
DOWNTOWN

LAKE
MENDOTA

STATE STREET

LOWELL HALL

EXHIBIT 2
WEST SIDE PHOTOGRAPH

CONCOURSE HOTEL

STATE CAPITOL



LAKE MENDOTA

FREDERICK CENTER

BUSINESS SCHOOL

BASCOM HILL

AGRICULTURAL CAMPUS

ENGINEERING CAMPUS

STADIUM

WALNUT STREET

CAMPUS DRIVE

UNIVERSITY AVENUE

WARF

FOREST PRODUCTS LAB

IVY INN

UW HOSPITAL

VA HOSPITAL

HIGHLAND AVENUE

Subject

EXHIBIT 3
NEIGHBORHOOD PHOTOGRAPH



square feet (approximately 1.71 acres). See Site Plan in Exhibit 4.

3. Access

Campus Drive was constructed in the late 1960s to relieve the traffic congestion on University Avenue by bypassing the 1600 to 2500 blocks. While Campus Drive has proved successful in that regard, the reduced University Avenue traffic has had a negative effect on some of the businesses bypassed which is exacerbated by complicated access to University Avenue from Campus Drive, particularly from the westbound direction. The subject site has visibility from Campus Drive, allowing westbound traffic to exit at Highland Avenue, however eastbound traffic must exit onto University Avenue two blocks before coming into view of the subject. Highland Avenue leads to the main entrances of the University Hospital, Veteran's Administration Hospital, and the rear entrances of the Forest Products Lab, WARF, and the U.W. Campus.

4. Topography

The site is relatively flat. Since Campus Drive is approximately 16 feet above the general grade of the subject site, the single story building currently on the site is not visible to Campus Drive traffic but the proposed four story hotel will be visible to traffic in both directions. The site

SIEGER ARCHITECTS
100 MADISON STREET, MADISON, WISCONSIN 53703

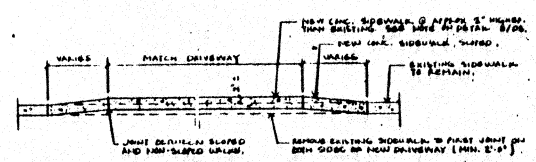
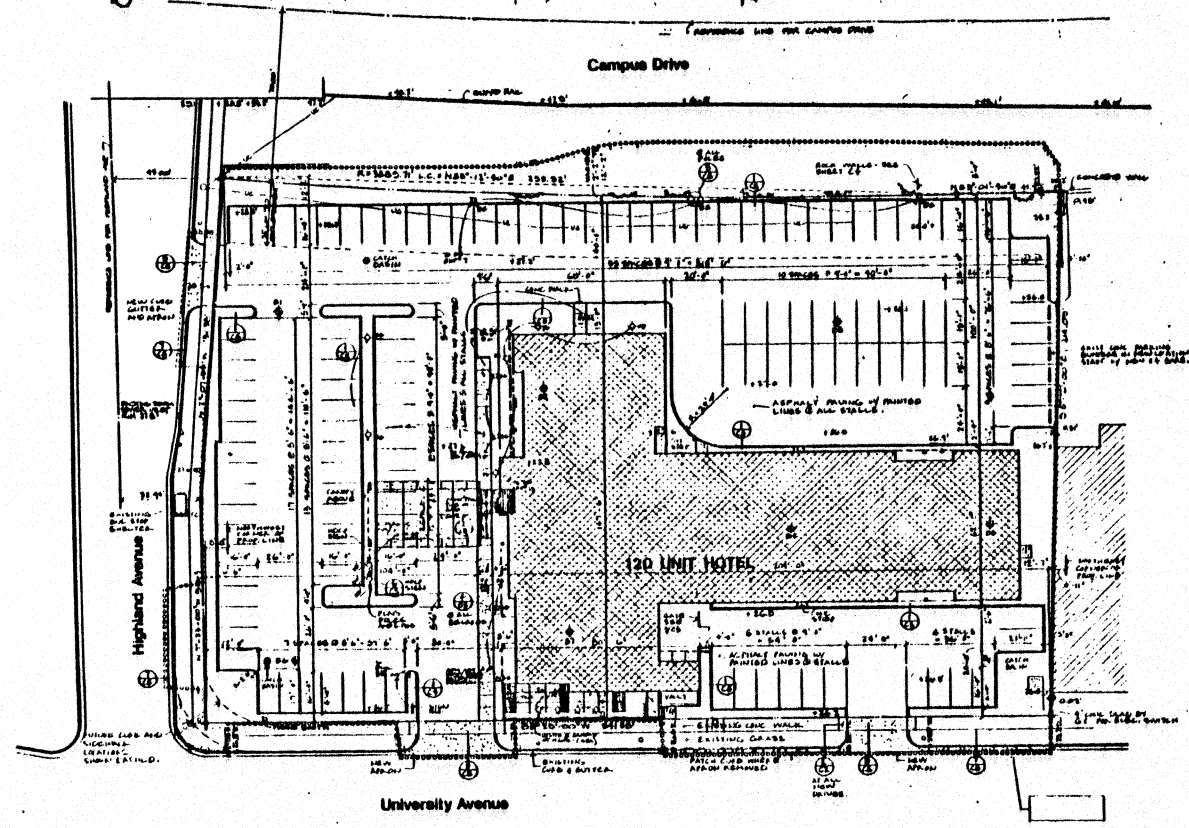
FranCorp, Inc. - owner
North Campus
Management Inc. - developer

University & Highland
Madison, Wisconsin

INTOWNER


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EXHIBIT 4



- NOTES:**
1. UNLESS INDICATED OTHERWISE, ALL DIMENSIONS ARE IN FEET AND INCHES. DIMENSIONS IN PARENTHESIS ARE ALTERNATE DIMENSIONS.
 2. INFORMATION ON EXISTING SITE, AS SHOWN ON SHEETS C-1 THROUGH C-4, OBTAINED FROM DRAWINGS "SITE SURVEY FOR UNIVERSITY HALL AND HIGHLAND AND HIGHLAND DISTRICT" BY ARNOLD AND COMPANY, DATED 10-16-78.
 3. PUBLIC SIDEWALKS SHALL BE 5' WIDE, UNLESS OTHERWISE INDICATED. WITH CURBS-RAISE OF 1/4" IN. FOR 1/2" LITTLE ELEVATION. WITH CURBS-RAISE OF 1/4" IN. FOR 1/2" LITTLE ELEVATION.

LONGITUDINAL SECTION - WALKS & DRIVEWAYS

site plan  1/8"

is visible to traffic in both directions on University Avenue, particularly to eastbound traffic due to its corner location.

5. Soils

The Dane County Soil Survey (1978), United States Department of Agriculture, Soil Conservation Service, indicates that the subject site soil consists of a Virgil Silt Loam (VwA). This is a somewhat poorly drained soil which is classified as having severe limitations with regard to basements and local streets due to its high seasonal water table, instability when wet, low bearing capacity, and frost heave potential. Much building has taken place on this type of soil but often special soil preparation must be undertaken prior to construction.

A subsurface investigation was conducted in September 1983 by Warzyn Engineering, Inc., and reported to Sieger Architects on October 7, 1983. Seven test borings were made on the subject site, four of which were made within the proposed building perimeter. The soil engineers are of the opinion that the fill materials underlying the site are unsuitable for support of the proposed structure. The fill and buried topsoil must be removed and then the structure can be supported on conventional spread foundations in the natural clays or controlled, compacted granular fill. The existing fill

materials are suitable for support of the proposed parking lot and need not be removed.

The appraisers refer the reader to the engineer's report for all facts and conclusions relating to the subsurface soil conditions. It is understood that the cost implications of the engineer's report are reflected in the construction budget for the proposed InnTowner Hotel.

6. Utilities

The site is well served by all urban utilities, including storm sanitary sewer, and water provided by the City of Madison, and natural gas and electricity provided by Madison Gas & Electric. Telephone is provided by Wisconsin Telephone Company. There is ample capacity of all utilities to properly serve the site although site work will be necessary to properly connect them as part of the normal development process.

B. Legal Constraints

1. Zoning

The subject site is currently zoned C-2, General Commercial District, and is surrounded by the same. The maximum floor area ratio (FAR) in this zoning is three to one meaning that three square feet of gross building area may be built for each square foot of lot area. Therefore, the maximum building size allowable on the 74,335 square foot site is 223,005 square

feet. The development currently proposed by the property owner is well within this limit at 70,867 square feet. Setbacks, open space requirements, and parking requirements vary depending on the intended use. These requirements are summarized in Appendix A. The C-2 zoning permits a wide variety of uses. The proposed hotel and restaurant uses are explicitly permitted. The site plan in Exhibit 3 provides for 120 parking spaces for 120 guest rooms, 10 stalls for 10 percent of restaurant capacity, and 5 surplus stalls for retail space.

2. Political

The Land Use Plan and Map for Madison, revised in May of 1980, shows the subject as a Mixed Use District, having not only mixed uses but mixed housing types as well. This district is described as follows:

This designation identifies certain areas located close to relatively high density residential neighborhoods where a mixture of residential and commercial uses within one structure should be encouraged under Planned Unit Development (PUD) controls. The commercial uses and residential densities appropriate in a mixed use district will depend upon the objectives being sought in the area and the characteristics of adjacent commercial and residential districts. [2]

[2] Land Use Plan for Madison, Wisconsin, May 1980, Section A. 3. e.

The plan also describes this area as one in which "new commercial uses may be stimulated by the medical center. High density residences are recommended above the commercial uses, thus providing additional housing and potential transit ridership along the University Avenue Corridor."

The residential areas along University Avenue and to the south of the existing commercial area is designated under the Land Use Plan as mixed medium to high density (26-40 units/acre).

City Plan objectives for this area are described as follows:

To increase housing opportunities near the University of Wisconsin, relatively high densities are recommended north of Regent Street and south of Dayton Street, the commercial/manufacturing area north of Proudfit between Park Street and North Shore Drive, and along Breese Terrace and University Avenue. In the latter two areas, densities would step down as they went into University Heights; that is, the north side of Kendall Avenue and most of Lathrop Street are recommended for medium density zoning.

The University of Wisconsin and the City of Madison are currently working to advance plans for developing significant additional housing opportunities in the area between Regent and Dayton Streets.

An area roughly bounded by University Avenue, Breese Terrace, Allen and Regent Streets may be designated a historic district....[3]

[3] Land Use Plan for Madison, Wisconsin, May 1980, Section B 8.

The commercial area encompassing the subject site was the subject of a 1983 City of Madison, Department of Planning and Development study, University Avenue - Highland Avenue Commercial District Planning Study. The purpose of the study was to determine how to revitalize the area following the decline of the commercial district which resulted from reduced traffic since the opening of Campus Drive in 1968-69.

The study assumed that the subject Fiore property would be developed with hotel, restaurant, and meeting facilities and that the bulk of the 2500 block north would be developed by the owner, Mullins and Associates, with a two-story office building.

The study concludes that the Fiore and Mullins developments and other private sector development and revitalization spawned by them together with certain public improvements would go a long way toward revitalizing the area. The envisioned public improvements include the reconstruction of University Avenue through the area, additional parking to serve businesses on the south side of the street, placing of utility wires underground, a street tree planting program, and, possibly, cosmetic improvements such as graphics, lighting, benches, and a kiosk.

These developments and subsequent improvements would allow the "Old University Avenue Commercial Area" to finish the adaptation process begun by the construction of Campus Drive.

The subject lies within the Regent Neighborhood Association District and within the Tenth Aldermanic District. The alderperson for this district is Mark Binkley since an aldermanic boundary shift removed the site from Eve Galanter's district. Interviews with neighborhood officials have indicated that neighborhood residents would like to see an integration of mixed uses in the area. Two recent condominium projects located at Forest Street and University Avenue and at Allen Street and University Avenue, comprising a total of 34 units, have increased the housing supply and there are currently other residential projects and office projects just underway.

C. Site Linkages

The linkages of the site to immediate traffic patterns as well as to activity generators which complement and support the site and the proposed hotel underwent significant change during the 1970s and early 1980s. The creation of Campus Drive which markedly changed local traffic patterns and the growing concentration of university activity at the west end of the campus, particularly the hospitals complex, have provided strong new linkages to the site.

1. The primary linkage for identification of the hotel site is the hospital complex of University of Wisconsin Hospitals, Veteran's Hospital, and their related facilities. This area also includes the Waisman Center

on Mental Retardation and Human Development, the United States Forest Products Research Laboratory, the Wisconsin Alumni Research Foundation (WARF) building and the new Veterinary School. These are most directly accessible from the subject site by Highland Avenue, though also by Walnut Street from University Avenue.

2. Since the subject is located at the western end of the University of Wisconsin campus which is substantially less well served by lodging facilities than the in-town end of campus 1-1/3 miles to the east, the new hospitals complex will generate demand for additional lodging facilities.
3. The west side of town will continue to be where a wide variety of businesses and individuals who serve the university community locate and grow.
4. Highland Avenue has been designed and built as a boulevard which serves as the primary entrance to the Hospitals and to the west end of campus. The west end of campus focuses on the Observatory Drive corridor including university bus transit to Lot 60 and University Hospital. Highland Avenue is the back entrance of Forest Products Lab.

5. Linkages to nearby middle and upper income residential areas complement the linkages to the university, medical, and other professional areas.

D. Site Dynamics

The neighborhood of the subject site is one of many mixed uses including single and multifamily residences, apartment buildings, retail and commercial establishments. The striking changes in the dynamics of the immediate area can be attributed to the bypassing of the "old University Avenue" commercial district by traffic which now uses Campus Drive and the development and consolidation of the health sciences complex across Campus Drive from the subject site.

Recently, development activity has picked up. Several years ago two condominium projects totaling 34 units have been built at University Avenue and Forest Street and University Avenue and Allen Street. It is currently anticipated that most of the north side of the 2500 block will be developed by its owner, an experienced developer, into offices and retail space.

There have been the recent commercial land transactions which are noted in Exhibit 16 as well as two parcels intended for residential development, one of which is underway.

Millers Market, a grocery which had been a tenant in the old structure on the subject site has moved across the street.

The loss of Millers to the neighborhood would have been detrimental to the commercial district.

There is a proposal to expand the recently built University Hospitals (see Appendix C).

E. Physical Attributes of the Proposed Subject Structure

The owner of the subject property proposes to construct a four-story, elevatored brick hotel building with 120 guest rooms, restaurant and bar, five meeting rooms, whirlpool/sauna and exercise room, and supporting facilities. The plans, elevations, and typical room plans comprise Exhibit 6. The building will have a floor area of 70,867 square feet on the four floors plus the lower level which is a floor area ratio (FAR) of 0.95 for the 74,335 square foot site. The summary of building space allocation obtained from the developer is as follows:

<u>LOCATION</u>	<u>DESCRIPTION</u>	<u>SQUARE FEET</u>
LOWER LEVEL:	Meeting Rooms/Classroom	1,718
	Whirlpool/Sauna/Exercise/Game	1,180
	Laundry/Empl Lounge/Housekeeper	1,099
	Mechanical/Equip/Maintenance	978
	Public Toilet	320
	Storage	701
	Total Lower Level Floor Area	9,168*

* Includes circulation areas, etc.

<u>LOCATION</u>	<u>DESCRIPTION</u>	<u>SQUARE FEET</u>
FIRST FLOOR:	Canopy	
	Lobby	312
	Front Desk	228
	Offices	792
	Meeting Rooms	4,027
	Bar	640
	Cafe	1,450
	Outdoor Terrace	
	Kitchen	1,023
	Public Toilets (2)	260
	Storage	680
	Gifts & Florist	96
	4 - Single Rooms - King	
	7 - Double Rooms - 2 Double Beds	
	1 - Handicapped - King	
	1 - Exec. Suite - Murphy-Queen	
	Housekeeping Room	
	Total First Floor Floor Area	17,488 *
SECOND FLOOR:	18 King	
	12 Double Doubles	
	3 Handicapped Double Doubles	
	3 Handicapped King	
	1 Executive Suite	
	2 Maid/Storage	
	Total Second Floor Floor Area	14,959 *
THIRD FLOOR:	9 King	
	20 Double Doubles	
	3 Handicapped Double Doubles	
	3 Handicapped King	
	1 Executive Suite Murphy-Queen	
	1 Executive Suite King	
	Total Third Floor Floor Area	15,362 *
FOURTH FLOOR:	3 King	
	22 Double Doubles	
	3 Handicapped Double Doubles	
	4 Handicapped King	
	1 Executive Suite Murphy-Queen	
	1 Maid/Storage	
	Total Fourth Floor Floor Area	13,890 *

* Includes circulation areas, etc.

GUEST ROOM SUMMARY

3 Executive Suites Murphy-Queen
2 Executive Suites King
45 Kings (11 Handicapped)
70 Double Doubles (9 Handicapped)

TOTAL BUILDING AREA INCLUDING LOWER LEVEL (5 Levels) 70,867 *
=====

The guest rooms which number 70 double doubles, 45 kings, 2 king suites, and 3 Murphy-queen suites have a mix and size appropriate to the intended use and market orientation described in Section II. G. of this report, Market Study of the Proposed InnTowner Hotel. The suites, particularly the Murphy version, provide additional flexibility for small meetings or hospitality suites.

The restaurant and bar, to be called "Francie's", will have a seating capacity of 100 not including an adjoining outdoor patio area for warm weather dining. The restaurant, bar, and kitchen area contain 1,450 square feet, 640 square feet, and 1,023 square feet, respectively.

The canopied main entrance serves as the principal entrance for both motel and restaurant/bar. The circulation pattern, particularly important for the first floor and basement, is good.

The structure is a steel frame with face brick exterior and wood trim. The overall quality of design, specified materials, and workmanship are above average for the type of facility.

EXHIBIT 5

PHOTOGRAPHS



Subject Site
Looking west
Forest Products Lab upper rightmost



Subject Site
Looking north up Highland Avenue. Forest Products Lab
and WARF behind. Highland Avenue north
and University Avenue are bus routes.



Subject Site
from railing along Campus Drive eastbound



View toward subject site
Highland Avenue from Veterans Hospital driveway



Campus Drive - University Avenue intersection
East of the subject looking west



Campus Drive - University Avenue intersection
West of the subject looking east



Campus Drive westbound
Subject site behind first car from left.
Hotel will be visible from here



Highland Avenue exit
from Campus Drive westbound



University Avenue looking east
from one block west of subject site



Site of new apartment building on University Avenue
Immediately to the right of photograph above



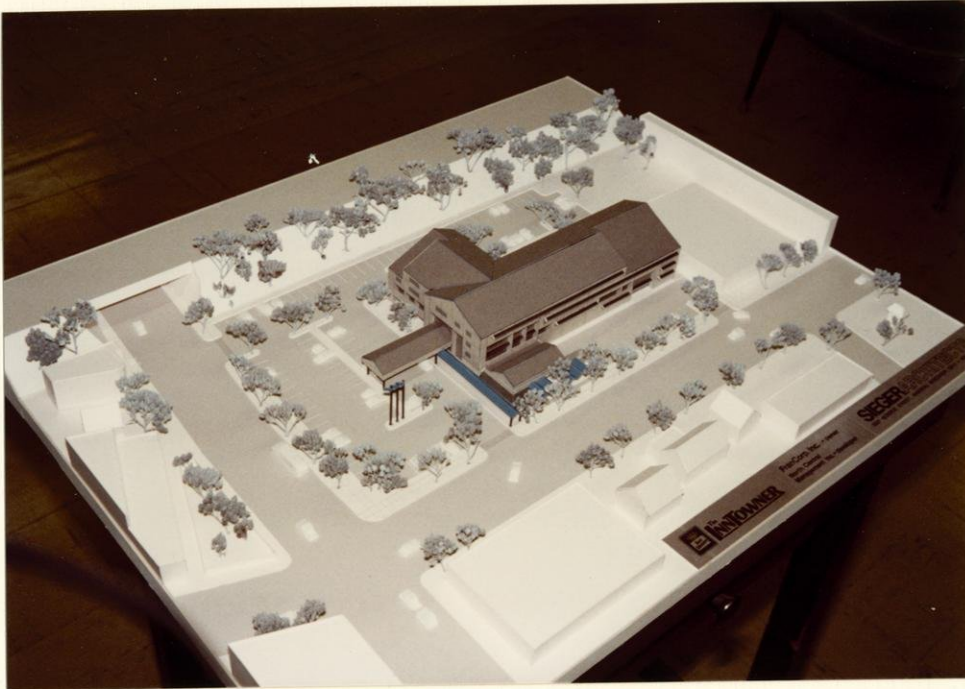
University Avenue two blocks east
of the subject site looking
toward the subject site



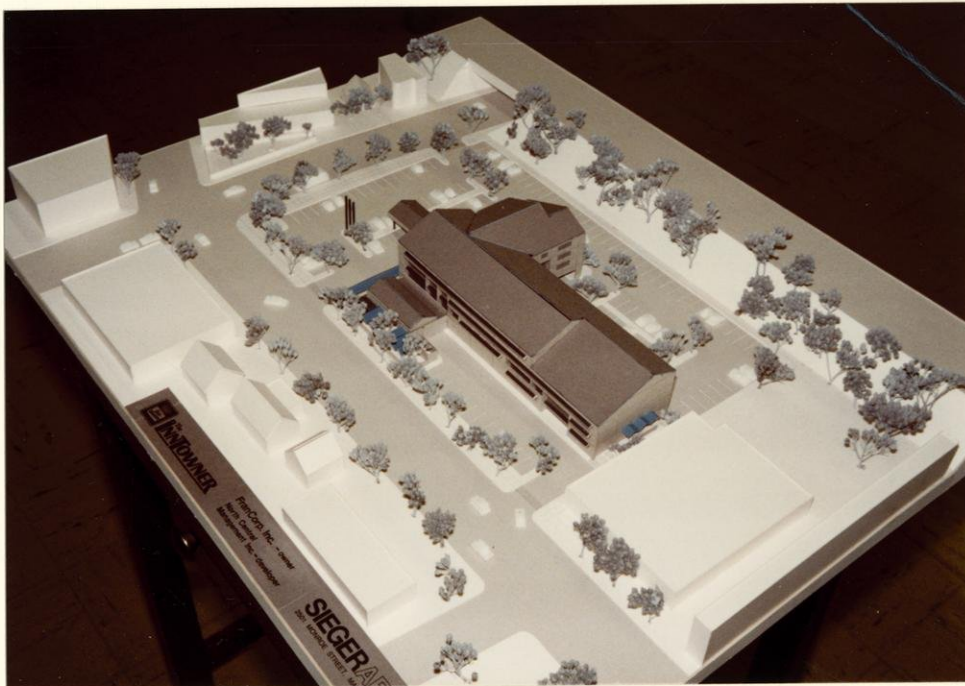
New apartment and office building at
Campus Drive - University Avenue west of
the subject site. Land sale comparable No. 3



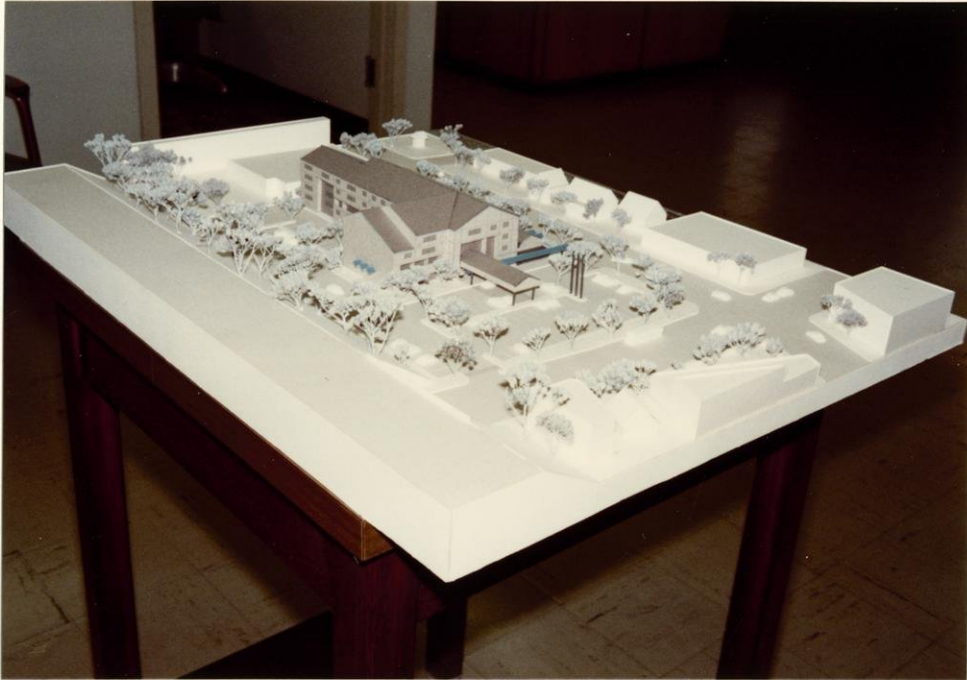
Ivy Inn
One block from subject on
University Avenue
Non-competitive with the InnTowner



InnTowner Model
Highland Avenue - bottom to upper left
University Avenue - bottom to upper right



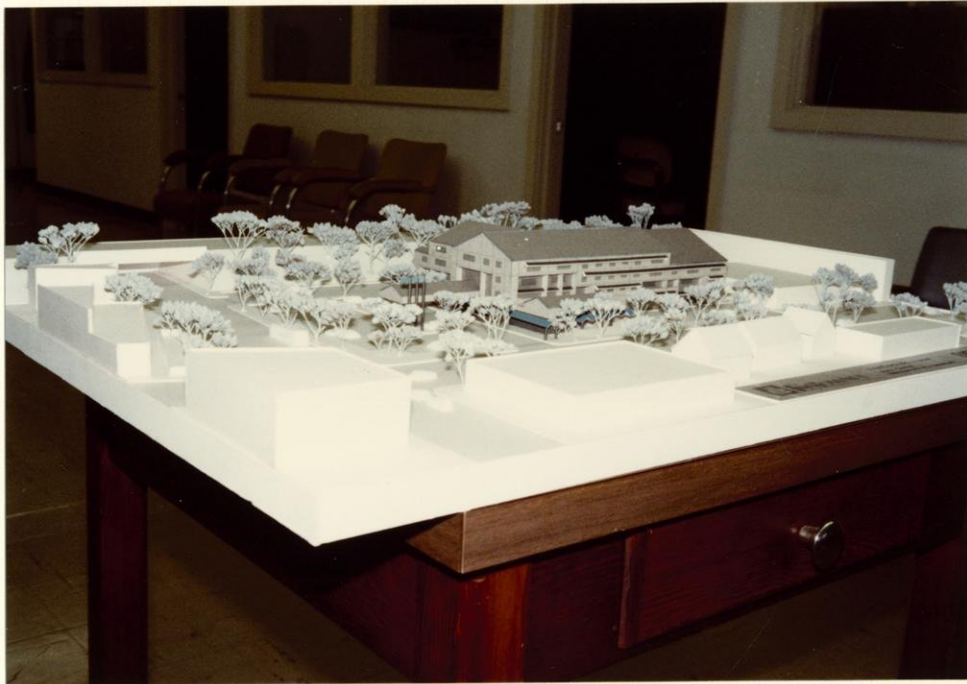
University Avenue - bottom of photo to upper left
Highland Avenue at top
Campus Drive along upper right edge



View from northwest
Note canopy and main entrance



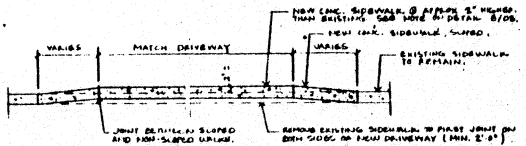
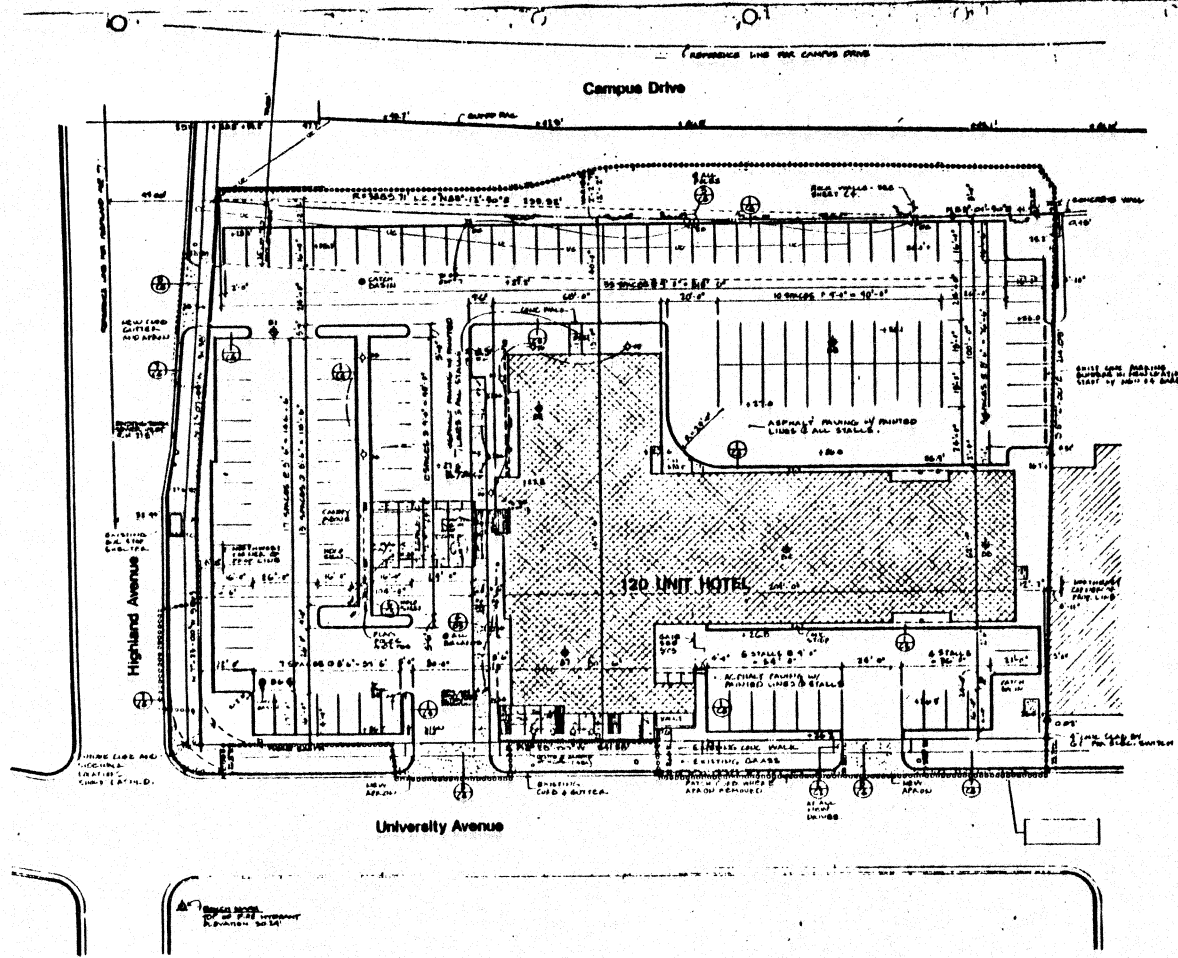
Rear view



View looking toward
Highland and University intersection

EXHIBIT 6

PROPOSED INNTOWNER
PLANS, ELEVATIONS AND
TYPICAL ROOM PLANS



LONGITUDINAL SECTION - WALKS & DRIVEWAYS
1/4" = 1'-0"

- NOTES:
1. MATCH EXISTING STREET WALKS, SIDEWALKS, CURBS AND GUTTERS, RAMPING, UTILITY (ELECTRICAL, AND OTHER), NEW WALKS, MATCH SIDEWALKS & UTILITY CURBS, CURBS.
 2. INFORMATION ON EXISTING SITE AS SHOWN ON SHEETS 11 THROUGH 14, OBTAINED FROM DRAWINGS, SITE SURVEY FOR UNIVERSITY AVE AND HIGHLAND AVE, MADISON, WISCONSIN BY ADAMS AND O'BRIEN, DATED 12-11-78.
 3. PUBLIC SURVEYOR'S SCALE IS 1/4" = 100'. LONGITUDINAL TOLERANCE WITH CURB SLABS IS 3/8" PER FOOT WITH CURB LINES @ 1/8" O.C. AND SURVEYING INSTRUMENTS @ 30" O.C.

site plan  1/80

SIEGER ARCHITECTS
201 MONROE STREET, MADISON, WISCONSIN 53703

FranCorp, Inc. - owner
North Central Management Inc. - developer

University & Highland
Madison, Wisconsin

OWNER

14 MAY 85
10:51 AM

G2

Richard Research, Inc.

Randwick Research, Inc.

SIEGERARCHITECTS
 501. 400.000 STREET, MADISON, WISCONSIN 53711 • 262.231.1100

FranCorp, Inc. - owner
 North Central
 Management Inc. - developer

University & Highland
 Madison, Wisconsin

INTOWNER

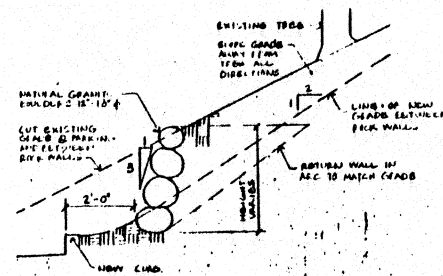
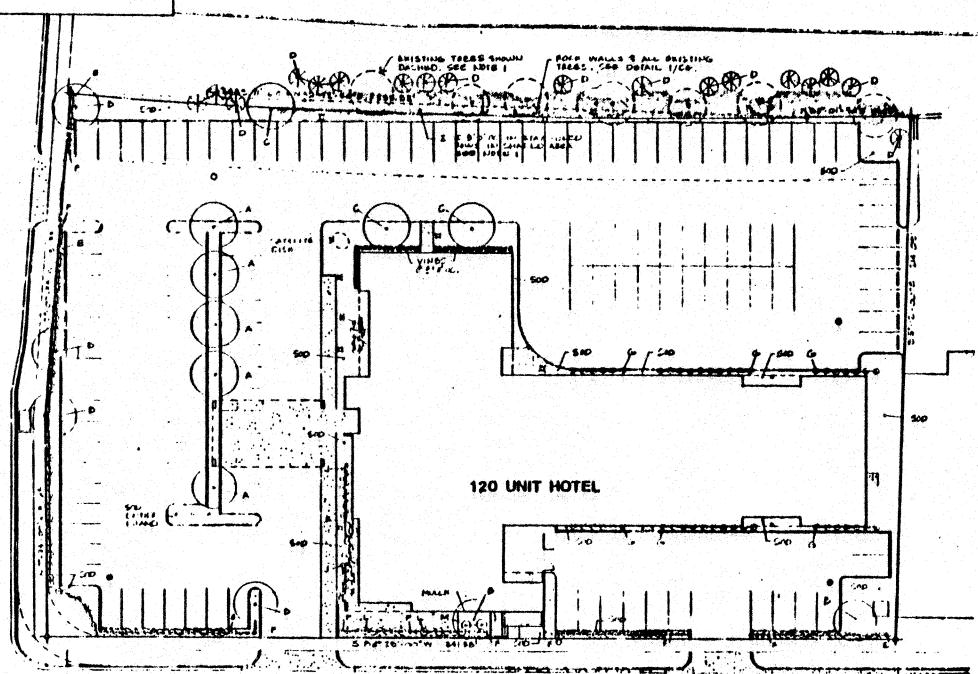


C4

Campus Drive

Highland Avenue

University Avenue



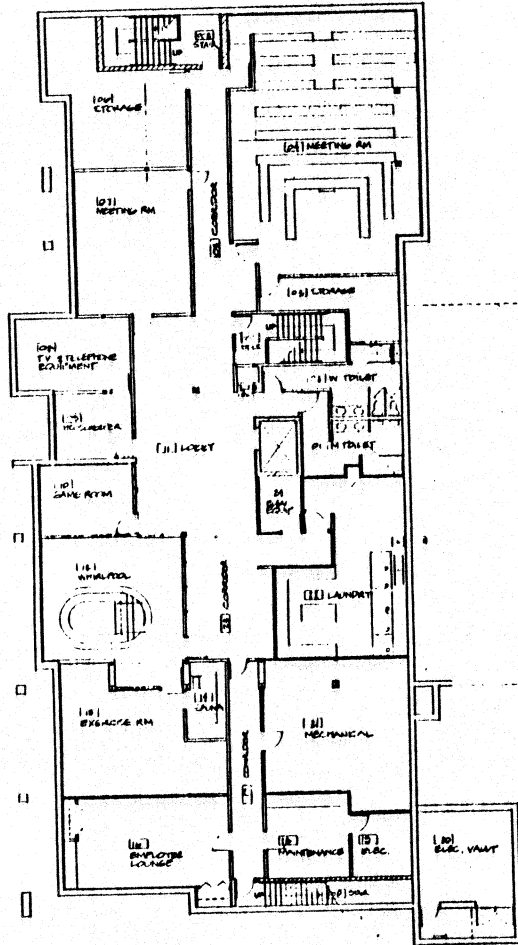
NOTES:
 1. LANDSCAPE MATERIALS, PLANTS OR EXISTING TREES TO BE MAINTAINED, AND THE 2\"/>

PLANT LIST

SYMBOL	COMMON NAME	SCIENTIFIC NAME	HT/SP	W/TH
A	Flowering Shrub	Viburnum acerifolium "Aronia"	8'	10"
B	Shrub Hedge	Yucca filamentosa	7'	10"
C	"Autumn Purple" White Oak	Quercus macrocarpa "Autumn Purple"	7'	10"
D	American Elm	Ulmus americana	7'	10"
E	Green Spirea	Spiraea alba	6'	10"
F	Black Spirea	Spiraea prunifolia "Black Spirea"	6'	10"
G	Red Spirea	Spiraea prunifolia "Red Spirea"	6'	10"
H	Japanese Spirea	Spiraea japonica	6'	10"
I	Japanese Spirea	Spiraea japonica	6'	10"
J	Japanese Spirea	Spiraea japonica	6'	10"
K	Red Spirea	Spiraea prunifolia "Red Spirea"	6'	10"
L	Red Spirea	Spiraea prunifolia "Red Spirea"	6'	10"
M	Red Spirea	Spiraea prunifolia "Red Spirea"	6'	10"
N	Red Spirea	Spiraea prunifolia "Red Spirea"	6'	10"
O	Red Spirea	Spiraea prunifolia "Red Spirea"	6'	10"
P	Red Spirea	Spiraea prunifolia "Red Spirea"	6'	10"
Q	Red Spirea	Spiraea prunifolia "Red Spirea"	6'	10"
R	Red Spirea	Spiraea prunifolia "Red Spirea"	6'	10"
S	Red Spirea	Spiraea prunifolia "Red Spirea"	6'	10"
T	Red Spirea	Spiraea prunifolia "Red Spirea"	6'	10"
U	Red Spirea	Spiraea prunifolia "Red Spirea"	6'	10"
V	Red Spirea	Spiraea prunifolia "Red Spirea"	6'	10"
W	Red Spirea	Spiraea prunifolia "Red Spirea"	6'	10"
X	Red Spirea	Spiraea prunifolia "Red Spirea"	6'	10"
Y	Red Spirea	Spiraea prunifolia "Red Spirea"	6'	10"
Z	Red Spirea	Spiraea prunifolia "Red Spirea"	6'	10"

landscaping plan





basement floor plan



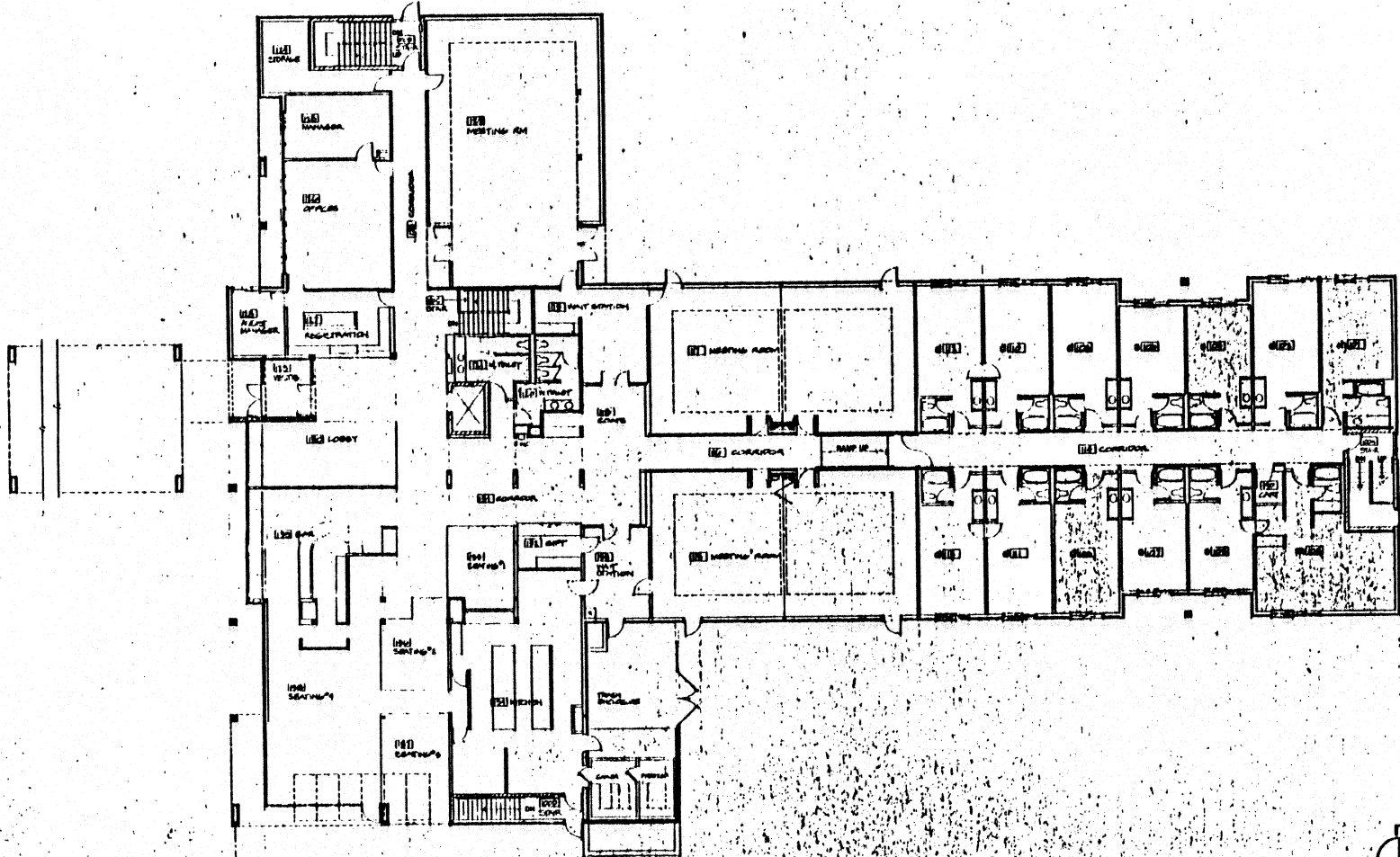
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FranCorp, Inc. - owner
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 Madison, Wisconsin



Sandwich Research, Inc.



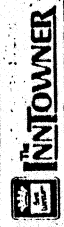
first floor plan



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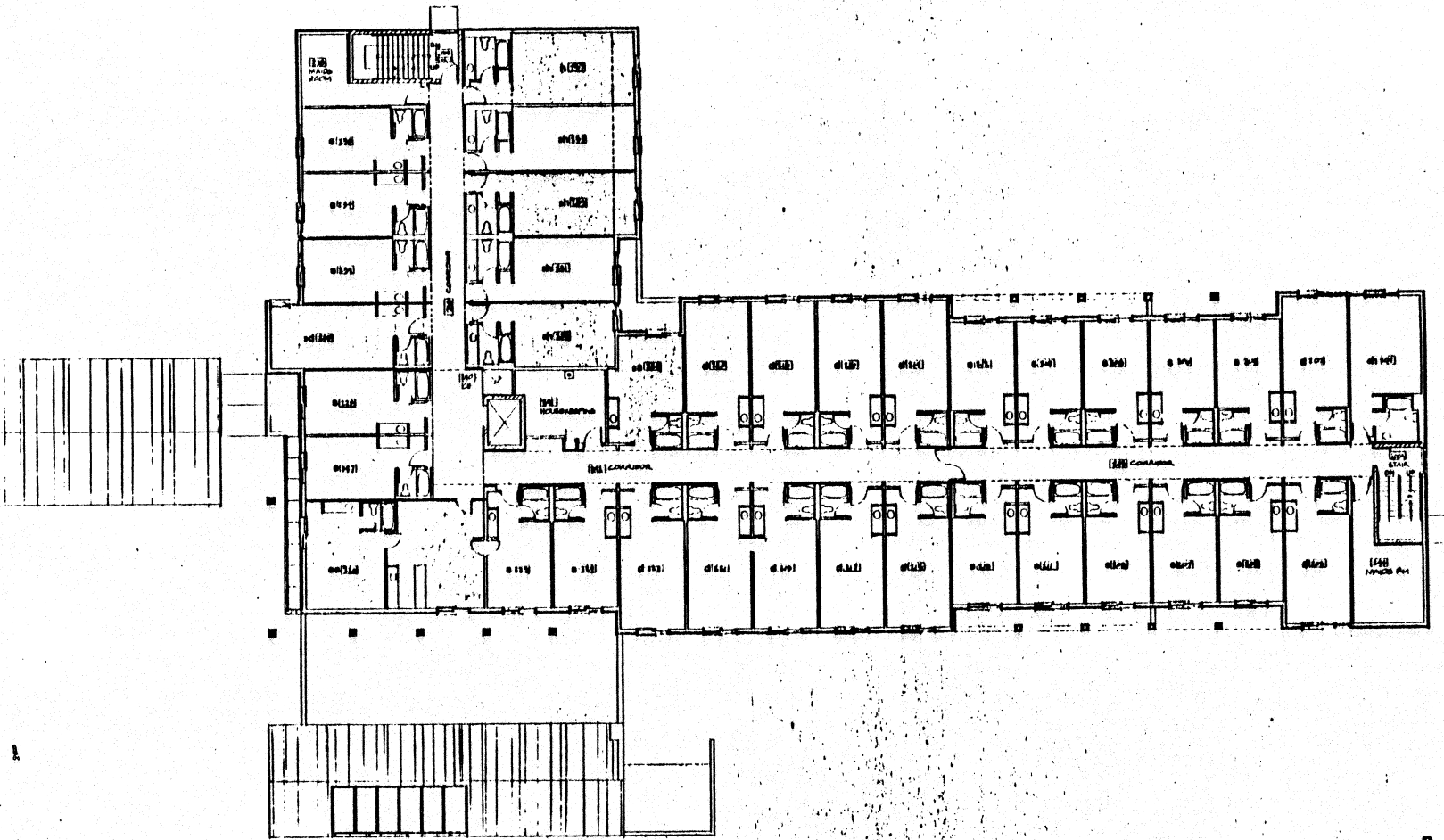
Fran Corp. Inc. - owner
 North Central
 Management Inc. - developer

University & Highland
 Madison, Wisconsin



Sustainable Research, Inc.

07



second floor plan 

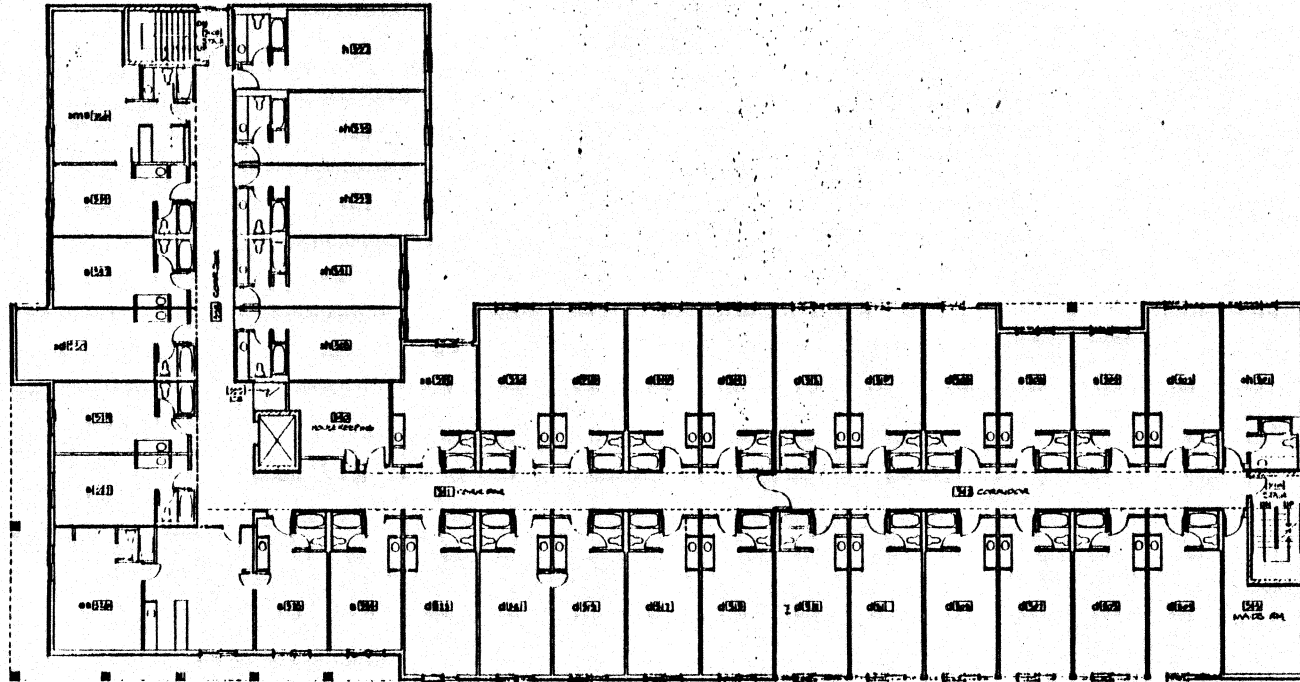
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 North Central
 Management Inc. - developer

University & Highland
 Madison, Wisconsin

INTOWNER

Sandwich Research, Inc.



third floor plan



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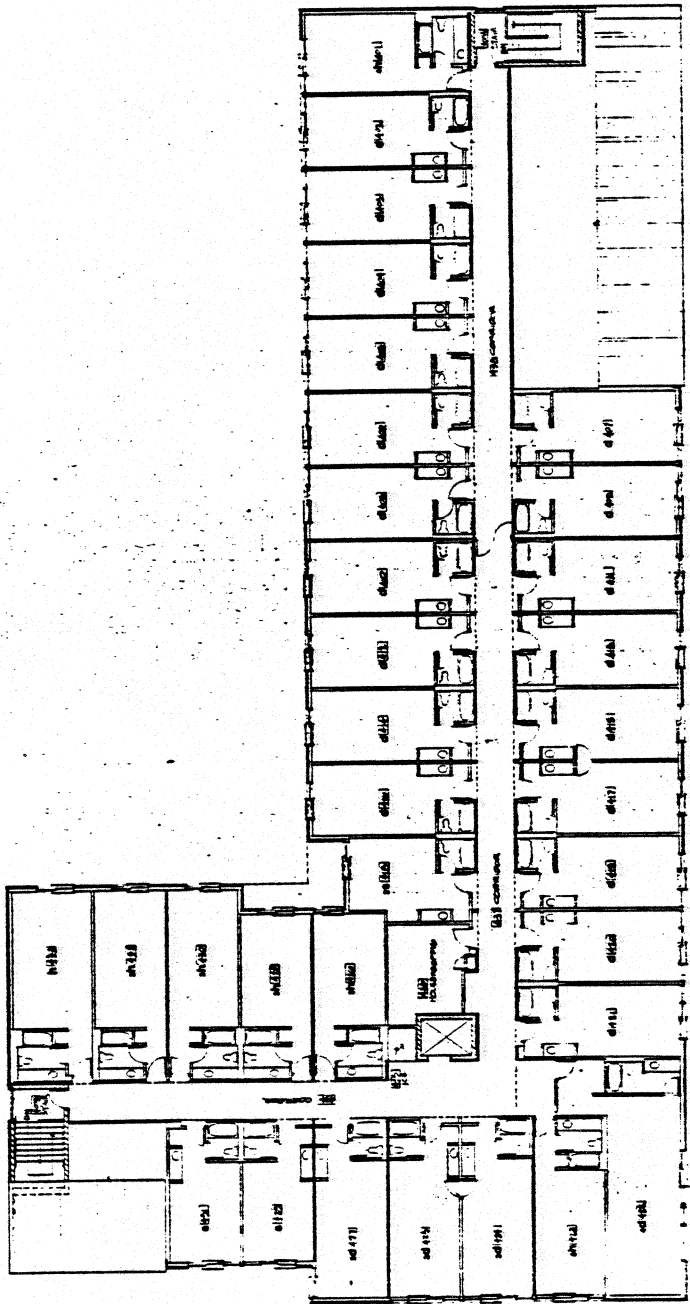
FranCorp, Inc. - owner
 North Central
 Management Inc. - developer

University & Highland
 Madison, Wisconsin

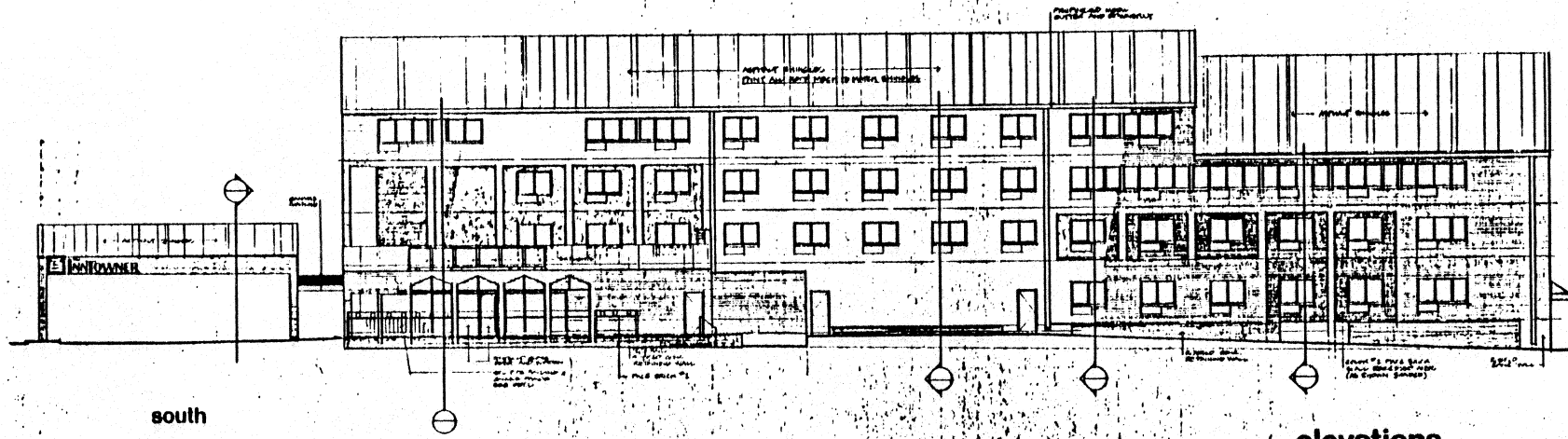
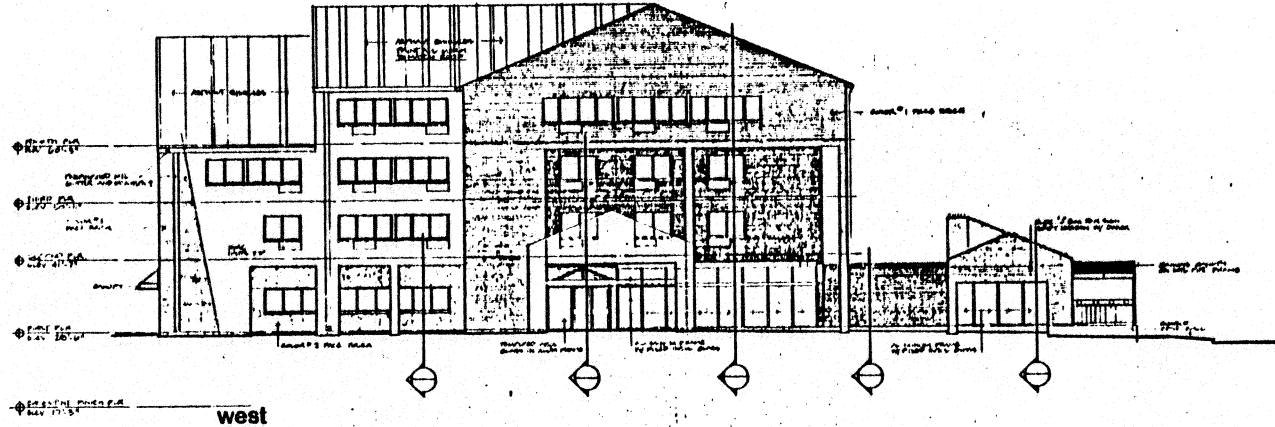
INTOWNER

Sustainable Research, Inc.

THE INN TOWER
 University & Highland
 Madison, Wisconsin
 FranCorp, Inc. - OWNER
 North Center
 Management, Inc. - DEVELOPER
SIEGER ARCHITECTS
 2871 HOWARD STREET, MADISON, WISCONSIN 53711 • 608-261-1838



fourth floor plan



elevations

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501 SOUTH STREET, MADISON, WISCONSIN 53711

FranCorp, Inc. - Owner
North Central
Management Inc. - Developer

University & Highland
Madison, Wisconsin

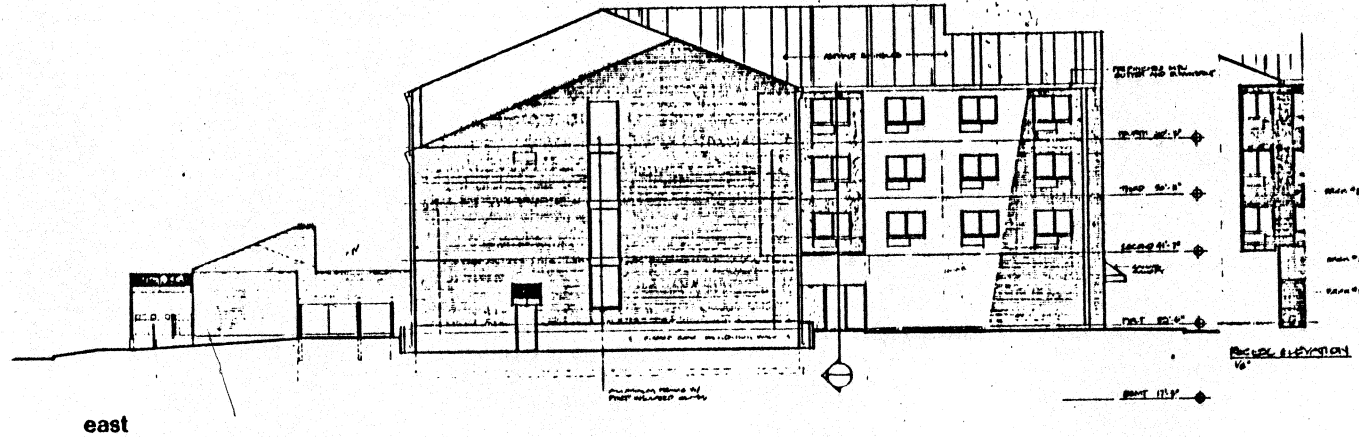
INTOWNER

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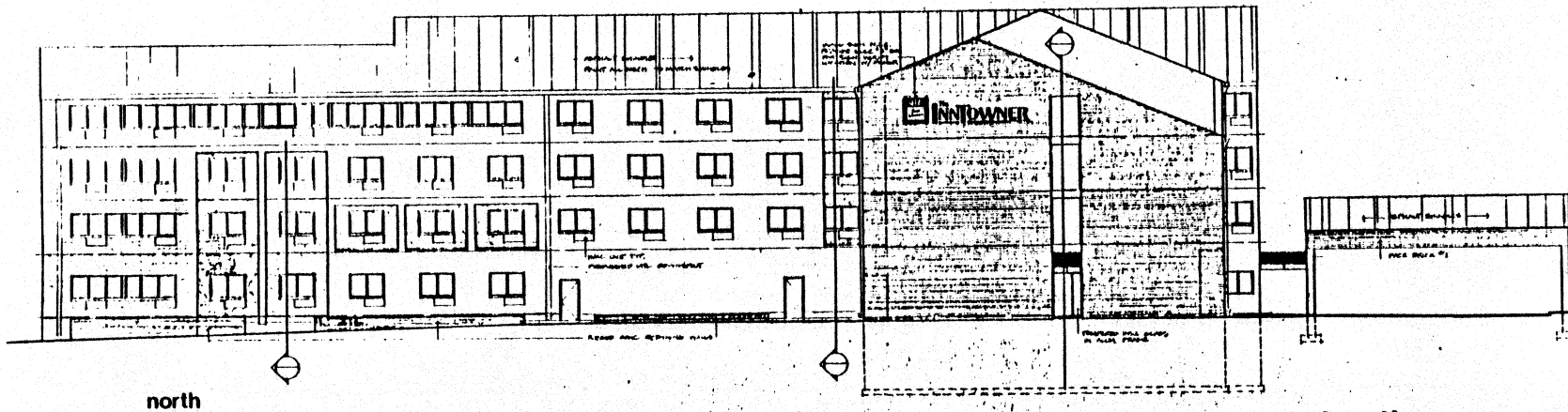
A6

Southern Wisconsin, Inc.

77



east



north

elevations

SIEGER ARCHITECTS
201 LOUICE STREET, MADISON, WISCONSIN 53703-1000

FranCorp, Inc. - owner
North Central
Management, Inc. - developer

University & Highland
Madison, Wisconsin

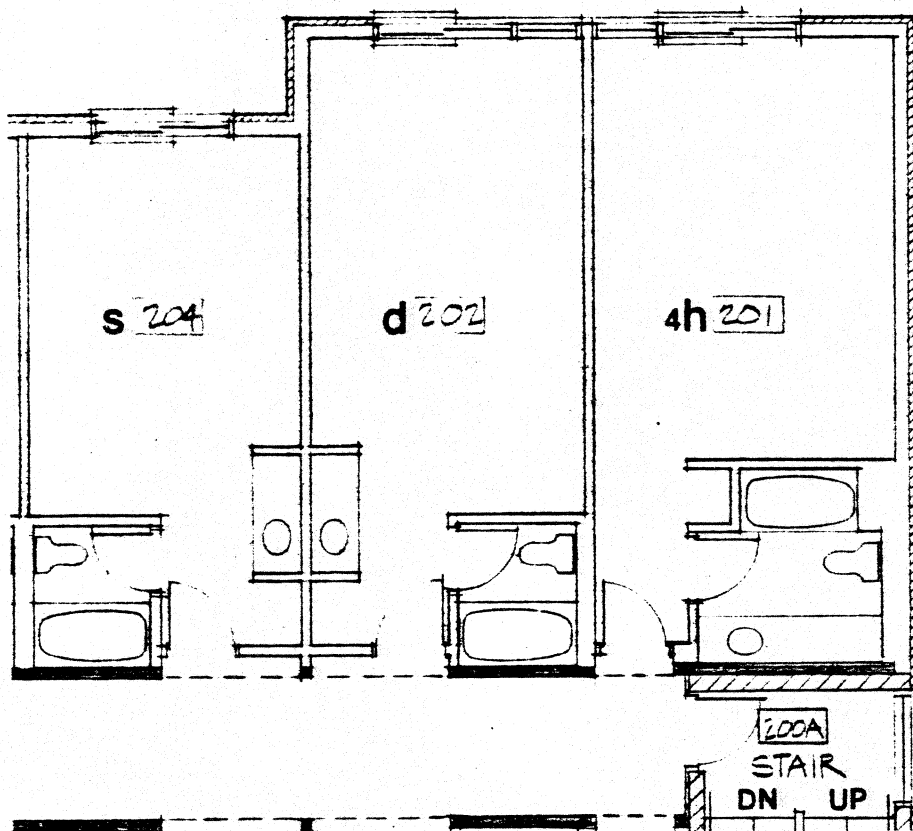
INTOWNER



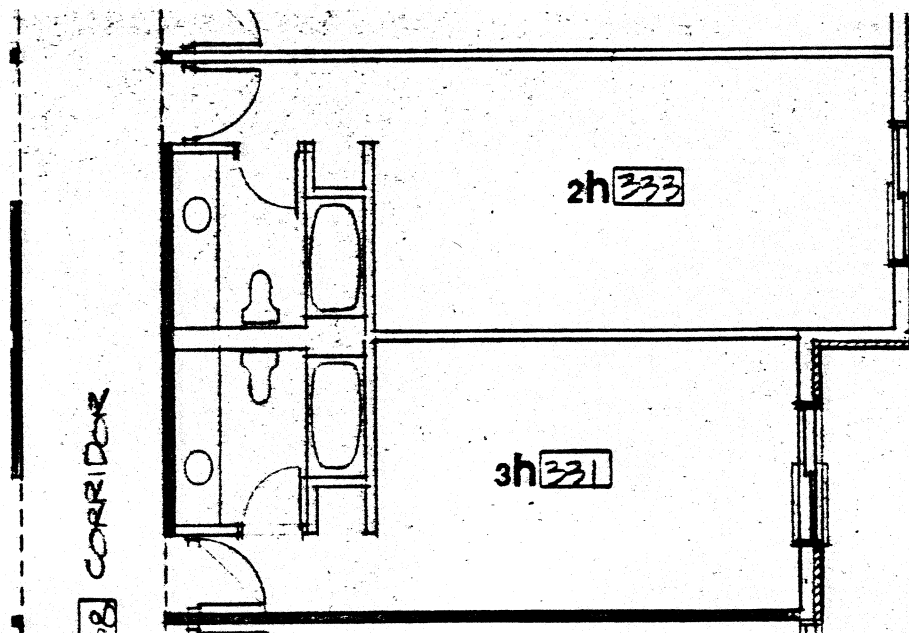
DATE

A7

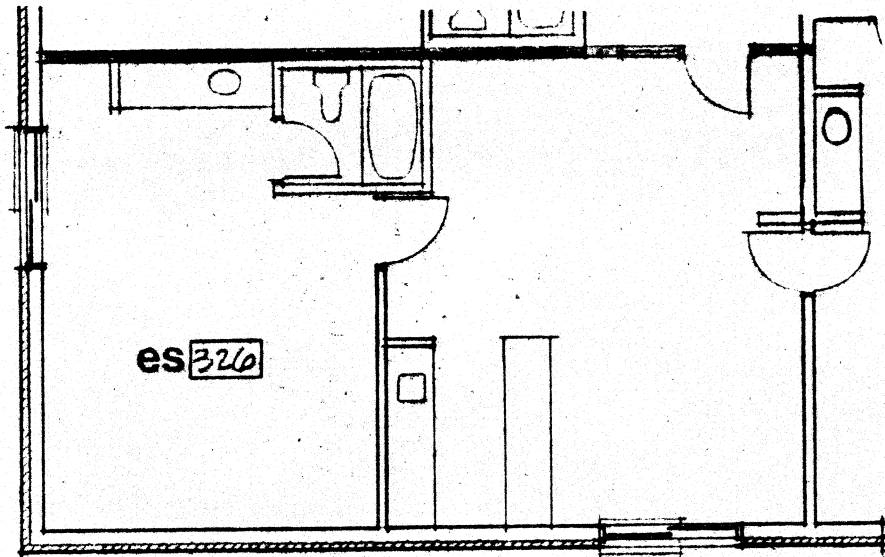
Sandwiched Research, Inc.



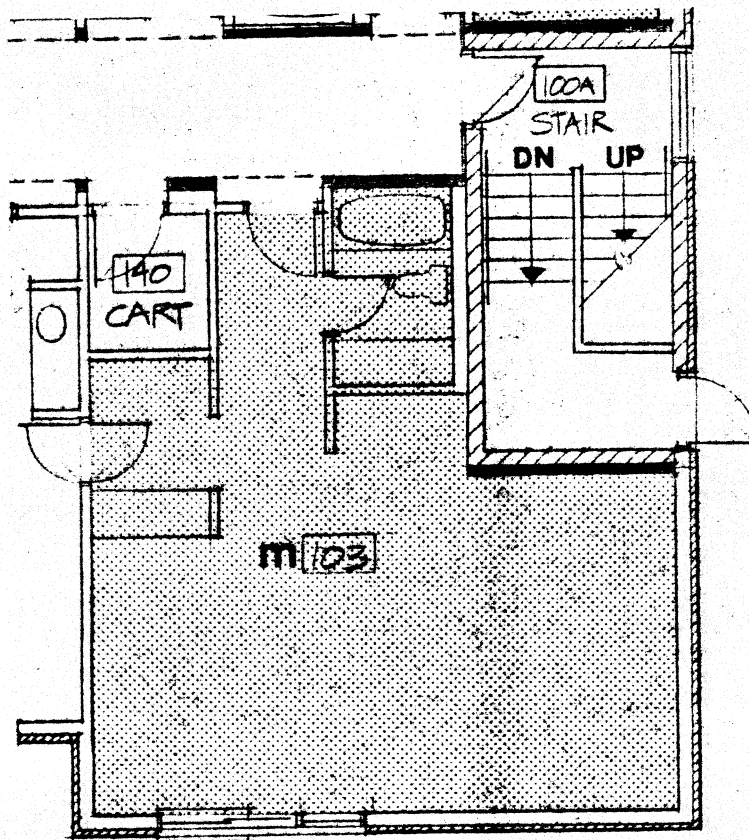
Typical Single (s), Double (d),
and Handicapped (h) Room Plans



Typical Large and Small
Handicapped Room



Typical Executive Suite



Typical Murphy Bed Suite

The basic specifications are as follows:

Footings and Foundations. Poured concrete footings with 10 inch poured concrete basement walls and a 4 inch basement floor.

Frame. The structure is a steel frame construction. Floor joists are 12 inch steel.

Floor Structure. Except for the poured basement floor, floors are metal decking surfaced with 2-1/2 inches of regular weight concrete.

Exterior Walls. Face brick anchored to the steel frame and 6 inch metal studs (24 inch o.c.) through 5/8 inch gypsum board sheathing and 15 pound felt. Insulation is 6 inch R-19 batts.

Windows and Doors. Windows are very good quality fixed and sliding with 1 inch insulated glass and plastic laminate sill. Frames for windows and doors are anodized aluminum. Door and passageway glass are tempered.

Roof Structure. Roof structure is asphalt shingles over a plywood subroof which rests on 2 inch by 2 inch furring screwed to 1-1/2 inch metal deck over metal trusses.

Interior Partitions and Finish. Interior partitions are 2 inch by 4 inch metal studs on 16 inch centers. The laundry and furnace rooms and kitchen have appropriately rated fire walls.

Floor Finish. Most floor surfaces are to be carpeted with good quality materials. Housekeeping, service, and kitchen areas will have vinyl tile finish.

Ceiling Finish. Ceilings will be suspended panel or taped and painted gypsum board or appropriate.

Plumbing. Standard rooms have a tub with shower, a water closet and vanity sink. The vanity itself is clad with an attractive laminated plastic surface. Suite units also have a wet bar sink. The tub enclosure and bathroom floor are clad with ceramic tile. All fixtures are American Standard or equivalent. Domestic hot water is provided via a recirculating system that uses A. O. Smith natural gas-fired heated. Public lavatories serve the restaurant, bar, and meeting facilities. The kitchen is fully plumbed for sinks, drains, and the like. Laundry facilities in the complex include a commercial washing machine and dryer.

Heating, Ventilating, and Air Conditioning. The systems are natural gas-fired warm air furnaces equal to Trane or Carrier, with DX coils, electric condensing units, fan coil units with electric coils, wall heaters and exhaust fans. Economizer controls switch the units for occupied and unoccupied operation modes.

Elevator. The elevator is to be equal to Otis LRV or Dover Marquis Hydraulic passenger elevator of 2,500 pounds capacity (approximately 15 passengers).

Electric Power and Lighting. The design, construction, and installation of the electrical systems is controlled by the National Electrical Code, Wisconsin and Madison Codes, and the project specifications. Fixtures and outlets are adequately distributed and of good quality.

Special Building Features. The most significant special building features are an indoor heated whirlpool and sauna and specially equipped meeting rooms as previously recommended. The building has smoke and fire alarms.

F. Madison Hotel Market

Although the number of hotel and motel rooms (in establishments of 31 rooms or more) has grown by approximately 42 percent since 1971, three-quarters of this growth occurred between 1971 and 1978. Between 1980 and 1982 there was less than a 1 percent increase. The percentage of hotel rooms in the total supply dropped steadily during the years 1971 through 1980, but by 1982 a considerable shift had occurred and the percentages of hotels and motels of the total had reversed. This data comes from a 1972 University of Wisconsin Recreation Resources study of Dane County (see Exhibit 7) but the

EXHIBIT 7

NUMBER OF AVAILABLE
HOTEL AND MOTEL ROOMS
IN DANE COUNTY
(In Establishments of 31 Rooms or More)

	1971	1978	1980	1982
HOTELS	1,360 (48%)	1,720 (46%)	1,760 (43%)	2,115 (52%)
MOTELS	1,472 (52%)	2,030 (54%)	2,312 (57%)	1,991 (48%)
HOTELS AND MOTELS	2,832	3,750	4,072	4,106
RATE OF GROWTH	-----32.4%-----> -----8.5%-----> -----0.8%----->			
--	-----40.9%----->			
HOTELS AND MOTELS	-----41.7%----->			

Source: University of Wisconsin Recreation Resources

patterns demonstrated reflect, principally, the Madison market. Competitive lodging establishments are listed in Exhibit 8.

As has occurred nationally, the rate of growth of hotel room revenue has declined since 1978, until the change from 1981 to 1982, which indicates a significant gain (see Exhibit 9). The cause for this increase has not yet been entirely explained. Since downtown major hotels and near west hotels and motels experienced a slow rate of growth during this period, it is possible that activity on the peripheral Interstate and Beltline locations were responsible for the indicated 1981-82 increase. Although the Westowner Motel has competed strongly with the Sheraton for far westside business since it opened in mid-1982, its appearance in the market does not account for the city room revenue growth in 1982.

Exhibit 10, Seasonal Hotel/Motel Occupancy for the Entire Madison Market, 1977 through 1982, graphs the range and mean over the last six full years with respect to occupancy. The graph verifies the importance of spring and fall convention and University social and athletic activities to Madison hotels. During the summer months, University related and convention business decline; summer vacation travel shifts demand to lodging facilities at highway locations, to the budget motel sector, and university continuing education facilities.

COMPETITIVE LODGING ESTABLISHMENTS
NOVEMBER 1983

MAP #	HOTEL/MOTEL NAME	NUMBER OF ROOMS	DINING	COCKTAIL LOUNGE	POOL	NUMBER MEETING ROOMS	CAPACITY MEETING ROOMS	ROOM RATES	
								SINGLE	DOUBLE
6	THE INNTOWNER	273	Restaurant	Yes	Indoor Sauna	17	1,880	\$38-48	\$46-56
8	The Edgewater	143	Restaurant	Yes	Lakefront	7	900	55	65
10	Holiday Inn Southeast	188	Restaurant	Yes	In/Outdoor Sauna	6	2,300	34	41
11	Howard Johnson's Motor Lodge Downtown	163	Restaurant	Yes	Indoor	3	300	37-49	44-56
12	Inn on the Park *	148 (225)	Restaurant	Yes	Outdoor	16	700	38-48	46-56
17	Midway Motor Lodge	95	Coffee Shop Restaurant	Yes	Indoor	5	190	40	47
19	Quality Inn	156	Coffee Shop Restaurant	Yes	In/Outdoor	18	1,200	30	36
21	Ramada Inn	197	Coffee Shop Restaurant	Yes	Indoor	6	300	30-32	34-40
24	Sheraton Inn & Conference Center	240	Restaurant	Yes	In/Outdoor	16	1,800	41.50- 54.50	48.50- 61.50
27	The Westowner	96	Restaurant	Yes	Indoor	6-11	750-800	44-48	52-56

Source: Greater Madison Convention & Visitors Bureau

Map number refers to location on map (Exhibit 1).

* Currently expanding to 225 rooms.

Sundstrand Research, Inc.

EXHIBIT 8

EXHIBIT 9

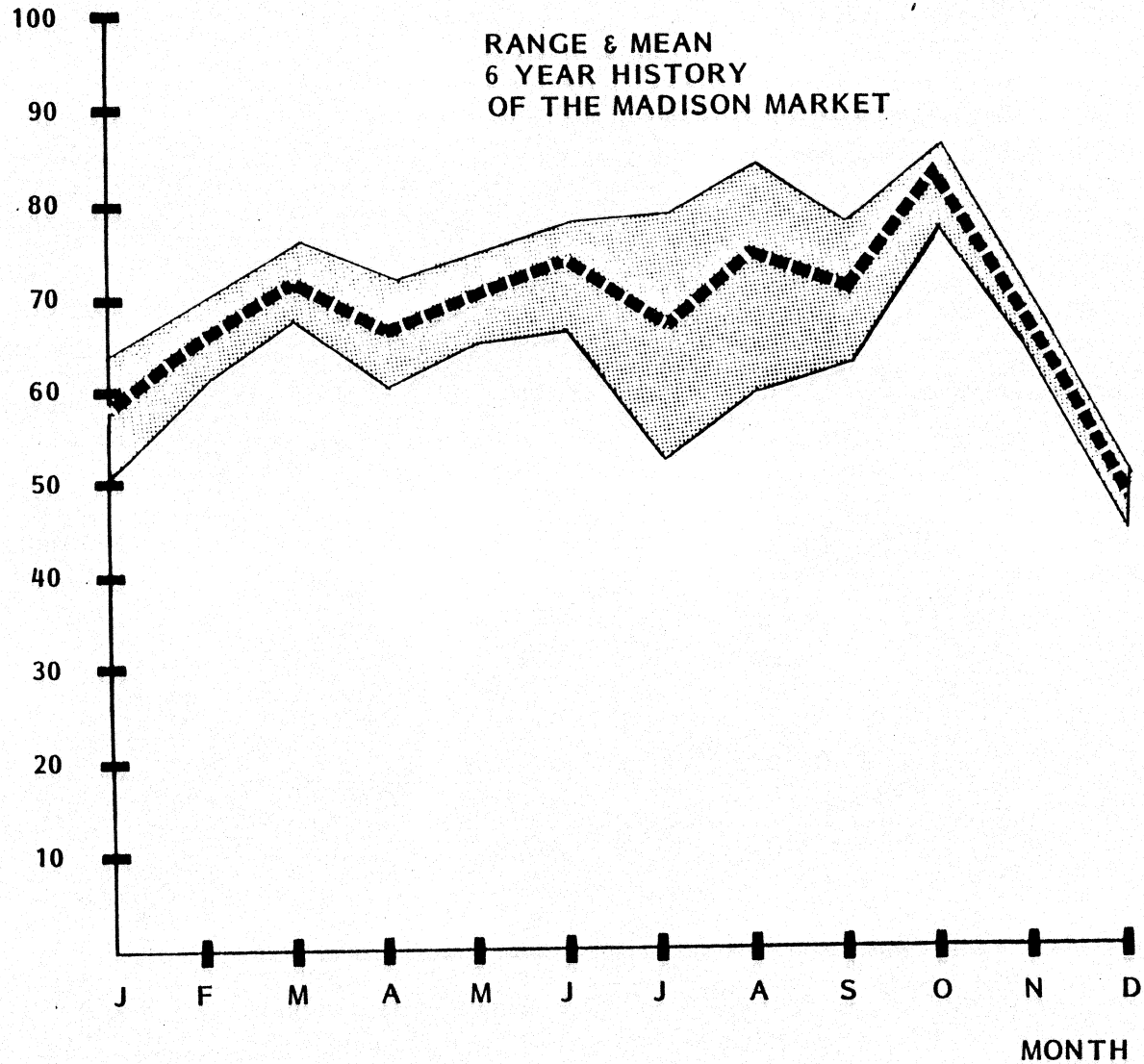
ESTIMATED RATE OF GROWTH IN ROOM REVENUE
MADISON HOTELS

	1978-79	1979-80	1980-81	1981-82
Downtown Major Hotels }	20%	8%	4%	3%
Near West Hotel/Motels }	10%	12%	6%	5%
All City of Madison Hotel/Motels }	15%	11%	8%	23%
NATIONAL AVERAGE	17%	13%	8%	N/A

Source: Landmark Research, Inc.

SEASONAL HOTEL/MOTEL OCCUPANCY
FOR THE ENTIRE MADISON MARKET
1977 THROUGH 1982

AGGREGATE
PERCENT
OCCUPANCY



Graph: Landmark Research, Inc., 4/83

EXHIBIT 10

Landmark Research, Inc.

54

Since downtown rates will increase as a result of new construction to the Inn on the Park and the Concourse, near westside and suburban motels will be able to advance their non-discount (rack) room rates and/or gain in occupancy rates. This occurred in 1977 when downtown rates increased 20 percent and the phenomenon is about to be repeated. Additionally, state lodging per diem rates will advance to \$36 on July 1, 1984, (see Footnote 4, Exhibit 15) which, in and of itself, will raise rate averages \$2.

G. Market Study for the InnTowner

In response to a request by the developer and owner of the subject, Landmark Research, Inc., undertook a study in the summer of 1983 to test the initial marketing assumptions with regard to market demand segments and required amenities.

The consultant found and reported to the client in a letter dated July 7, 1983, strong support for a facility related to University Continuing Education, less support from health care related business than expected, and several individuals at the University willing to work out some sort of partial lease or guarantee of meeting room usage.

Exhibit 11 is a comparison of the developer's market demand impressions as compared to the segments that the consultant constructed piece by piece from a variety of sources. Exhibits 12 and 13 provide additional detail on the computations of room

EXHIBIT 11

INN TOWNER HOTEL - MARKET DEMAND

=====

MARKET SEGMENTS	MARKET MIX	NO. ROOM NIGHTS @ 70% OCCUPANCY	PROJECTED DEMAND
1 Group Meetings			
University Related	20%	5,110	5,638
Non-University	12%	3,066	2,976
2 University-Individuals	9%	2,300	2,275
3 Corporate/Commercial	15%	3,833	3,800
4 Health Care-Patients & Visitors	15%	3,833	3,985
5 Tourist & Transient	20%	5,110	5,110
6 Special Events	9%	2,300	2,340
TOTALS		25,550	26,124

DOCUMENTATION FOR MARKET DEMAND

1. Group Meetings (University and Non-University):
See Table 2
2. University - Individuals: (325 days x 7 people per day capture = 2,275) Numbers are based on a study done by Professor Strang at the Business Research Institute. (See Table 3.) The study showed that 11,645 individuals come to the University as visitors and generate 16,460 room nights.
3. Corporate/Commercial: Various medical and University sales people; remainder are general business people.

EXHIBIT 11 (Continued)

4. Health Care - Patients and Family/Visitors of Patients - University Hospital and V.A. Hospital: Conservative estimate based on talks with marketing staff of hospitals who have done several surveys of inpatients and outpatients. Relevant supporting data follows:

UNIVERSITY HOSPITAL

Inpatient Admissions: 17,200 patients per year
(consistent level over last three years)

Dane County: 27% (4,644 patients)
25-50 Mile Radius: 23% (3,956)
More than 50 Mile Radius: 50% (8,600)
Average Length of Stay: 8.9 days

Study showed 16 people per night would be staying overnight before admission. Most people are interested in rates of \$12 - \$18 per night. Capture: 1 patient per night over 360 days.

University Hospital - Outpatients: 55,000 - 60,000 people.
Dane County: (27%) = 14,850
25-50 Mile Radius: (33%) = 18,150
More than 50 Miles: (40%) = 22,000
Capture: 2-3 patients per night, average stay of 1 night

Clinics Which Generate Overnight Stays of One to Six Weeks:

- 1. Skids patients (auto-immune deficiencies)
- 2. Cancer Protocols (a) Radio-therapy (6 week stays)
(b) Bone marrows
- 3. In-Vitro Program (1-2 week stays)

Conservatively, assume two overnight visits of family/friend per inpatient from a distance greater than 50 miles, or (8,600 patients x 2 nights) = 17,200 room nights. Capture 1,500 room nights.

Inpatient:	1 x 360	=	360
Outpatients:	2 x 360	=	720
Visitors to Inpatients:			<u>1,500</u>
			2,580

EXHIBIT 11 (Continued)

VETERAN'S ADMINISTRATION HOSPITAL

Inpatient Admissions: 9,344 patients per year

Dane County: 50% (4,672)

Out of Town: 50% (4,672)

Assume one half of inpatients might stay overnight before admission (based on University Hospital Surveys) and a capture of 6% or $(6,344 \times 1/2 \times 6\% = 185 \text{ room nights})$

Out-Patients: 55,859 (70% are from out of town)

Assume similar to University Hospital or a capture of 2 patients per night, average stay of 1 night or $(2 \times 1 \times 360 = 720 \text{ room nights})$

Conservatively. assume one visit of family/friend per inpatient at 1 night per visit $(4,672 \times 1 \times 1 = 4,672)$ capture 500 room nights.

Inpatient:	185
Outpatient:	720
Visitors to Inpatients:	<u>500</u>
	1,405 room nights

5. Tourist and Transient: Parents and friends of students and faculty visiting during the year. Rely on reservation services, tourist agencies, and word of mouth; 20% represents a targeted contribution rather than a measured opportunity.
6. Special Events: Football weekends, graduation, high school tournaments, registration for fall.
 $(13 \text{ weekends} \times 2 \text{ nights} \times 90 \text{ people} = 2,340)$

INNTOWNER HOTEL - MARKET DEMAND BY SEGMENT

A. UNIVERSITY RELATED - GROUP MEETINGS (EXTENSION)	NO. SEMINARS PER YEAR	AVERAGE NO. PEOPLE PER SEMINAR	AVERAGE LENGTH OF STAY OVERNIGHT	CAPTURE	ANTICIPATED DEMAND NO. OF ROOM NIGHTS	RATIONALE FOR CAPTURE RATE	CONTACT
Real Estate	54	15	2	40%	648	Majority of attendees are local.	JOYCE - (262-9789) Handles all arrangements. Most stay at Lowell Hall/Frederick Center. Programs include continuing education for brokers, appraisers, some high-level corporate real estate executives.
Engineering	200	25	2	10%	1,000	Majority of seminars are held at University facilities.	GLADYS STARRY - (262-4875) Schedule meetings at Wisc. Center/Lowell Hall, Memorial Union, Union South. Some seminars at Howard Johnson's and the Concourse. Guests stay at a variety of motels in the area.
School of Business Management	20	40	2	50%	800	Dean showed particular interest in finding facilities for this new program.	(DEAN BLAKELY, SCHOOL OF BUSINESS) SEE JIM GRAASKAMP as contact. Dean is interested in facility with conference center and meeting rooms. Needs 65-100 room lecture hall with video and computer capability, plus three smaller breakout rooms.
Management Institute (Merging with the School of Business)	200	25	2	10%	1,000	About half of attendees stay over night. Capture about 20 people per seminar; before recession about 30-35 people per seminar.	GLADYS STARRY (262-4875) A number of program assistants set up arrangements for seminar leaders. Professor Boyde (262-7878) who has been with the program a long time should be contacted for more background and his ideas on their future needs.
Human Services	36	200	3	25%	1,440	80% of people stay over night. Figure 1 seminar per month.	ANN BAILEY - Dept. of Continuing Medical Education, 610 Walnut Street (263-2854) She is interested in sitting down to discuss needs. NOTE: This location is ideal for them.
Miscellaneous Extension Group Seminars	100	25	3	10%	750	Assume 1 seminar per month. 50% of people stay overnight.	Refer to Extension Program Seminar listings.
TOTAL UNIVERSITY RELATED - EXTENSION					5,638		

EXHIBIT 12

Southwestern Research, Inc.

B. NON-UNIVERSITY GROUP MEETINGS	AVERAGE NO. PEOPLE PER SEMINAR	AVERAGE LENGTH OF STAY OVERNIGHT	CAPTURE	ANTICIPATED DEMAND NO. OF ROOM NIGHTS
Large-sized Meetings	60	1	12 seminars per year; 80% stay overnight.	576
Medium-sized Meetings	25	1	48 seminars per year; 80% stay overnight.	960
Small-sized Meetings	15	1	120 seminars per year; 80% stay overnight.	1,440
TOTAL NON-UNIVERSITY RELATED				<u>2,976</u>

EXHIBIT 12 (Continued)

EXHIBIT 13

ESTIMATED NUMBER OF OTHER VISITORS
TO THE UNIVERSITY

	NUMBER OF PEOPLE	MEAN DAYS/ VISIT	VISIT DAYS
High School Students	761	1	761
Transfer Students	4,600	1	4,600
Counselor Training Sessions	106	1	106
Placement Interviewers	1,578	**	2,793
Law School Visitors	100	4.5	450
Salesmen	500	1.5	750
Visiting Athletes	2,000	2	4,000
Lecturers, Interviewees *	2,000	1.5	3,000
TOTAL VISITOR DAYS	11,645		16,460

* Estimates by Professor Strang; other figures were obtained from the most authoritative sources available.

** Mean days per visit not included because total visit days were available.

Source: The University and the Local Economy, A Study of the Economic Interaction Between the University of Wisconsin and the Dane County Economy, by William Strang, Associate Director of Bureau of Business Research and Service, Graduate School of Business, University of Wisconsin. (September, 1971. NOTE: Conversation with Professor Strang indicated these numbers prove not changed much over time; his update of 1978 showed this and the same holds true for the last five years.)

night demand. The names of several university people responsible for major continuing education programs are listed. These individuals could participate in the design and provide some sort of guarantee for utilization of a first class multimedia classroom installation. Dean Robert Bock of the Business School has expressed interest in the InnTowner plan; not only is the Business School initiating an executive management program, but also it is planning a merger with the Management Institute. In addition, Ann Bailey of the Health Management Institute is excited about the project. There is great dissatisfaction with the teaching facilities and location of the Frederick Center.

The results of initial interviews led to the realization that the majority of outpatients and patient families utilize a broad selection of private homes which rent single rooms from \$6 to \$12.50 per day. Therefore, the consultant explored the continuing education opportunities more carefully. A primary amenity must be an amphitheatre classroom for 60 persons, using seats at built-in tables as found in the Business School in Rooms 20 and 14. Teaching equipment should include closed TV circuits, electric outlets at each seat for computer equipment, large screen TVs with video tape and closed circuit capabilities, as well as conventional projection equipment. Next to that room should be a second flat-floored meeting room

which can be subdivided into three or four small classrooms or dining areas.

Because meetings will require breakfast and lunch accommodations, as well as an evening bar, the consultant suggested a coffee shop setup like that of Irish Waters. Indeed, Irish Waters or something like Bud's House of Sandwiches might be an excellent lessee. Both would like to have access to the campus-hospital market segment.

A shuttle service to the hospital, the center of campus, and Marshall Court is a competitive necessity since both Ivy Inn and Howard Johnson's provide these services.

University related people can pay up to \$34 for a single as well as \$4.25, \$5.25, and \$11.00 for breakfast, lunch, and dinner respectively (see Footnote 4, Exhibit 15). The University Hospital reports outpatients pay \$25 or less plus food. The consultant suggested that 60 percent of the rooms be in the 12' x 22' and 12' x 24' size range and be priced at \$32 to \$39. These recommendations are reflected in the plans for the InnTowner (Exhibit 6). The other 40 percent should be a somewhat higher quality space (14' x 30'). Two rooms in each category should be designed for wheelchairs and one additional room should be set up as a plushy board of directors room seating 12 to 14 at a central table with room for several

observers and wet bar. There are at least 100 organizations in the campus area which could utilize an executive meeting room.

The findings relative to health care patients reduce the need for kitchenettes; however, there are dozens of hospital doctors and visiting professors who are on campus for a couple of weeks at a time who could make use of a room with a kitchenette so two are recommended for the lower priced units and one for the upper priced units.

Relative to parking, the continuing education facility and executive meeting room may create a problem. However, University experience with seminars lasting two nights or more is that less than 50 percent of the participants drive. A more difficult question to answer is how much luncheon and cocktail hour parking would be generated by the restaurant operation. It was suggested that the developer might want to consider purchase of the defunct laundry operation across the street for parking local customers for \$100,000 or less in lieu of an infinitely more expensive and difficult acquisition of Mead and Hunt. However, to the extent that University related functions utilize the InnTowner, attendees might well be able to secure parking in university lots.

The consultant recommended no more retail space than a newspaper/magazine selection at the front desk and a vending machine for sundries like toothpaste and shaving cream.

It was concluded that it is most unlikely that the University of Wisconsin building at Kellogg's Center would compete with the project at this time relative to this location. However, the University has discussed a motel at Charmany Farms in conjunction with the Credit Union people; however, that plan has been shelved. The School of Business once thought of buying the Madison Inn but the site does not provide opportunity for classrooms, and there are problems with the building. Mullins is the most probable competitor when he expands the Campus Motor Inn on State Street. The Wisconsin Association of Manufacturers may also create a classroom amphitheatre near the Square some time after 1985, but it would lack a competitive edge relative to Business and Health Management Institutes.

The site is reasonably well insulated from the race to expand the Concourse and the Park Motor Inn which are reported to involve the addition of 120 and 48 rooms, respectively. The Inn on the Park also plans changes to common areas which will enclose the swimming pool and move the restaurant. The InnTowner is also remote from rapid expansion of spaces near West Towne. The site and timing for spring 1984 occupancy appear to be most favorable to the success of the InnTowner venture.

H. Most Probable Use of Subject Property

Analysis of the site, location, and strength of effective market demand permits the appraiser to establish the critical assumption as to the most probable, productive use of the subject property. Once that assumption has been established, it is possible to infer the most probable buyer for this type of property investment.

1. Suitability of the site for hotel purposes has been significantly enhanced by:
 - a. Construction of the University Hospital adjacent to the Veterans' Hospital to create a hospital/clinical science complex, for which Highland Avenue is the principal entrance by city design.
 - b. Visibility afforded the site by the heavy traffic on Campus Drive.
 - c. Protection of market due to nonavailability of alternative sites with appropriate size and linkages.
2. Estimated effective demand for Class A motel rooms in westside Madison is adequate to sustain a well managed, elevatored in-town hotel.
 - a. Undersupply of facilities and housing for continuing education programs in medicine, engineering, and business.

- b. Continuing expansion of all-state sports and secondary education functions in university facilities requiring motels for parents, coaches, teachers, and participants.

THEREFORE, THE ANALYST CONCLUDES THAT AS OF DECEMBER 1, 1983, THE MOST PROBABLE USE FOR SITE AND STRUCTURE IN THE FORESEEABLE FUTURE MUST BE AS AN URBAN MOTOR INN.

I. Most Probable Buyer-Investor

Determination of the most probable use permits the appraiser to make some inference about the most probable buyer for this type of property or investment, an inference which guides the appraiser in a search for comparable transactions in the market place that suggest the investment factors or assumptions which guide the investor in determining the most probable price such an investor would pay.

Hotel expansion in the 1970s reflected institutional equity investment in high-rise convention facilities in downtown locations which led to a cost per room of \$50,000 to \$75,000. The pendulum swung toward minimum service budget hotels which served as parasites to larger terminal projects. In the 1980s the market strategy has been to build low-rise construction with comfortable rooms and basic quality services located to serve a middle price range market. This market wants to avoid garish themes of cookie-cutter franchises, soaring room rates of high-rise facilities, and congestion of large conventions.

of high-rise facilities, and congestion of large conventions. Taste, style, and service at a reasonable price at a location related to professional services and upper income neighborhoods which generate weekend guests describes the current trend. These carefully targeted motels are attractive to risk capital due to the investment preference of small investment groups for tax shelter of the first owner position.

Syndicates of individual investors are more interested in immediate cash tax shelters of the first owner position, including interest and real estate taxes during construction, start up costs of hiring and training of staff, and other expense elections which create accounting losses in lieu of cash income during the early years. A group of private investors would seek tax shelter in the early years, a gradual increase in cash returns on a cash investment and for some years thereafter, and then a sale for capital gain for the present value of income streams forecast from the established operating record of the motor inn.

III. VALUATION OF THE SUBJECT PROPERTY

A. The Valuation Method

When adequate data is available, the appraisal process traditionally applies three approaches to reach a value estimate: The Comparable Sales Approach, the Income Approach, and the Cost Approach. Each is based upon somewhat different assumptions and arrives at a value estimate from a somewhat different path. Under optimum conditions each of these approaches can be empirically supported by market data using inferential techniques. However, this type of inferential solution requires a large number of observations from sales transactions involving similar properties. In this case, the necessary sales data is not available.

Interviews were conducted with appraisers and real estate brokers who are active throughout the state and specialize in hotel and motel properties. This investigation resulted in the identification of more than 20 motel sales and offerings including a distressed sale of the Sheraton Inn and Conference Center in Madison. The sales generally involved properties that were not comparable to the subject. A few were small operations without restaurant and banquet facilities. A few were resort type projects with seasonal markets. The others were distressed or obsolete facilities that were sold under threat of foreclosure or bankruptcy. Most were in a different region and

market entirely. None of these sales were, therefore, directly comparable to the Inntowner facility. Of the hotel sales listed in Exhibit 14, the Midwestern sales of Sale 2, the Sheraton/Walden in Schaumburg, Illinois; Sale 8, the Sheraton Inn in Madison, Wisconsin; and Sale 9, the Sheraton Inn in Southfield, Michigan, are the most comparable in regional location.

The Sheraton/Walden is in a very strong market in suburban Chicago. The substantial per room purchase price of \$49,261 reflects this strength.

The Sheraton in Madison was a distressed sale by the receiver of the property and consequently sold well below market.

The Sheraton in Southfield, Michigan, had been owned by Prudential as an investment for some time. The sale appears to be a fair market transaction.

The bounds of the market value range of the hotels are rather roughly defined by the Southfield sale at \$31,250 per room as the low and the Schaumburg sale at \$49,261 per room as the high. While the market data can help define the large range within which the market value may fall, the lack of detailed and precise data precludes the Comparable Sales Approach. However, brokers and investors in the market can help the appraiser to ascertain the criteria used by typical buyers

HOTEL SALES LIST

HOTEL SALE	NAME	LOCATION	SALE DATE	SALE PRICE	NUMBER OF ROOMS	PRICE PER ROOM
1	Arlington Ramada	Arlington, TX	1983	\$ 5,700,000	178	\$32,022
2	Sheraton/Walden	Schaumburg, IL	1982	\$10,000,000	203	\$49,261
3	Newporter Inn	Newport Beach, CA	1982	\$25,000,000	300	\$83,333
4	Embassy Room Hotel	Washington, DC	1982	\$15,000,000	203	\$73,891
5	Abrae Hotel	New York, NY	1982	\$15,500,000	246	\$63,008
6	LaJolla Village Inn	LaJolla, CA	1982	\$ 4,650,000	200	\$23,250
7	Sainte Claire Hotel	San Jose, CA	1982	\$ 5,100,000	190	\$26,842
8	Sheraton Inn	Madison, WI	1981	\$ 4,700,000	240	\$19,583
9	Sheraton Inn	Southfield, MI	1981	\$12,000,000	384	\$31,250
10	Fiesta Inn Hotel	Tempe, AZ	1981	\$ 7,950,000	271	\$29,336
11	Days Inn	Tallahassee, FL	1981	\$ 3,300,000	115	\$28,696
12	Gainesville Hilton	Gainesville, FL	1981	\$ 6,150,000	208	\$29,567
13	Sheraton Oakbrook	Oakbrook, FL	1981	\$18,000,000	364	\$46,451
14	Oak Hills Motor Inn	San Antonio, TX	1981	\$ 8,000,000	223	\$35,874
15	Continental Inn	Lexington, KY	1980	\$ 7,650,000	325	\$23,538
16	Sheraton Jacksonville	Jacksonville Beach, FL	1980	\$ 3,000,000	159	\$18,868
17	Marriott at Interstate North	Atlanta, GA	1980	\$18,150,000	302	\$60,099
18	Marriott Hotel	Atlanta, GA	1980	\$31,000,000	760	\$40,789
19	Marriott Hotel	Portland, OR	1980	\$27,700,000	506	\$54,743
20	Sheraton Inn	Dallas, TX	1980	\$ 4,621,863	159	\$29,068

EXHIBIT 14

Sudhakar Research, Inc.

and sellers to price properties that are similar to the subject. Using this information, the appraiser can develop a model which simulates buyer criteria and thereby derive an estimate of the subject property's market value. This methodology will be used to appraise the Inntowner Hotel.

In this case, the most appropriate vehicle for application of the buyer simulation methodology is the Income Approach to Value. The Income Approach appropriately views the Inntowner in terms of its characteristics as an investment vehicle. The most probable purchaser of the property is an investor/operator who would syndicate his interest to limited partners that would own the property solely for its investment potential. Several such syndicators who specialize in motel properties currently are based in the Madison area and are an excellent source of information regarding typical investment criteria. These syndicators typically develop their own properties but would certainly represent a likely market for the subject were it made available.

Although the most probable buyer group frequently builds the motel units which they own and syndicate, the Cost Approach is not a reliable valuation technique when applied to an established motel facility. Unlike most buildings, a hotel facility is inextricably related to the business that it houses. The Cost Approach may accurately reflect the cost of

the physical facility and even the personal property, but it completely ignores the value added by entrepreneurship, an established market for uses of the facility, and the monopolistic market position inherent in timing and siting of the real estate development. For this reason the Cost Approach to Value will not be used.

The following section of this report describes the application of the Income Approach to the valuation of the Inntowner Hotel.

B. The Income Approach to Value

The Income Approach to Value is an appraisal technique that is predicated upon the assumption that the present market value of the subject property is equal to the present value of cash flows which it is expected to produce. One method by which this approach is commonly applied, referred to as mortgage equity capitalization, values the property as the sum of two components: the value of the equity position and the value of the mortgage. The latter is derived from the current market norm for debt coverage ratios (DCR), annual mortgage constants for current market interest rates, and amortization schedules for conventional hotel/motel mortgage loans. The value of the equity is the capitalized value of the cash throw-off (cash available after payment of operating expenses and the required debt service) based upon market derived equity dividend

(cash-on-cash) requirements. The justified mortgage loan and the justified equity investment are summed together to arrive at the value of the hotel by the Income Approach.

C. Valuation of the 120-Room Hotel

The valuation of the Inntowner is accomplished by valuing the annual cash flows to the equity investor, the annual cash flows to the mortgage lender, and the net reversion on sale at the end of the projection period, all in present value terms. The projection period is five years commencing September 1, 1984, and assumes a sale as of August 31, 1989. The value of the going concern will be discounted back to December 1, 1983, assuming all carry costs are capitalized into the construction budget and only equity values must be discounted back to December 1, 1983.

There are two sources of annual cash flows to be considered: net revenues from the rooms' operation of the hotel and net revenues from parking, rental of retail space, office space, restaurant, bar, and kitchen. These two revenue streams less the fixed costs of insurance, real estate taxes, and personal property taxes equal the total project income before debt service. The amount of the total project income before debt service available for debt service is calculated by dividing total project income before debt service by the

appropriate debt cover ratio. Project income after debt service represents cash throw-off to the equity position.

The project value is calculated by summing the present value discounted at 16 percent of the net reversion plus the cumulative present value discounted at 16 percent of the cash throw-off plus the original mortgage loan. The original mortgage loan is calculated by dividing the justified debt service by the mortgage constant.

The American Council of Life Insurance regularly publishes mortgage loan data. The Council's data, drawn from the statistics of the 20 largest life insurance companies in the United States, reflects the terms under which the majority of recent hotel loans have been made. The Council's second quarter 1983 data, which is the most recent published data at this time, indicates the following averages:

Debt Coverage Ratio = 1.44
Interest Rate = 12.04%
Capitalization Rate = 11.30%

Debt coverage ratios have decreased since the second quarter of 1983 and interest rates have stabilized in the 13 to 13-1/4 percent range for hotels, based upon interviews with knowledgeable appraisers, hotel/motel brokers and mortgage

bankers. [4] Although the lower interest rates have reduced the frequency of lender participation as a part of the financing, we choose the following loan parameters as appropriate to the current market (no participation reflected in 13-1/8 interest rate):

Annual Interest Rate	=	13-1/8%
Amortization Term	=	30 years
Constant (f)	=	.134000
Debt Cover Ratio (DCR)	=	1.50
Term	=	5 years

Given the first stabilized year of operation, fiscal Year 2, forecast of \$663,037 total project income before debt service (I), the approximate maximum debt service (DS) that can be supported with a 1.50 debt cover ratio is:

$$\text{Debt Service} = \frac{I}{\text{DCR}}$$

$$\text{Debt Service} = \frac{\$663,037}{1.50} = \$442,025$$

[4] Frederick J. Alban, M.A.I., Chicago, Illinois; James Ablan, Prudential Life Insurance Company, Chicago, Illinois; Jenny A. Armstrong, motel broker, ABA Realty, Inc., Madison, Wisconsin; William Brash, motel broker, Brash Realty, Chicago, Illinois; Michael Rooney, The Rooney Group, Milwaukee, Wisconsin; Dean Larkin, A. L. Grootemat & Son, Inc., Milwaukee Wisconsin; Robert Pace, motel broker, Pace Westcor & Associates, Minneapolis, Minnesota; Donald Schink, Director, Recreational Resources Center, University of Wisconsin Extension, Madison, Wisconsin; Jared Shlaes, M.A.I., Shlaes & Co., Chicago, Illinois; Thomas Scholl, motel broker and investor, Smith Realty Company, Inc., Milwaukee, Wisconsin; Eugene W. Stunard, M.A.I., and Richard Cohen, Appraisal Research Counselors, Ltd., Chicago, Illinois.

Assuming a loan can be obtained with a debt service requirement of \$442,200, and an annual constant of .134000 (f), the loan that can be supported by this debt service is:

$$\text{Loan} = \frac{DS}{f}$$

$$\text{Loan} = \frac{\$442,200}{.134000} = \$3,300,000$$

Exhibit 15, shows the calculation of the valuation of the proposed 120-room Inntowner Hotel as of December 1, 1983.

In Summary:	Mortgage @ 13-1/8%	
	30 year amortization,	
	5 year term	\$3,300,000
	Equity	\$1,200,000
	Total Value	\$4,500,000
	Debt Cover Ratio	1.50
	Loan to Value Ratio	73%

As a further check upon these values, the VALTEST cash flow model was used to estimate the overall yield (more specifically the modified internal rate of return) that an investor who purchased the property at the appraised value, subject to the same financing, could expect. The VALTEST five-year projection is based upon the change in cash flows projected in Exhibit 15. The output from these models are shown in Appendix 3. Recall that these cash flows are thought to be understated because they are based on 1973 average room rates and not the 1984 rates which will likely be \$2 per night higher in the

EXHIBIT 15

THE INNTOWNER

SCHEDULE OF PROJECTED INCOME & EXPENSES
ROOM AND RELATED OPERATIONS
FOR A PERIOD OF 5 YEARS

Year [1]	1	2	3	4	5
Room Revenue:					
Available Rooms	120	120	120	120	120
Available Room Nights [2]	43800	43800	43800	43800	43800
Percent Occupancy [3]	55%	65%	70%	70%	71%
Rate Average [4]	37	39	40	41	42
Hotel Room Revenue	891330	1110330	1226400	1257060	1306116
Public Rooms [5]	9805	12214	13490	13828	14367
Total Room Revenues	901135	1122544	1239890	1270888	1320483
Cost and Expenses:					
Payroll [6]	14%	13%	13%	13%	13%
	\$ 126159	\$ 145931	\$ 161186	\$ 165215	\$ 171663
General and Administrative [7]	5%	5%	5%	5%	5%
	\$ 45057	\$ 56127	\$ 61995	\$ 63544	\$ 66024
Advertising and Promotion [8]	2%	2%	2%	2%	2%
	\$ 18023	\$ 22451	\$ 24798	\$ 25418	\$ 26410
Utilities [9]	\$ 68065	\$ 72830	\$ 77928	\$ 83383	\$ 89219
Maintenance [10]	\$ 12000	\$ 12960	\$ 13997	\$ 15117	\$ 16326
Leased Equipment [11] (TV and Telephone)	23874	23874	23874	23874	23874
Total Deductions	293177	334172	363776	376551	393516
Gross Room Income Before Fixed Charges	607957	788371	876114	894337	926967
Telephone Net (.1% of Total Room Revenues) [12]	901	1123	1240	1271	1320
Other Income (2.0% of Total Room Revenues: Vending, Gift Shop & Video) [13]	18023	22451	24798	25418	26410
Gross Operating Income	626881	811945	902152	921026	954698
Less: Hotel Management Fees [14]	27034	44902	61995	63544	66024
Operating Income Before Real Estate Taxes, Insurance & Debt Service (Room & Related Operations)	599847	767043	840157	857481	888673

EXHIBIT 15 (Continued)

THE INNTOWNER
 Total Project Income Before Debt Service
 Room & Related Operations Plus Restaurant & Bar
 For a Period of 5 Years

Year [1]	1	2	3	4	5
Operating Income Before Real Estate Taxes, Insurance & Debt Service (Room & Related Operations)	599847	767043	840157	857481	888673
Plus:					
Restaurant & Bar Rents Available Sq. Ft. [15]	3113	3113	3113	3113	3113
Rent per Square Foot (Net of Vacancy) [16]	7.00	7.42	7.87	8.34	8.84
Restaurant & Bar Rents	21791	23098	24484	25953	27511
	621638	790141	864641	883434	916184
Less:					
Restaurant & Bar Space Management Fees @ 3% [17]	1090	1155	1224	1298	1376
Operating Revenue Before Fixed Charges	620548	788987	863417	882137	914808
Less:					
Insurance [18]	18000	18900	19845	20837	21879
Licenses & Permits [19]	600	600	700	700	700
Real Estate & Personal Property Taxes [20]	80000	84000	88200	92610	97241
Reserve for Replacement of F F & E [21]	18022	22450	37197	38127	39615
	116622	125950	145942	152274	159435
Total Project Income Before Debt Service	503926	663037	717475	729863	755373

EXHIBIT 15 (Continued)

THE INNTOWNER
 Total Project Value
 Room & Related Operations Plus Restaurant & Bar
 For a Period of 5 Years

Year [1]	1	2	3	4	5
Total Project Income Before Debt Service	503926	663037	717475	729863	755373
Debt Service (1.3 DCR) [22]	442200	442200	442200	442200	442200
Cash After Debt Service	61726	220837	275275	287663	313173
Present Value at 16% Per Annum	53212	164118	176357	158874	149106
Cummulative Present Value of Cash Throw-Off	53212	217330	393687	552561	701666

InnTowner Valuation

1988 Total Project Income	\$	755373
times		
Income Multiplier [23]		6.25
equals		
Predicted November 30, 1988 Sales Price	\$	4721081
minus		
Mortgage Balance	\$	3238253
equals		
Net Reversion (Before Taxes)	\$	1482828
Present Value of Net Reversion at 16%	\$	705994
plus		
Cummulative Present Value of Cash Throw-Off	\$	701666
equals		
Present Value of the Equity		1407660
times		
Discount Factor to December 1, 1983 [24]		.88
equals		
December 1, 1983 Value of the Equity		1238741
plus		
Mortgage Loan	\$	3300000
equals		
Project Value	\$	4538741

EXHIBIT 15 (Continued)

FOOTNOTES TO SCHEDULE OF INCOME AND EXPENSES
TOTAL PROJECT INCOME AND TOTAL PROJECT VALUE FOR THE
PROPOSED 120 ROOM INNTOWNER HOTEL

[1] Year

Fiscal year for cash flow valuation is September 1, through August 30. The projection period begins as of September 1, 1984.

The value of the going concern will be discounted back to December 1, 1983 assuming all carry costs during the construction phase are capitalized into the construction budget and only equity values must be discounted back to December 1, 1983.

[2] Available Room Nights

120 rooms x 365 nights = 43,000 available room nights

[3] Percent Occupancy

Because of name recognition and market awareness, the Inntowner will not achieve its projected annual occupancy rate of 70 percent right away. The opening is scheduled for September 1984 which will allow the Inntowner, nonetheless, to achieve relatively high occupancy rates in its first year due to opening in time for the traditional Madison peak season of September through November. Since much of the peak season demand is generated by university related educational, and athletic activities, the Inntowner is well-located to participate in the high fall occupancy rates.

It is therefore estimated that the occupancy rate will grow to 70 percent in the third fiscal year from 55 percent and 65 percent in the first and second fiscal years, respectively.

EXHIBIT 15 (Continued)

[4] Rate Average

The market analysis for the InnTowner indicates that the primary market for the subject will be university related programs including continuing education and conferences. Because of this targeted market segment and its location adjacent to the University of Wisconsin campus, the subject will have to structure its rates to be within the university and state government's per diem rates. This has been the approach of Howard Johnson's Downtown, the InnTowner's principal competitor, and the strategy has resulted in high occupancy and strong profits for that establishment.

University and state government per diems are currently the following:

Lodging (single)	\$34.00
Breakfast	4.25
Lunch	5.25
Dinner	11.00

Effective July 1, 1984, the university and state employee per diems will be:

Lodging	\$36.00
Breakfast	4.25
Lunch	5.25
Dinner	11.00

There is no double rate. Conceivably two university/state employees could submit separate receipts totaling \$72.00 for their lodging expenses.

Increases to the state per diem allowances are considered annually by the Joint Committee on Employment Relations on recommendations from the Department of Employment Relations. There is no set method for increasing the per diems although the general rate of inflation in lodging costs together with the level of supply of rooms within the per diem limit are considered.

The effect of increases in the state's per diem rate will be to insure a rate increase in the Madison market as a whole.

EXHIBIT 15 (Continued)

The average rate used here by the appraisers, however, reflects the current rate structure. This is a more conservative approach because it is expected that a higher rate structure will prevail. It is quite likely that the InnTowner cash flow will exceed that in this appraisal pro forma. In that event, actual debt coverage ratios and equity returns would outperform current projections.

Therefore, we estimate that there will be a \$1 per year increase in the average room rate to reflect the likely continued inflationary increases and the calculus of state per diem rate increases. However, the second year will likely reflect a \$2 rate increase over the first year because of the lower introductory rate during the start-up year.

The first year rack rates of \$36 to \$44 are competitive with Howard Johnson's rates of \$44 to \$51 and may be compared to the rack rates of other competitors in Exhibit 8.

[5] Public Rooms

Based on national averages, income from public rooms is generally expected to be between 1 and 2 percent of total income. The InnTowner management projects meeting room income to be \$8,400 per year which is 1.1 percent of room revenue and approximately the same percentage of total revenues. Since the InnTowner's management has stated that they will be making their money by room revenues, with the meeting facilities to augment, support, and provide an important means to attract lodging business, this percentage of revenue gained by meeting room revenue seems appropriate.

[6] Payroll

Currently, payroll costs for hotels/motels built after 1970 and with occupancies of 70 percent to 79 percent are 13 percent of room revenue.

EXHIBIT 15 (Continued)

Additional payroll expenses of 1 percent in the first fiscal year will be incurred due to start-up and training during the first year of operation. These additional operating costs, however, are partially absorbed in capital budget allowances.

Subsequent to the first year of operation, payroll costs of 13 percent of room revenue are appropriate and should remain at that percentage since inflationary increases in payroll costs are expected to parallel increases in the average room rate.

[7] General and Administrative

General and administrative expenses of approximately 5 percent are appropriate for hotels/motels built after 1970, in the north central region, and with sales under 2.5 million dollars (Pannell Kerr Forster, Trends in the Hotel Industry - 1982 Edition).

[8] Advertising and Promotion

The InnTowner management plans on spending 2 percent of room revenue on advertising and promotion. National averages for this category are 3 to 3-1/2 percent (Pannell Kerr Forster, Trends in the Hotel Industry - 1982 Edition). Several factors which relate to the InnTowner's anticipated market explain why a lower rate of expenditure may be appropriate. The primary market segment of university related business represents a relatively small number of "customers" in that there are many room nights generated on a repeated basis by scheduling of events by a few key event/meeting/conference coordinators. The fall peak season also requires less advertising and promotion because Madison hotels and motels, particularly near campus, are all heavily occupied. Transient business related to visitors to the university and visitors to and outpatients of the hospital will seek lodging by location and this location will benefit without massive advertising and promotional expenditures.

EXHIBIT 15 (Continued)

[9] Utilities

Utilities are estimated by InnTowner management to be \$2.22 per room rented. $\$2.22 \times 70$ percent occupancy $\times 43,800$ available room nights = \$68,065. These estimates were developed on recent experience of a newly built motel in the same community, designed by the same architect, and managed by the same firm. This budget is also very close to figures drawn from national averages.

The breakdown of utility expenses is:

Gas	\$.71/room	32%
Electricity	1.30/room	59%
Sewer & Water	-.21/room	--9%
TOTAL	\$2.22/room occupied	100%

Madison Gas and Electric and the Madison Water Utility estimate the rate increases for 1984 to be approximately:

Gas	3%
Electricity	5%
Sewer & Water	8%

Therefore, the weighted average is:

Gas	.03	x	.32	=	.010
Electricity	.05	x	.59	=	.030
Sewer & Water	.08	x	.09	=	.007
					.047

However, since this estimate of approximately 5 percent increase for 1984 is affected by large one-time reductions in the price of gas to the utility company, the appraisers chose to employ a 7 percent rate of increase in future years as more typical of anticipated rate changes.

[10] Maintenance

Estimated by InnTowner management to be \$100 per room. $\$100 \times 120$ rooms = \$12,000 per year. The \$100 per year per room figure is greater than the Westowner's initial

EXHIBIT 15 (Continued)

budget of \$75 per room because of proximity to campus and to a high density, student residential neighborhood.

Maintenance expenses are assumed to increase at 8 percent per year.

[11] Leased Equipment

Leased equipment is comprised of televisions and telephones.

Leased 19 inch color televisions with AM/FM radio are to be in all guest rooms. InnTowner management estimates rental expense to be \$12,305 annually.

The telephone system is to be leased on a traditional seven year lease-to-purchase arrangement. InnTowner management estimates the annual cost to be \$11,569. This lease expense is not included in the Telephone Net (see Footnote 12 to this Exhibit).

[12] Telephone Net

Since January 1983 telephone deregulation has permitted economies from privately owned switchboard equipment and surcharges to be added to guest telephone charges. Prior to these trends, telephones were a net loss item in most hotels/motels.

The small net income in this category projected by InnTowner management is approximately the 0.1 percent of total revenues which the appraisers have seen in two other Madison hotels in 1983. Consequently, the appraisers apply a rate of 0.1 percent of total revenue.

[13] Other Income

Other income including gift shop, game room, vending machine, courtesy van, and miscellaneous can occasionally reach 2 percent of room revenue, based on national averages. InnTowner management suggested receipts would

EXHIBIT 15 (Continued)

total approximately 2-1/2 percent of room revenues , but the appraiser's estimate 2 percent to be the more prudent figure.

- [14] Current plans utilize a hotel management contract between FranCorp., Inc., and North Central Management, Inc. This contract provides a fee of the grantor of 3 percent of gross revenues or 10 percent of gross operating profit including restaurant revenues.

There is a ceiling on fees of \$90,000. However, the appraiser is concerned only with rent values of the restaurant rather than the contribution of management and has applied the minimum fee of 3 percent as a property management fee to restaurant and bar rents. Hotel management fees were then set at 3 percent in the first year, 4 percent in the second, and 5 percent of total room revenues. As a result, in the 5th year, total management fees charged to the real estate are \$66,024 plus \$1,376 for a total of \$67,400.

- [15] Restaurant and Bar - Available Square Feet

Restaurant	1,450	
Bar	640	
Kitchen	1,023	
	3,113	Square Feet Total (exclusive of outdoor terrace)

The restaurant and kitchen are appropriately sized for a 100-seat capability (Pannell Kerr Forster "Guidelines and Rules of Thumb - Hotel and Motel Planning and Operations."

- [16] Restaurant and Bar - Rent per Square Foot

For purposes of estimating the value of the real estate as opposed to the value attributable to restaurant and bar management, it is necessary to infer a market rental to the restaurant, bar, and kitchen area. This distinction must be made in the appraisal process even though there will be unity of ownership of the InnTowner

EXHIBIT 15 (Continued)

lodging and eating facilities as well as a unity of management in the lodging and eating facilities.

Many restaurants which might otherwise be comparable are in owner-occupied space. There are several comparable lease situations which we are able to cite in deriving a market rent for the restaurant/bar/kitchen space.

Ginza of Tokyo currently leases space in the Trading Post Shopping Center on Odana Road. This operation currently occupies approximately 4,600 square feet of space at a base rental rate of \$6.50 per square foot per year under terms of a five year lease which will end in 1986. Ginza was responsible for all improvements to the shell space including the kitchen. Moreover, they are responsible for all utilities, taxes, and insurance. Rental escalators and coverage rental provisions now add approximately \$0.50 to the annual rental for an overall rate of \$7 per square foot. The Ginza lease tends to be at a somewhat lower rate than other retail shell space including that of the Westowner's retail mall and other suburban space such as that built by Flad Development. This may well be due to an inability of restaurants to compete for first quality space.

The Mandarin Palace in the University Hills Plaza was leased in November 1982 at a base rent of \$6 per square foot with an additional rent of 6 percent of gross receipts over a floor of 600,000. The tenant pays utilities, and there are escalators with respect to common area charges, taxes, and insurance. This small shopping center has experienced significant difficulties and the rent may be a bit below market as a result.

The most recent (1981) Dollars and Cents of Shopping Centers, Urban Land Institute, pegs the average 1980 restaurant shell space rent at \$6.50 per square foot.

Based upon this analysis the estimated annual rental which can be expected from the InnTowner's restaurant shell space without kitchen equipment is \$7 per square foot.

Restaurant and bar rents are forecast net of vacancy because it is assumed that a restaurant will be an existing and ongoing enterprise which complements and is necessary to gain and maintain the InnTowner's proposed Best Western affiliation.

EXHIBIT 15 (Continued)

[17] Restaurant and Bar Space Management Fees

Since the appraisers are concerned only with the rent values of the restaurant they have applied a 3 percent property management fee to restaurant and bar rents (see Footnote 14 to this Exhibit).

[18] Insurance

Property insurance is estimated by InnTowner management to be \$18,000 annually. While this amount includes restaurant and bar and could, therefore be recast to exclude those items which a tenant restauranteur would pay them, \$18,000 is used as there will be an identity of interest between hotel and restaurant entities.

[19] Licenses and Permits

Estimated to be \$600 per year. These fees may increase in the future.

[20] Real Estate and Personal Property Tax

Currently the subject's land is assessed at \$448,000.

It is difficult to estimate what figure the InnTowner will be assessed at. Madison's valuation of hotels and motels is highly variable, for example: the Westowner improvements are currently assessed at \$14,583 per room, the Concourse is over \$33,000 per room, Howard Johnson's Downtown is \$14,387 per room, the Sheraton is \$14,012 per room, and the Inn on the Park is \$10,169 per room. While there is no real pattern here, the assessor seems to like the \$14,000 to \$15,000 range, including public spaces.

A \$18,000 per room value is more reasonable.

\$ 18,000	Per room
-----120	Rooms
\$2,160,000	Improvement Assessment
----448,000	Land Assessment
\$2,608,000	Total Estimated Assessment

EXHIBIT 15 (Continued)

The 1983 mill rate was \$22.2436/\$1,000 and it is estimated that the 1984 mill rate will be approximately 10 percent higher, or \$24.47/\$1,000. The equalization rate has been 97.76 percent so the estimated equalized mill rate is \$24.47/97.76 = \$25.03.

So,	\$2,608,000	Total Estimated Assessment
	<u> x .02501</u>	Estimated Equalized Mill Rate
	\$ 65,226	Estimated Property Tax

Personal property tax was \$88.05 per room for the original 96 room Westowner. Personal property tax might be estimated for the InnTowner as 120 rooms x \$90 per room = \$10,800.

Therefore:

	\$ 65,226	Estimated Real Estate Tax
	<u> - 10,800</u>	Estimated Personal Property Tax
	\$ 76,026	Estimated Real Estate and Personal Property Taxes

Use:	\$ 80,000
	=====

With a national trend to reduce federal block grants to the city and a state trend in Wisconsin to skimp on state aids to schools and city welfare budgets, the appraisers believe it wise to budget for a 10 percent increase in net mill rates for the foreseeable future.

[21] Reserve for Replacement of Furniture, Fixtures, and Equipment (FF & E)

The industry rule of thumb of 2 percent of total room revenue (Pannell Kerr Forster, "Guidelines and Rules of Thumb - Hotel and Motel Planning and Operation") would yield approximately \$18,000 for the first year reserve requirement.

EXHIBIT 15 (Continued)

Due to the sensitivity of room rates and repeat business to the quality and upkeep of a hotel, it is felt that higher annual reserve requirement for FF & E replacement is appropriate.

The management agreement contemplates a 2 percent reserve requirement in the first two years and a 3 percent reserve thereafter.

This is appropriate since the InnTowner marketing strategy is to offer quality with competitive pricing, and room revenue base is a little low to generate refurbishment reserves necessary to maintain quality and sustain repeat business with a continued 2 percent reserve requirement.

[22] Debt Service

Debt cover requirements on hotel and motel properties have been trending down over the past year. Debt cover ratios declined to 1.30 for the first and second quarters of 1983. Given the size of the loan and the recent trends, the debt service on a 3,300,000 loan at 13.125 percent interest rate, is covered with a healthy 1.5 debt cover ratio in the first normalized year of operations which is fiscal years two.

[23] Income Multiplier

Market evidence exists to the effect that hotels and motels are currently being valued by investors in the range of 6-1/4 to 6-1/2 times the net income (information gained from interviews--see Footnote 4).

[24] The discount factor over the nine months is .75 (year) times 16 percent per annum equity rate of return which equals 12 percent. A 12 percent discount is equal to 88 percent or 0.88.

Madison market (see Footnote 4, Exhibit 15). The VALTEST test of the \$4,500,000 value estimate was made under the additional conservative worst-case assumption of no appreciation during the projection period. Even under these assumptions, construction of the proposed hotel would anticipate a modified internal rate of return (MIRR) before taxes of 16.73 percent, which achieves the targeted minimum equity rate of return of 16.00 percent, and a MIRR after taxes of 14.05 percent. These calculations provide a check on and demonstrate the reasonableness of the appraised values.

Based upon this analysis, the estimated market value of a fee simple interest in the proposed 120-room InnTowner Hotel as if complete as of December 1, 1983, assuming financing is available at 13.125 percent, 30 year amortization, with no participation is:

FOUR MILLION FIVE HUNDRED THOUSAND DOLLARS
(\$4,500,000)

D. Valuation of the Subject Land

1. Methodology

The appropriate methodology for valuation of the subject land is the sales comparison market value approach. There are a sufficient number of market transactions involving parcels in the immediate area with the same zoning to infer from the market the value of the subject land by the sales comparison

approach to market value. Most of the comparable sales are quite recent. See Exhibit 16, Comparable Land Sales.

2. Most Probable Buyer

The most probable buyer of the subject is a developer/investor who is willing to purchase the property for future development or hold it and resell it to the ultimate developer in the next several years.

3. Adjustment Process for Comparable Sales

Each comparable is scored in a similar manner (see Exhibit 17). The weighted point score matrix which details the calculation of a total point score for both the comparable and the subject is found in Exhibit 18.

To estimate the fair market value of the subject property, based upon the sale prices of the comparables, adjustments are made to account for the differences in the price sensitive attributes of the comparables and the subject property.

The subject site is 74,335 square feet and receives a size score of 5 because it is a large commercially developable site.

Linkages are extremely sensitive to price. Sites with easy access to and frontage on major arterials command higher prices as do those which are visible to traffic traveling in both directions on major arteries. The subject site, therefore,

EXHIBIT 16

COMPARABLE SALE NO. 1

Address: 2635 University Avenue

Volume/Page: 5132/95

Type of Document: Real Estate Mortgage

Date of Sale: Recorded November 22, 1983

Grantor: Texaco, Inc.

Grantee: Ray Pickett Investments, a partnership

Price: \$138,000

Size in Square Feet: 15,500

Price per Square Foot: \$5.80

Frontage: 140 feet on University Avenue

Financing:

Zoning: C2

Comments:

Former Texaco gas station and Goodyear tire outlet sold by Texaco, Inc., to Ray Pickett, long time lease operator of station. Closing eminent - price \$137,000 for corner lot with 15,500 square feet of land. Building and tanks assigned value of \$47,000 with \$90,000 assigned to land for \$5.80 per square foot. Higher price might have been available from Mazur property at 2631 University Avenue but Howard Mazur was reluctant to bid until Ray Pickett decided to continue in business with his son despite expected withdrawal of Texaco from market.

EXHIBIT 16 (Continued)

COMPARABLE SALE NO. 2

Address: 2110 University Avenue

Volume/Page: 5090/69-73

Type of Document: Land Contract

Date of Sale: Recorded November 9, 1983

Grantor: Jane Ferm, G. Starr Nichols, Ann N. Earl

Grantee: David Johnson

Price: \$177,500

Size in Square Feet: 33,000 SF

Price per Square Foot: \$3.60

Frontage: 120 feet on University Avenue

Financing Terms: \$37,000 downpayment, balance of \$140,000 at 9% interest, with a balloon payment 12/31/86. Monthly payments are \$1,126.50.

Zoning: C2

Comments:

33,000 square feet of land including two small cabins at rear of lot and old home on historic register. Home presently has three apartment units including a three-bedroom flat at \$650 per month, a two-bedroom at \$350 per month, and a small two-bedroom at \$370 per month. Property sold from estate of Nichols family to Davis Johnson, developer, for \$117,500 on land contract with \$40,000 down, three-year term, 10 percent interest payable monthly. \$77,500 assigned to value of triplex leaving \$100,000 for developable land. Buyer closed on November 1, 1983, having obtained permission to build 20 apartment units at the back of site and permission to remodel historic building from three to eight units. Total of 25 new units for \$100,000 = \$4,000 per unit. \$100,000 for land requires no adjustment for terms since land leases are currently at 10 percent. Assigning 5,000 square feet to existing house leaves 28,000 square feet of land for \$100,000 or \$3.57, rounded to \$3.60 per square foot.

EXHIBIT 16 (Continued)

COMPARABLE SALE NO. 3

Address: 2627 University Avenue

Volume/Page: 5089/14-15

Type of Document: Warranty Deed

Date of Sale: September 1, 1983

Grantor: Gilbert S. Rosenberg

Grantee: Leon E. Rosenberg and Irwin H. Rosenberg,
as tenants in common

Price: \$87,875

Size in Square Feet: 18,500

Price per Square Foot: \$4.75

Frontage: 143 feet on University Avenue

Financing Terms: Cash

Zoning: C2

Comments:

Former Clark Station owned by Mazur family, currently being redeveloped by owner with six, two-bedroom, two-bath apartments on second floor plus approximately 6,000 square feet of commercial/retail service on first floor. Cash offer to owners in June 1983 of \$105,000 for 18,500 square feet of land. Rejected when two partners bought out third partner on a basis of \$85,000. Poor access and no rear alley. Cost per square foot of land is \$4.59 to \$5.67 or approximately \$4.75 as of September 1, 1983.

EXHIBIT 16 (Continued)

COMPARABLE SALE NO. 4

Address: 2508-24 University Avenue

Volume/Page: 2048/13

Type of Document: Land Contract

Date of Sale: July 15, 1980

Grantor: Nathaniel W. Sample and Virginia B. Sample

Grantee: HUM Associates, a partnership consisting of
Jerome J. Mullins and Carol M. Mullins

Price: \$324,000

Size in Square Feet: 36,425

Price per Square Foot: \$8.89

Frontage: 328 feet on University Avenue

Financing Terms: \$45,000 at execution, \$279,000 balance,
9-1/8% interest, payment of \$1,665 by 8/1/80,
\$2,305 per month beginning 9/1/80, balloon on
3/31/87.

Price per Square Foot: \$7.77

Zoning: C2

Comments:

The property included in the sale is all land and buildings bordered by the city green belt on the west, elevated Campus Drive on the north, Highland Avenue on the east and University Avenue on the south except thge Lombardino's building at the corner of Highland and University Avenues along with the underlying land and except the red brick building at the corner of Highland and Campus Drive along with the underlying land. The remaining buildings are considered to have no salvage value.

EXHIBIT 16 (Continued)

CASH EQUIVALENCY CALCULATIONS: COMPARABLE NO. 4

Present Value of \$2,305 monthly payment beginning 8/1/80, ending 3/31/87 (80 payments)	\$124,697
Present Value of balloon payment of \$255,850 on 3/31/87	<u>111,672</u>
Total Discounted Value	236,369
Plus Downpayment and Initial Payment of \$1,665	<u>46,665</u>
Total Cash Equivalent Price	\$283,034 =====
Cash Equivalent Price Per Square Foot	\$7.77 =====

* Market Rate in July 1980, Investment Bulletin,
American Council of Life Insurance Companies

EXHIBIT 16 (Continued)

COMPARABLE SALE NO. 5

Address: 2375 University Avenue
Volume/Page: 1054/423
Type of Document: Warranty Deed
Date of Sale: April 16, 1979
Grantor: Anthony Thousand
Grantee: Mohs Realty Corporation, Inc.
Price: \$27,000
Size in Square Feet: 4,835
Price per Square Foot: \$5.58
Frontage: 70 feet on University Avenue
Financing Terms: Cash
Zoning: C2
Comments:

Presently used as a parking lot and Fotomat Store. There is blacktopping on the lot and the Fotomat Store is a leasehold improvement. Mohs owns the Ivy Inn adjacent to this parcel.

EXHIBIT 17

POINT ALLOCATION FORMULA BY CATEGORY
FOR LAND SALE COMPARISON

SIZE 10%	5 = Less than 10,000 square feet 3 = Between 10,000 and 20,000 square feet 1 = More than 20,000 square feet
ACCESS 40%	5 = Corner lot on two through streets 3 = Average access 1 = Poor site access because of restricted turns or congested access route
FRONTAGE 30%	5 = More than 200 feet fronting on University Avenue 3 = 125 to 200 feet fronting on University Avenue 1 = Less than 125 feet fronting on University Avenue
VISIBILITY 10%	5 = Unobstructed from both directions from a major arterial 3 = Unobstructed from both directions from a local arterial 1 = Visibility limited
SALVAGABLE BUILDING COVER 10%	5 = Buildings still useful and able to carry the property in the interim 3 = More land than buildings but buildings still have some life 1 = Mostly land area

WEIGHTED SCORE MATRIX FOR COMPARABLE
LAND SALES BASED UPON
PRICE SENSITIVE ATTRIBUTES

ATTRIBUTE	WEIGHT	#1 2635 UNIVERSITY	#2 2110 UNIVERSITY	#3 2627 UNIVERSITY	#4 2508-24 UNIVERSITY	#5 2375 UNIVERSITY	SUBJECT 2408-32 UNIVERSITY
Physical Attributes							
Size of Site	10%	3/ .30	5/ .50	3/ .30	5/ .50	1/ .10	5/ .50
Salvagability of Building Cover	10%	3/ .30	1/ .10	1/ .10	5/ .50	1/ .10	1/ .50
Linkages							
Site Access	40%	5/2.00	3/1.20	3/1.20	5/2.00	5/2.00	5/2.00
Frontage	30%	3/ .90	1/ .30	3/ .90	5/1.50	1/ .30	5/1.50
Visibility	10%	5/ .50	3/ .30	5/ .50	5/ .50	3/ .30	5/ .50
TOTAL POINT SCORE	100%	4.00	2.40	3.00	5.00	2.80	4.60
<hr style="border-top: 1px dashed black;"/>							
Sale Price		\$138,000	\$177,500	\$ 85,000	\$324,000	\$ 27,000	---
Date of Sale		11/83	11/83	9/83	7/80	4/79	---
Adjusted Sale Price *		\$138,000	\$177,500	\$ 87,875	\$283,022	\$ 27,000	---
Square Feet		15,500	33,000	18,500	36,425	4,835	74,335
Adjusted Price per Square Feet		\$5.80	\$3.60	\$4.75	\$7.77	\$5.58	---
Total Point Score		4.00	2.40	3.00	5.00	2.80	4.60
Price per Square Feet Point Score		\$1.45	\$1.50	\$1.58	\$1.55	\$1.99	---

* See specific comparable sheet for discussion where Adjusted Sale Price is different than Sale Price.

Saudman Research, Inc.

EXHIBIT 18

receives scores of 5 for access, frontage, and visability. The site has 341 feet of frontage on University Avenue.

The subject received a low score of 1 for the salvagability of the existing building cover which was operating at or below break-even with significant obsolescence and in need of rehabilitation in excess of that which would be justified by the available rents.

The price per square foot for each comparable is divided by its point score and the results are also found in Exhibit 18.

The mean point score per square foot is applied to the point score of the subject to indicate a central tendency value of \$552,000, or \$7.43 per square foot. These calculations are detailed in Exhibit 19. The range of estimate yields a high of \$627,000, or \$8.43 per square foot and a low of \$479,000, or \$8.43 per square foot.

It can be concluded that the selection and weighting of the price sensitive factors reflected buyer behavior since the R-squared regression factor (see Appendix E) is a high 85.1 percent which indicates a very successful scoring process.

Given the mean value estimate of \$552,000, or \$7.43 per square foot for the subject land value, the appraisers estimate the value of the subject land as of December 1, 1983, to be:

FIVE HUNDRED FIFTY THOUSAND DOLLARS

(\$550,000)

EXHIBIT 19

LAND VALUATION - MOST PROBABLE
PRICE COMPUTATION USING MEAN
PRICE PER POINT EQUATION METHOD

Number of sales = 5
Subject Size = 74335

		SUBJECT	COMPARABLE SALES -- POINT SCORES				
		=====	=====				
			1	2	3	4	5
\$ PRICE / SQUARE FOOT --->			5.80	3.60	4.75	7.77	5.58
FACTORS	WEIGHTS						
=====	=====						
1 SIZE	.1	5	3	5	3	5	1
2 ACCESS	.4	5	5	3	3	5	5
3 FRONTAGE	.3	5	3	1	3	5	1
4 VISABILITY	.1	5	5	3	5	5	3
5 SALVAGE OF BLDG COVER	.1	1	3	1	1	5	1
6							
7							
8							
9							
10							
	-----	1					

FACTORS x WEIGHTS	SUBJECT	COMPARABLE SALES				
=====	=====	=====				
		1	2	3	4	5
1 SIZE	.5	.3	.5	.3	.5	.1
2 ACCESS	2	2	1.2	1.2	2	2
3 FRONTAGE	1.5	.9	.3	.9	1.5	.3
4 VISABILITY	.5	.5	.3	.5	.5	.3
5 SALVAGE OF BLDG COVER	.1	.3	.1	.1	.5	.1
6	0	0	0	0	0	0
7	0	0	0	0	0	0
8	0	0	0	0	0	0
9	0	0	0	0	0	0
10	0	0	0	0	0	0
TOTAL SCORE	4.6	4	2.4	3	5	2.8

EXHIBIT 19 (Continued)

COMPARABLE SALE NUMBER	ADJUSTED SELLING PRICE PER SQFT	WEIGHTED POINT SCORE	PRICE PER SQFT PER WEIGHTED POINT SCORE
1	5.8	4	1.45
2	3.6	2.4	1.50
3	4.75	3	1.58
4	7.77	5	1.55
5	5.58	2.8	1.99
6	0	.00001	.00
7	0	.00001	.00
8	0	.00001	.00
9	0	.00001	.00
10	0	.00001	.00
			8.08

Central Tendency (Mean):

$$\text{The mean price per sqft per point } (x) = \frac{8.080190}{5} = 1.616038$$

Where:

x	\bar{x}	$(x-\bar{x})$	$(x-\bar{x})^2$	n	n-1
1.45	1.616038	-.166038	.0275686	5	4
1.5	1.616038	-.116038	.0134648		
1.5833333	1.616038	-.032705	.0010696		
1.554	1.616038	-.062038	.0038487		
1.9928571	1.616038	.3768190	.1419926		
0	1.616038	0	0		
0	1.616038	0	0		
0	1.616038	0	0		
0	1.616038	0	0		
0	1.616038	0	0		
			.1879444		

Dispersion about the mean = the square root of $\frac{(x - \bar{x})^2}{n - 1} = .2167628$

This represents a per room value for the proposed hotel of \$4,583 which is at the low end of typical costs for 1983 standard quality hotel/motel projects and mid-range for 1983 economy hotel/motel projects. [5] On a per room comparative basis, therefore, the subject land is well priced for the contemplated hotel use.

[5] Motel/Hotel "Insider" Newsletter

CERTIFICATE OF APPRAISAL

We hereby certify that we have no interest, present or contemplated, in the property and that neither the employment to make the appraisal nor the compensation is contingent on the value of the property. We certify that we have personally inspected the property and that according to our knowledge and belief, all statements and information in the report are true and correct, subject to the underlying assumptions and limiting conditions. Based on the information and subject to the limiting conditions contained in this report, it is our opinion that the market value, as defined herein, of the proposed 120-room InnTowner Hotel as if complete as proposed and financed with a non-participation, 13.125 percent, 30 year loan with a debt cover ratio of 1.50 in the second fiscal year, as of December 1, 1983, is:

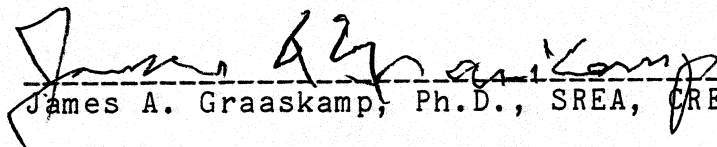
FOUR MILLION FIVE HUNDRED THOUSAND DOLLARS

(\$4,500,000)

Of this amount, the value of the subject land as of December 1, 1983, is:

FIVE HUNDRED FIFTY THOUSAND DOLLARS

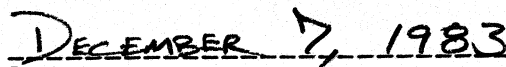
(\$550,000)



James A. Graaskamp, Ph.D., SREA, CRE



Fraser B. Gurd, MS



Date

J A M E S A . G R A A S K A M P

PROFESSIONAL DESIGNATIONS

SREA, Senior Real Estate Analyst, Society of Real Estate Appraisers

CRE, Counselor of Real Estate, American Society of Real Estate Counselors

CPCU, Certified Property Casualty Underwriter, College of Property Underwriters

EDUCATION

Ph.D., Urban Land Economics and Risk Management - University of Wisconsin
Master of Business Administration Security Analysis - Marquette University
Bachelor of Arts - Rollins College

ACADEMIC AND PROFESSIONAL HONORS

Chairman, Department of Real Estate and Urban Land Economics,
School of Business, University of Wisconsin
Urban Land Institute Research Fellow
University of Wisconsin Fellow, Omicron Delta Kappa
Lambda Alpha - Ely Chapter
Beta Gamma Sigma, William Kiekhofer Teaching Award (1966)
Urban Land Institute Trustee

PROFESSIONAL EXPERIENCE

Dr. Graaskamp is the President and founder of Landmark Research, Inc., which was established in 1968. He is also co-founder of a general contracting firm, a land development company and a farm investment corporation. He is formerly a member of the Board of Directors and treasurer of the Wisconsin Housing Finance Agency. He is currently a member of the Board and Executive Committee of First Asset Realty Advisors, a subsidiary of First Bank Minneapolis. He is the co-designer and instructor of the EDUCARE teaching program for computer applications in the real estate industry. His work includes substantial and varied consulting and valuation assignments to include investment counseling to insurance companies and banks, court testimony as expert witness and the market/financial analysis of various projects, both nationally and locally, and for private and corporate investors and municipalities.

F R A S E R B . G U R D

EDUCATION

Master of Science - Real Estate Appraisal and Investment Analysis,
University of Wisconsin - Madison

Bachelor of Science - Architecture, University of Wisconsin -
Milwaukee

ACADEMIC HONORS

Graduate National Scholarship, American Institute of Real Estate
Appraisers, 1977-1978

PROFESSIONAL EXPERIENCE

Mr. Gurd is a practicing real estate analyst and consultant. Previously he was a Lecturer in the Department of Real Estate and Urban Land Economics, School of Business, University of Wisconsin. His experience includes the valuation and analysis of commercial and residential properties, project feasibility studies, financial analysis, and computer applications in real estate valuation and financial analysis. He has been a Project Underwriter with a national residential mortgage guarantor.

APPENDIX A

SYNOPSIS OF
GENERAL COMMERCIAL DISTRICT ZONE
C-2, Sec. 28.09(3), Zoning Code

Maximum Floor Area Ratio: 3/1
Maximum Height: 3 stories or 40 feet
Minimum Lot Area: Applicable only to residential

<u>Type of Unit</u>	<u>Minimum Lot Size (in sq. ft.)</u>
Efficiency	700
One Bedroom	1,000
Two Bedroom	1,300
Additional Bedrooms	+ 300 per bedroom
Lodging Rooms	400 per room

Yard Requirement: Applicable only to residential

Front Yard	20 feet deep
Rear Yard	35 feet deep
Side Yards	0 in subject area

Useable Open Space: Applicable only to residential

<u>Type of Unit</u>	<u>Area in Sq. Ft.</u>
Lodging Rooms	160 for each room
Efficiency or One-Bedroom	160
Additional Bedrooms	160 for each bedroom

Parking:

(a) Residential

<u>Type of Unit</u>	<u>No. of Stalls Required</u>
Lodging Room	.50
Efficiency	.75
One Bedroom	1.00
Two Bedroom	1.00
Three or More Bedrooms	1.00

(b) Motels or Hotels

One stall for each lodging room plus one stall for each dwelling unit.

(c) Restaurants

Stalls equal in number to 10 percent of the seating capacity.

(d) Commercial and Retail

One stall per every 300 gross square feet.

APPENDIX B

CITY PROPERTY TAX ASSESSMENT
DATA FOR THE SUBJECT

PARCEL: 0709-211-0101-3 2412 UNIVERSITY AV 53753

ADDRESSEE: FIORE COAL & OIL CO

ADD'L INFORMATION:

P O BOX 4010
MADISON WI 53711

AGENT: NO
MANAGER: NO
MORTGAGE HOLDER:

ASSESSMENT:

LAND: 340,000
BLDG: 140,000
TOTAL: 480,000*

ASSMT AREA:
REGRS DIST:
CODE:
CLASS: COM

LOT DATA:

WIDTH:
DEPTH:
SQ FT: 54,633.00
SHAPE: CORNER THRU

PREVIOUS LAND: 340,000 UNITS-USE: 287
BLDG: 140,000 ZONING: C2
TOTAL: 480,000

NET TAXES: 10,676.93

FRONTAGE	STREET
0226.00	8854
0340.00	1324
0224.00	3854

LEGAL DESCRIPTION: SEC 21, T7N, R9E PART OF E 1/2 OF NE 1/
4 BEG ON N LINE OF UNIVERSITY AVE, 9 FT
(CONTINUED)

LOT: BLK:

PARCEL: 0709-211-0101-3 LOT: BLOCK:
ROD NO SEC 21, T7N, R9E PART OF E 1/2 OF NE 1/
01 4 BEG ON N LINE OF UNIVERSITY AVE, 9 FT
02 W FROM A PT WHERE SD LINE INTERS THE E
03 LINE OF HIGHLAND AVE EXT'D NLY, TH N 8 DE
04 G 10 MIN E 344.6 FT TO SLY R/W LINE OF C
05 M ST P & P RR, TH ELY ALG SD R/W 353.2
06 FT, TH S 6 DEG 5 MIN E 342.75 FT TO N LI
07 NE OF UNIVERSITY AVE, TH S 82 DEG 36 MIN
08 W ALG N LINE SD AVE, 346 FT TO POB. EX
09 CEPT THE S 150 FT OF THE E 120 FT. ALSO
10 EXCEPT LAND IN UNIVERSITY AVE EXPRESSWA
11 Y

WISCONSIN STATE JOURNAL 11/12/83



Jobs in Want Ads

Metro digest

Page 2

Want ads

Page 4

Death notices

Page 4

UW considers wing addition to hospital

By Roger A. Gribble
Education reporter

A study has been launched on the need for a one-story addition to a wing of the \$100-million University of Wisconsin Hospital and Clinics to expand the Wisconsin Clinical Cancer Center, according to Madison Chancellor Irving Shain.

Shain told the Board of Regents Friday the Medical School dean and faculty have a dream of a three-module addition to the hospital and regents shouldn't be surprised if he presents a request for such an addition.

His comments came as the board approved the lease of space at 711 Marshall Court near the hospital to house part of the hospital's Ultrasound and Radiologic Technology Program.

Shain said part of the program is now housed in the nearby Veterans Administration Hospital, but that hospital won't provide the space after Nov. 30.

Shain said the additional space needed by University Hospital is for its teaching and research programs.

"That whole hospital is crammed and 1300 (University Avenue, a building housing the dean's office and basic science program) is jammed too," he said.

Shain estimated the cost of the hospital addition at \$2.5 million to \$3 million.

"We are also putting together a request for a federal grant to help fund it," he added.

The hospital, opened in 1979, contains 1,448,000 gross square feet of space.

APPENDIX D

111583

THE INN TOWNER

PROJECT DESCRIPTION

The project will be designed to serve the mid price market accommodation needs of the near West side, University of Wisconsin Campus, University of Wisconsin and Veterans Administration Hospitals.

The proposed hotel project will have 120 guest rooms in a 4-story elevated brick structure. It is anticipated that a Best Western affiliation will be obtained.

In addition to the lobby and front desk, the first floor will have a 100 seat café and lounge. Five rooms containing a total of 4000 square feet will seat over 400 people for meetings and seminars.

The lower level will have a 1700 square feet of meeting room space with the capability to provide an amphitheater classroom for up to 75 people using seats at built-in tables with full conference audio visual equipment, teaching aids and teleconferencing capability.

Other lower-level amenities will include a whirlpool/sauna and exercise room.

The site consists of 74,335 square feet on the corner of University and Highland Avenues. There will be 125 parking spots on-site for a 1.1 to 1 ratio. The project will contain approximately 70,867 square feet.

SUMMARY

		SF
LOWER LEVEL:	Meeting Rooms/Classroom	1718
	Whirlpool/Sauna/Exercise/Game	1180
	Laundry/Emp'l Lounge/Housekeeper	1099
	Mechanical/Equip/Maintenance	978
	Public Toilet	320
	Storage	701
	Total Floor Area	9,168
FIRST FLOOR:	Canopy	
	Lobby	312
	Front Desk	228
	Offices	792
	Meeting Rooms	4027
	Bar	640
	Cafe	1450
	Outdoor Terrace	
	Kitchen	1023
	Public Toilets (2)	260
	Storage	680
	Gifts & Florist	96
	4 - Single Rooms - King	
	7 - Double Rooms - 2 Double Beds	
1 - Handicapped - King		
1 - Exec. Suite - Murphy-Queen		
Housekeeping Room		
Total Floor Area	17,488	

APPENDIX D (Continued)

Project Description	111285
	SF
SECOND FLOOR:	
18 King	
12 Double Doubles	
3 Handicapped Double Doubles	
3 Handicapped King	
1 Executive Suite	
2 Maid/Storage	
Total Floor Area	14,959
THIRD FLOOR:	
9 King	
20 Double Doubles	
3 Handicapped Double Doubles	
3 Handicapped King	
1 Executive Suite Murphy-Queen	
1 Executive Suite King	
Total Floor Area	15,362
FOURTH FLOOR:	
3 King	
22 Double Doubles	
3 Handicapped Double Doubles	
4 Handicapped King	
1 Executive Suite Murphy-Queen	
1 Maid/Storage	
Total Floor Area	13,890

GUEST ROOM SUMMARY

3 Executive Suites Murphy/Queen
 2 Executive Suites King
 45 Kings
 70 Double Doubles

TOTAL BUILDING AREA INCLUDING LOWER LEVEL (4 Story) 70,867

Access: Two driveway cuts off University Avenue. One driveway off Highland Avenue. Exit from Campus Drive Westbound adjacent to the site. Exit from Campus Drive Eastbound via University Avenue one block west of site.

Zoning: C-2 General Commercial. Intended use permitted.

Soil: Soil tests are complete - no serious conditions

Visibility: Visibility from Campus Drive will be accomplished by the 4-story building height with appropriate signage visible to East and WestBound traffic on this major west-Isthmus corridor.

Competition: Nearest competitive hotel is a 163 unit Howard Johnson on Johnson Street, near the Capitol Square 2 miles east of the subject. The Ivy Inn, a 56 unit motel, is located 1 block east of the site, but is not considered to be competitive with the proposed project.

APPENDIX D (Continued)

Project Description

Utilities:

Gas - 12" main located in front of site on University Avenue
Sanitary Sewer - 20" main located in front of site on University Avenue
Storm Sewer - 30" main located in front of site on University Avenue
Electricity - Surface and underground high voltage cable on University and Highland Avenues
Water - 8" main located in front of site on University Avenue
Telephone - Underground and overhead adjacent to site

Room Amenities:

The guest room design will combine the atmosphere of the home with the durability of contract line quality furniture. A professional interior design firm is being consulted.

The singles are being marketed to the commercial guest with good quality King beds, working desks with desk lamps and touch button telephones. Credenzas, parsons tables, and overstuffed upholstered chairs will be used instead of the traditional triplex dresser/pedestal table decor.

All rooms will have 19" color televisions with am/fm radios and cable or satellite television. All walls will be vinyl covered. Baths will have toilet and tub/shower combinations with ceramic tile walls and floors. Large vanity/sink combinations will be outside the bath.

APPENDIX E

THE INNTOWNER

North Central Management, Inc.

AS OF SEPTEMBER 7, 1983
 118 Units
 Full Service
 Approximately 67,234 Square Feet

Building Contract - (Includes Demolition & Site Development) 67,234 Square Feet	2,225,000
FF & E **	
Motel	354,000
Restaurant	300,000
Design & Engineering	50,000
Market Study & Appraisal	7,000
Franchise Fees	10,000
Construction Interest & Taxes	200,000
Title Insurance	10,000
Legal & Organizational	85,000
Development Contract	225,000
Pre-Opening	34,000
Contingency	70,000
	<u>\$3,570,000</u>
Land	540,000
TOTAL	<u>\$4,110,000</u>

Average Daily Rate - Projected \$37.00 = \$1.06 per \$1000 of room cost

**This cost is exclusive of the MATV, Television, and Telephone Equipment which is projected to be leased and the lease payments are included in the expenses on the Proforma Income Statement.

EXPLANATION OF INCOME AND EXPENSES

Rates and Expenses as of August 1983

REVENUE	Room Revenue	Single \$36 Double \$44 Suite \$48 - \$56 Govt. & Univ. Rate \$34 & \$40 Double Occupancy 35%
		Average Rate with allowance for Discounts and Government Rates Actual Average Rate August 1983 - \$37
	Guest Valet Revenue	Rooms Occupied X \$.14
	Game Room	Rooms Occupied X .20
	Telephone Receipts-Local	Rooms Occupied X .15
	Telephone Receipts-LD	Rooms Occupied X 1.79
	Vending Machine Income	Rooms Occupied X .37
	Meeting Room Revenue	Fixed at \$700/month
	Courtesy Van	Fixed at \$150/month
	Gift Shop	Fixed at \$300/month
	Other	Fixed at \$100/month
EXPENSES	Management	3% of gross revenue or 10% of combined GOP- whichever is greater
	Manager	Salary
	Desk Clerks	24 hour desk - 178 hrs/wk @ \$4.50/hr + \$1,000/mo Front Desk Manager
	Housekeeping	Executive Housekeeper - @ \$1,000/mo Salary, \$12,000 Maids - .44 hrs/room @ \$3.90/hr = \$1.72/room + project hrs 3/day
	Laundry	Labor .10 hrs/room @ \$3.90 = \$0.39/room
	Maintenance & Grounds	One full-time employee, salary \$1,000/mo, 80% allocated to motel and One part-time employee @ \$4.00/hr X 40 hrs. X 80%
	Sales and Catering Department	Sales & Catering Director, \$16,000/yr + bonus, 50% billed to restaurant Sales Secretary, \$10,800/yr, 50% billed to restaurant Catering Coordinator, \$12,000/yr, 50% billed to restaurant

APPENDIX F (Continued)

EXPENSES (continued)

Houseman-Porter	93 hrs/wk @ \$3.90/hr + parking lot attendant
Bookkeeping	\$13,000/yr - 50% of cost to The InnTowner
Payroll Tax	11%
Employee Benefits	Uniforms, health insurance for Manager, Sales and Catering Director, Executive Housekeeper, Bookkeeper and Front Desk Manager, meals and Incentive.
Training & Development	Management and Front Desk Training Seminars and Annual Best Western Meeting
Auto Expense	Courtesy Vans and Manager mileage
Linen Replacement	\$0.32/room rented
Supplies	Cleaning \$0.18/room occupied Guest Room .33/room occupied Office .34/room occupied Laundry .22/room occupied Other .10/room occupied Spa & Maint. \$75/month Fixed
Best Western Franchise	Travel Guide, Marketing, Reservations, Dues, Star Reservation Terminal
Long Distance Telephone	Cost \$1.62/room
Local Telephone	Lease telephone equipment - including TELCO line
Utilities	Gas \$.71/room Electricity 1.30/room Sewer & water .21/room Total \$2.22/room occupied
Advertising & Promotion	2% of Sales
Accounting & Data Proc.	Annual Statement & Taxes by CPA Monthly Internal P & L
Credit Cards	1.7% of Revenue
Repairs & Maintenance	\$100/unit

APPENDIX F (Continued)

EXPENSES (continued)

Real Estate Tax	Tax Comparable - Best Western The Westowner (with indoor pool and restaurant) 96 rooms, 1983 assessment 1982 mill rate 25.780/1,000 at 100% of assessed value NOTE: full assessment and tax not payable until January 1986
Lease	Telephone and TV equipment is typically leased on a seven year lease/purchase plan

RESTAURANT

INCOME:

(Open for three meals per day, plus banquets)

Breakfast	75 covers @ \$ 3.50*	X 360	\$ 94,500
Lunch	100	4.75*	171,000
Dinner	50	10.00*	180,000
Banquet & Meetings			<u>300,000</u>
			\$ 745,500
		SAY	\$ 750,000

* Includes beverage

EXPENSES:

(Ratios per industry average and local experience)

Food & Beverage Cost	- 34%
Payroll	- 29%
Other	- 18%

APPENDIX G

THE INHTOWNER - 3 YEAR CASH FLOW
120 Rooms

111083

Rooms Available	43,800	43,800	43,800
Rooms Occupied - Projected	24,090	28,470	30,660
Occupancy	55%	65%	70%
Average Rate	\$37.00	\$39.00	\$40.00
Revenue			
Room Revenue	\$891,330	\$1,110,330	\$1,226,400
Other Income			
Guest Valet Revenue	3,373	3,986	4,292
Meeting Room Revenue	8,400	8,400	8,400
Game Revenue	4,818	5,694	6,132
Telephone Receipts - Local	3,614	4,271	4,599
Telephone Receipts - Long Dist	43,121	50,961	54,881
Vending Machine Income	8,913	10,534	11,344
Courtesy Van	1,800	1,800	1,800
Gift Shop	3,600	3,600	3,600
Other	1,200	1,200	1,200
Total Other Income	\$78,839	\$90,446	\$96,249
TOTAL REVENUE - MOTEL			
	\$970,169	\$1,200,776	\$1,322,649
Operating Expenses			
Direct Expenses			
Manager & Asst. Manager	25,000	25,000	25,000
Sales & Catering Salaries	17,500	17,500	17,500
Bookkeeping Salary	6,500	6,500	6,500
Training & Development	4,800	4,800	4,800
Auto Expense	12,000	12,000	12,000
Employee Benefits	8,416	8,416	8,416
Wages:			
Desk Clerks	60,000	60,000	60,000
Housekeeping	57,705	65,239	69,006
Laundry	9,395	11,103	11,957
Houseman Porter	22,864	22,864	22,864
Maintenance & Grounds	16,260	16,260	16,260
Payroll Taxes	23,675	24,691	25,200
Total Wages	189,899	200,157	205,287
Linen Replacement	7,709	9,110	9,811
Supplies:			
Cleaning Supplies	4,336	5,125	5,519
Guest Room Supplies	7,950	9,395	10,118
Office Supplies Expense	8,191	9,680	10,424
Central Office Expense	1,200	1,200	1,200
Laundry Supplies	5,300	6,263	6,745
Pool Supplies	900	900	900
Other Supplies	2,409	2,847	3,066
Total Supplies	30,285	35,410	37,972
Postage	1,884	1,884	1,884
Guest Valet Charges	3,132	3,701	3,986
Franchise Fees:			
Best Western Monthly Fees	28,000	28,000	28,000
Star Reservations - Operations	300	300	300
Total Best Western Fees	28,300	28,300	28,300
Long Distance Telephone Exp	39,026	46,121	49,669
Local Telephone Expense	8,970	8,970	8,970
Utilities:			
Electricity	31,317	37,011	39,858
Fuel & Gas	17,104	20,214	21,769
Water, Sewer, Salt	5,059	5,979	6,439
Total Utilities	53,480	63,203	68,065

APPENDIX G (Continued)

SEE ATTACHMENT - 3 YEAR CASH FLOW
120 Pages

Advertising & Promo:			
Printing & Brochures			
Billboards			
Promo Mailing			
Directory Advertising			
Travel			
Entertainment			
Advertising Consultant			
Other Media Advertising			
Total Advertising & Promo	19,403	24,016	26,453
Percent of Total Revenue	2.0%	2.0%	2.0%
Accounting	1,260	1,260	1,260
Data Processing	3,000	3,000	3,000
Crdt Crd Fees/Travel Agt Comm	16,493	20,413	22,485
Bad Debts	0	0	0
Vending Machine Expense	6,023	7,118	7,665
Dues & Subscriptions	1,440	1,440	1,440
Contributions	1,200	1,200	1,200
Legal Expense	0	0	0
Cash Over/Short	0	0	0
Repairs & Maintenance:			
Building Maintenance			
Grounds Maintenance			
Equipment Maintenance			
Total Repairs & Maintenance	11,800	11,800	11,800
Outside Contract Services	6,000	6,000	6,000
Other Operating Expenses	1,800	1,800	1,800
Total Other Expenses	7,800	7,800	7,800
Total Direct Expenses	505,319	549,120	571,263
% Revenue	52.1%	45.7%	43.2%
GROSS OPERATING PROFIT - HOTEL	\$464,849	\$651,656	\$751,386
Restaurant - Gross Revenue	750,000	750,000	750,000
Less Expenses:	607,500	607,500	607,500
Food & Beverage Cost - 34%			
Payroll - 29%			
Other - 18%			
GROSS OPERATING PROFIT - RESTAURANT	142,500	142,500	142,500
GROSS OPERATING PROFIT - COMBINED	607,349	794,156	893,886
Indirect Expenses			
Management Fee	60,735	79,416	89,389
Insurance - Property	18,000	18,000	18,000
License Fees & Permits	600	600	600
Real Estate Taxes	80,000	80,000	80,000
Telephone Lease	11,569	11,569	11,569
Televisions	12,305	12,305	12,305
Total Indirect Expenses	183,209	201,889	211,862
% Revenue	10.7%	10.3%	10.2%
TOTAL OPERATING EXPENSES	\$1,296,028	\$1,358,509	\$1,390,626
%	75.3%	69.6%	67.1%
NET OPERATING INCOME	\$424,141	\$592,266	\$682,023
Debt Service	444,108	444,108	444,108
Cash Flow After Debt Service	(19,967)	148,158	237,915

APPENDIX H

VALTEST CONFIRMATION OF 120-ROOM
INNTOWNER HOTEL VALUATION

INPUT ASSUMPTIONS

1. ENTER PROJECT NAME ? INNTOWNER HOTEL
2. ENTER PROJECTION PERIOD ? 5
3. DO YOU WANT TO ENTER EFFECTIVE GROSS REVENUE INSTEAD OF NOI? N
N.O.I. YEAR 1? 503926
N.O.I. YEAR 2? 663037
N.O.I. YEAR 3? 717475
N.O.I. YEAR 4? 729863
N.O.I. YEAR 5? 755375
4. ACQUISITION COST: ? 4500000
5. DO YOU WANT TO USE STANDARD FINANCING? Y OR N?Y
MTG. RATIO OR AMOUNT, INT., TERM, NO PAY/YR ? 3300000, .13125, 30, 12
6. ENTER RATIO OF IMP #1/TOTAL VALUE, LIFE OF IMP #1? .88, 15
IS THERE A SECOND IMPROVEMENT? Y OR N? N
7. DEPRECIATION METHOD, IMPROVEMENT #1 ? 1
IS PROPERTY SUBSIDIZED HOUSING ? Y OR N ?N
IS PROPERTY RESIDENTIAL? Y OR N? N
8. IS OWNER A TAXABLE CORPORATION? Y OR N ?Y
CORPORATE FEDERAL ORDINARY TAX RATE COULD BE :
17% - 46% (1978 LAW, EFFECTIVE 1979)
16% - 46% (1981 LAW, EFFECTIVE 1982)
15% - 46% (1981 LAW, EFFECTIVE 1983 & THEREAFTER)
MAXIMUM CORPORATE CAPITAL GAIN ALTERNATIVE TAX RATE IS 28%

(PLUS STATE RATE)

ENTER:

- 1) EFFECTIVE ORDINARY RATE 2) EFFECTIVE ORDINARY RATE (YEAR OF SALE)
? .46, .46
9. RESALE PRICE (NET OF SALE COSTS) ? 4500000
10. IS THERE LENDER PARTICIPATION ?N
11. ENTER OWNER'S AFTER TAX REINVESTMENT RATE (%)? 9.5
12. ENTER OWNER'S AFTER TAX OPPORTUNITY COST OF EQUITY FUNDS (%)? 9.5

APPENDIX H (Continued)

RESALE PRICE: \$4,500,000.
 LESS MORTGAGE BALANCE: \$3,238,253.
 PROCEEDS BEFORE TAXES: \$1,261,747.
 LESS LENDER'S %: \$0.
 NET SALES PROCEEDS
 BEFORE TAXES: \$1,261,747.
 =====

1ST YR B4 TAX EQ DIV: 5.1665%
 AVG DEBT COVER RATIO: 1.5250

RESALE PRICE: \$4,500,000.
 LESS LENDER'S %: \$0.
 NET RESALE PRICE: \$4,500,000.
 LESS BASIS: \$3,180,000.
 TOTAL GAIN: \$1,320,000.
 EXCESS DEPRECIATION: \$0.
 EXCESS DEP. FORGIVEN: \$0.
 CAPITAL GAIN: \$1,320,000.
 ORDINARY GAIN: \$0.
 =====

TAX ON ORDINARY GAIN: \$0.
 TAX ON CAPITAL GAIN: \$369,600.
 PLUS MORTGAGE BAL: \$3,238,253.
 TOTAL DEDUCTIONS FROM
 NET RESALE PRICE: \$3,607,853.
 =====

NET SALES PROCEEDS
 AFTER TAX: \$892,147.
 =====

IF PURCHASED AS ABOVE, HELD 5 YEARS & SOLD FOR \$4,500,000.
 THE MODIFIED I.R.R. BEFORE TAXES IS 16.7263% AND AFTER TAXES IS 14.0493%
 ASSUMING AN AFTER TAX REINVESTMENT RATE OF 9.5%, AND OPPORTUNITY COST OF 9.5%

APPENDIX H (Continued)

MORTGAGE ANALYSIS
INNTOWNER HOTEL

YEAR	NOI	MORT INT.	MORT AMORT	DEBT SERV	DCR	MTG. BAL.
1.	503926.	432576.	9352.	441927.	1.140	3290648.
2.	663037.	431272.	10656.	441927.	1.500	3279993.
3.	717475.	429786.	12142.	441927.	1.624	3267851.
4.	729863.	428093.	13835.	441927.	1.652	3254016.
5.	755375.	426164.	15764.	441927.	1.709	3238253.
AVG	\$673,935.				1.525	

EQUITY ANALYSIS
INNTOWNER HOTEL

BEFORE TAX EQUITY DIVIDEND

YR	NOI	YR END EQUITY	AMOUNT	ORG EQ	CUR EQ
1.	\$503,926.	\$1,209,352.	\$61,999.	.0517	.0513
2.	663,037.	1,220,007.	221,110.	.1843	.1812
3.	717,475.	1,232,149.	275,548.	.2296	.2236
4.	729,863.	1,245,984.	287,936.	.2399	.2311
5.	755,375.	1,261,747.	313,448.	.2612	.2484

ORIGINAL EQUITY: \$ 1200000

LAND VALUATION - POINT SCORE
METHOD CONFIRMATION

Computation of Least Squares Fit of Sales Price and Property Score
=====

[STEP 1]

Sale	Y	X	Y ²	X ²	XY
1	5.8	4	33.64000	16.00000	23.2
2	3.6	2.4	12.96000	5.760000	8.64
3	4.75	3	22.56250	9.000000	14.25
4	7.77	5	60.37290	25.00000	38.85
5	5.58	2.8	31.13640	7.840000	15.624
6	0	0	0	0	0
7	0	0	0	0	0
8	0	0	0	0	0
9	0	0	0	0	0
10	0	0	0	0	0
	----- 27.5	----- 17.2	----- 160.6718	----- 63.60000	----- 100.564

[STEP 2]

$$\bar{Y} = \frac{\text{The sum of Y's}}{n} = 5.5$$

$$\bar{X} = \frac{\text{The sum of X's}}{n} = 3.44$$

[STEP 3]

$$\begin{aligned} \text{The sum of } y^2 \text{'s} &= (\text{The sum of } Y^2 \text{'s}) - n(\bar{Y})^2 \\ &= 9.421800 \end{aligned}$$

$$\begin{aligned} \text{The sum of } x^2 \text{'s} &= (\text{The sum of } X^2 \text{'s}) - n(\bar{X})^2 \\ &= 4.432000 \end{aligned}$$

$$\begin{aligned} \text{The sum of } xy &= (\text{The sum of } XY) - n(\bar{X}\bar{Y}) \\ &= 5.964 \end{aligned}$$

APPENDIX I (Continued)

[STEP 4]

b = slope of price point relationship

$$b = \frac{\text{The sum of } xy}{\text{The sum of } x^2} = 1.345668$$

[STEP 5]

a = intercept

$$a = \bar{Y} - b\bar{X} = .8709025$$

[STEP 6]

$$S_{yx} = \text{The square root of } \frac{(\text{The sum of } y^2 \text{'s}) - b^2(\text{The sum of } xy)}{n - 2}$$

$$= 2.411781$$

[STEP 7]

$$r = \frac{\text{The sum of } xy}{\text{The square root of } (\text{The sum of } x^2 \text{'s}) \times (\text{The sum of } y^2 \text{'s})}$$

$$= .9229344$$

$$r^2 = .8518078$$

APPENDIX I (Continued)

[STEP 8]

COMPARABLE NUMBER	WEIGHTED POINT SCORE	ESTIMATED PRICE PER SQFT	ACTUAL PRICE PER SQFT	RESIDUAL ERROR
1	4	6.25	5.8	.45
2	2.4	4.10	3.6	.50
3	3	4.91	4.75	.16
4	5	7.60	7.77	-.17
5	2.8	4.64	5.58	-.94
6	0	.00	0	.00
7	0	.00	0	.00
8	0	.00	0	.00
9	0	.00	0	.00
10	0	.00	0	.00
NET ERROR				.00

