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Landmark Research, Inc.

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EMPLOYER'S MUTUAL APPRAISAL

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Thomas L. Turk
James A. Graaskamp

September 21, 1970

Mr. Neil Conway
Genrich, Terwillinger, Wakeen, Piehler & Conway
401 4th Street
P.O. Box 1063
Wausau, Wisconsin 54401

Dear Mr. Conway:

At your request we are happy to furnish a full appraisal of the office complex of four buildings and lands of the Employers Mutual Insurance Company of Wausau, a property located on the northwest corner of the Highway 51 and 29 interchange and addressed as 2000 Westwood Drive, Wausau, Wisconsin.

After careful inspection of the property, extensive review of the Wausau and national real estate investment markets, and research as to the highest and best use of the property were it to be sold to another user, it is my opinion that the fair market value which might be paid for the purchase of the subject property with reasonable financing appropriate to this type of investment is in the amount of:

NINE MILLION DOLLARS

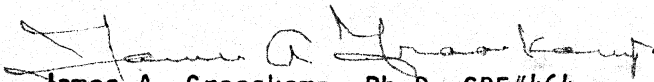
(\$9,000,000)

It is our understanding that this appraisal will be used as a guideline for tax assessment valuation by the city and therefore we have been careful to observe and state the theoretical implications of all elements in the traditional approach to property evaluation.

As you know, I have personally inspected the property many times, as recently as Friday, July 31, 1970 and to the best of my knowledge and belief the facts and data used herein are true and correct. There is a statement of limiting condition as to the scope of appraiser responsibility in the attached report.

We look forward to your comment and any inquiries as to our findings which you or your client may have.

Sincerely yours,


James A. Graaskamp, Ph.D, CRE#464
Urban Land Economist

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PART I

GENERAL INFORMATION AND BASIC ASSUMPTIONS

A. Purpose of the Appraisal

The purpose of this appraisal is to establish an estimate of the fair market value of the home office complex of the Employers Mutual Insurance Company in Wausau, Wisconsin as of May 1, 1970. This report is prepared to furnish a guide for review of the full market value assessment placed on the property for the 1970 tax roll by the Assessor of the City of Wausau.

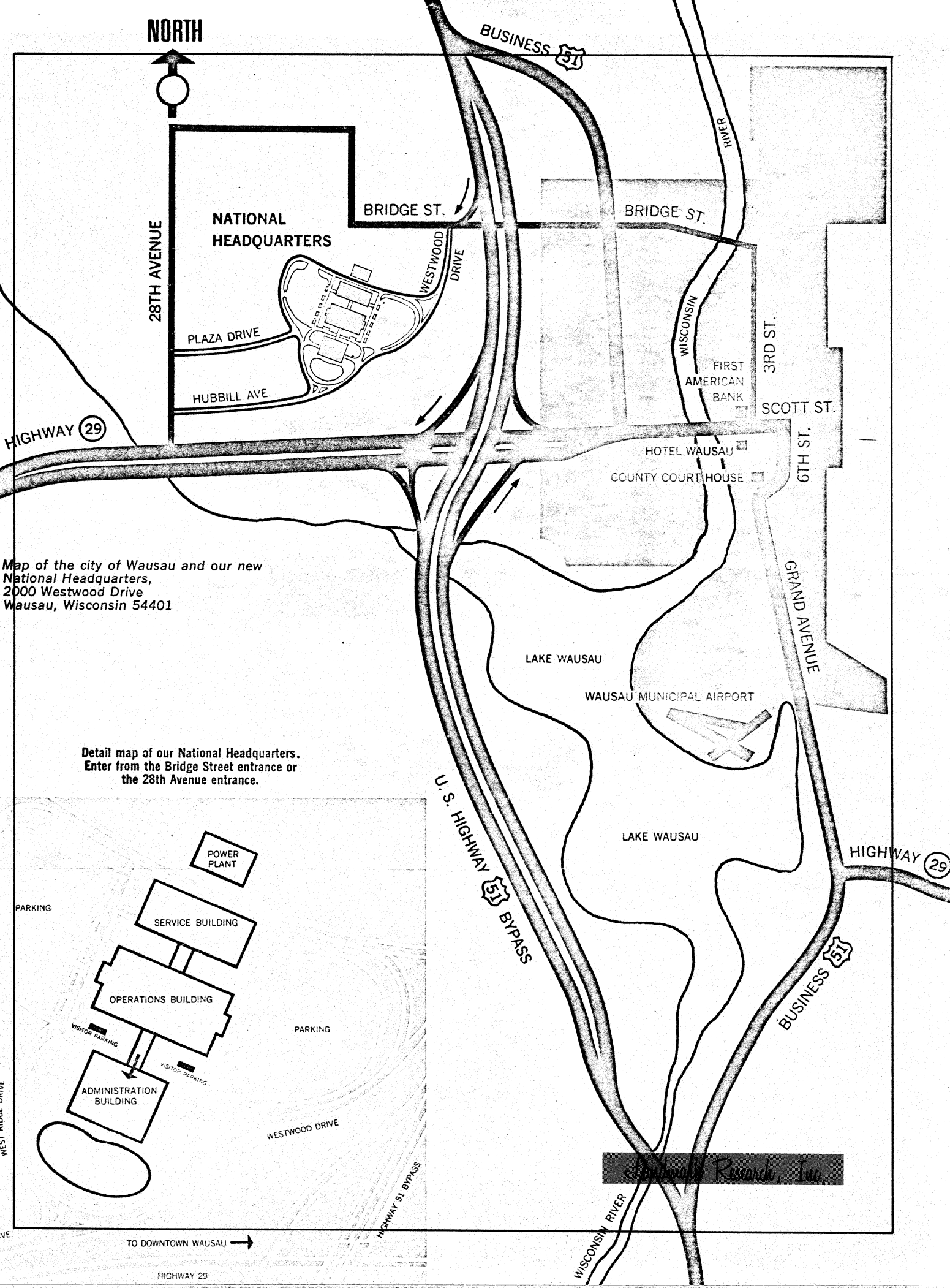
B. Definition of Fair Market Value

Fair market value is defined, for the purpose of this appraisal, as the highest price estimated in terms of money which a property will bring if exposed for sale in the open market allowing a reasonable time to find a purchaser who buys with knowledge of all the uses to which it is adapted and for which it is capable of being used. (AIREA, Appraisal Terminology and Handbook, 5th Edition, Chicago, 1967, p. 131).

It should be noted that current appraisal theory as taught by both professional organizations not only presumes competitive market conditions, informed buyers and sellers, and the absence of undue pressure but also instructs the appraiser as follows:

1. "Rational" or prudent economic behavior by both buyer and seller. Each is presumed to act in his own enlightened self-interest in his buying or selling behavior.
2. A reasonable turnover period. A quick or forced sale is not presumed. Moreover, a seller may often receive "his price" if he is willing to wait an unduly long time to find a buyer. Neither of these cases meets the conditions of market value. The appraiser must ascertain the normal or typical turnover period for properties of the type being appraised, in the market in question, as of the date of the appraisal.
3. Payment consistent with the standards of behavior of the market. Typical or normal financing and payment arrangements are presumed. This will usually not involve an all-cash payment by the purchaser, nor does it mean especially favorable financing terms in order to attract a buyer at the seller's price.

NORTH



Map of the city of Wausau and our new
National Headquarters,
2000 Westwood Drive
Wausau, Wisconsin 54401

Detail map of our National Headquarters.
Enter from the Bridge Street entrance or
the 28th Avenue entrance.

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4. Market Value looks at the transaction from the point of view of the buyer. It is the maximum price that an informed purchaser would pay under the stipulated conditions.

--Quoted from An Introduction to Appraising Real Property, Prepared by Dr. William N. Kinnard, Jr., For the Society of Real Estate Appraisers; Chicago, 1969, pp. 6-10 and 6-11.

C. Legal Description

The home office complex of Employers Mutual of Wausau consists of four major structures, several large parking areas, a major lagoon and landscaped approach area, and more than 250 acres of land all of which are included on the City of Wausau Tax Roll as tax parcels specified:

2907-273-999
2907-272-001
2907-272-999
2907-271-999
2907-224-999

D. Stipulated Market Value of Land

In accordance with the instructions of Neil M. Conway, attorney for Employers Mutual Insurance Companies, any valuation determined by the appraiser as fair market value for the subject complex was to be allocated to the land in the amount of \$1,424,000 and the balance to the improvements thereon.

E. Statement of Highest and Best Use

It is the appraisers opinion that the subject property is not currently improved in a manner that represents its highest and best use in the unlikely event that its present owner were to relocate and place the property on the market. It would included an office complex structure far overbuilt for the foreseeable space needs of the present Wausau commercial and industrial space market so that conversion to multiple tenant uses is most unrealistic. At the same time it is seldom the nature of large enterprises to buy a remote headquarters and then immediately to relocate their home office operations into a small community; indeed in more recent years there has been a tendency for giant office complexes to cluster at major airports in the suburbs or financial centers of larger communities. However, there is precedent in Wisconsin for state government to occupy on a leased basis entire office buildings or structures converted from buildings whose original purposes were no longer appropriate. Thus the State of Wisconsin has converted a 100,000 square foot dormitory, an 80,000 square foot bowling alley and two former insurance company buildings in Madison to state office space on a leased basis, with leases running from 3 to 10 years.

This appraiser has therefore concluded that highest and best use of the subject property (should it be vacated by its present owner) would be for

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lease to the state as a central state government service headquarters prior to the sale of the property subject to the lease to an institutional investor operating in the national market. With such a strategy there would be a net income flow which might serve a reasonable portion of the original cost of this severe overimprovement, an income which appropriately capitalized would represent the highest and best use of the subject property under the facts which now exist.

F. National and Regional Assumptions

As of May, 1970 there was some hesitancy on the part of investment capital relative to real estate due to high yields available in the bond market and industrial private placements. Institutional lenders were seeking 9 1/2 to 11% rate of return on sound real estate mortgage proposals where there was additional opportunity for participation in increased gross rents as compensation for monetary devaluation due to inflation or due to appreciation on higher risk land values. Most significantly for commercial office space, federal income tax laws had been revised for investments following July 24, 1969 so as to significantly reduce certain tax advantages previously inherent in this type of investment buyers of used office buildings are limited under the law to straight line depreciation, no longer have opportunity for investment tax credits, nor enjoy the privilege of deducting prepaid interest on land contract agreements. Further the deductability of interest incurred to purchase a passive investment (an investment for which investor expenses were less than 15% of gross income) strongly prejudiced the market against leasebacks without operating responsibility. Thus the tax ploys which formerly made even marginal real estate attractive have virtually disappeared from office building investments for major office investments only large life insurance companies or "overseas investor" trusts remain in the market and their marginal tax rates fall in a range of 20% for insurers or 5% for trusts, further minimizing any remaining "tax shelter" characteristics of these properties. The thrust of investment today is to income and participation in the gradual increase in gross income over the long term of 10 years or more.

The Central Wisconsin area was experiencing some "stuttering" of employment levels if not identifiable decline in the level of economic activity during the monetary readjustment phase of national economic policy.

It is assumed that the client as a national financial institution is well aware of national economic trends as well as conditions in Wausau and Marathon County and thus no further background data on national or local economic conditions affecting value as of May 1, 1970 has been provided.

G. Description of Improvements

The improvements to the land consist of an office complex consisting of four buildings, the construction of which was completed in 1967. A general site plan of the subject property indicating the buildings is provided in illustration #1.

The complex consists of an Administration Building, Operations Building, Service Building and a Boiler Plant, all being of integrated architecture and construction.

The Administration Building (hereafter identified as Building #1) has a basement housing the various mechanical facilities along with two indoor garage areas for maintenance equipment plus a covered parking area which can accommodate 76 cars. On the first floor is located the receptionist, lobby, switchboard, and two atriums with elaborate fountains and live plantings. The second floor is devoted to office areas with the third floor being occupied by the Executive Offices, Board Room, and the Legal Library.

The Operations Building (hereafter identified as Building # 2) has a full basement housing the educational facilities, vault, file areas, and mechanical rooms. The first, second and thirds floors are devoted to office operations incurred with the insurance business. The fourth floor houses the dining room, cafeteria, meeting rooms, lounges, kitchens, and mechanical rooms.

The Service Building (hereafter identified as Building #3) has mechanical rooms on the first floor along with a shop area with the remainder being devoted to parking which can accommodate 130 cars. The second floor is devoted to processing areas, supply, warehousing and dock areas.

The Boiler Building is a one story structure divided into three sections, containing the air conditioning equipment, the heating equipment, and a garage with storage areas. There are no rentable areas in this structure which is ancillary to the first three.

Both the client and the City of Wausau real estate tax personnel are most familiar with the structure so there is no further need for a descriptive detail at this point.

H. Wausau Data Bank

In preparation of this appraisal a data bank on all significant industrial land, industrial building leases, and office building leases and vacancies was prepared. In addition a sample of available retail lease information was taken. Properties were photographed, locations mapped, and various transaction details cataloged. This information is available for inspection and review but only portions were specifically included in this report as relevant or informative, particularly for those thoroughly acquainted with the Wausau area.

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PART II

MARKET APPROACH TO VALUE

A. Direct Sales Comparison Approach

The basic principle underlying the direct sales comparison approach to property appraisal is the principle of substitution which holds that the informed buyer will pay no more for an interest in property than the cost to him of acquiring a satisfactory substitute. The investor in a major office building is buying a net income stream and the traditional view of appraisal is to compare the net income power of large investment buildings without regard to leverage for the income tax consequences. While the gross rent multiplier is a valuable tool for small buildings such as duplexes and free-standing retail store buildings of the old style, it is regarded as entirely misleading and erroneous when applied to larger structures as each such structure has significant variations in operating characteristics, vacancy rates, and lease terms. However, it is difficult to find large investment properties comparable to the Employers Mutual Building which are not affected by financing and income tax considerations of the buyer. Pension funds and mutual life insurance companies do buy this type of complex for cash as an investment outlet without need of mortgage financing; in addition pension funds are not subject to income taxation so that "tax shelters" have no value while large mutual life insurance companies typically have a marginal income tax rate ranging about 20% of net income as conventionally defined by non-insurance standards and purchases by these types may fit classic molds. These institutions buy income streams and a number of recent and highly comparable transactions provide a basis for valuation of the Employers Mutual Complex by the sales comparison approach. The approach in this instance will be to define rental values, operating expenses, and net income consistent with highest and best use of the subject property and then to convert that net income forecast to estimated fair market value by means of a net income multiplier derived from three comparable sales.

B. Determination of Gross Rent Potential of Subject Property

Careful study of the Wausau economy and the discouraging absorption rates of rental space available in the old Employers west side annex building, the downtown hotel conversion, plus other vacancies in the downtown core led to the conclusion that multiple tenant occupancy was totally unrealistic for 1970 forecasting. Highest and best use of this property should it be vacated by the present owner would be as an office and data storage facility for the state government. With the cooperation of Mr. David Ward, real estate administrator of the Wisconsin State Department of Administration, 1 W. Wilson Street, Madison, Wisconsin, a careful study of State of Wisconsin a quality office space needs and industrial storage space needs was possible. This study was the basis for determining rents appropriate to the

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TABLE I

SUMMARY ALLOCATION OF EXISTING SPACE TO RENTABLE AND NON-RENTABLE
AREAS FOR EMPLOYERS MUTUAL WAUSAU COMPLEX

	<u>Gross</u>	<u>Office</u>	<u>Indus- trial</u>	<u>Parking (Covered)</u>	<u>Commer- cial</u>	<u>Non- Rent</u>
Building #1						
Ground floor	47,303	--	--	36,706	--	10,597
1st floor	45,680	--	--	--	2,000	43,680
2nd floor	30,232	23,468	--	--	--	6,764
3rd floor	30,232	23,468	--	--	--	6,764
Penthouses	228	--	--	--	--	228
Sub-total	153,675	46,936	--	36,706	10,000	60,033
Building #2						
Ground floor	66,035	43,485	6,244	--	--	16,306
1st floor	65,803	47,275	--	--	--	18,527
2nd floor	70,379	53,633	--	--	--	16,746
3rd floor	70,379	53,633	--	--	--	16,746
4th floor	45,425	2,103	--	--	22,698	20,624
Penthouse	1,796	--	--	--	--	1,796
Sub-total	319,817	200,129	6,244	--	22,698	90,745
Building #3						
1st floor	66,472	--	7,840	52,415	--	6,217
2nd floor	67,845	16,500	49,166	--	--	2,179
Penthouse	793	--	--	--	--	793
Sub-total	135,110	--	73,506	52,415	--	9,189
Building #4						
Boilerhouse	15,097	--	--	--	--	15,097
Sub-total	15,097	--	--	--	--	15,097
Grand total	623,698	253,565	63,250	89,121	24,698	183,064

Building Efficiency Ratio - 70%

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TABLE II

**SCHEDULE RENT CHARGES ASSIGNED TO RENTABLE AREAS
IDENTIFIED IN CHART I FOR EMPLOYERS MUTUAL WAUSAU COMPLEX**

<u>Total Rentable Areas</u> <u>Sub-Totals - Table I</u>	<u>Sq. Ft.</u> <u>Area</u>	<u>Annual</u> <u>Rent per</u> <u>Sq. Ft.</u>	<u>Gross</u> <u>Rent</u>	<u>Maintenance</u> <u>Cost to Land-</u> <u>lord/Sq. Ft.</u>	<u>Gross Operating</u> <u>Maintenance</u> <u>Expense</u>
Building #1					
Prime Office Area	46,936	5.50	\$258,148	.90	\$42,242
Covered Parking Stalls	76	96.00	7,296	12.00	912
Commercial Space	2,000	4.75	9,500	.90	1,800
Building #2					
Deep Bay Office Space	200,129	5.00	1,000,645	.90	180,116
Industrial Storage	6,244	1.25	7,805	.55	3,434
Restaurant - 4th Fl.	22,698	8.00	181,584	1.75	39,722
Building #3					
Second Class Office Sp.	16,500	4.50	74,250	.90	14,850
First Class Lt. Indus.	49,166	1.35	66,374	.55	27,041
Covered Parking Stalls	130	96.00	12,480	12.00	1,560
			\$1,618,082		\$311,677
		Rounded to:	\$1,620,000		\$310,000

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various types of space areas found in the Employers Mutual complex as well as the price at which buildings recently leased by the State commanded upon sale to investors.

Table I summarizes a careful review of each building, floor by floor, as to its application for rental purposes by type of use. Table II indicates the schedule of rental values per square foot and in total dollars for each class of space in each building.

The procedure to determine the square footage of rentable area was as follows:

1. The Taxpayer furnished detailed spaced dimensions and room sizes for each floor in each building. The appraiser reviewed each floor and adjusted Taxpayer data to determine potentially usable area. Adjustments were made to convert present single use floors to multi-tenant floors by creating corridors, lobbies, etc. and in addition, certain omissions on totals furnished were corrected.
2. The appraiser then attempted to define a commercial use generating rental income for all usable areas. His conclusions are summarized in Table I.

Next a rent schedule was developed for each building for each type of area and the results are summarized in Table II. The thinking in each decision is outlined below while details of comparable leases by the state in the past year for entire office buildings both in Madison and elsewhere in the state are provided in Appendix A. In all cases the rent assigned represented a premium over and above the character of the Employers Mutual Complex. The conditions presume for a lease of the entire complex to the state included a non-cancelable, ten year contract, with heat, air conditioning and structural maintenance provided by the landlord. The landlord would pay the real estate taxes existing at the time of the lease with all increases charged to the tenant and all reductions credited to the tenant's account. The tenant would be responsible for all janitorial services, all utility consumption related to Buildings I, II, and III while the landlord would be responsible for utilities provided to the Boiler House.

1. Prime office space area in Building #1 was given a rentable of \$5.50 a square foot, 50¢ above the current equalized rental paid by the state for office space with heat and air. It is also 25¢ above top dollar rentals in Wausau, even rentals for medical clinic space which tend to be higher to cover additional utility costs and medical prestige factors. (See item #1-3 in Appendix A)

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2. Rentable commercial space in the vast bluestone terrace in the lobby of Building #1 was reviewed and 2,000 square feet was considered rentable for tobacco and notion sales. This space would be leased on a bid basis to a private vendor and was assigned to rent for \$4.75 a square foot, a premium rent relative to retail leases in the Wausau area. (See Item #10 and #11 in Appendix A).
3. Covered parking stalls in Building # 1 and Building #111 were given a charge of \$96.00 per year. At the University and other state facilities where limited covered parking is available a stiff charge is made to state employees on the basis of need due to disabilities, etc. and the willingness to pay for the privilege as opposed to free parking often provided by the state.
4. The deep bay office space in Building II that represents the majority of useable space in the Complex was assigned to rent for \$5.00 per square foot, the equalized rental value of space now being rented by the state in Madison. The equalization was according to a formula determined by Mr. Ward by which he compares space leased under varying terms of services provided by the landlord. (See rental comparables in #3 and # 4 in Appendix A.)
5. The industrial storage space available in Building #11 including some vault area was assigned the value of \$1.25, a 25¢ premium over recent state storage leases outside of Madison and an average warehouse storage cost to the state of less than \$1.00 per square foot, according to Mr. Ward. (See item #6 and # 9 in Appendix A).
6. The restaurant facilities on the 4th floor were given a rental value on the assumption that the entire installation including kitchen equipment and furnishings might be leased out to a private canteen service at a generous \$8.00 per square foot of restaurant and kitchen areas, a most generous assumption to avoid debate on a peripheral issue as to the condition and remaining useful life of the kitchen equipment.
7. Industrial warehouse space in Building #111 has recently been converted into supplementary office space somewhat less desirable and accessible than that including #11. This Class B space was given an annual rent charge of \$4.50 a square foot.
8. The balance of the enclosed warehouse space in Building #111 with inside loading dock access was given a premium rent of \$1.35 a square foot.

9. As the entire complex was leased to a single national rated tenant for a ten year term without cancellation privilege no allowance was made for vacancy or collection losses.

The gross rent potential of the Employers Mutual Complex is worked out by area in Table II and rounded upward to a effective gross rent of \$1,620,000.

C. Operating Expense Assumptions for Subject Property

In lieu of a long engineering study as to the differences between operating costs of the present owner-user and those of an industrial landlord with limited responsibility of the lease terms suggested in item II-B, two estimating methods were used and compared.

The first method was to use a standard cost item for each type of rentable area based on property management expectations to provide heat, air conditioning, and structural maintenance. Real estate taxes were treated separately and as currently charged at \$470,000. The standard cost based on Madison high-rise office experience was 90¢ per square foot of office and commercial area, 55¢ a square foot for light industrial, and \$12.00 per covered parking stall. Snow removal for the outside parking area would be a function of the tenant janitorial services. In addition, \$1.75 was charged to the restaurant area to represent the shorter average life of fixtures and equipment included in the high rental assumption. These expenses rounded to \$310,000 or approximately 19% of the gross rent estimate which is very much in line with expense ratios excluding real estate taxes for this type of structure.

As a check on this first approach the operating cost statement for January 1 to December 31 of 1969 furnished by the taxpayer was reviewed and adjusted considering the terms of the lease proposed in II-B. This data and the resulting adjustments are provided in Table III. Much of the data furnished by the taxpayer was irrelevant to the real estate and represented on-going remodeling and decorating and was disregarded although a facsimile of the taxpayer is divided in Appendix C. It should be noted that salaries and employees welfare and office maintenance were omitted entirely while landlord staffing of the Boiler House administration was provided for with \$85,000, presuming five Boiler House men and relief at \$12,000 each, a supervisor for \$17,500 and \$7,500 for their administrative supplies. Insurance was adjusted upward to reflect the fact that the building is now covered under a blanket policy covering all of the owners present structures with a large deductible plan which the owner himself insures. A large deductible policy would not be acceptable to an institutional buyer of the building nor would the preferential rate for a non-owner occupied structure. Structural maintenance is

TABLE III

RECONSTRUCTED EMPLOYERS MUTUAL WAUSAU COMPLEX
OPERATING COSTS FOR 1969

	Data Provided by Employers	Assumptions for Leased Investm. Prop.
Equipment Maintenance	\$78,383	\$80,000
Fuel	49,633	50,000
Insurance	9,825*	18,000
Salaries & Employee Welfare	251,399	
Office Maintenance	237,423	
Structural Maintenance		20,000
Electricity & Water	170,000**	57,000
Landlord, Staff, & Administration		<u>85,000</u>
Budgeted Investor Expenses (Excluding Real Estate Taxes)		310,000
Real Estate Taxes		472,000
Total Budgeted Investor Expenses		<u>\$782,000</u>

TABLE IV

SUMMARY SCHEDULE OF GROSS RENTS EXPENSES AND NET INCOME
FROM TABLE II & III FOR EMPLOYERS MUTUAL WAUSAU COMPLEX

Estimated Gross Rent	\$1,620,000	100%
Estimated Operating Expenses	310,000	19.5%
Estimated Real Estate Taxes	472,000	29.1%
Estimated Net Income Available For Debt Service and Equity Dividends	838,000 (or rounded - \$840,000)	51.4%

recognized with a minimal \$20,000 allowance, reflecting the newness of the building and the minimum upkeep required of its exterior materials. The electricity and water was arbitrarily and probably too severely reduced to 30% of the 1969 outlay for the taxpayer to parallel the percent of non-useable space in the building and lease responsibility for Boiler House requirements. These allowances represent a reasonable allocation of budgeted investor expenses on an aggregate basis and serve to confirm expenses budgeting based on rentable area.

Total budgeted expenses which might reasonably be anticipated by a purchaser of the Employers Mutual Complex subject to a state lease as defined would therefore be \$782,000, of which \$310,000 would be for operations. Escalator clauses for major components such as real estate taxes, and utilities would stabilize these expenses commensurate with the fixed rental assumptions for the ten year term of the lease.

D. Net Income Forecast for Subject Property

The net income forecast for the Employers Mutual Complex available for debt service and equity dividends and the basis for a market comparison approach to value can therefore be defined as in Table IV based on the summary of the analysis in Section II-B and II-C above. The Estimated net income rounded will be \$840,000, assuming the very most optimistic circumstances in regard to governmental office requirements should the City of Wausau be so unfortunate as to lose the present occupant and major force in the local economy and national image.

E. Three Direct Sale Comparables to Subject

Three recent sales transactions were selected as highly relevant to direct market sales valuation of the employers Complex subject to a ten year lease to the state or related governmental agency. Sale #1 is a modern insurance company home office building in Madison, Wisconsin leased to the state for occupancy June 1, 1970; Sale #2 is of a large suburban park with similar physical as the subject property in suburban Minneapolis to a national life insurance company as an investment; and Sale #3 is a suburban high-rise office complex sold to a pension fund in the rapidly developing O'Hare Field district of Chicago.

DIRECT SALES COMPARISON #1

The Rural Farm Bureau Building, 810 W. Badger Road, Madison, Wisconsin was vacated by its insurance company owner which is relocating at the present time to a much larger structure on the west side of Madison. Originally offered for sale without a state lease for less than \$1 million, it was sold in June of 1969 for \$1,250,000 cash to the insurance company owner to the present investment syndicate, the Wisconsin Farm Bureau Building Corporation.

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level entrance. The buildings are built of poured concrete flat plate structure and precast wall panels and interior partitions are generally inexpensive steel stud and gypsum frame. There are two 2-story buildings and one 6-story tower which serves as architectural focus point for the project. There are 774,869 gross square feet of floor area with 534,238 square feet of net rentable office space plus 46,234 square feet of record storage space. There are 1500 underground parking spaces and 15,000 paved surface parking stalls. Four additional buildings were under construction and rented upon completion. The net income forecast for the 12 month period following purchase including rents from new space was \$1,653,000.

The building was purchased on June 24, 1969 by Expressway Properties, Inc., a wholly owned subsidiary of Northwestern Mutual Insurance Company for \$16,047,400. All data was provided by the grantee, via its parent the Northwestern Mutual Insurance Company and is used with their permission. The apparent income multiplier was 9.98 but Expressway Properties already owned a part of the land beneath two of the office buildings on a leaseback deal causing an adjustment of the sales price. The sales price is contingent sales price since buyer and seller could not agree on the forecast of a stabilized income. Therefore, the buyer and seller agreed that the net income multiplier determining value should be 10 and to the degree that net income exceeds that amount forecast for the buyer for the next five years, the seller shall receive the average additional net income per year times 10 as an additional compensation, not to exceed \$8,000,000. The deal was built around a net income multiplier of 10 by two of the most knowledgeable and prudent operators in the national market.

The buyer expects the economic potential of the Minneapolis area plus inflation to maintain resale value of the property at its present levels and for rents to rise significantly over the long term. Obviously an active and growing real estate market like Minneapolis is far more favorable location and risk than Wausau but perhaps a single credit tenant assumed for the Wausau Building and the superior construction of the Wausau building might offset the risk differential somewhat. The higher the risk factor the lower might be the net income multiplier but how much lower for the Wausau situation is anybody's guess. However, it is certain that a knowledgeable investor would not pay more for an income stream in an oversized, isolated structure in Wausau than he would pay for the same or more favorable prospect in Minneapolis. No reasonable and prudent buyer operating in his own interest in the national market would make such a decision and fair market value requires that appraisal regard circumstances from the buyers viewpoint.

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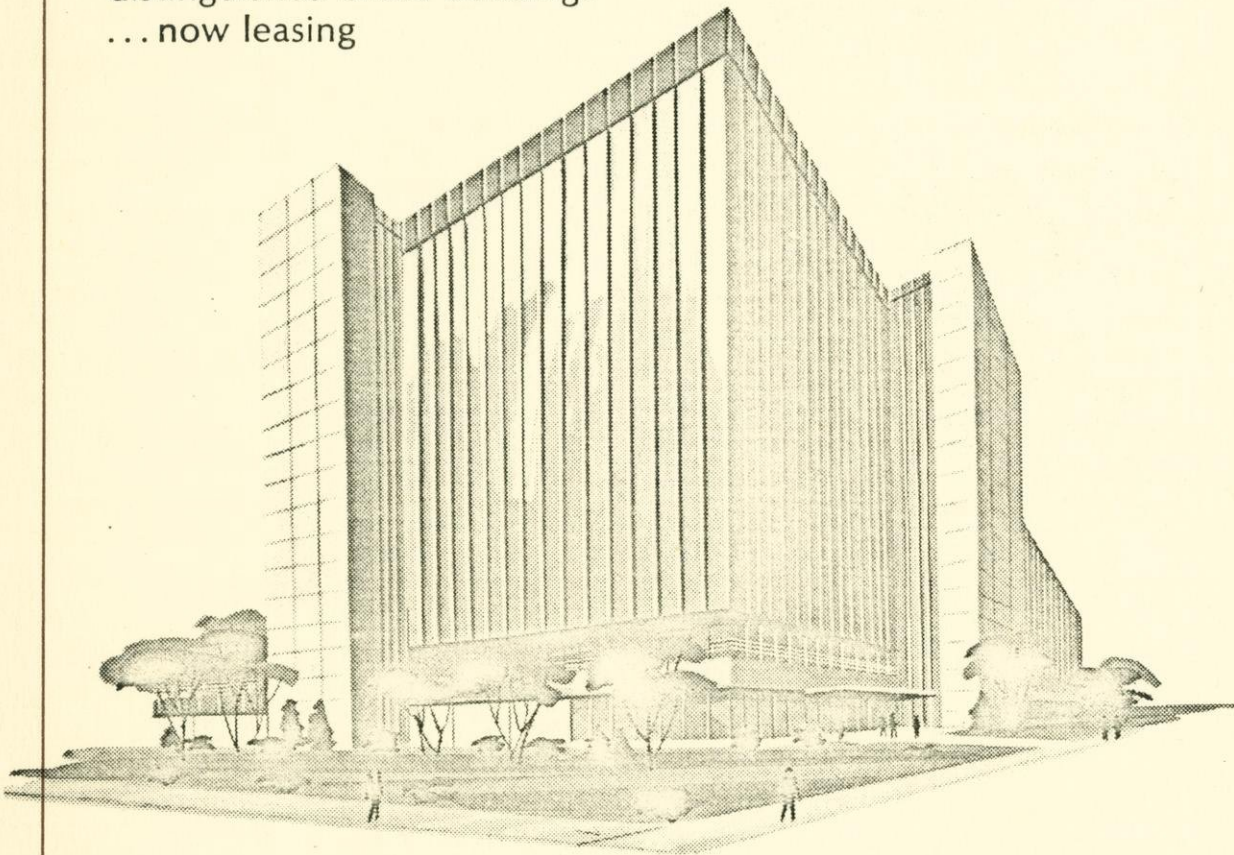
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Giving the Wausau location the most favorable benefit of the doubt, IF A NET INCOME MULTIPLIER OF 10 IS APPLIED TO THE NET INCOME OF \$840,000 FORECAST FOR THE SUBJECT PROPERTY, THE INDICATED SALES MARKET PRICE WOULD BE \$8,400,000.

DIRECT SALES COMPARISON #3

The International Tower at 8550 W. Bryn Mawr, Chicago, Ill. is at a key intersection of Cumberland Avenue and the Kennedy Expressway, within sight of O'Hare Field in an area which absorbed 1,200,000 square feet of office and commercial space in a single year, probably the fastest growing high density office area in the United States with the possible exception of downtown Manhattan. The five acre site is improved with a 10-story tower office building containing a total of 300,000 square feet and a net rentable area of 248,788 square feet. There is a one-story 30,000 square foot warehouse connected to and part of the tower to the west and an underground parking garage to the east houses 226 automobiles. The above grade parking will accommodate 412 automobiles. (See Illustration #4)

The building was purchased in October 1969 by the trustees of Central States Southeast and Southwest Areas Teamsters Pension Fund at a cash price of \$8,810,000 including repayment of an existing 5.5 million mortgage as the pension fund owns the building free and clear. All data was provided by Abel E. Berland, President of Arthur Rubloff & Company, brokers and property managers of the building. Mr. Berland is also President of the American Real Estate Counselors.

The net income projected for this building just now being completed was forecasted on a free and clear basis as \$614,400, after provision for 10% vacancy on a gross rent schedule of \$1,515,973 and \$750,000 operating costs. The indicated net income multiplier to a pension fund paying no income taxes of 14.3 or a minimal 7% yield at a time when the pension could have purchased Double Quality Bonds yielding 9% or more. Obviously these investors expect net income to rise as present 3-5 year leases are renewed and demand continues to grow at this transportation hub of the midwest and the United States. Adjusting for the drastic difference between circumstances of the subject property location and that of the International Tower Building at O'Hare and the absence of any income facts on proceeds for the pension fund suggests a net income multiplier of 12.

APPLYING THIS MAXIMUM UPPER LIMIT MULTIPLIER OF 12 TO THE SUBJECT PROPERTY NET INCOME OF \$840,000 INDICATES A DIRECT MARKET SALES COMPARISON VALUE OF \$10,080,000.

F. Direct Sale Comparison Value Conclusion

Under the most favorable assumptions as to highest and best use and resulting net income for the subject property and recent sales of suburban office complexes, it can be concluded that the most probable sales price for the subject parcel on the direct sales comparison method would be \$8,400,000 with the absolute upper range of value at \$10,000,000 by an unregulated untaxed financial institution under no pressure to provide annual competitive investment yield reports.

PART III

CAPITALIZED INCOME APPROACH TO VALUE

A. The Basic Approach to Value

The income approach to value depends on the assumption that people buy real estate because they anticipate that ownership will provide them with certain future benefits. Moreover price is generally determined by the buyer's notion concerning the price at which he believes he could acquire substitute investments which would provide him with comparable benefits. Value is therefore specifically defined as the present worth of all rights to future benefits arising from ownership. The capitalization process is concerned with estimating dollar benefits in the form of rental income and resale proceeds add discounting these to present worth at rates of investment yield which will attract capital. (A summary of page 1 of Ellwood Tables for Real Estate Appraising, Part 1, 3rd Edition by L.W. Ellwood, published by The American Institute of Real Estate Appraisers, 1970)

The approach to value applied in this section will be to use the net income expectation of the subject property of \$840,000 as determined in part II and to apply (1) a discount factor computed by the Ellwood book and (2) a test for assessable value inherent in the Ellwood approach to value. The Ellwood approach is currently recognized as the most accurate and reliable income approach to value and is required technique for those seeking the coveted MAI designation.

B. Determination of the Ellwood Cap Rate

To compute the appropriate Ellwood capitalization rate it is necessary to make the investment assumptions of both mortgage lender and the equity investor. These assumptions are summarized in Table V. The financing assumptions of a 9 1/2% interest on a 30 year term and 80% loan ratio are most favorable to the borrower in the current market. The equity yield of 12% is actually more typical of annual rates of return including rent participations expected by mortgage lenders. Nevertheless to finance a majority of the project on mortgage

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at 12% interest would mean an overall cap rate which would greatly exceed the willingness of the market to purchase these buildings at an overall rate of 10% as suggested in the market comparison approach of Part II. No decline or increase in property value was assumed as buyers do not presently expect resale value of new, heavy construction office buildings to decline.

Using these assumptions and doing the calculation indicated in Test #1 of Table V, THE VALUE INDICATED BY THE CAPITALIZED INCOME APPROACH WAS \$8,380,000.

C. A Test of Actual Real Estate Taxes For Equity to Taxpayer

The Ellwood text provides a clear and simple test for comparing the accuracy of assessed values to value indicated by the income approach. L. W. Ellwood states on page ix of part II of Ellwood Tables, 3rd Edition, as Follows:

The validity of assessed valuation against which real estate taxes are imposed on income real estate can be tested by dividing stabilized income before real estate taxes by the sum of the effective tax rate and a supportable composite capitalization rate.

The effective tax rate is the product of the official tax rate and the equalization factor established as a matter of policy by taxing authorities or as determined by sampling of actual, arms-length market transactions where the ratio of assessed valuation to selling price can be calculated.

If, for example, assessed value is supposed to be 40% of full, fair cash market value and the official tax rate is 7%, the effective tax rate for application to full value is 40% of 7% of 2.8%.

Assessed value would be too high in this case if the tax bill exceeds 2.8% of full value as indicated by the test.

Test #2 in Table V demonstrates the application of the above to the subject property. Net income (I) plus real estate taxes (T) is divided by the indicated capitalization rate in Test #1 plus the effective tax rate. In this case it was assumed that the tax rate in Wausau followed reassessment of all parcels at 100% of the value might be \$35 a thousand, or expressed as a rate .035. If taxes were only 3.5% of assessed value the tax would be \$338,975 and the investment value of the subject proper would rise \$9,685,000--an increase of \$1,300,000 if tax assessments were established fairly!

THE VALUE OF THE SUBJECT PROPER INDICATED BY THE CAPITALIZED INCOME APPROACH, ASSUMING TAXES WERE ACCURATELY AND FAIRLY ASSESSED WOULD BE \$9,685,000.

TABLE V

ASSUMPTIONS AND VALUE CALCULATIONS FOR THE ELLWOOD APPROACH TO
CAPITALIZED INCOME

1. Available ratio of mortgage money to justifiable purchase price,
i.e., appraised value-----80%.
2. Mortgage interest rate available to a typical buyer at time of
appraisal-----9 1/2%.
3. Maximum available mortgage amortization term-----30 years.
4. Income projection term in years-----10.
5. Decline or increase in property value during the income projection
term-----0%.
6. Prospective yield that will attract equity investment-----12%.

TEST #1

$$\begin{aligned}
 Y-MC &= r & 1/r &= \text{value} \\
 .12 - .8X (024616) &= r \\
 r &= 0.1002592 \\
 840,000/r &= 8,378,000 \\
 &\text{or rounded, } \$8,380,000
 \end{aligned}$$

TEST #2

$$\begin{aligned}
 \frac{1+T}{r+TM} &= \text{assessable value} \\
 \frac{840,000 + 470,000}{0.1002592 + 0.035} &= \frac{1,310,000}{0.1352592} = \$9,685,000 \\
 9,685,000 \times 3.5\% &= \$338,975 \\
 \$338,955 &= \text{Maximum tax payable on} \\
 &\quad \text{equitable assessment basis.}
 \end{aligned}$$

PART IV

PROPERTY VALUE INDICATED BY THE COST APPROACH

A. General Application of the Cost Approach to Value

The cost approach to value estimation requires an estimate of the cost of replacing new all improvements and then the adjustment of this replacement cost for depreciation due to physical conditions in the property, functional disutilities due to the design and functional layout, and economic disutilities due to conditions beyond the perimeter of the site or due to location of the property, should the improvements not represent highest and best use of the site. This cost estimate after adjustments is then added to the market value of the land and site improvements, (valued as though vacant) which in this case was set at \$1,424,000.

While the costs of the subject property can be accurately projected from the historical record of its cost new in 1967, the cost approach itself becomes unreliable due to depreciation errors if a building is not highest and best use of the site or if it represents super-adequate quality relative to typical requirements. Both factors are present to a great degree in the case at hand. To measure the economic and functional disutility the most reliable measurement of diminished utility is considered to be the indirect method called measurement by abstraction. In this technique the present work of the improvements (remaining utilities) is subtracted from the reproduction cost new (total utility). The resulting answer is an estimate of the lump sum amount of accrued depreciation (diminished utility). (Professor William Kinnard, Chap. 14-16, An Introduction to Appraising Real Property). However this theoretical approach can involve circular thinking if depreciation in the cost approach uses conclusions generated by the income approach.

To avoid such an exercise in circular logic the approach used here was to use actual cost figures adjusted to 1970 and then to test the acceptability of financial results if the property were in fact purchased at cost to replace or at some arbitrary percentage of cost to replace. The investment consequences of purchase at cost to replace or some depreciated proportion thereof have been simulated with a computer cash flow model which permits evaluation of the consequences by three financial criteria of solvency and profit. It is assumed that no investor would accept an investment which produces negative after tax spendable cash income (for more than four years), or an investment return after taxes from all sources of less than 10% a year on his money. To suggest a property would sell at a price which would produce disastrous losses for the buyer in executing highest and best use for the property is nonsense. Yet, an excessive assessment value would imply such a state of affairs. Therefore, a measure of economic depreciation would be the market place discount which must be applied to cost to replace new in order that the buyer can remain solvent, conserve his original equity investment, and enjoy a modest return of 10%. Ingredients of this approach are developed in the following sections.

TABLE VI

EMPLOYERS MUTUAL WAUSAU COMPLEX HISTORICAL ALLOCATED BUILDING AND LAND COSTS
AS OF 5-1-70

	TOTAL	LAND	SITE DEVELOPMENT	BUILDING
Cost as of 5-1-70	18,697,290.37	1,149,669.13	1,598,395.05	15,949,226.19
Cost of Land Given to City				
For Roads	36,522.85	36,522.85		
Cost of Grading and Sub-				
Surfacing of Roads Given				
to City	232,491.45		232,491.45	
Land Development Studies	160,240.65		160,240.65	
SUBTOTAL	<u>18,268,035.42</u>	<u>1,113,146.28</u>	<u>1,205,662.95</u>	<u>15,949,226.19</u>
Items Which Could Be Excluded From Building Cost				
Movable Partitions	259,019.65			
Painting & Cleaning of				
Partitions	9,837.44			
Drapery Material	51,987.94			
(excluding rods & insulation)				
Capitalization of Property				
Taxes During Construction	26,834.99			
Cafeteria Equipment	127,824.15			
Cost of Excudable Items	<u>476,504.17</u>			<u>476,504.17</u>
ADJUSTED LAND AND BUILDING COST	<u>17,791,531.25</u>	<u>1,113,146.28</u>	<u>1,205,662.95</u>	<u>15,472,722.02</u>

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TABLE VII
ADJUSTED BUILDING COST NEW ALLOCATED
FOR TAX DEPRECIATION, CASH SOLVENCY
AND PROFIT TESTING

Description of Cost to Replace at location	Acquisition Cost Bases (Table 6)	Remaining Useful Life - Income Tax Purpose	Net Deterioration and or Replacement Cost Inflation Factor	Adjusted Bases For Cost of Replacement (May 1, '70)	Proration of Cost at 70% Resale	Proration of Cost at 60% Resale	Proration of Cost at 50% Resale	Proration of Cost at 40% Resale
Movable Partitions	\$259,000	17	91%	\$235,690	\$164,983	\$141,414	\$117,845	\$94,276
Draperies & Misc.								
Equipment	55,000	12	85%	46,750	32,725	28,050	23,375	18,700
Cafeteria Equip.	128,824	12	80%	103,159	72,141	61,835	51,529	41,223
Elevators & Escalators	270,000	12	110%	297,000	207,900	178,200	148,500	118,800
Structure	<u>15,236,382</u>	45	110%	<u>16,760,000</u>	<u>11,732,000</u>	<u>10,056,000</u>	<u>8,380,000</u>	<u>6,704,000</u>
TOTAL								
REPLACEMENT (Cost as Adjusted)	15,940,206			17,442,501	12,209,750	10,465,500	8,721,250	6,976,999
ADD:								
Land & Site Improvement at Market Value	<u>1,420,000</u>			<u>1,420,000</u>	<u>1,420,000</u>	<u>1,420,000</u>	<u>1,420,000</u>	<u>1,420,000</u>
Total Val. via Cost Approach	17,360,206			18,862,501	13,629,750	11,885,500	10,141,250	8,396,999
Mortgage Assumed at Approx. 80% of cost Value				14,000,000	10,930,000	9,530,000	8,130,000	6,730,000

B. Projection of Cost to Replace New

The historical capital costs of Employer's Mutual of Wausau complex through May 1, 1970 were furnished by the company and are provided in Table VI. This data has been processed in Table VII so that site development costs have been dropped from consideration and presumed to be included in the market value of the site of \$1,420,000. Identifiable costs for items worth a far shorter useful life than the basic structure were then treated separately to determine remaining useful life for income tax purposes, the undepreciated balance after consideration of wear and tear, and inflationary increases in price new in order to project cost replace new less physical deterioration as of May 1, 1970. These results are summarized and classified in Table VII.

1. Movable partitions were assumed to have appreciated 2% a year and to have suffered three years straight line depreciation for a net adjustment of 91% of original cost.
2. Draperies and miscellaneous equipment were assumed to have an original useful life of fifteen years and no significant appreciation and a net adjustment of 85% of original cost.
3. Cafeteria equipment has remained more stable in pricing and is vulnerable to high breakage, etc. so that it was written down 20% to reflect three year breakage losses but the more durable remaining equipment was given a useful life for tax purposes of 12 years.
4. Elevators and escalators in the subject property are well maintained and have risen sharply in replacement cost since 1967. An inflation factor of 10% per year was assumed and was adjusted downward on the assumption of an original 15 year useful life of 45 years and with its exceptional maintenance still enjoyed a useful effective life of 45 years. Assuming construction costs were rising about 6% on the average per year in Wausau and allowing for three years straight line depreciation the net replacement value less deterioration was indicated at 110% of original cost.

Total replacement cost new and then net of physical depreciation as of May 1, 1970 was therefore judged to be \$17,442,500. Adding in market value of the site and its improvements of \$1,424,000, the indicated value is \$18,862,500 BEFORE MEASUREMENT OF THE FUNCTIONAL AND ECONOMIC DISUTILITY OF THE IMPROVEMENTS.

C. Testing Alternative Replacement Cost Purchases

To test the consequences to the buyer of purchasing Employer's Mutual Complex at some portion of replacement cost less allowance for wear and tear, a

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cash flow simulation computer model was used which accurately accounts for the various outlays and income tax assumption characteristic of an investor in income property. The model is not so elaborate as many in the field nor does it recognize many tax nuances but it does provide an accurate measure of cash flow profits or (losses), the increase or loss of the investor's down payment, and the approximate annual rate of all returns in dollars to the investor after tax consideration of income taxes and capital gain. The computer runs are presented in Appendix B and the critical data summarized in Table IX. The various required assumptions for these cash flow runs were held constant as stated in Table VIII, with the exception that alternative acquisition costs were taken from Tables VII and financed with a seller's take back mortgage approximately 80% of the proposed purchase price.

In Table IX the financial consequences of five sets of assumptions have been summarized from data in the computer runs in Appendix B. Columns 1, 2, and 3 are keyed to Table VIII. Column 4 represents the cumulative after tax spendable cash for the ten year forecast the sum of amounts in the line marked A on the computer runs. The cumulative losses assuming purchase at 100% cost to replace exceeded the capacity of the computer field and so the exact dollar amount could not be specified, and indeed exceeded the original downpayment, permitting a reasonable inference of total bankruptcy. The first three alternatives never experienced a single year of positive cash returns. Purchase at 50% or 40% of replacement cost would permit a positive cash flow. It follows that only the last two alternatives had a positive increase in the net worth position of the buyer. Since a portion of the cash losses in Column IV went toward reduction of the mortgage principle due to therefore reducing the debt relative to sales value, the cumulative net worth loss is significantly less than the cumulative cash loss. Since more debt was incurred to purchase at 50% of cost replace then at 40%, more debt was retired and the increase in net worth appears to be larger in that case since it does not include spendable cash as an element of net worth. In Column 7 there is a measure of annual rate of return after taxes from all sources which is defined as spendable cash after taxes plus tax savings on other income plus change in net worth from the previous year, the sum of which is divided by net worth at the end of the previous year. While cost to replace at 50% of improvement cost does produce some cash and some improvement in net worth, the rate of return per year ranges between 5.7% and 6.3%, hardly a satisfactory return when savings accounts of \$100,000 or more can produce a return of 7.5% with liquidity in three years and deposit insurance to guarantee the principle. Thus the first economically viable price which an investor could afford to pay would be in the range of 40% of the cost to replace improvements plus the stipulated land value. A final check on this value decision is offered in Column 8 in the form of total investment value consisting of the original mortgage balance plus the present value of all returns to the equity investor discounted at 10% per annum. Since it includes the original mortgage amount, the higher the mortgage, the higher the value which leads to a

TABLE VIII

STANDARD ASSUMPTIONS FOR CASH FLOW SIMULATION OF INVESTMENT
CONSEQUENCES OF PURCHASE AT ALTERNATIVE PERCENTAGES OF
COST TO REPLACE

Gross Rent (From Part II)	\$1,620,000
Expenses " " "	310,000
Real Estate Taxes " "	472,000
Income Tax Rate (Equivalent Marginal Rate for Life Insurance Companies)	20%
Vacancy Rate	0%
Equity Discount Rate	10%
Extraordinary Expenses to Investor In the First Year (Legal costs, Property Preparation, etc.)	\$160,000
Cash Equity Required	varies

Gross rents, operating expenses, and real estate taxes were assumed to have remained constant under the terms of a ten year lease with escalator clauses for taxes and major services. Resale value of the property was held constant to reflect probable offsetting impact on inflation and physical deterioration.

TABLE IX

INVESTMENT RESULTS AT DIFFERENT LEVELS OF PURCHASE PRICE
TO FIND AS PER CENT OF COST TO REPLACE

Assumptions As % of Cost to Replace	Total Value Tested	Purchase Money Mortgage	Cumulative Cash Flow in 10 years (Line A)	Number of Years of Cash Lost	Cumulative in- crease(decrease) Worth in 10 Years (Line B)	Return on Net Worth After Taxes (Line C)	Present Value of Investment (Line D)
1	2	3	4	5	6	7	8
100%	\$18,862,501	\$14,000,000	-----	10 yrs.	-----	-----	-----
70%	13,629,750	10,930,000	(2,333,444)	10 yrs.	(1,178,129)	-7 - 7.8%	\$11,929,000
60%	11,885,500	9,530,000	(981,676)	10 yrs.	(25,687)	.7 - 3.6%	10,675,000
50%	10,141,250	8,130,000	370,090	1 yr.	859,377	5.7 - 6.3%	9,473,000
40%	8,396,999	6,730,000	1,551,310	0 yr.	715,399	11.7 -12.2%	8,516,855

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fallacious conclusion when operations are negative. The 40% option is the first option in which the present value of the investment equals or slightly exceeds the total purchase price proposed. If it did not, the investor could not receive the minimum desired return of 10%, compound on deferred profits.

By this approach to the indirect measurement of economic disutility via abstraction, cumulative economic and functional depreciation in an amount of \$10,465,000 is suggested so that value indicated by the cost approach would be as follows:

COST TO REPLACE NEW - MAY 1, 1970	\$17,442,500
LESS: ECONOMIC & FUNCTIONAL DEPRECIATION	<u>10,465,000</u>
ADD: STIPULATED MARKET VALUE OF SITE	\$6,977,500
	<u>1,420,000</u>
	\$8,397,500
or rounded	\$8,400,000
VALUE OF THE EMPLOYER'S MUTUAL COMPLEX INDICATED BY THE COST APPROACH IS	\$8,400,000.

PART V

CORRELATION AND CONCLUSION OF VALUE ESTIMATE

A. Summary of value indications

Value via the cost approach as of May 1, 1970	\$8,400,000
Value via the direct market comparison approach	\$8,400,000
Value via the Ellwood income approach	\$8,380,000
Value via Ellwood approach assuming a fair assessment	\$9,685,000
FINAL ESTIMATE OF VALUE FOR THE TOTAL PROPERTY	\$9,000,000
Market value assigned to land & improvements	\$1,424,000
Market value assigned to structure & fixtures	\$7,576,000

B. Synthesis of Values

Throughout this report it was necessary to recognize the impact of current annual real estate taxes of \$470,000 on the productivity of the real estate, and should that dollar tax prevail, the fair market value of the property is clearly about \$8,400,00 as justified by the explicit net income multiplier followed by investors in this type of real estate. This conclusion is supported by the income method using the composite capitalization rate of the Ellwood approach which is strongly endorsed by the American Institute of Real Estate Appraisers. The cost approach is a reliable guide to value where

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the buildings are new and the optimal use of the site. In the present case the structures are super adequate in construction and far out of balance with space needs in Wausau so the cost approach has been used as a device to demonstrate the financial nonsense implicit in appraisals which would stress the original cost to the present owner as a measure of value to another user - the buyer viewpoint required of a fair market value appraisal.

However, the market comparison approach is subject to a hidden distortion if the taxes on the comparable properties are fairly assessed and those on the subject property are not. For example, if the taxes on the subject property were \$70,000 less, both the market value derived from the net income multiplier of ten and the income method cap rate for the property would be increased by \$700,000. Since the appraisal in this case has been requested as a guide to establishing value for purposes of tax assessment, there is a reasonable possibility that such an overdue tax reduction would be available. This possibility should be considered in the final determination of fair market value. The Ellwood test suggested that a reduction of taxes to approximately \$340,000 was in order, a drastic reduction of at least \$130,000. Since income and expense assumptions assumed the brightest possibility of 100% rental to the state, top dollar rent scheduled, and full escalation to meet rising costs, there is little room for additional wishful thinking in terms of a full tax reduction. Still it might not be unreasonable to anticipate a compromise in assessed value resulting in a saving of \$60,000 annually.

C. Value Conclusion

A \$60,000 tax saving would justify a \$600,000 increase in market value or in the Ellwood approach. Therefore, the conclusion of this appraiser is that as of May 1, 1970 fair market value of the subject property is in the amount of:

NINE MILLION DOLLARS

(\$9,000,000)

STATEMENT OF LIMITING CONDITIONS

This appraisal is made especially subject to the following conditions and stipulations:

1. The appraiser assumes no responsibility for matters which are legal in nature nor is any attempt made to render an opinion on the title. The property has been appraised as if title were fee simple, with no regard for existing liens or encumbrances.
2. 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 any but the applicant without the previous written consent of the appraiser or the applicant, and in any event, only in its entirety.
3. Values for land and improvements as contained in the within report are part of the total value reported and neither is to be used in making a summation appraisal by a combination of values created by another appraiser. Either is invalidated if so used. The appraiser was instructed by Mr. Neil Conway that land value should be assumed to be \$1,464,000 to conform with the present full value implicit with a 100% assessment policy in the City of Wausau. out
4. By reason of this appraisal the appraiser herein shall not be required to give testimony or attendance in court or any governmental hearing with reference to the property in question without adequate and sufficient notice for preparation.
5. Information furnished by others in this report, while believed to be reliable, is in no sense guaranteed by this appraiser.
6. 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 author, particularly as to the valuation conclusions, the identity of the appraiser or firm with which he is connected, or any reference to the University of Wisconsin School of Business.
7. All information furnished regarding property for sale, rental, financing or projections of income and expense is from sources deemed reliable. No warranty or representation is made as to the accuracy thereof and it is submitted subject to errors, omissions, change of price, rental or other conditions, prior sale, lease, or financing, or withdrawal without notice.

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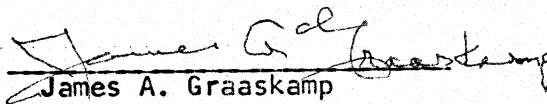
CERTIFICATE OF APPRAISAL

I hereby certify that I 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. I certify that I have personally inspected the property and that according to my knowledge and belief, all statements and information in this report are true and correct, subject to the underlying assumptions and contingent conditions.

Based upon the information contained in this report and upon my general experience as an appraiser, it is my opinion that the Market Value, as defined herein, of this property as of May 1, 1970 is:

NINE MILLION DOLLARS

(\$9,000,000)


James A. Graaskamp

Date

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APPENDIX A

Landmark Research, Inc.

STATISTICAL SUMMARY OF A (QUALITY) OFFICE SPACE LEASED BY STATE OF
WISCONSIN, PROVIDED BY DAVID WARD OF GENERAL SERVICES ADMINISTRATION

Budget Year	Total Office Space Leased in Wisconsin	Leased Space in Madison excluding UW	Leased Space Madison UW Only	Net Spaces In Remainder of State	New State Owned Building Space
1969-70	1,482,601	556,191	419,079	507,331	-----
1970-71	1,591,000	590,000	439,000	562,000	-----
1971-72	1,700,000	630,000	459,000	611,000	-----
1972-73	1,650,000	580,000	479,000	591,000	225,000
1973-74	1,700,000	620,000	489,000	591,000	-----
1974-75	1,800,000	660,000	489,000	651,000	-----

Landmark Research, Inc.

ITEM #1

RURAL FARM MUTUAL

LESSOR: Wisconsin Farm Bureau Building Cooperative, 801 W. Badger Rd.
Madison, Wiscon.

OCCUPANT: Department of Agriculture.

LOCATION: 801 West Badger Road, Madison, Wisconsin.

LEASE TERM: 10 years from date of occupancy- about June 1, 1970.

RENEWAL OPTION: No renewal.

CANCELLATION: None.

ANNUAL RATE FOR SPACE OF THIS TYPE: \$5.00 (on state equivalent formula)

FLOOR AREA: 41,149 SF

ANNUAL RENTAL: \$152,500

MONTHLY RENTAL: \$12,708.33

ACTUAL RATE PAID TO LESSOR: \$3.70/SF/yr.

SERVICES INCLUDED: Parking only

Landmark Research, Inc.

ITEM #2

PYARE SQUARE (University Ave. at Segoe Road).

LESSOR: N.T. Baillies & Donald D. Willink
202 State Street, Madison, Wisconsin

OCCUPANT: State Agencies.

LOCATION: University Ave. at Segoe Road, Madison.

LEASE TERM: April 1, 1969 to March 30, 1979.

RENEWAL OPTIONS: 3 successive 2 year periods - 4-1-79.

CANCELLATIONS: 120 days during renewal.

ANNUAL RATE FOR PRIME SPACE OF THIS TYPE: \$5.00(on state equivalent formula).

FLOOR AREA: 81,683 SF.

ANNUAL RENTAL: \$351,236.90.

MONTHLY RENTAL: \$29,269.74.

RATE PAID TO LESSOR: \$4.30 SF/yr.

SERVICES INCLUDED: Light, heat, water, sewer, janitor, paint & decoration,
parking, A/C.

Landmark Research, Inc.

ITEM #3

HILLDALE BOWL, INC. (301 N. Segoe Rd., Madison, Wi.)

OCCUPANT: Department of Industry, labor & Human Relations.

LOCATION: 2nd Floor, 310 Price Place, Madison, Wisconsin.

LEASE TERM: January 1, 1970 to June 30, 1973.

RENEWAL OPTIONS: 2 year periods.

CANCELLATION: 180 days during renewal.

FLOOR AREA: 39,696 SF

ANNUAL RENT: \$190,543.20

MONTHLY RENT: \$15,878.60

SERVICES INCLUDED: Light, heat water, sewer, janitor, paint and decoration,
parking (120 stalls), A/C.

RENT PAID TO LESSOR: \$4.80 per SF/yr.

ITEM #4

GREEN BAY OFFICE & STORAGE

LESSOR: D & G Properties, 2266 N. Prospect Rd., Milwaukee, Wis.

OCCUPANT: Department of Health & Social Services

LOCATION: Oneida St. & Lore Lane, Green Bay.

LEASE TERM: November 1, 1970 to June 30, 1982.

RENEWAL OPTION: None.

CANCELLATION: 180 days after November 1977.

ANNUAL RENT: \$60,800

MONTHLY RENT: \$5,066.67

ACTUAL RATE PAID: \$4.20 Office
\$1.00 Storage

SERVICES INCLUDED: Heat, water, sewer, janitor, paint & decoration, parking
(150), A/C.

Office outside \$4.00-4.50 - expect to pay Wisconsin Rapids, Wausau, Eau Claire, etc.

ITEM #5

STATE WAREHOUSE SPACE

Union Transfer & Storage, 152 East Wilson, Madison, (Older Loft Bldg.)

Space used fluctuated about 13,000 SF - paying \$.58. Includes heat, and everything. Says cheap due to excess supply. Been there since 1933.

ITEM #6

SCHILTZ STEEL BUILDING Co. (Butter Type Building)
5202 Whitcomb Dr.
Madison, Wis.

OCCUPANT: Department of Public Instruction

LOCATION: Watts Way & Gammon Rd., Madison, Wi.

LEASE TERM: July 1, 1970 to June 30, 1971

ANNUAL RENTAL: \$2,160/yr (2400 SF)

MONTHLY RENTAL: \$180/mo.

ACTUAL RATE PAID TO LESSOR: \$1.80/SF/yr.

SERVICES INCLUDED: light, heat, water, sewer, "storage space".

David Ward says is good example of high quality industrial.

ITEM #7

STATE WAREHOUSE SPACE

LESSOR: Joseph H. Miller
6411 Mound Drive
Middleton, Wis.

OCCUPANT: Department of Natural Resources - Division of Conservation.

LOCATION: 6414 University Ave.
Middleton, Wis.

LEASE TERM: July 1, 1970 to June 30, 1970

RENEWAL OPTION: None

CANCELLATION: 90 days

AREA: 1000 SF for \$1,860/yr - \$155/mo.

ACTUAL RATE PAID TO LESSOR \$1.86.

SERVICES INCLUDED: Heat only.

Equalized Rate paid is figured \$1.96.

David Ward would expect to pay between \$1.50 to \$2.00 for quality storage space in Madison, heated, loading dock and well lite.

Landmark Research, Inc.

ITEM #8

STATE WAREHOUSE (outside of Madison at Camp Douglas)

LESSOR: Edward O. Olson
Camp Douglas (City)

OCCUPANT: Department of Public Instruction (Surplus Property Program)

LEASE TERM: September 1, 1970 to August 31, 1971

18,320 SF for \$5,736/yr or \$478/mo.

ACTUAL RATE PAID \$.31/SF.

SERVICES INCLUDED: Janitor, Parking only.

Only one of any size at all outside of Madison - Milwaukee

ITEM #9

ADDRESS: 200 North 1st Street

LESSOR: Wasau Ice and Fuel Co. (Harvey Schofield Jr. Marathon Box Co.)

LESSEE: Green Bay Packaging, Lease runs from 1965 to 1975

RATE: 7¢/SF/Month or .84/SF per year

SUB-LESSEE: Connor Co. sub-let for \$.90 SF per year.

COMMENT: Building is sprinklered, has 2500 SF of Office Space, Total building area approximately 47,400 SF. Mr. Schofield felt that the space was probably worth \$1.00/SF as of July 1970.

Landmark Research, Inc.

ITEM #10

LOCATION: 318 Scott Street (Downtown Wausau)

This is an older building which presently as 1200 SF of lower level being advertised by Inter-City Realty for \$450/mo or \$4.50 per SF. Includes heat and Air.

ITEM # 11

PIPER, JAFFRAY & HOPWOOD (Wausau Motor Hotel)

Lease is for 1,390 SF @\$3.88 per SF. It is separately metered. Does not include maintenance. Location: Downtown Wausau.

APPENDIX B

Landmark Research, Inc.

COMPONENTS	PCT. DEPR	BEGIN USE	USEFUL LIFE	DEPR METHOD	COST	GROSS RENT	EXPENSES	R E TAXES	INCOME TAX RATE	VACANCY RATE	EQUITY DISCOUNT RATE	RATE OF GROWTH OF GROSS RENT	RATE OF GROWTH OF EXPENSES	RATE OF GROWTH OF R E TAXES	RATE OF GROWTH OF PROJECT VALUE	WORKING CAPITAL LOAN RATE	EXTRAORDINARY EXPENSES
LAND + SITE IMPS	.00	1	.	0	\$ 1424000.		\$ 1620000.	\$ 310000.				.0000	.0000	.0000	.0000		
MOVABLE PARTITIO	.90	1	17.	2	\$ 94276.			\$ 472000.	.2000								
DRAPES+ MISC EQU	.90	1	12.	2	\$ 18700.					.0000							
CAFETERIA EQUIPM	.90	1	12.	2	\$ 41233.												
ELEVATORS+ESCALA	.90	1	12.	2	\$ 118800.												
STRUCTURE	1.00	1	45.	2	\$ 6704000.												
TOTAL INITIAL INVESTMENT					\$ 8401009.												
CASH EQUITY REQUIRED					\$ 1671009.												

FINANCING PLAN

SELLERS TAKEBACK MTG \$ 6730000.

MONTHLY PAYMENT \$ 54151. INTEREST RATE .0900 STARTS 1 ENDS 10 BONUS INTEREST .0000 OF GROSS RENT

	1	2	3	4	5	6	7	8	9	10
PRINCIPAL	45980.	50293.	55011.	60171.	65815.	71989.	78743.	86129.	94209.	103046.
INTEREST	503833.	599520.	594803.	589642.	583998.	577824.	571071.	563684.	555605.	546767.
BALANCE	6684019.	6633726.	6578715.	6518544.	6452728.	6380738.	6301995.	6215865.	6121656.	6018610.

	1	2	3	4	5	6	7	8	9	10
GROSS RENT	1620000.	1620000.	1620000.	1620000.	1620000.	1620000.	1620000.	1620000.	1620000.	1620000.
LESS VACANCY ALLOWANCE	.	.	.	.	.	.	.	.	.	.
EFFECTIVE GROSS INCOME	1620000.	1620000.	1620000.	1620000.	1620000.	1620000.	1620000.	1620000.	1620000.	1620000.
LESS REAL ESTATE TAXES	472000.	472000.	472000.	472000.	472000.	472000.	472000.	472000.	472000.	472000.
LESS EXPENSES	470000.	310000.	310000.	310000.	310000.	310000.	310000.	310000.	310000.	310000.
NET INCOME	678000.	838000.	838000.	838000.	838000.	838000.	838000.	838000.	838000.	838000.
LESS DEPRECIATION	167373.	167373.	167373.	167373.	167373.	167373.	167373.	167373.	167373.	167373.
LESS INTEREST	603833.	599520.	594803.	589642.	583998.	577824.	571071.	563684.	555605.	546767.
TAXABLE INCOME	-93207.	71105.	75823.	80983.	86627.	92801.	99555.	106941.	115021.	123858.
PLUS DEPRECIATION	167373.	167373.	167373.	167373.	167373.	167373.	167373.	167373.	167373.	167373.
LESS PRINCIPAL PAYMENTS	45980.	50293.	55011.	60171.	65815.	71989.	78743.	86129.	94209.	103046.
CASH THROW-OFF	28185.	188185.	188185.	188185.	188185.	188185.	188185.	188185.	188185.	188185.
LESS TAXES	.	14221.	15164.	16196.	17325.	18560.	19911.	21388.	23004.	24771.
CASH FROM OPERATIONS	28185.	173964.	173021.	171989.	170860.	169625.	168274.	166797.	165181.	163414.
WORKING CAPITAL LOAN(CUM BALANCE)	.	.	.	.	.	.	.	.	.	.
SPENDABLE CASH AFTER TAXES	28185.	173964.	173021.	171989.	170860.	169625.	168274.	166797.	165181.	163414.
TAX SAVINGS ON OTHER INCOME	18641.	.	.	.	.	.	.	.	.	.
* * * * *	*	*	*	*	*	*	*	*	*	*
MARKET VALUE	8401009.	8401009.	8401009.	8401009.	8401009.	8401009.	8401009.	8401009.	8401009.	8401009.
BALANCE OF LOANS	6684019.	6633726.	6578715.	6518544.	6452728.	6380738.	6301995.	6215865.	6121656.	6018610.
NET WORTH OF PROPERTY	1716989.	1767282.	1822293.	1882465.	1948280.	2020270.	2099013.	2185143.	2279352.	2382398.
CAPITAL GAIN	167373.	334747.	502121.	669495.	836869.	1004242.	1171616.	1338990.	1506364.	1673738.
TAXES ON SALE	16737.	33474.	50212.	66949.	83686.	100424.	117161.	133899.	150636.	167373.
* * * * *	*	*	*	*	*	*	*	*	*	*
PERCENT INITIAL EQUITY PAYBACK AFTER TAX	.0280	.1321	.2356	.3385	.4408	.5423	.6430	.7428	.8417	.9395
NET INCOME-MARKET VALUE RATIO	.0807	.0997	.0997	.0997	.0997	.0997	.0997	.0997	.0997	.0997
RETURN ON NET WORTH BEFORE TAXES	.0443	.1388	.1376	.1362	.1349	.1335	.1321	.1306	.1292	.1277
RETURN ON NET WORTH AFTER TAXES	.0455	.1220	.1218	.1215	.1211	.1206	.1199	.1191	.1182	.1173
CASH RETURN ON ORIG CASH EQUITY BEF TAX	.0168	.1126	.1126	.1126	.1126	.1126	.1126	.1126	.1126	.1126
CASH RETURN ON ORIG CASH EQUITY AFT TAX	.0280	.1041	.1035	.1029	.1022	.1015	.1007	.0998	.0988	.0977
DEFAULT RATIO	.9826	.8838	.8838	.8838	.8838	.8838	.8838	.8838	.8838	.8838
LENDER BONUS INTEREST RATE	.0000	.0000	.0000	.0000	.0000	.0000	.0000	.0000	.0000	.0000
* * * * *	*	*	*	*	*	*	*	*	*	*
PRESENT VALUE OF PROJECT BEFORE TAXES	8316522.	8371712.	8421651.	8466818.	8507646.	8544533.	8577838.	8607888.	8634979.	8659383.
PRESENT VALUE OF PROJECT AFTER TAXES	8318253.	8371924.	8377107.	8400013.	8400063.	8400093.	8400113.	8400123.	8400133.	8400143.

COMPONENTS	PCT. DEPR	BEGIN USE	USEFUL LIFE	DEPR METHOD	COST				
LAND + SITE IMPS	.00	1	.	0	\$ 1424000.	GROSS RENT	\$1620000.	RATE OF GROWTH OF GROSS RENT	.0000
MOVABLE PARTITIO	.90	1	17.	2	\$ 117845.	EXPENSES	\$ 310000.	RATE OF GROWTH OF EXPENSES	.0000
DRAPES+ MISC EQU	.90	1	12.	2	\$ 23375.	R E TAXES	\$ 472000.	RATE OF GROWTH OF R E TAXES	.0000
CAFETERIA EQUIPM	.90	1	12.	2	\$ 51529.	INCOME TAX RATE	.2000	RATE OF GROWTH OF PROJECT VALUE	.0000
ELEVATORS+ESCALA	.90	1	12.	2	\$ 148500.	VACANCY RATE	.0000	WORKING CAPITAL LOAN RATE	.0000
STRUCTURE	1.00	1	45.	2	\$ 8380001.	EQUITY DISCOUNT RATE	.1000	EXTRAORDINARY EXPENSES	\$ 160000.
TOTAL INITIAL INVESTMENT					\$10145250.				
CASH EQUITY REQUIRED (B)					\$ 2015250.				

FINANCING PLAN

SELLERS TAKEBACK MTG \$ 8130000.

MONTHLY PAYMENT \$ 65415. INTEREST RATE .0900 STARTS 1 ENDS 10 BONUS INTEREST .0000 OF GROSS RENT

	1	2	3	4	5	6	7	8	9	10
PRINCIPAL	55545.	60755.	66454.	72688.	79507.	86965.	95123.	104046.	113806.	124482.
INTEREST	729445.	724235.	718536.	712302.	705483.	698025.	689867.	680944.	671183.	660508.
BALANCE	8074454.	8013699.	7947244.	7874555.	7795048.	7708083.	7612959.	7508912.	7395105.	7270623.

	1	2	3	4	5	6	7	8	9	10
GROSS RENT	1620000.	1620000.	1620000.	1620000.	1620000.	1620000.	1620000.	1620000.	1620000.	1620000.
LESS VACANCY ALLOWANCE	.	.	.	.	.	.	.	.	.	.
EFFECTIVE GROSS INCOME	1620000.	1620000.	1620000.	1620000.	1620000.	1620000.	1620000.	1620000.	1620000.	1620000.
LESS REAL ESTATE TAXES	472000.	472000.	472000.	472000.	472000.	472000.	472000.	472000.	472000.	472000.
LESS EXPENSES	470000.	310000.	310000.	310000.	310000.	310000.	310000.	310000.	310000.	310000.
NET INCOME	678000.	838000.	838000.	838000.	838000.	838000.	838000.	838000.	838000.	838000.
LESS DEPRECIATION	209216.	209216.	209216.	209216.	209216.	209216.	209216.	209216.	209216.	209216.
LESS INTEREST	729445.	724235.	718536.	712302.	705483.	698025.	689867.	680944.	671183.	660508.
TAXABLE INCOME	-260662.	-95451.	-89752.	-83518.	-76699.	-69241.	-61083.	-52160.	-42400.	-31724.
PLUS DEPRECIATION	209216.	209216.	209216.	209216.	209216.	209216.	209216.	209216.	209216.	209216.
LESS PRINCIPAL PAYMENTS	35545.	60755.	66454.	72688.	79507.	86965.	95123.	104046.	113806.	124482.
CASH THROW-OFF	-106990.	53009.	53009.	53009.	53009.	53009.	53009.	53009.	53009.	53009.
LESS TAXES	.	.	.	.	.	.	.	.	.	.
CASH FROM OPERATIONS	-106990.	53009.	53009.	53009.	53009.	53009.	53009.	53009.	53009.	53009.
WORKING CAPITAL LOAN(CUM BALANCE)	106990.	53981.	972.	.	.	.	.	.	.	.
SPENDABLE CASH AFTER TAXES	.	.	.	52036.	53009.	53009.	53009.	53009.	53009.	53009.
TAX SAVINGS ON OTHER INCOME	52132.	19090.	17950.	16703.	15339.	13848.	12216.	10432.	8480.	6344.
* * * * *	*	*	*	*	*	*	*	*	*	*
MARKET VALUE	10145250.	10145250.	10145250.	10145250.	10145250.	10145250.	10145250.	10145250.	10145250.	10145250.
BALANCE OF LOANS	8181445.	8067681.	7948217.	7874555.	7795048.	7708083.	7612959.	7508912.	7395105.	7270623.
NET WORTH OF PROPERTY	1963805.	2077569.	2197033.	2270695.	2350202.	2437167.	2532291.	2636338.	2750145.	2874627.
CAPITAL GAIN	209216.	418432.	627649.	836865.	1046081.	1255298.	1464514.	1673730.	1882947.	2092163.
TAXES ON SALE	20921.	41843.	62764.	83686.	104608.	125529.	146451.	167373.	188294.	209216.
* * * * *	*	*	*	*	*	*	*	*	*	*
PERCENT INITIAL EQUITY PAYBACK AFTER TAX	.0258	.0353	.0442	.0783	.1122	.1454	.1778	.2092	.2398	.2692
NET INCOME-MARKET VALUE RATIO	.0668	.0826	.0826	.0826	.0826	.0826	.0826	.0826	.0826	.0826
RETURN ON NET WORTH BEFORE TAXES	-.0786	.0849	.0830	.0576	.0583	.0595	.0607	.0620	.0632	.0645
RETURN ON NET WORTH AFTER TAXES	-.0100	.0576	.0572	.0569	.0580	.0591	.0603	.0614	.0625	.0635
CASH RETURN ON ORIG CASH EQUITY BEF TAX	-.0530	.0263	.0263	.0263	.0263	.0263	.0263	.0263	.0263	.0263
CASH RETURN ON ORIG CASH EQUITY AFT TAX	.0258	.0094	.0089	.0341	.0339	.0331	.0323	.0314	.0305	.0294
DEFAULT RATIO	1.0660	1.0333	1.0006	.9678	.9672	.9672	.9672	.9672	.9672	.9672
LENDER BONUS INTEREST RATE	.0000	.0000	.0000	.0000	.0000	.0000	.0000	.0000	.0000	.0000
* * * * *	*	*	*	*	*	*	*	*	*	*
PRESENT VALUE OF PROJECT BEFORE TAXES	9915277.	9890808.	9864298.	9800756.	9742046.	9688395.	9639345.	9594480.	9553420.	9515820.
PRESENT VALUE OF PROJECT AFTER TAXES	9943650.	9875588.	9810163.	9747363.	9690383.	9638644.	9591569.	9548642.	9509404.	9473444.

COMPONENTS	PCT. DEPR	BEGIN USE	USEFUL LIFE	DEPR METHOD	COST	GROSS RENT	EXPENSES	R E TAXES	INCOME TAX RATE	VACANCY RATE	EQUITY DISCOUNT RATE	RATE OF GROWTH OF GROSS RENT	RATE OF GROWTH OF EXPENSES	RATE OF GROWTH OF R E TAXES	RATE OF GROWTH OF PROJECT VALUE	WORKING CAPITAL LOAN RATE	EXTRAORDINARY EXPENSES
LAND + SITE IMPS	.90	1	.	0	\$ 1424000.	\$1620000.	\$ 310000.	\$ 472000.	.2000	.0000	.1000	.0000	.0000	.0000	.0000	.0000	
MOVABLE PARTITIO	.90	1	17.	2	\$ 141414.												
DRAPES+ MISC ECU	.90	1	12.	2	\$ 28050.												
CAFETERIA EQUIPM	.90	1	12.	2	\$ 61835.												
ELEVATORS+ESCALA	.90	1	12.	2	\$ 178200.												
STRUCTURE	1.00	1	45.	2	\$10056001.												
TOTAL INITIAL INVESTMENT					\$11889500.												
CASH EQUITY REQUIRED					\$ 2359500.												\$ 160000.

FINANCING PLAN

SELLERS TAKEBACK MTG \$ 9530000.

MONTHLY PAYMENT \$ 76680. INTEREST RATE .0900 STARTS 1 ENDS 10 BONUS INTEREST .0000 OF GROSS RENT

	1	2	3	4	5	6	7	8	9	10
PRINCIPAL	65110.	71217.	77898.	85205.	93198.	101941.	111504.	121963.	133404.	145919.
INTEREST	855057.	848949.	842269.	834961.	826969.	818226.	808663.	798203.	786762.	774248.
BALANCE	9464890.	9393672.	9315773.	9230568.	9137369.	9035428.	8923924.	8801960.	8668555.	8522636.

	1	2	3	4	5	6	7	8	9	10
GROSS RENT	1620000.	1620000.	1620000.	1620000.	1620000.	1620000.	1620000.	1620000.	1620000.	1620000.
LESS VACANCY ALLOWANCE	.	.	.	.	.	.	.	.	.	.
EFFECTIVE GROSS INCOME	1620000.	1620000.	1620000.	1620000.	1620000.	1620000.	1620000.	1620000.	1620000.	1620000.
LESS REAL ESTATE TAXES	472000.	472000.	472000.	472000.	472000.	472000.	472000.	472000.	472000.	472000.
LESS EXPENSES	470000.	310000.	310000.	310000.	310000.	310000.	310000.	310000.	310000.	310000.
NET INCOME	678000.	838000.	838000.	838000.	838000.	838000.	838000.	838000.	838000.	838000.
LESS DEPRECIATION	251059.	251059.	251059.	251059.	251059.	251059.	251059.	251059.	251059.	251059.
LESS INTEREST	855057.	848949.	842269.	834961.	826969.	818226.	808663.	798203.	786762.	774248.
TAXABLE INCOME	-428117.	-262009.	-255328.	-248021.	-240028.	-231286.	-221723.	-211263.	-199822.	-187308.
PLUS DEPRECIATION	251059.	251059.	251059.	251059.	251059.	251059.	251059.	251059.	251059.	251059.
LESS PRINCIPAL PAYMENTS	65110.	71217.	77898.	85205.	93198.	101941.	111504.	121963.	133404.	145919.
CASH THROW-OFF	-242167.	-82167.	-82167.	-82167.	-82167.	-82167.	-82167.	-82167.	-82167.	-82167.
LESS TAXES	.	.	.	.	.	.	.	.	.	.
CASH FROM OPERATIONS	-242167.	-82167.	-82167.	-82167.	-82167.	-82167.	-82167.	-82167.	-82167.	-82167.
WORKING CAPITAL LOAN(CUM BALANCE)	242167.	324335.	406503.	488670.	570838.	653006.	735173.	817341.	899509.	981676.
SPENDABLE CASH AFTER TAXES	.	.	.	.	.	.	.	.	.	.
TAX SAVINGS ON OTHER INCOME	85623.	52401.	51065.	49604.	48005.	46257.	44344.	42252.	39964.	37461.
* * * * *	*	*	*	*	*	*	*	*	*	*
MARKET VALUE	11889500.	11889500.	11889500.	11889500.	11889500.	11889500.	11889500.	11889500.	11889500.	11889500.
BALANCE OF LOANS	9707057.	9718007.	9722276.	9719238.	9708207.	9688434.	9659098.	9619301.	9568064.	9504313.
NET WORTH OF PROPERTY	2182443.	2171493.	2167224.	2170262.	2181293.	2201066.	2230402.	2270199.	2321436.	2385187.
CAPITAL GAIN	251059.	502119.	753179.	1004238.	1255298.	1506357.	1757417.	2008477.	2259536.	2510596.
TAXES ON SALE	25105.	50211.	75317.	100423.	125529.	150635.	175741.	200847.	225953.	251059.
* * * * *	*	*	*	*	*	*	*	*	*	*
PERCENT INITIAL EQUITY PAYBACK AFTER TAX	.0362	.0584	.0801	.1011	.1215	.1411	.1599	.1778	.1947	.2106
NET INCOME-MARKET VALUE RATIO	.0570	.0704	.0704	.0704	.0704	.0704	.0704	.0704	.0704	.0704
RETURN ON NET WORTH BEFORE TAXES	-.1776	-.0426	-.0398	-.0365	-.0327	-.0286	-.0240	-.0189	-.0136	-.0079
RETURN ON NET WORTH AFTER TAXES	-.0493	.0075	.0102	.0131	.0163	.0199	.0236	.0277	.0319	.0363
CASH RETURN ON ORIG CASH EQUITY BEF TAX	-.1026	-.0348	-.0348	-.0348	-.0348	-.0348	-.0348	-.0348	-.0348	-.0348
CASH RETURN ON ORIG CASH EQUITY AFT TAX	.0362	.0222	.0216	.0210	.0203	.0196	.0187	.0179	.0169	.0158
DEFAULT RATIO	1.1494	1.2002	1.2509	1.3016	1.3523	1.4030	1.4538	1.5045	1.5552	1.6059
LENDER BONUS INTEREST RATE	.0000	.0000	.0000	.0000	.0000	.0000	.0000	.0000	.0000	.0000
* * * * *	*	*	*	*	*	*	*	*	*	*
PRESENT VALUE OF PROJECT BEFORE TAXES	11514039.	11324622.	11158267.	11012318.	10884411.	10772444.	10674548.	10589064.	10514515.	10449592.
PRESENT VALUE OF PROJECT AFTER TAXES	11500055.	11327100.	11161100.	11011300.	10881100.	10772200.	10674400.	10589000.	10514500.	10449500.

COMPONENTS	PCT. DEPR	BEGIN USE	USEFUL LIFE	DEPR METHOD	COST	GROSS RENT	EXPENSES	RATE OF GROWTH OF GROSS RENT	EXPENSES	RATE OF GROWTH OF EXPENSES
LAND + SITE IMPS	.00	1	.	0	\$ 1424000.	\$1620000.	\$ 310000.	.0000		.0000
MOVABLE PARTITIO	.90	1	17.	2	\$ 164983.	R E TAXES	\$ 472000.	.0000		.0000
DRAPES+ MISC EQU	.90	1	12.	2	\$ 32725.	INCOME TAX RATE	.2000	.0000		.0000
CAFETERIA EQUIPM	.90	1	12.	2	\$ 72141.	VACANCY RATE	.0000	.0000		.0000
ELEVATORS+ESCALA	.90	1	12.	2	\$ 207900.	EQUITY DISCOUNT RATE	.1000	.0000		.0000
STRUCTURE	1.00	1	45.	2	\$11732001.					
TOTAL INITIAL INVESTMENT					\$13633750.					
CASH EQUITY REQUIRED					\$ 2703750.					

FINANCING PLAN

SELLERS TAKEBACK MTG \$10930000.

MONTHLY PAYMENT \$ 87945. INTEREST RATE .0900 STARTS 1 ENDS 10 BONUS INTEREST .0000 OF GROSS RENT

	1	2	3	4	5	6	7	8	9	10
PRINCIPAL	74674.	81679.	89340.	97720.	106887.	116913.	127880.	139876.	152997.	167349.
INTEREST	980669.	973665.	966003.	957623.	948457.	938431.	927464.	915468.	902347.	887995.

BALANCE 10855326. 10773647. 10684307. 10586587. 10479700. 10362787. 10234907. 10095031. 9942034. 9774685.

	1	2	3	4	5	6	7	8	9	10
GROSS RENT	1620000.	1620000.	1620000.	1620000.	1620000.	1620000.	1620000.	1620000.	1620000.	1620000.
LESS VACANCY ALLOWANCE	.	.	.	.	.	.	.	.	.	.
EFFECTIVE GROSS INCOME	1620000.	1620000.	1620000.	1620000.	1620000.	1620000.	1620000.	1620000.	1620000.	1620000.
LESS REAL ESTATE TAXES	472000.	472000.	472000.	472000.	472000.	472000.	472000.	472000.	472000.	472000.
LESS EXPENSES	470000.	310000.	310000.	310000.	310000.	310000.	310000.	310000.	310000.	310000.
NET INCOME	678000.	838000.	838000.	838000.	838000.	838000.	838000.	838000.	838000.	838000.
LESS DEPRECIATION	292902.	292902.	292902.	292902.	292902.	292902.	292902.	292902.	292902.	292902.
LESS INTEREST	980669.	973665.	966003.	957623.	948457.	938431.	927464.	915468.	902347.	887995.
TAXABLE INCOME	-595572.	-428568.	-420906.	-412526.	-403360.	-393333.	-382367.	-370371.	-357250.	-342898.
PLUS DEPRECIATION	292902.	292902.	292902.	292902.	292902.	292902.	292902.	292902.	292902.	292902.
LESS PRINCIPAL PAYMENTS	74674.	81679.	89340.	97720.	106887.	116913.	127880.	139876.	152997.	167349.
CASH THROW-OFF	-377344.	-217344.	-217344.	-217344.	-217344.	-217344.	-217344.	-217344.	-217344.	-217344.
LESS TAXES	.	.	.	.	.	.	.	.	.	.
CASH FROM OPERATIONS	-377344.	-217344.	-217344.	-217344.	-217344.	-217344.	-217344.	-217344.	-217344.	-217344.
WORKING CAPITAL LOAN(CUM BALANCE)	377344.	594689.	812033.	1029378.	1246722.	1464066.	1681411.	1898755.	2116100.	2333444.
SPENDABLE CASH AFTER TAXES	.	.	.	.	.	.	.	.	.	.
TAX SAVINGS ON OTHER INCOME	119114.	85713.	84181.	82505.	80672.	78666.	76473.	74074.	71450.	68579.
* * * * *	*	*	*	*	*	*	*	*	*	*
MARKET VALUE	13633750.	13633750.	13633750.	13633750.	13633750.	13633750.	13633750.	13633750.	13633750.	13633750.
BALANCE OF LOANS	11232670.	11368336.	11496340.	11615965.	11726422.	11826853.	11916318.	11993786.	12058134.	12108129.
NET WORTH OF PROPERTY	2401080.	2265414.	2137410.	2017785.	1907328.	1806897.	1717432.	1639964.	1575616.	1525621.
CAPITAL GAIN	292902.	585805.	878708.	1171611.	1464514.	1757417.	2050320.	2343223.	2636126.	2929029.
TAXES ON SALE	29290.	58580.	87870.	117161.	146451.	175741.	205032.	234322.	263612.	292902.
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PERCENT INITIAL EQUITY PAYBACK AFTER TAX	.0440	.0757	.1068	.1374	.1672	.1963	.2246	.2520	.2784	.3038
NET INCOME-MARKET VALUE RATIO	.0497	.0614	.0614	.0614	.0614	.0614	.0614	.0614	.0614	.0614
RETURN ON NET WORTH BEFORE TAXES	-.2515	-.1470	-.1524	-.1576	-.1624	-.1666	-.1697	-.1716	-.1717	-.1696
RETURN ON NET WORTH AFTER TAXES	-.0787	-.0334	-.0331	-.0324	-.0310	-.0289	-.0259	-.0216	-.0157	-.0081
CASH RETURN ON ORIG CASH EQUITY BEF TAX	-.1395	-.0803	-.0803	-.0803	-.0803	-.0803	-.0803	-.0803	-.0803	-.0803
CASH RETURN ON ORIG CASH EQUITY AFT TAX	.0440	.0317	.0311	.0305	.0298	.0290	.0282	.0273	.0264	.0253
DEFAULT RATIO	1.2329	1.3670	1.5012	1.6354	1.7695	1.9037	2.0379	2.1720	2.3062	2.4403
LENDER BONUS INTEREST RATE	.0000	.0000	.0000	.0000	.0000	.0000	.0000	.0000	.0000	.0000
* * * * *	*	*	*	*	*	*	*	*	*	*
PRESENT VALUE OF PROJECT BEFORE TAXES	13112799.	12802242.	12535867.	12308174.	12114300.	11949946.	11811314.	11695055.	11598214.	11518192.
PRESENT VALUE OF PROJECT AFTER TAXES	111457	11329	1271	112	173	1178	1439	1213	112	160

