An appraisal of the Forum, 3333 North Mayfair Road, Wauwatosa, Wisconsin. January 1, 1984

Landmark Research, Inc.
[s.l.]: [s.n.], January 1, 1984

AN APPRAISAL OF

THE FORUM

WAUWATOSA, WISCONSIN

Landmark Research Inc.

AN APPRAISAL OF

THE FORUM

3333 NORTH MAYFAIR ROAD

WAUWATOSA, WISCONSIN

AS OF

JANUARY 1, 1984

PREPARED FOR

THE MILWAUKEE COMPANY PROPERTIES, INC.

PREPARED BY

LANDMARK RESEARCH, INC.

4610 University Avenue, Suite 105, Madison, Wisconsin 53705, 608-233-6400

Landmark Research Inc.

James A. Graaskamp, Ph.D., S.R.E.A., C.R.E.
Jean B. Davis, M.S.

August 22, 1984

Mr. David K. Westby
Vice President
The Milwaukee Company Properties, Inc.
250 East Wisconsin Avenue
Milwaukee, WI 53202

Dear Mr. Westby:

We are transmitting the analysis and report on the property known as The Forum, located at 3333 North Mayfair Road, Wauwatosa, Wisconsin.

Based on the assumptions and limiting conditions presented in the attached report, it is the opinion of the appraisers that the market value of the subject real estate as of January 1, 1984, is:

FOUR MILLION THREE HUNDRED THOUSAND DOLLARS

($4,300,000)

We are pleased to have been of service and we will be available to answer questions you may have and provide testimony with regard to this appraisal and report.

FOR LANDMARK RESEARCH, INC.

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

Jean B. Davis
Real Estate Appraiser/Analyst

Fraser B. Gurd
Real Estate Appraiser/Analyst

Enclosure

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I. THE APPRAISAL ISSUE

The issue for which this memorandum of value will serve as a benchmark is the real property assessment as of January 1, 1984, for The Forum, located at 3333 North Mayfair Road, Wauwatosa, Wisconsin.

The proposed assessment for the subject property is as follows:

TAX KEY NO.	LAND	IMPROVEMENTS	TOTAL
296-9999-01	$267,200	$1,604,800	$1,872,000

According to the City Assessor, the current assessment ratio for the City of Wauwatosa is 39 percent. The State of Wisconsin equalized value for the City of Wauwatosa for 1983 is 37.24 percent of full market value. These ratios translate to the following Fair Market Values:

City of Wauwatosa Assessor @ 39%

Land	Improvements	Total
$685,128	$4,114,872	$4,800,000

State of Wisconsin Equalized Value @ 37.24%

Land	Improvements	Total
$717,508	$4,309,345	$5,026,853

The full market value of $4,800,000, based upon the Assessor's ratio, is brought before the Board of Review of the City of Wauwatosa on appeal.

The land allocation of $685,128, or rounded, $685,100, is acceptable and is not at issue.

To test for the economic reasonableness of the equalized assessed value of $4,800,000, a computerized discounted cash flow program, VALTEST, is used. The analysis assumes that all leases are renewed as of January 1, 1984, at the current market rental rate of $13.50 per square foot with a 3 percent loss due to vacancies and bad debts, and that operating expenses are as projected for 1984 (see Exhibit 9) with real estate taxes calculated [1] based on the proposed assessed value of $4,800,000. Under these assumptions, purchase of The Forum would produce a cash-on-cash return of 4.2 percent and a modified internal rate of return of 8.3 percent before income taxes and 8.9 percent after income taxes. The resale price at the end of six years is estimated at 11 times the sixth year net operating income (NOI) or $5,315,310, less resale costs of 3 percent or $159,459 for a net resale price of $5,155,851 (See Exhibit 1). These returns to an investor resulting from a purchase of the Forum at the proposed assessed price would be unacceptable even to the most unsophisticated investor.

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[1] Based upon the 1983 Wauwatosa net mill rate of 0.07372 x 0.39, or 0.02875, and the 1984 proposed assessment, real estate taxes would be $138,004, or 14.9 percent of projected effective gross revenue, assuming all space leased at $13.50 per square feet.

Investors in office buildings currently seek the largest feasible mortgage loan obtainable on the strength of the net operating income, a minimal 6 to 8 percent cash-on-cash return on equity, and a minimal equity yield rate of 13 to 15 percent [2]. A lower cash-on-cash is adequate initially if old leases can soon be renewed and rents escalated, but if rents are locked in by leases for a long period of time, 8 percent is a minimum return.

Assuming that all leases would be at market rates, the most probable buyer of this ten-year old office building--which is functionaly obsolete due to building inefficiencies and high energy costs--would require a minimal cash-on-cash (equity dividend rate) of 6 percent and an equity yield rate (internal rate of return to the equity investment) of no less than 14 percent. At a purchase price of $4,300,000, an investor would approach but not quite achieve his required investment objectives. (See Exhibit 12.)

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[2] National Council of Real Estate Investment Fiduciaries, The NACREIF Report, Winter 1983, and Robert H. Zerbst and Barbara R. Cambon, "Historical Returns on Real Estate Investments, Pension Realty Advisors, Inc., October 1982.

EXHIBIT 1

INPUT ASSUMPTIONS
****

```
1. ENTER PROJECT NAME ? THE FORUM
2. ENTER PROJECTION PERIOD ?  6
3. DO YOU WANT TO ENTER EFFECTIVE GROSS REVENUE INSTEAD OF NOI? N
   N.O.I. YEAR  1? 443551
   N.O.I. YEAR  2? 419041
   N.O.I. YEAR  3? 487513
   N.O.I. YEAR  4? 488473
   N.O.I. YEAR  5? 486007
   N.O.I. YEAR  6? 483210
4. ACQUISITION COST: ? 4800000
5. DO YOU WANT TO USE STANDARD FINANCING? Y OR N?Y
   MTG. RATIO OR AMOUNT, INT., TERM, NO PAY/YR ? 2666172, .1275, 25, 12
6. ENTER RATIO OF IMP #1/TOTAL VALUE, LIFE OF IMP #1? .86, 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 ?N
   THE MAXIMUM FEDERAL INDIVIDUAL ORDINARY RATE COULD BE:
           70% (PRE-1981 LAW)
           50% (1981 LAW, EFFECTIVE 1982)

           (PLUS STATE RATE)

    ENTER:
   1) EFFECTIVE ORDINARY RATE  2) EFFECTIVE ORDINARY RATE (YEAR OF SALE)
?  .5, .5
9. RESALE PRICE (NET OF SALE COSTS) ? 5155851
10. IS THERE LENDER PARTICIPATION ?N
11. ENTER OWNER'S AFTER TAX REINVESTMENT RATE (%)?  8
12. ENTER OWNER'S AFTER TAX OPPORTUNITY COST OF EQUITY FUNDS (%)?  8
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EXHIBIT 1 (Continued)

AFTER TAX CASH FLOW PROJECTION
THE FORUM
DATE 1/1/84

DATA SUMMARY
****

ACQUISTN COST:	$4,800,000.	MTG. AMT.:	$2,666,172.
NOI 1ST YR:	$443,551.	MTG. INT.:	12.75%
ORG. EQUITY:	$2,133,828.	MTG. TERM:	25. YRS
CTO 1ST YEAR:	$88,720.	DEBT SERVICE 1ST YEAR:	$354,831.
		MTG. CONST.:	.13308626
IMP. #1 VALUE:	$4,128,000.	IMP. #1 LIFE:	15.
INC. TX RATE:	50%		
SALE YR RATE:	50%	OWNER: INDIVIDUAL	

DEPRECIATION IMPROVEMENT #1 : STRAIGHT LINE
NON-RESIDENTIAL PROPERTY
LENDER PARTICIPATION: CASH THROW-OFF: NONE REVERSION: NONE

NO REPRESENTATION IS MADE THAT THE ASSUMPTIONS BY JAMES GRAASKAMP ARE PROPER OR THAT THE CURRENT TAX ESTIMATES USED IN THIS PROJECTION WILL BE ACCEPTABLE TO TAXING AUTHORITIES. NO ESTIMATE HAS BEEN MADE OF MINIMUM PREFERENCE TAX. CAPITAL LOSSES IN THE YEAR OF SALE ARE TREATED AS ORDINARY LOSSES (SECTION 1231 PROPERTY) AND ARE CREDITED AGAINST TAXES PAID AT THE ORDINARY RATE AT THE TIME OF SALE.
FOR THE PURPOSE OF THE MODIFIED INTERNAL RATE OF RETURN (M.I.R.R.) CALCULATION, NEGATIVE CASH IN ANY ONE PERIOD IS TREATED AS A CONTRIBUTION FROM EQUITY IN THAT PERIOD.

YEAR	NOI	MTG INT & LENDERS %	TAX DEP	TAXABLE INCOME	INCOME TAX	AFTER TAX CASH FLOW
1.	443551.	339035.	275200.	-170685.	-85343.	174063.
2.	419041.	336899.	275200.	-193059.	-96530.	160740.
3.	487513.	334474.	275200.	-122162.	-61082.	193764.
4.	488473.	331722.	275200.	-118450.	-59226.	192868.
5.	486007.	328597.	275200.	-117791.	-58896.	190072.
6.	483210.	325049.	275200.	-117040.	-58521.	186900.
	$2807795.	$1995776.	$1651200.	$-839187.	$-419598.	$1098408.

EXHIBIT 1 (Continued)

RESALE PRICE:	$5,155,851.	1ST YR B4 TAX EQ DIV:	4.1578%
LESS MORTGAGE BALANCE:	$2,532,963.	AVG DEBT COVER RATIO:	1.3188
PROCEEDS BEFORE TAXES:	$2,622,888.		
LESS LENDER'S %:	$0.		
NET SALES PROCEEDS BEFORE TAXES:	$2,622,888.		

RESALE PRICE:	$5,155,851.
LESS LENDER'S %:	$0.
NET RESALE PRICE:	$5,155,851.
LESS BASIS:	$3,148,800.
TOTAL GAIN:	$2,007,051.
EXCESS DEPRECIATION:	$0.
EXCESS DEP. FORGIVEN:	$0.
CAPITAL GAIN:	$2,007,051.
ORDINARY GAIN:	$0.

TAX ON ORDINARY GAIN:	$0.
TAX ON CAPITAL GAIN:	$401,410.
PLUS MORTGAGE BAL:	$2,532,963.
TOTAL DEDUCTIONS FROM NET RESALE PRICE:	$2,934,373.

NET SALES PROCEEDS AFTER TAX:	$2,221,478.

IF PURCHASED AS ABOVE, HELD 6 YEARS & SOLD FOR $5,155,851.
THE MODIFIED I.R.R. BEFORE TAXES IS 8.2513% AND AFTER TAXES IS 8.8906%
ASSUMING AN AFTER TAX REINVESTMENT RATE OF 8%, AND OPPORTUNITY COST OF 8%

EXHIBIT 1 (Continued)

EQUITY ANALYSIS
THE FORUM
****

BEFORE TAX EQUITY DIVIDEND

YR	NOI	YR END EQUITY	AMOUNT	CASH RETURN ORG EQ	CASH RETURN CUR EQ
1.	$443,551.	$2,149,624.	$88,720.	.0416	.0413
2.	419,041.	2,167,556.	64,210.	.0301	.0296
3.	487,513.	2,187,912.	132,682.	.0622	.0606
4.	488,473.	2,211,022.	133,642.	.0626	.0604
5.	486,007.	2,237,256.	131,176.	.0615	.0586
6.	483,210.	2,267,037.	128,379.	.0602	.0566

ORIGINAL EQUITY: $ 2133828

DISTRIBUTION OF CASH THROW-OFF
THE FORUM

YEAR	CASH THROW-OFF TOTAL	CASH THROW-OFF TO EQUITY	CASH BONUS TO LENDER
1.	88720.	88720.	0.
2.	64210.	64210.	0.
3.	132682.	132682.	0.
4.	133642.	133642.	0.
5.	131176.	131176.	0.
6.	128379.	128379.	0.
	678810.	678810.	0.

RESALE PRICE:	$5,155,851.
LESS MORTGAGE BALANCE:	$2,532,963.
PROCEEDS BEFORE TAXES:	$2,622,888.
LESS LENDER'S %:	$0.
NET SALES PROCEEDS BEFORE TAXES:	$2,622,888.

CASH THROW-OFF = 0% REVERSION = 0%

EXHIBIT 1 (Continued)

MORTGAGE ANALYSIS
THE FORUM
****

YEAR	NOI	MORT INT.	MORT AMORT	DEBT SERV	DCR	MTG. BAL.
1.	443551.	339035.	15796.	354831.	1.250	2650376.
2.	419041.	336899.	17932.	354831.	1.181	2632444.
3.	487513.	334474.	20357.	354831.	1.374	2612088.
4.	488473.	331722.	23109.	354831.	1.377	2588979.
5.	486007.	328597.	26234.	354831.	1.370	2562744.
6.	483210.	325049.	29781.	354831.	1.362	2532963.
AVG	$467,966.				1.319	

DEPRECIATION SCHEDULE
THE FORUM
IMPROVEMENT # 1
STRAIGHT LINE
NON-RESIDENTIAL
****

YEAR	TAX DEP.	S.L. DEP.	EXCESS DEP	BALANCE
1.	275200.0	275200.0	.0	3852800.0
2.	275200.0	275200.0	.0	3577600.0
3.	275200.0	275200.0	.0	3302400.0
4.	275200.0	275200.0	.0	3027200.0
5.	275200.0	275200.0	.0	2752000.0
6.	275200.0	275200.0	.0	2476800.0
TOTAL	1651200.0	1651200.0	.0	

The disparity between the appraiser's value conclusion of $4,300,000 and the Assessor's value conclusion of $4,800,000 is a difference of 11.6 percent. Therefore, the taxpayer has filed an objection to the proposed 1984 assessment and has brought the issue before the Board of Review.

II. DEFINITION OF FAIR MARKET VALUE

The definition of Fair Market Value is taken from the 1980 Wisconsin Property Assessment Manual, Volume I, page 7-2:

Full and Market Value

> The basis for the assessor's valuation of real property is found in s.70.32, (1) Stats., 'Real property shall be valued by the assessor in the manner specified in the Wisconsin property assessment manual under s. 73.03 (2a), Stats., from actual view or from the best information that the assessor can practicably obtain at the full value which could ordinarily be obtained therefor at private sale.' Numerous Wisconsin court cases have held that full value is equivalent to market value.

In the book Real Estate Appraisal Terminology, market value is defined as:

> The highest price in terms of money which a property will 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." Thus, the goal of the assessor is to estimate the full or market value of the real property.
>
> There are certain conditions that are necessary for a sale to be considered a "market value" transaction. These are:
>
> 1. It must have been exposed to the open market for a period of time typical of the turnover time for the type of property involved.
>
> 2. It presumes that both buyer and seller are knowledgeable about the real estate market.
>
> 3. It presumes buyer and seller are knowledgeable about the uses, present and potential, of the property.

4. It requires a willing buyer and a willing seller, with neither party compelled to act.

5. Payment for the property is in cash, or typical of normal financing and payment arrangements prevalent in the market for the type of property involved.

III. PROPERTY TO BE APPRAISED

A. Property Identification

1. The Forum, located at 3333 N. Mayfair Road, Wauwatosa, Milwaukee County, Wisconsin.

2. Tax Key Number 296-9999-01.

B. Property Description

1. Building

a. Three-story, fireproof, precast concrete framing with precast concrete panels and insulated glass exterior walls.

b. Interior corridor walls of precast concrete panels and floor to ceiling glass.

c. Three large, separate atriums extend to plastic roof skylights.

d. Gross building area of approximately 93,000 square feet and net leaseable area of approximately 72,200 square feet with a building efficiency ratio of 77.6 percent.

e. Built on slab with a small basement for electrical equipment.

f. Served by one elevator.

g. Office area heated/cooled with 140 electric powered heat pumps, condenser and cooling tower.

Common area heated/cooled by hot water and chiller with air handling unit for air exchange.

Building perimeter equipped with hot water baseboard system for extreme cold periods.

h. Building is sprinklered and has smoke alarms.

i. Offices are not separately metered for electricity.

2. Site

a. Site contains 162,510 square feet or 3.73 acres more or less and has approximately 462 feet of frontage along North Mayfair Road.

b. Asphalt surfaced parking lot can accommodate 290 ± cars.

c. Concrete curbs, vapor lighting, and grass strips around parking area with a few trees complete the site improvements.

C. Legal Interest Appraised

1. Fee simple title of land and building, thus disregarding the current split ownership among land, building leaseholds and tenant leaseholds.

2. Legal interest appraised excludes personal property.

IV. SELECTION OF FAIR MARKET VALUE APPRAISAL

A. The Market Comparison Approach Methodology

As stated in the definition of value, the value of real estate for tax purposes is governed by Section 70.32 (1), Wisconsin Statutes, which provides in part as follows:

> 70.32 Real estate, how valued. (1) Real property shall be valued by the assessor in the manner specified in the Wisconsin property assessment manual provided under S. 73.03 (2a) from actual view or from the best information that the assessor can practicably obtain, at the full value which could ordinarily be obtained therefor at private sale.

The Wisconsin Supreme Court has interpreted this statute to mean "fair market value" which is the amount obtainable upon negotiations in the open market between willing, but not obligated, parties. State ex rel. Mitchell Aero v. Bd. of Review, 74 Wis. 2d 268, 277, 246 N.W. 2d 521 (1976) citing cases.

The Wisconsin Supreme Court has instructed that:

> [t]he 'best information' is a sale of the property or if there has been no such sale, then sales of reasonably comparable property. In the absence of such sales, the assessor may consider all the factors collectively which have a bearing on the value of the property in order to determine its Fair Market Value.. State ex rel. Enterprise Realty Co. v. Swiderski, 269 Wis. 642, 645, 70 N.W. 2d 34 (1955).

The subject property was sold in February 1981, subject to an existing land lease with the seller financing 95 percent of the balance due on the purchase price under a land contract at

9.9 percent interest only for the first three years, before assuming the prior land contract at 8.683 percent with the balance due near the end of the eighth year. The sale price of the subject, when adjusted to a cash sale price, or as if typically financed by a third party institutional lender, represents the best information an assessor can obtain to value the subject property.

Only one other sale of an office building in Wauwatosa in the last three years is known; there have been a few sales of newer office buildings in the suburbs of Milwaukee and in Madison, but they lack comparability with the subject property as will be discussed in the market comparison approach to value.

B. Income Approach to Value

The Wisconsin Supreme Court generally prefers the market value determined from the fair sale of comparable properties as the best approach to fair market value, but where the Fair Market Value is not well established by comparable sales, the Assessor is required to consider all the facts and circumstances which have a bearing on the property's fair market value including occupancy, rental conditions, operating expenses, and income. The International Association of Assessing Officers advises the following:

> The income approach to value provides an estimate of market value based on the income-producing capability of a property. The approach is based on the fundamental premise that the market value of a property is directly related to the amount, duration, and certainty of income associated with the property. The income approach must be regarded as the primary approach to the valuation of income-producing properties. [2] Emphasis added.

The use of the income approach in arriving at the Fair Market Value of property has been well established by the Wisconsin Supreme Court. State ex rel. Garton Toy Co. v. Mosel, 150 Wis. 341, 136 N.W. 147 (1912). The 1980 Wisconsin Property Assessment Manual defines value as:

> '[t]he present worth of future benefits arising out of ownership to typical users or investors.' What the investor is actually buying is the future income of the property. The users are typically purchasing the right to use the real property for personal satisfaction, shelter, or other benefits in the future. It is these future or anticipated benefits that give value to this property. (Page 7-2).

Again, on page 7-15, assessors are advised that:

> [e]arlier in this chapter, one definition of value was given as 'the present worth of anticipated future benefits.' The income approach is the conversion of anticipated future benefits (income) into an estimate of the present worth of a proeprty. This process is called capitalization. When there is no sale of the subject and no comparable sales are available, the income approach can be used along with other information to make an assessment. It can also be useful in that it represents the way investors think when they buy and sell income property in the market. (Emphasis added.)

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[2] International Association of Assessing Officers, Improving Real Property Assessment, 1978.

This position is also emphasized in the AIREA [3] text at page 48.

> Capitalization is the procedure of expressing such anticipated future benefits of ownership in dollars and processing them into a present worth at a rate which is attracting purchase capital to similar investments. As employed in the income approach, this procedure uses a projection of periodic income as a numerator, with a capitalization rate as the denominator, in an equation for value. The process is most directly applicable to the appraisal of the value of income-producing property because a primary benefit of such ownership is income in the form of net rent. An expectation of income is a primary motivation for the purchase of income real estate. (Emphasis added.)

Although unpublished opinions are not mandatory precedents, the reasoning of the Honorable George R. Curry, sitting as reserve circuit judge, reflects common knowledge:

> [I]t must always be kept in mind that in attempting to arrive at the Fair Market Value of real property for tax assessment purposes, the yardstick is the amount for which the property could be sold on the open market by an owner willing but not compelled to sell to a purchaser willing but not obligated to buy. In purchasing an investment property...the prospective purchaser-investor will expect a fair return on his investment and is sure to be more interested in the potential income of the property than the cost of its brick and mortar. (Wild, Inc. v. City of Madison, Board of Review, Dane County Circuit Court, Case No. 140-201, February 12, 1974.)

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[3] American Institute of Real Estate Appraisers, The Appraisal of Real Estate, Chicago, IL, 1973.

In his opinion, Judge Curry placed considerable reliance upon Dr. Graaskamp's testimony and upon the Wisconsin Assessment Manual in determining that the income approach to value, rather than the cost approach, is the most reliable for income-producing properties.

C. Limitations of the Cost Approach

While many appraisal textbooks recommend the cost approach to value, it is only acceptable when the improvements are new and represent the optimum use of the property in question. The subject, built in 1972 to 1973 before the initial energy crisis, has a building efficiency of approximately 77 percent due mainly to the presence of three atriums which provide atmosphere but little, if any, revenue as an amenity which was intended to attract and hold tenants. Office buildings constructed in the 1980s in the suburban Milwaukee area operate at efficiencies from 80 percent to 98 percent. The less than optimal building design of the subject with tiered exterior walls, which require more surface area, is another example of its functional obsolescence; newer and more efficient office buildings use rectangular shapes to minimize exterior wall surface and construction costs.

Not only does the subject property miss the mark as the optimum improvement for the site required for appropriate use of the cost approach, but the cost approach has been

discredited by Wisconsin Courts where there is any other appropriate basis for valuation. It would be highly speculative to estimate the loss in value due to functional obsolescence and physical depreciation in this 10 year old office building.

V. MARKET COMPARISON APPROACH

A. Sale of Subject Property

The 1981 sale of the subject property represents the best information the Assessor can obtain for the fair market valuation of the subject property for assessment purposes.

The subject property was sold in February 1981 to Mayfair Investors, a Wisconsin limited partnership. The purchase price and financing terms detailed in the prospectus are reported to represent the facts. The purchase price is as follows:

Specified Amount	$4,700,000	
Plus: Adjustment for time elapsed	47,000	[1]
Total Purchase Price	$4,747,000	
Less: Exercise price of land purchase option	668,000	[2]
Estimated amount of purchase price payable to seller	$4,079,000	

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[1] Estimated, based upon closing on February 10, 1981 and average annual rate of increase in the Consumer Price Index from October 15, 1980, to that date of approximately 10%.

[2] Estimated as of the February 10, 1981 anticipated closing date. See "The Ground Lease," below as to adjustments in price and period during which exercise is permitted.

At closing, the Partnership will pay $200,000 to the seller and finance the balance of the purchase price under a land contract which will bear interest at the rate of 9.9% per annum until January 1, 1984, at which time the Partnership will assume the seller's liability under the Prior Land Contract, bearing interest at the rate of 8.683% per annum, as described below. Upon its

assumption of the Prior Land Contract, the Partnership will have fully satisfied its obligations under the land contract with the seller. The principal payments which the Partnership will be required to make to the seller of the Property and under the Prior Land Contract are as follows:

Table of Principal Payments [1]

Time of Payment	Amount
Date of Closing	$ 200,000
June 15, 1981	550,000
January 1, 1982	300,000
January 1, 1983	300,000
January 1, 1984	300,000 [2]
August 31, 1988	2,308,365

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[1] In addition to the principal payments set forth in this table, the Partnership will be required to make monthly payments of interest only between the date of closing and January 1, 1984. Thereafter, level monthly payments of principal and interest in the amount of $18,955 each will be made until August 31, 1988, when the final balloon payment of $2,308,365 is due.

[2] Estimated, the actual amount of the principal payment will be equal to the difference between the outstanding principal balance of the Partnership's land contract and the outstanding principal balance of the Prior Land Contract as of January 1, 1984.

Among the conditions which constitute a "market value" transaction as stated in the definition of Fair Market Value, extracted from the 1980 Wisconsin Property Assessment Manual, it is necessary to find that "payment for the property is in

cash, or typical of normal financing and payment arrangements prevalent in the market for the type of property involved." "Typical of normal financing" means typical institutional financing for projects, recognizing the types of property and the resultant degrees of risk. As an illustration, a commercial real estate lender would perceive a specialized recreational facility, such as a ski resort, to include a higher degree of risk than an office building located in an established and growing metropolitan area. Consequently, such a lender would require a premium, i.e., a higher rate of interest on a ski resort construction loan than on a prime office building loan.

The Wisconsin Assessment Manual cites the following as an authoritative source: American Institute of Real Estate Appraisers, The Appraisal of Real Estate, Chicago, Illinois, 1973. The text states as follows:

> In an 'arm's length' transaction (unless there are some special considerations), the seller receives cash. The purchaser may not have all of the cash, but he may be able to borrow enough from a lending institution with the consequence that the seller receives cash for his property.
>
> When real estate is sold on terms, the selling price is frequently higher than it would have been on a cash basis. For example, where a property is sold on contract with a small downpayment, the sale price is usually higher than a cash price. Under the circumstances, if the seller wanted to realize cash, he might be obliged to discount the purchase contract materially. Frequently there are transactions that involve a purchase-money mortgage given to the sellers. If this was necessary because no other

lenders were interested, the terms of financing by the seller are probably reflected in a higher sale price.

In making market value appraisals, it is important to learn, so far as possible, the details of the sales transactions used as comparable data. Transactions which involve special financing by the seller must be described accordingly, and either rejected or the considerations adjusted to reflect market value as defined in this text. AIREA at p. 283.

The same point was succinctly made by another leading real estate appraiser and teacher, Charles Akerson:

...The difference between price and value is often ascribable to financing arrangements. Investments financed with mortgage loans at subnormal interest rates tend to sell at inflated prices (above market value)...

Charles B. Akerson, Capitalization Theory & Techniques, 68 (2d ed. 1973).

The reference book of the most prestigious assessing organization states with respect to the income approach that:

The income approach to value provides an estimate of market value based on the income-producing capability of a property. The approach is based on the fundamental premise that the market value of a property is directly related to the amount, duration, and certainty of income associated with the property. The income approach must be regarded as the primary approach to the valuation of income-producing properties.

In applying the income approach, it is helpful to distinguish two concepts of value: market value and investment value. The market value of an income-producing property is the expected sale price of the property under the assumption of typical financing and rent. The concept presumes that parties to the sale are rational, knowledgeable, and eager to come to agreement, although under no undue pressure to do so. The assumption of typical financing and rent make explicit that market value relates to the intrinsic

> nature of the property itself and is independent of atypical financing or rental arrangements. Specifically, market value is not affected by the ability of a purchaser to assume a mortgage at a favorable rate of interest, by the willingness of a seller to extend financing when a lending institution would not, or by the existence of a dated and atypical lease arrangement. While these factors will affect the expected sale price of the property, they should not be interpreted as affecting market value. The assumptions of typical financing and rent allow the assessor to focus on the intrinsic income-producing capability of properties and avoid the complications associated with individual financial and lease arrangements. Although terminology and definitions vary widely, the concept of market value forms the legal basis of assessment in virtually every state.
>
> Investment value is the monetary value of a property to a particular investor. Investment value reflects the goals, financial position, tax status, and required rate of return of individual investors. Thus a property may have many investment values although it possesses only one market value. In other words, investment value reflects the worth of a property to a particular investor, whereas market value reflects the concensus of typical buyers and investors. In addition, investment value is affected by financial arrangements peculiar to the property, as well as by existing leases. Often a private appraiser is assigned the task of estimating the investment value of a property to his client in order to provide guidance in decisions to buy or sell. The assessor's interests, however, are limited to the concept of market value, which reflects typical investor behavior, financial arrangements, and anticipated rent.

International Association of Assessing Officers, Improving Real Property Assessment, 1978.

To determine the cash equivalent sale price of the subject property, the streams of payments to the seller are discounted at the 1981 minimal market interest rate of 14 percent with the calculations shown in Exhibit 2.

EXHIBIT 2

THE FORUM

CASH EQUIVALENT SALE PRICE OF SUBJECT PROPERTY

Terms and Conditions of Financing
(as described in Prospectus dated 1/23/81

Total Nominal Sale Price of The Forum as of 2/1/81	$4,747,000
Less: Land Purchase Option Price	668,000
Estimated Purchase Price to Seller	$4,079,000

Terms of Land Contract from Seller:

Down Payment		200,000
Balance Due		3,879,000
Interest only at 9.9% until 1/1/84		
Principal Payment Schedule for Land Contract		
6/15/81	$ 550,000	
1/1/82	300,000	
1/1/83	300,000	
1/1/84	300,000	
8/31/88	2,308,365	
Monthly Payments 1/1/84 - 8/31/88 (Interest and Principal)		18,955

Assumption

Market interest rate as of 2/10/81 is no less than 14%. [1]

[1] Sources: a) SREA Briefs, Volume 16, No. 8, 4/15/81. "Benchmarks," interest rates for offices Jan 1981 = 15 - 16.5%; Feb 1981 - 14.5 - 15% March 1981 = 14.5 - 15.5%

b) Americal Council of Life Insurance Investors Bulletin, 1st quarter, 1981. Office buildings at $1 - $4 million loan = 14% as contract rate before participation.

EXHIBIT 2 (Continued)

Calculation of Cash Equivalent Value

The present value of the stream of payments to the seller, discounted at 14%, are as follows:

1) Present value as of 2/10/81 of stream of interest payments:

Year 1	PV OF STREAM	PV AS OF 2/10/81	
$32,002/mo. from 2/10/81 to 6/14/81 (4.11 mos.)	$124,200	$124,200	
$27,464/mo. from 6/15/81 to 12/31/81 (6.54 mos.)	157,268	150,123	
Year 2			
$24,989/mo. from 1/1/82 to 12/31/82 (12 mos.)	278,314	247,478	
Year 3			
$22,514/mo. from 1/1/83 to 12/31/83 (12 mos.)	250,749	195,585	
			$ 717,386

2) Present value as of 2/10/81 of level monthly payments of interest and principal:

Year 4 - 6 (partial)			
$18,955/mo. from 1/1/84 to 8/31/88 (56.02 mos.)	775,978	530,935	
			$ 530,935

			PV AS OF 2/10/81	
3) Present value as of 2/10/81 of principal payments:				
6/15/81	(.34 yrs)	$ 550,000	$525,010	
1/1/82	(.89 yrs)	300,000	266,762	
1/1/83	(1.89 yrs)	300,000	234,001	
1/1/84	(2.89 yrs)	300,000	205,264	
8/31/88	(7.56 yrs)	2,308,365	855,442	
				2,086,479
4) Present value as of 2/10/81 of down payment:			200,000	200,000
TOTAL VALUE OF IMPROVEMENTS				$3,534,800
LAND VALUE				668,000
TOTAL CASH PURCHASE PRICE				$4,202,800
			ROUNDED TO	$4,200,000

EXHIBIT 2 (Continued)

THE CASH EQUIVALENT SALE PRICE OF $4,200,000 FOR THE FEE TITLE INTEREST IN THE TOTAL PROPERTY is the best evidence of the fair market value of the subject property as of February 1981.

B. Other Comparable Sales

There have been a limited number of sales of Class A office buildings in the Wauwatosa area since high market interest rates made many such purchases unfeasible. Five transactions occurred in 1980 with the resale of two of these properties again in December of 1982. The buyer or seller, in each case, was a large insurance company. Of the five sales, four had special financing at below market interest rates and terms. On the average, the effect of the below market financing amounts to a 9 percent reduction in purchase price after the appropriate cash equivalent adjustments have been made. Comparable office building sales are presented in Exhibit 3.

There has been only one additional Wauwatosa area Class A office building sale since our analysis of last year. This was the sale of the Megal Buildings at 2929-49 N. Mayfair Road. The purchase price of $2,400,000 was financed $1,100,000 cash and the assumption of a $1.3 million, 8-1/2 percent loan with 18 years remaining. The equivalent cash price is $2,080,528, or $36.50 per square foot of NLA. The low per square foot price must be considered in the light of several facts which,

EXHIBIT 3

OFFICE BUILDING SALES
WAUWATOSA AREA
1980 - 1983

NAME AND ADDRESS	NOMINAL SALE PRICE	FINANCING (1)	CASH PRICE	SALE DATE	PROJECTED NOI	OVERALL RATE	YEAR BUILT	GROSS BUILDING AREA (GBA)	NET LEASEABLE AREA (NLA)	BUILDING EFFICIENCY	CASH PRICE/ NLA	OPERATING (2) RATIO (E/I)
1. 1011 N. Mayfair Wauwatosa, WI	$2,685,000	Assumed $1.5 million mrtg @ 9-3/4% 25.41 year term.	$2,368,300	2/80	$258,438	.109	1977	45,700	38,151	83.5%	$62.08	45.7% (3)
2. Arbor Terrace I Brookfield, WI	1,950,000	Assumed $1.1 million mrtg @ 9-1/8% 27.42 year term.	1,667,500	1/80	179,809	.108	1974	37,000	30,968	83.7	53.85	46.9
3. Brown Deer Exec. Brown Deer, WI	4,740,000	Cash.	4,740,000	6/80	456,716	.096	1979	78,003	69,867	89.6	67.84	43.8
4. Bishop Woods I	2,600,000	10% down, 9-13% variable rate, 15 year term.	2,257,022	12/82	216,965	.096	1980	27,380	26,943	98.4	83.77	29.0
5. Bishop Woods II	3,400,00	10% down, 9-13% variable rate.	2,951,890	12/82	296,240	.100	1980	48,374	41,243	85.3	71.57	39.0

(1) Market interest rates: 1st quarter 1980 = 13%, 4th quarter 1982 = 13-13.5%

(2) E/I = Total Operating Expenses ÷ Gross Potential Revenue

(3) Independent verification of this ratio was unavailable so, for discussion purposes, the 1982 ratio provided by A. L. Grootemaat & Co., was used as opposed to the Assessor's ratio fo 44.0%.

together, cause us to consider this sale not to be a comparable market transaction. The purchaser, the non-taxable Wisconsin Evangelical Lutheran Synod, did not purchase this property for investment, but for owner-occupancy. Mr. Warren Hanson of the Synod indicated that they did not calculate a value based on the income stream since they planned to occupy all the space as existing leases expired. The seller was the real estate investment trust arm of an insurance company and held the mortgage as well as being the owner.

To infer value from the sale prices of other office buildings, it is imperative that the similarities and differences in economic productivity between the subject property and the comparables be analyzed with adjustments made for the differences. As stated in the Wisconsin Property Assessment Manual, page 7-2:

> In the process of valuing real property, the assessor will encounter the terms 'cost' and 'sale price'. These terms are not synonymous with market value. Cost and sale price represent an historical figure for a specific property at a specific time. While cost or sale price may be indicative of market value, there are situations where this is not the case...Therefore, the assessor must carefully examine each sale to determine if there are any reasons why the sale price is not equal to market value. This is not meant to downgrade the importance of sales information. Sale price is often the best indication of value, not only for the property that sold, but also for similar properties. However, it is important that the assessor does not blindly follow sales prices. (Emphasis added.)

An analysis of comparable sales, which involved discussions with buyers/sellers and/or building managers, revealed that the major differences between comparable sales included financing terms, building efficiency ratios (NLA/GBA), operating expense ratios (E/I) and year built. These factors, which directly affect the property's ability to generate income, allow us to estimate selling price with minimal variation resulting from unpredictable factors such as increasing maintenance expenses related to aging and increasing utility costs.

The Forum, built in 1973 to 1974 just prior to the energy crisis, has only 77.6 percent of net leaseable area in its total area, far lower than any of the comparable sales. The large atrium space, which must be heated, does not generate revenue directly. Although the attractiveness of atriums is intended to help keep occupancy and rental rates high, the Forum enjoys rental rates no higher than more efficient buildings, and vacancy rates may be reduced slightly relative to other third tier Mayfair district buildings.

It can be demonstrated that operating expense ratios are highly correlated with cash equivalent sales price per square foot of net leaseable area (see Exhibit 4). Given a particular operating expense ratio, the cash price per square foot of NLA can be estimated reasonably well. Using comparable sales, the

EXHIBIT 4

REGRESSION OF CASH PRICE PER NLA
AND ACTUAL OPERATING EXPENSE RATIOS AT TIME OF SALE

	Y CASH PRICE NLA	X OPERATING EXPENSE RATIO
Comparable 1 1011 N. Mayfair	$62.08	.457 [a]
Comparable 2 Arbor Terrace I	$53.85	.469
Comparable 3 Brown Deer Exec.	$67.84	.438
Comparable 4 Bishop Woods I	$83.77	.290
Comparable 5 Bishop Woods II	$71.57	.390
Subject Property		.514 [b]

Estimated mean price of subject = $50.88/NLA or $3,675,000

Therefore, the estimated price range of the subject equals $50.88 +/- $3.52 [c] or $3,420,000 to $3,930,000, with $3,950,000, rounded, as the highest probable price.

EXHIBIT 4 (Continued)

[a] Independent verification of this ratio for 1982 was obtained from A. L. Grootemaat Co., who were the property managers at that time. Therefore, this ratio is used rather than the assessor's ratio of 0.440.

[b] The operating expense ratio is based upon Landmark's projected 1984 potential gross revenue of $974,997 and operating expenses of $364,192 plus $121,875 for real estate taxes calculated at 12.5 percent of gross revenue. Substantially higher real estate taxes will be incurred if the present assessment of $4.8 million is allowed to stand, thus increasing the operating expense ratio. Increases in operating expenses decrease the NOI. Reductions in NOI are reflected in reduced market value.

[c] Coefficient of dispersion (r) = - .949

Coefficient of concentration (r^2) = .900

Standard deviation (s) of Y = 11.14

One root-mean-square error of the regression line

$= \sqrt{1 - r} \times s$

$= \sqrt{1 - .900} \times s$

$= \sqrt{.100} \times 11.14$

$= .316 \times 11.14$

$= 3.52$

predicted price for the Forum is $54.75 per square foot of net leaseable area.

Cash equivalent sales price per net leaseable square foot is also highly correlated with building efficiency ratios (see Exhibit 5). Although the correlation is slightly higher between cash equivalent sales price per square foot net leaseable area and operating expense ratios than it is between the cash equivalent sales price per net leaseable square foot and building efficiency ratios, both are quite high.

The predicted cash equivalent price per square foot of net leaseable area using the operating expense ratio is $54.75, while the building efficiency ratio would predict $52.01. These estimates are presented graphically in Exhibit 6.

As might be expected, the expense ratio is closely correlated with building efficiency. Costs are often related to gross building area and these costs are spread over more rent producing space in more efficient buildings. Building efficiency is a function of the number of tenants and the need for corridors, the leasing formulas used to define rentable area as distinct from useable area, as well as more efficient utility systems and management procedures. Reference to Exhibit 7 suggests that the rate of increase in expenses may not be fully linear but the Forum has achieved an expense ratio that is significantly lower than might be anticipated by the

EXHIBIT 5

REGRESSION OF CASH PRICE PER NLA
AND BUILDING EFFICIENCY RATIOS AT TIME OF SALE

	Y CASH PRICE NLA	X BUILDING EFFICIENCY RATIO
Comparable 1 1011 N. Mayfair	$62.08	.835
Comparable 2 Arbor Terrace I	$53.85	.837
Comparable 3 Brown Deer Exec.	$67.84	.896
Comparable 4 Bishop Woods I	$83.77	.984
Comparable 5 Bishop Woods II	$71.57	.853
Subject Property		.776

Estimated price of subject = $46.25/NLA or $3,340,000

Therefore, the estimated price range of the subject equals $46.25 +/- $5.56 [a] or $3,000,000 to $3,750,000.

[a] Coefficient of dispersion (r) = .866

Coefficient of concentration (r_c) = .751

Standard deviation (s) of Y = 11.14

One root-mean-square error of the regression line

$= \sqrt{1 - r} \times s$

$= \sqrt{1 - .751} \times s$

$= \sqrt{.249} \times 11.14$

$= .499 \times 11.14$

$= 5.56$

ESTIMATES OF FORUM PRICE PER SQUARE FOOT OF NLA BY OPERATING EXPENSE RATIO AND BY BUILDING EFFICIENCY RATIO

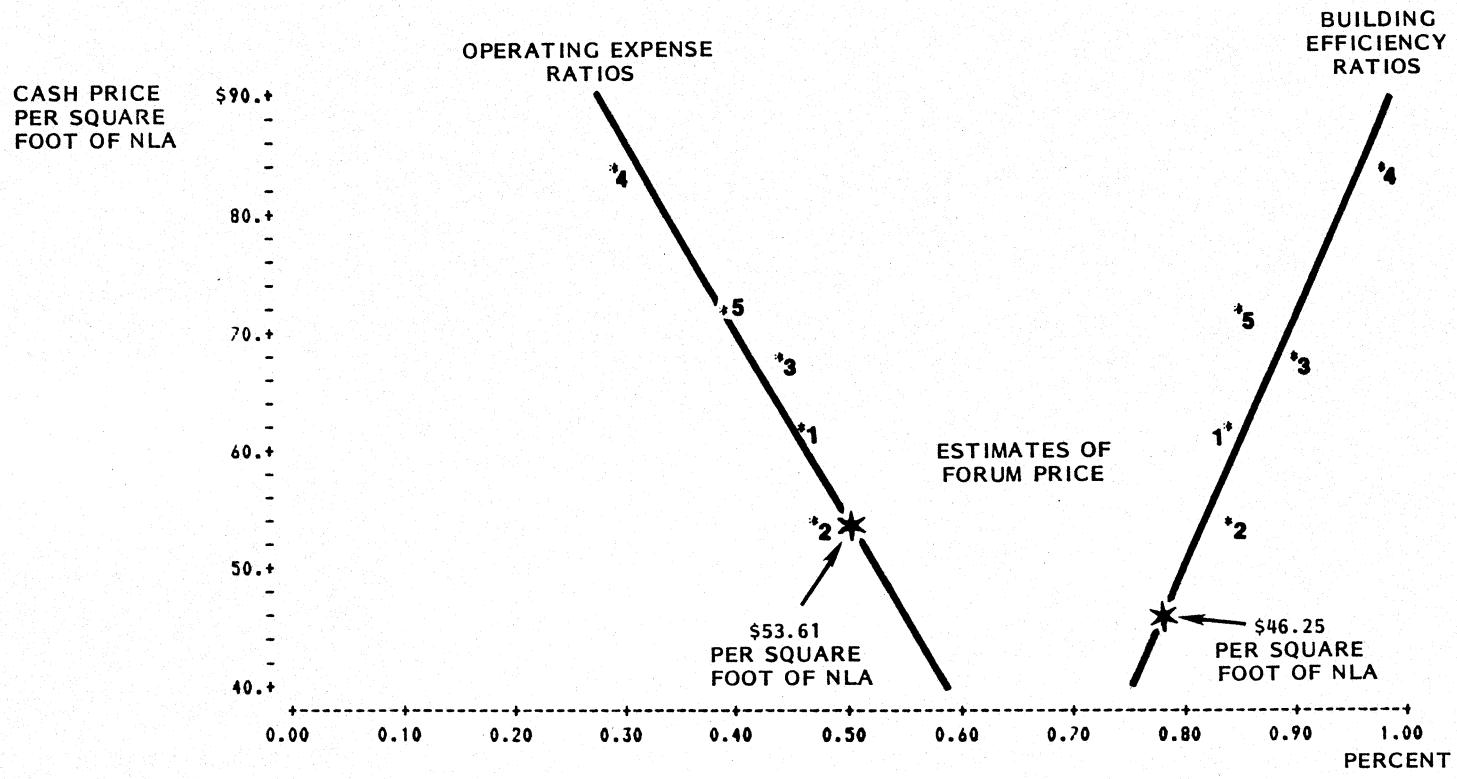

EXHIBIT 6

RELATIONSHIP OF OPERATING EXPENSE RATIO
TO BUILDING EFFICIENCY RATIO
SHADED AREA IS 90% CONFIDENCE LEVEL

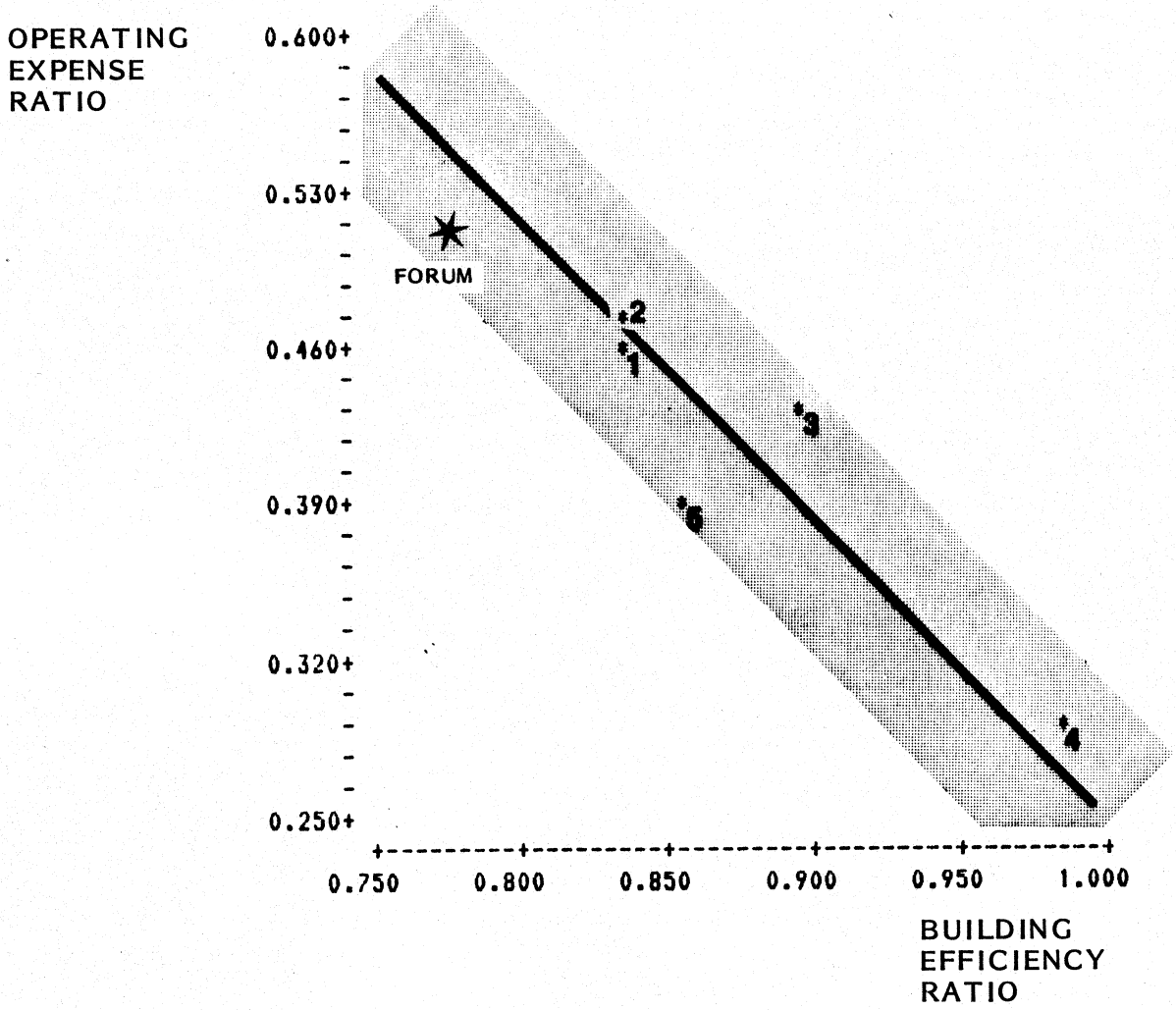

EXHIBIT 7

graph. Only an error in assessment would cause the expense ratio to once again approach 55 percent.

These predicted unit prices translate to a range of values from $3,756,266 to $3,954,155, or rounded, from $3,750,000 to $4,000,000. When the comparable sales are adjusted to their cash sale price and price sensitive variables are related to those of the subject property, THE DIRECT MARKET COMPARISON METHOD WOULD ESTIMATE THE HIGHEST AND MOST PROBABLE SELLING PRICE OF THE SUBJECT PROPERTY TO BE BETWEEN $3,750,000 AND $4,000,000.

VI. THE INCOME APPROACH

Market rents, not contract rents, combined with market vacancy rates and actual operating expenses must be established when properly using the income approach for assessment purposes.

A. Market Rent Analysis

The Mayfair office space market (see Exhibit 8, 1984 Mayfair Office Market) may be segmented into three groups based on performance.

The first tier office buildings demonstrated their market appeal by having been able to reduce vacancy rates slightly and raise their stated rental rate per square foot by one dollar per square foot, and one to two dollars per square foot in the case of the more prestigious Mayfair Tower buildings. This group defines the high end of Mayfair office rental rates in the $15 to $17 per square foot range.

Buildings in the second tier, with one exception, were fully rented last year (see Appendix A) and are all fully rented in 1984. Buildings in this group have rented in the $12 to $14 per square foot range. Were vacancies to occur, it is possible that rent asking prices would move up somewhat, although the current increasing market vacancy rates might not allow immediate future increases.

The Forum belongs to a third tier group of buildings which have not always been able to maintain their 1983 occupancy rates and, consequently, have not been able to rent space at higher rates per square foot or even necessarily at their 1983 rents--$10.50 to $14.00 per square foot. The only lease written in 1983 was the April 14 negotiated lease renewal of the Upjohn lease of 925 square feet for three years at $13.25 per square foot. Third tier buildings have not been able to command rents higher than last year, and given higher vacancies, it is uncertain whether they will continue to successfully command 1983 rents. Therefore, the 1984 market rental rate for office space in the Forum is demonstrated to be no higher than $13.50 per square foot.

B. Market Vacancy Analysis

Currently, approximately 7.2 percent of the space listed in existing buildings in the Mayfair area is vacant. The 14 buildings which comprise the market segment in this area total 842,200 square feet of net leaseable area. Currently, 60,350 square feet is vacant. The subject has approximately 4,300 square feet or 6 percent vacancy as of January 1, 1984.

Two new office buildings are currently under construction in the market and, including their new space, the market vacancy rate will raise to 17.9 percent before the added market square footage begins to lease up. A 17.9 percent market

1984 MAYFAIR OFFICE MARKET
GROUPED BY SUBMARKET TIER

BUILDING NAME/ADDRESS	NLA TOTAL SQ.FT.	AVAIL-ABLE SQ.FT.	RATE PER SQ.FT.	RATE INCLUDES	CHARGE FOR ELECTRICITY PER SQ.FT.	LANDLORD CONTRIBUTION PER SQ.FT.	REMAINING CONSTRUCTION COST OVER LANDLORD CONTRIBUTION	PARKING
TIER I								
Mayfair Tower #1 2300 N. Mayfair Road	105,000	3,200	$15.50-16.50	HVAC, Janitorial	Metered	Negotiable	Negotiable	Ample
Mayfair Tower #2 2600 N. Mayfair Road	105,000	2,000	16.00	HVAC, Janitorial	$0.55/SF	Negotiable	Negotiable	Ample
Mayfair Tower #3-Atrium 10400 W. North Avenue	80,000	6,000	16.00-17.00	HVAC, Janitorial	$0.55/SF	$4.50	Negotiable	Ample
Opus 1055 N. Mayfair Road	35,000	4,800	15.00	HVAC, Janitorial, Electricity, $4.00 Stop	—	$11 Below Ceiling	Negotiable	Ample
TIER II								
National Savings & Loan 2675 N. Mayfair Road	88,000	-0-	13.50-13.75	HVAC, Janitorial, Electricity	—	Negotiable Generally $8.00	Negotiable	Ample
Heritage Bank-Mayfair 2323 N. Mayfair Road	103,000	-0-	12.00	HVAC, Janitorial	$0.75/SF	$7/SF on 5-year lease	Negotiable	3 stalls per 1,000 SQ.FT.
Mayfair Medical Clinic 2655 N. Mayfair Road	20,500	-0-	N/A	Net Lease; Nothing Included	—	Negotiable	Negotiable	Ample
First Savings 2645 N. Mayfair Road	16,000	-0-	14.00	HVAC, Janitorial, Electricity	—	Negotiable	Negotiable	1 stall per 250 SQ.FT.
933 Building 933 N. Mayfair Road	46,300	-0-	13.00	HVAC, Janitorial, Electricity	—	Negotiable	Negotiable	Ample
TIER III								
The Forum 3333 N. Mayfair Road	72,200	4,400	13.50	HVAC, Janitorial, Electricity	—	Negotiable	Negotiable	Ample
1011 Building 1011 N. Mayfair Road	38,200	13,750	12.00-12.50	HVAC, Janitorial, Electricity	—	Negotiable	Negotiable	Ample
Megal 2929 N. Mayfair Road	57,000	1,200	10.50-12.50	HVAC, Janitorial, Electricity	—	Carpet and Paint	Cash	1 stall per 350 SQ.FT.
Eastbrook Executive Ctr 12720 W. North Avenue	28,000 2 bldgs.	6,000	14.00	Janitorial	Metered	$10.00	Negotiable	Ample
West Suburban Ofc Plaza 2505-25 N. 124th Street	48,000 4 bldgs.	19,000	12.50	HVAC, Janitorial, Electricity	—	Turn-key	Negotiable	Ample
	842,200	60,350						

Note: All rents on this page believed to be on per square foot usable basis.

vacancy rate is exactly that which was recently reported in the Business Journal for the downtown Milwaukee office market (Volume I, No. 23, week of March 26, 1984). With the additional space of 110,000 square feet, the Mayfair office market will total 952,200 square feet of net leaseable area in 16 buildings; 170,350 square feet will be vacant prior to the time that rentals in the two new buildings occur.

It is concluded on the basis of the above discussion that a very generous market vacancy rate for the Forum is 3 percent, anticipating some expansion by current tenants in 1984.

C. Analysis of Operating Expenses

The reported operating expenses for the Forum for 1982 and 1983 are shown in Exhibit 9. Although operating expenses have not proven to have risen quite as quickly as might have been expected, operating expenses (excluding real estate taxes, debt service, and land rent) are still estimated at 50 percent of effective gross revenue for 1984. Exhibit 10 sets forth the 1984 estimated operating expenses by category.

The operating expenses for the Forum are proportionately larger than for several comparable office buildings for which past operating data was available. Investigation has provided the reasons for this. The Forum was designed to pre-energy crunch standards, does not meter utilities directly to the tenants, and was built with an attractive atrium which, though

EXHIBIT 9

THE FORUM

REPORTED EXPENSES
1982 & 1983

	1982	1983
General Expenses		
General Expenses [1]	$ 4,307	$ 3,729
Renting Expenses	450	3,350
	$ 4,757	$ 7,079
Management		
Management Fee (5% of effective gross)	$ 43,633	$ 44,380
Utilities		
Light and Power	$103,806	$113,061
Gas	15,546	14,756
Water and Sewer	4,049	5,588
Telephone	1,925	1,376
	$125,326	$134,781
Maintenance and Repair		
Repairs and Maintenance	$ 24,773	$ 37,054
Supplies	4,716	5,501
	$ 29,489	$ 42,555
Contract Services		
Cleaning Service [2]	$ 50,102	$ 41,106
Refuse Removal	4,788	5,124
Security System	930	1,163
Monitor System [3]	15,317	11,700
Elevator	1,744	1,843
	$ 72,881	$ 60,936
Wages and Taxes		
Payroll	$ 19,600	$ 21,000
Taxes	1,554	1,753
	$ 21,154	$ 22,753
Tenant Improvements		
Decorating	$ 1,459	$ 4,566
Insurance	$ 7,640	$ 7,072
	$306,369	$324,122

Source: Ogden Co., Managers

EXHIBIT 9 (Continued)

FOOTNOTES TO THE FORUM
REPORTED EXPENSES - 1982 & 1983

[1] General Expenses include accounting, legal, and miscellaneous expenses.

[2] Cleaning Service. In 1982 the cleaning service account incurred significantly larger expenses than had been projected due to a major clean up which was necessitated by a large pipe leak which flooded parts of the building.

[3] Monitor System. The 1982 monitor system expense includes prepayment of January 1983 expenses. The 1983 monitor system expenses reflect nine months expenses of February through October. January had been prepaid the prior year and November and December remained as payables during the time that the monitor system contract was in the process of being broken.

EXHIBIT 10

THE FORUM
PROJECTED 1984 EXPENSES
BASED UPON ACTUAL OPERATIONS

	1982	1983	1984 PROJECTED
General Expenses [1]			
General Expenses	$ 4,307	$ 3,729	
Renting Expenses	450	3,350	
	$ 4,757	$ 7,079	$ 7,362
Management [2]			
Management Fee (5% of effective gross)	$ 43,633	$ 44,380	$ 47,287
Utilities [3]			
Light and Power	$103,806	$113,061	
Gas	15,546	14,756	
Water and Sewer	4,049	5,588	
Telephone	1,925	1,376	
	$125,326	$134,781	$148,260
Maintenance and Repair [4]			
Repairs and Maintenance	$ 24,773	$ 37,054	
Supplies	4,716	5,501	
	$ 29,489	$ 42,555	$ 44,683
Contract Services [5]			
Cleaning Service	$ 50,102	$ 41,106	
Refuse Removal	4,788	5,124	
Security System	930	1,163	
Monitor System	15,317	11,700	
Elevator	1,744	1,843	
	$ 72,881	$ 60,936	$ 69,400
Wages and Taxes [6]			
Payroll	$ 19,600	$ 21,000	
Taxes	1,554	1,753	
	$ 21,154	$ 22,753	$ 24,000
Tenant Improvements [7]			
Decorating	$ 1,459	$ 4,566	$ 16,000
Insurance [8]	$ 7,640	$ 7,072	$ 7,200
	$306,369	$324,122	$364,192

EXHIBIT 10 (Continued)

FOOTNOTES TO THE FORUM
PROJECTED 1984 OPERATING EXPENSES

[1] General Expenses are assumed to increase at 4 percent annually.

[2] Management Fees are calculated at 5 percent of Effective Gross Income.

[3] Utilities are assumed to increase at 8 percent annually.

[4] Maintenance and Repairs are assumed to increase at 5 percent annually.

[5] Contracted Services are assumed to increase at 4 percent annually.

[6] Wages and Benefits are assumed to increase at 5 percent annually.

[7] Tenant Improvement Allowances are assumed to increase at 3 percent annually. Tenant improvement allowances for other Mayfair buildings vary considerably, but many are in the $8 to $10 per square foot range. The Forum must become more competitive in this softer market and must therefore, offer tenant improvement allowances greater than in the past. The tenant improvement allowance is based on $8 per square foot. An average vacancy rate of 5 percent equals 3,611 square feet of NLA. Annual new space leases are estimated at 2,000 square feet per year. New occupancy of 2,000 square feet per year at a tenant improvement allowance of $8 per square foot equals a budgeted amount of $16,000.

[8] Insurance costs are assumed to increase at 2 percent annually.

attractive, results in higher operating costs at the same time as significantly reducing the potential gross revenue by eliminating net leaseable area from the building.

Many building owners and managers report operating expenses which include real estate taxes. If the Forum's operating expenses are added to the estimated real estate taxes resulting from the assessment which is being objected to, the resulting expense ratio would be 53 percent of effective gross revenue. This compares poorly with comparable projects which have various combinations of the following advantages: significantly better design and construction for energy conservation, direct metering of utilities to the tenants, higher ratio of leaseable area to total building area (building efficiency ratio), and leases which shift more of the operating expenses from the landlord to the tenant.

Last year the energy costs per net leaseable area (NLA) were studied in the Forum and other suburban Milwaukee office buildings. With the data previously presented, Landmark concluded with a high level of certainty that office building values are higher for more efficient buildings. This stands to reason since the higher the net income, as would be the case with a building which was relatively more efficient, the more an investor would pay to purchase that investment. The higher net income from an efficient building comes from lower per

square foot energy costs. Higher net income also occurs in buildings with higher building efficiency ratios--higher ratios of leaseable area to total building area.

Several architects, building owners, and managers interviewed stated that, in general, they expect office buildings built in the early 1980s to use about one-half the BTUs per square foot for heating and cooling as office buildings built in the early to mid-1970s use. An average BTU per square foot requirement for buildings built in the early 1980s is in the neighborhood of 70,000 to 75,000 BTUs per square foot per year, whereas 150,000 BTUs per square foot per year is typical of the older buildings according to William Ibach of Northwest Mutual's property management department. The design of early 1970s buildings resulted in electrical use for lighting in the 4 to 5 watts per square foot per hour, whereas more recent buildings are designed to require 2-1/2 to 3 watts per square foot per hour to provide proper lighting. Additionally, newer buildings invariably meter electricity directly to the tenants.

D. Projected Revenues and Expenses

The Wisconsin Property Assessment Manual defines potential gross income (revenue) as follows:

> Potential gross income is the income that would be generated if a property was 100 percent occupied and receiving the market rent. Market rent is the rent that a property should receive based on an analysis of rents of similar properties and trends in that area. The assessor can gather the rental information from buyers and sellers of investment property. Tenants can also be sources of rental information.
>
> Market rent rather than the actual, or contract rent is to be used in estimating potential gross income. The contract rent may reflect conditions that existed many years ago, and thus if used will not provide a true indication of the present Fair Market Value of the property. This position is supported by the recent court decision in Wisconsin Department of Revenue v. Radtke and Herro, Dane County Circuit Court, Case No. 79-CV-5952.

In accordance with Wisconsin Assessment policy, $13.50 per square feet of NLA is assigned to the entire NLA of the subject property and contract rents are ignored. The space occupied by the restaurant, which pays overage rent only, is included in the 72,222 square feet of NLA. Vacancy and bad debts are estimated to be 5 percent of gross, based upon the actual experience of the subject property and the market vacancy rates previously discussed.

The Wisconsin Property Assessment Manual defines operating expenses as follows:

> These are expenses which are typically borne by the owner in properties of the type involved in the current, local market. The assessor must consider only those expenses which are applicable to the cost of ownership. Any portion of the expenses incurred either directly or indirectly by the tenant need not be considered. Reimbursed expenses can only be considered when the amount of reimbursement is included as income. All expense items must stand the test of both legitimacy and accuracy. They should be consistent when compared with established guidelines and norms, and also with expenses incurred by comparable properties.

Typical office leases, written for three to five year terms, usually provide a pass-through of operating expense increases beyond a base year. There is a lag in the actual collection of this pass-through because the first year rent is the benchmark, the increase thereafter is not known until the end of the second year, and the pass-through begins in year three.

A six-year projection of revenue and expenses, using market rents and actual operating expenses for 1984, is shown in Exhibit 9. The six-year time period coincides with the end of the land purchase option and represents two full three-year lease terms.

E. Fair Market Value to an All Cash Buyer = Discounted Cash Flow

An all cash buyer, such as a pension fund manager or life insurance company, buys an office building for its income stream and for potential appreciation as a 100 percent

equity investment. To solve for the fair market value of the subject property, if sold to an all cash investor who requires a minimum overall yield of 14 percent [1] the annual streams of income and the resale proceeds at the end of the holding period are discounted at 14 percent, resulting in a FAIR MARKET VALUE OF $4,375,000 FOR THE SUBJECT PROPERTY. The computations are shown on the lower portion of Exhibit 11. The resulting overall capitalization rate would be 0.103 which is within the range of overall rates derived from actual sales.

F. Income Approach to Value
Mortgage-Equity Analysis

Lenders prefer to base loan amounts on a commercial property's ability to produce income to adequately cover the debt service and, therefore prefer the debt cover ratio (DCR) to the historical loan to value ratio. The greater the property risk, the larger the DCR. For an office building, a DCR of 1.2 to 1.3 is reasonable. (See Appendix B for typical DCR by property type and loan amount used by 20 life insurance companies.)

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[1] National Council of Real Estate Investment Fiduciaries, The NCREIF Report, Winter 1983.

EXHIBIT 11

THE FORUM

Projection of Revenues and Expenses
January 1, 1984 through December 31, 1989

	1/1/84-12/31/84 Year 1		1/1/85-12/31/85 Year 2		1/1/86-12/31/86 Year 3		1/1/87-12/31/87 Year 4		1/1/88-12/31/88 Year 5		1/1/89-12/31/89 Year 6	
REVENUE												
Potential Base Rents	974997		974997		974997		974997		974997		974997	
Rent Escalators	0		0		78000		78000		78000		78000	
Pass Through of Expenses Beyond Base Year 1984	0		0		23864		54125		82466		112372	
Potential Gross Revenue	974997	(13.50/SF)	974997	(13.50/SF)	1076861	(14.96/SF)	1107122	(15.43/SF)	1135463	(15.89/SF)	1165369	(16.39/SF)
Allowance for Vacancy and Bad Debt	29250		29250		32306		33214		34064		34961	
Effective Gross Revenue		945747		945747		1044556		1073908		1101399		1130408
EXPENSES												
General Expenses	7362		7656		7963		8281		8612		8957	
Management	47287		47287		52228		53695		55070		56520	
Utilities	148260		160121		172930		186765		201706		217843	
Maintenance & Repairs	44683		46917		49263		51726		54312		57028	
Contracted Services	69400		72176		75063		78066		81188		84436	
Wages & Benefits	24000		25200		26460		27783		29172		30631	
Tenant Improvement Allowances	16000		16480		16974		17484		18008		18548	
Insurance	7200		7344		7491		7641		7794		7949	
Total Expenses (Excluding R.E. Taxes)		364192		383182		408372		431441		455863		481912
NOI before R.E. Taxes, Debt Service, & Ground Lease		581555		562565		636183		642467		645536		648496
Less Estimated R.E. Taxes		121875		126750		131820		137093		142577		148280
NOI after R.E. Taxes, and Before Debt Service, & Ground Lease		459680		435815		504363		505375		502959		500216
MARKET VALUATION FOR AN ALL CASH INVESTOR												
Present Value of Annual Income @ 14% Discount Factor (End of Year)		403228		335346		340431		299222		261221		227892
Cummulative Present Value		403228		738574		1079004		1378227		1639448		1867340
Present Value of Resale. Year 6 NOI Times 11, @ 14% Discount Factor												2506808
Sum of P.V. of Resale and Annual Income												4374148
TOTAL MARKET VALUE											Rounded to	4375000

EXHIBIT 11 (Continued)

ASSUMPTIONS USED
==========

Base rent = $13.50/S.F. of NLA
Rent Escalator = 8% at end of three year lease
Pass through of expenses is based on the sum of the previous year's expenses and real estate taxes minus the sum of base year's expenses and real estate taxes
Allowance for vacancy and bad debt = 3% annually
Expenses stopped at $5.17/S.F.of NLA before R.E. Taxes in Year 1, the base year
Expense increases

General Expenses	4% annually
Management	5% of effective gross revenue
Utilities	8% annually
Maintenance and Repairs	5% annually
Contracted Services	4% annually
Wages and Benefits	5% annually
Tenant Improvement Allowances	3% annually
Insurance	2% annually
Real Estate Taxes	4% annually

Investors in leveraged properties expect a cash-on-cash return of no less than 6 percent. The amount of cash available to the equity position is the difference between the NOI and the debt service and is capitalized at the required rate of return.

The assumptions and calculations for the income approach to value, using the mortgage-equity technique, are found in Exhibit 12. Since the calculations are made with the minimum acceptable cash-on-cash equity return of six percent, the market value estimated by these calculations represents the highest price which might be paid. Therefore, based upon the first year NOI as shown in Exhibit 12, THE ESTIMATED FAIR MARKET VALUE IS $4,300,000 AS OF JANUARY 1, 1984.

Given an annual debt service of $367,744, total operating expenses of $486,067 ($364,192 + $121,875), and gross potential revenue of $974,997, the cash breakeven point or default ratio is 0.88 which is the upper limit for an investment of this type. This demonstrates that the DCR could be no lower than 1.25 because the income stream is not capable of carrying more debt without eroding the cushion of NOI in excess of debt service which the lender would require.

EXHIBIT 12

THE FORUM
INCOME APPROACH TO VALUE

Assumptions as of 1/1/84:

Debt Cover Ratio	=	1.25
Interest Rate	=	.1275
Mortgage Term	=	25 years
Mortgage Constant	=	.13309
Cash Dividend Rate	=	.06
Net Operating Income in First Year	=	$441,155

CALCULATIONS

Mortgage Value

STEP 1: $459,680 / 1.25 = NOI = $367,744 Available for Debt Service (DCR)

STEP 2: $367,744 / .13309 = $2,763,123 Maximum allowable mortgage

Equity Value

STEP 1:

$459,680	NOI
367,744	Debt Service
$ 91,936	Cash Throw-Off

STEP 2: $ 91,936 / .06 = $1,532,267 Maximum Allowable Equity Contribution

Property Value

Mortgage	=	$2,763,123
Equity	=	1,532,267
	$4,295,390	or $4,300,000

G. Test for Investment Yield at Estimated Fair Market Value

To define the appraisal issue initially, a discounted cash flow program called VALTEST was used. A test of the proposed assessment of $4,800,000 produced an unrealistic internal rate of return of 8.3 percent before income taxes and 8.9 percent after income taxes; the cash-on-cash was 4.2 percent.

When the initial test is repeated, using the estimated Fair Market Value of $4,300,000 with the same cash flow, financing, and resale assumptions, the cash-on-cash return is just below the threshold rate at 6.0 percent; the internal rate of return is 12.3 percent before income taxes; and 12.7 after tax savings to other income. The output is shown in Exhibit 13.

Since real property is to be valued at full value, or market value which is defined, in part, as the highest price a property will sell for at a fair sale, the estimated fair market value of the subject property at $4,300,000 is the highest possible price the property would sell for, given investor expectations of minimal before tax yield of 14 percent.

EXHIBIT 13

INPUT ASSUMPTIONS
****

```
1. ENTER PROJECT NAME ? THE FORUM
2. ENTER PROJECTION PERIOD ?  6
3. DO YOU WANT TO ENTER EFFECTIVE GROSS REVENUE INSTEAD OF NOI? N
   N.O.I. YEAR  1? 459680
   N.O.I. YEAR  2? 435815
   N.O.I. YEAR  3? 408372
   N.O.I. YEAR  4? 431441
   N.O.I. YEAR  5? 455863
   N.O.I. YEAR  6? 481912
4. ACQUISITION COST: ? 4300000
5. DO YOU WANT TO USE STANDARD FINANCING? Y OR N?Y
   MTG. RATIO OR AMOUNT, INT., TERM, NO PAY/YR ? 2763123, .1275, 25, 12
6. ENTER RATIO OF IMP #1/TOTAL VALUE, LIFE OF IMP #1? .84, 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 ?N
   THE MAXIMUM FEDERAL INDIVIDUAL ORDINARY RATE COULD BE:
           70% (PRE-1981 LAW)
           50% (1981 LAW, EFFECTIVE 1982)

           (PLUS STATE RATE)

    ENTER:
   1) EFFECTIVE ORDINARY RATE  2) EFFECTIVE ORDINARY RATE (YEAR OF SALE)
?  .5, .5
9. RESALE PRICE (NET OF SALE COSTS) ? 5142000
10. IS THERE LENDER PARTICIPATION ?N
11. ENTER OWNER'S AFTER TAX REINVESTMENT RATE (%)?  8
12. ENTER OWNER'S AFTER TAX OPPORTUNITY COST OF EQUITY FUNDS (%)?  8
```

EXHIBIT 13 (Continued)

AFTER TAX CASH FLOW PROJECTION
THE FORUM
DATE 1/1/84

DATA SUMMARY
****

ACQUISTN COST:	$4,300,000.	MTG. AMT.:	$2,763,123.
NOI 1ST YR:	$459,680.	MTG. INT.:	12.75%
ORG. EQUITY:	$1,536,877.	MTG. TERM:	25. YRS
CTO 1ST YEAR:	$91,946.	DEBT SERVICE 1ST YEAR:	$367,734.
		MTG. CONST.:	.13308626
IMP. #1 VALUE:	$3,612,000.	IMP. #1 LIFE:	15.
INC. TX RATE:	50%		
SALE YR RATE:	50%	OWNER: INDIVIDUAL	

DEPRECIATION IMPROVEMENT #1 : STRAIGHT LINE
NON-RESIDENTIAL PROPERTY
LENDER PARTICIPATION: CASH THROW-OFF: NONE REVERSION: NONE

NO REPRESENTATION IS MADE THAT THE ASSUMPTIONS BY JAMES GRAASKAMP ARE PROPER OR THAT THE CURRENT TAX ESTIMATES USED IN THIS PROJECTION WILL BE ACCEPTABLE TO TAXING AUTHORITIES. NO ESTIMATE HAS BEEN MADE OF MINIMUM PREFERENCE TAX. CAPITAL LOSSES IN THE YEAR OF SALE ARE TREATED AS ORDINARY LOSSES (SECTION 1231 PROPERTY) AND ARE CREDITED AGAINST TAXES PAID AT THE ORDINARY RATE AT THE TIME OF SALE.
FOR THE PURPOSE OF THE MODIFIED INTERNAL RATE OF RETURN (M.I.R.R.) CALCULATION, NEGATIVE CASH IN ANY ONE PERIOD IS TREATED AS A CONTRIBUTION FROM EQUITY IN THAT PERIOD.

YEAR	NOI	MTG INT & LENDERS %	TAX DEP	TAXABLE INCOME	INCOME TAX	AFTER TAX CASH FLOW
1.	459680.	351363.	240800.	-132484.	-66243.	158189.
2.	435815.	349150.	240800.	-154136.	-77069.	145150.
3.	408372.	346637.	240800.	-179066.	-89534.	130172.
4.	431441.	343784.	240800.	-153144.	-76573.	140280.
5.	455863.	340546.	240800.	-125484.	-62743.	150872.
6.	481912.	336869.	240800.	-95758.	-47880.	162058.
	$2673083.	$2068349.	$1444800.	$-840072.	$-420042.	$886723.

EXHIBIT 13 (Continued)

RESALE PRICE:	$5,142,000.	1ST YR B4 TAX EQ DIV:	5.9827%
LESS MORTGAGE BALANCE:	$2,625,070.	AVG DEBT COVER RATIO:	1.2115
PROCEEDS BEFORE TAXES:	$2,516,930.		
LESS LENDER'S %:	$0.		
NET SALES PROCEEDS BEFORE TAXES:	$2,516,930.		

RESALE PRICE:	$5,142,000.
LESS LENDER'S %:	$0.
NET RESALE PRICE:	$5,142,000.
LESS BASIS:	$2,855,200.
TOTAL GAIN:	$2,286,800.
EXCESS DEPRECIATION:	$0.
EXCESS DEP. FORGIVEN:	$0.
CAPITAL GAIN:	$2,286,800.
ORDINARY GAIN:	$0.

TAX ON ORDINARY GAIN:	$0.
TAX ON CAPITAL GAIN:	$457,360.
PLUS MORTGAGE BAL:	$2,625,070.
TOTAL DEDUCTIONS FROM NET RESALE PRICE:	$3,082,430.

NET SALES PROCEEDS AFTER TAX:	$2,059,570.

IF PURCHASED AS ABOVE, HELD 6 YEARS & SOLD FOR $5,142,000.
THE MODIFIED I.R.R. BEFORE TAXES IS 12.2812% AND AFTER TAXES IS 12.6583%
ASSUMING AN AFTER TAX REINVESTMENT RATE OF 8%, AND OPPORTUNITY COST OF 8%

EXHIBIT 13 (Continued)

EQUITY ANALYSIS
THE FORUM
****

BEFORE TAX EQUITY DIVIDEND

YR	NOI	YR END EQUITY	AMOUNT	CASH RETURN ORG EQ	CUR EQ
1.	$459,680.	$1,553,247.	$91,946.	.0598	.0592
2.	435,815.	1,571,831.	68,081.	.0443	.0433
3.	408,372.	1,592,928.	40,638.	.0264	.0255
4.	431,441.	1,616,878.	63,707.	.0415	.0394
5.	455,863.	1,644,066.	88,129.	.0573	.0536
6.	481,912.	1,674,930.	114,178.	.0743	.0682

ORIGINAL EQUITY: $ 1536877

DISTRIBUTION OF CASH THROW-OFF
THE FORUM

YEAR	CASH THROW-OFF TOTAL	CASH THROW-OFF TO EQUITY	CASH BONUS TO LENDER
1.	91946.	91946.	0.
2.	68081.	68081.	0.
3.	40638.	40638.	0.
4.	63707.	63707.	0.
5.	88129.	88129.	0.
6.	114178.	114178.	0.
	466681.	466681.	0.

RESALE PRICE:	$5,142,000.
LESS MORTGAGE BALANCE:	$2,625,070.
PROCEEDS BEFORE TAXES:	$2,516,930.
LESS LENDER'S %:	$0.
NET SALES PROCEEDS BEFORE TAXES:	$2,516,930.

CASH THROW-OFF = 0% REVERSION = 0%

EXHIBIT 13 (Continued)

MORTGAGE ANALYSIS
THE FORUM
****

YEAR	NOI	MORT INT.	MORT AMORT	DEBT SERV	DCR	MTG. BAL.
1.	459680.	351363.	16370.	367734.	1.250	2746753.
2.	435815.	349150.	18584.	367734.	1.185	2728169.
3.	408372.	346637.	21097.	367734.	1.111	2707072.
4.	431441.	343784.	23950.	367734.	1.173	2683123.
5.	455863.	340546.	27188.	367734.	1.240	2655935.
6.	481912.	336869.	30864.	367734.	1.310	2625070.
AVG	$445,514.				1.212	

DEPRECIATION SCHEDULE
THE FORUM
IMPROVEMENT # 1
STRAIGHT LINE
NON-RESIDENTIAL
****

YEAR	TAX DEP.	S.L. DEP.	EXCESS DEP	BALANCE
1.	240800.0	240800.0	.0	3371200.0
2.	240800.0	240800.0	.0	3130400.0
3.	240800.0	240800.0	.0	2889600.0
4.	240800.0	240800.0	.0	2648800.0
5.	240800.0	240800.0	.0	2408000.0
6.	240800.0	240800.0	.0	2167200.0
TOTAL	1444800.0	1444800.0	.0	

VII. VALUE CONCLUSION

The estimated Fair Market Value of the subject, using the market approach, based upon the cash equivalent adjusted sale price of the subject property itself, is $4,200,000.

The estimated Fair Market Value of the subject, using the market approach, based upon recent sales of office buildings in the Wauwatosa area, adjusted for building and energy efficiency, ranges from $3,750,000 to $3,950,000.

The estimated Fair Market Value of the subject property, using the income approach and assuming a sale to an all cash buyer, such as a pension fund, is $4,375,000.

The estimated Fair Market Value of the subject property, using the income approach and assuming a sale to an investor seeking a conventional mortgage with cash to the seller and a minimal cash-on-cash return of 6 percent, is $4,300,000.

The cost approach is inappropriate for the subject property which is functionally obsolete and which represents a significant risk to a prudent investor due to rising utility costs. An estimation of the value lost due to functional obsolescence is highly speculative.

Therefore, based upon the assumptions, limiting conditions, and property tax estimates as presented, it is the opinion of the appraiser that the highest price in dollars and Fair Market Value of the subject property herein described as of January 1, 1984, is:

FOUR MILLION TREEE HUNDRED THOUSAND DOLLARS

($4,300,000)

assuming cash to the seller with a debt cover ratio of 1.25 (64 percent financing) at 12.75 percent interest for a 25-year term.

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 upon the information and subject to the limiting conditions contained in this report, it is our opinion that the most probable price, as defined herein, of the real estate as of January 1, 1984, is:

FOUR MILLION THREE HUNDRED THOUSAND DOLLARS

($4,300,000)

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

Jean B. Davis, MS

Fraser B. Gurd, MS

STATEMENTS OF GENERAL ASSUMPTIONS AND LIMITING CONDITIONS

This appraisal is made subject to and is conditioned upon the following 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.
- Forecasts of the effective demand for space are based upon the best available data concerning the market, but are projected under conditions of uncertainty.
- 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 property 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 mathematics 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 author, particularly regarding the valuation conclusions and the identity of the appraiser, of the firm with which he is connected, or any of his associates.

- This report shall not be used in the client's reports or financial statements or in any 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, the appraiser is allowed to review the text of such reference to determine the accuracy and adequacy of such reference to the appraisal report prepared by Landmark Research, Inc.; (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.

1983 MAYFAIR OFFICE RENTAL MARKET

BUILDING NAME/ADDRESS	TOTAL SQ.FT.	ABLE SQ.FT.	RATE PER SQ.FT.	RATE INCLUDES	ELECTRICITY PER SQ.FT.	CONTRIBUTION PER SQ.FT.	COST OVER LANDLORD CONTRIBUTION	PARKING
Mayfair Tower #1 2300 N. Mayfair Road	105,000	3,200	$15.50- 16.50	HVAC, Janitorial	Metered	Negotiable	Negotiable	Ample
Mayfair Tower #2 2600 N. Mayfair Road	105,000	2,000	16.00	HVAC, Janitorial	$0.55/SF	Negotiable	Negotiable	Ample
Mayfair Tower #3-Atrium 10400 W. North Avenue	80,000	6,000	16.00- 17.00	HVAC, Janitorial	$0.55/SF	$4.50	Negotiable	Ample
The Forum 3333 N. Mayfair Road	72,200	4,400	13.50	HVAC, Janitorial, Electricity	—	Negotiable	Negotiable	Ample
National Savings & Loan 2675 N. Mayfair Road	88,000	-0-	13.50- 13.75	HVAC, Janitorial, Electricity	—	Negotiable Generally $8.00	Negotiable	Ample
Heritage Bank-Mayfair 2323 N. Mayfair Road	103,000	-0-	12.00	HVAC, Janitorial	$0.75/SF	$7/SF on 5- year lease	Negotiable	3 stalls per 1,000 SQ.FT.
Mayfair Medical Clinic 2655 N. Mayfair Road	20,500	-0-	N/A	Net Lease; Nothing Included	—	Negotiable	Negotiable	Ample
Opus 1055 N. Mayfair Road	35,000	4,800	15.00	HVAC, Janitorial, Electricity, $4.00 Stop	—	$11 Below Ceiling	Negotiable	Ample
933 Building 933 N. Mayfair Road	46,300	-0-	13.00	HVAC, Janitorial, Electricity	—	Negotiable	Negotiable	Ample
1011 Building 1011 N. Mayfair Road	38,200	13,750	12.00- 12.50	HVAC, Janitorial, Electricity	—	Negotiable	Negotiable	Ample
First Savings 2645 N. Mayfair Road	16,000	-0-	14.00	HVAC, Janitorial, Electricity	—	Negotiable	Negotiable	1 stall per 250 SQ.FT.
Megal 2929 N. Mayfair Road	57,000	1,200	10.50- 12.50	HVAC, Janitorial, Electricity	—	Carpet and Paint	Cash	1 stall per 350 SQ.FT.
Eastbrook Executive Ctr 12720 W. North Avenue	28,000 2 bldgs.	6,000	14.00	Janitorial	Metered	$10.00	Negotiable	Ample
West Suburban Ofc Plaza 2505-25 N. 124th Street	48,000 4 bldgs.	19,000	12.50	HVAC, Janitorial, Electricity	—	Turn-key	Negotiable	Ample
	842,200	60,350						

Note: All rents on this page believed to be on per square foot usable basis.

APPENDIX B

WEIGHTED AVERAGE INTEREST RATES
OFFICE BUILDINGS

	1ST Q	2ND Q	3RD Q	4TH Q	YEAR
1980	12.06	12.82	12.16	12.91	12.45
1981	13.34	12.25	14.17	14.39	13.71
1982	14.46	14.64	14.41	13.26	13.97
1983	12.81	12.34	12.22	12.45	12.44

AVERAGE DEBT COVER RATIOS
OFFICE BUILDINGS

	1ST Q	2ND Q	3RD Q	4TH Q
1980	1.27	1.25	1.26	1.28
1981	1.26	1.28	1.29	1.32
1982	1.39	1.38	1.29	1.31
1983	1.31	1.25	1.31	1.24

Source: Investment Bulletin, American Council of Life Insurance, Washington, D.C.

APPENDIX C

QUALIFICATIONS OF THE APPRAISERS

JAMES A. GRAASKAMP

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.

J E A N B. D A V I S

EDUCATION

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

Master of Arts - Elementary Education, Stanford University

Bachelor of Arts - Stanford University (with distinctions)

Additional graduate and undergraduate work at Columbia Teachers College and the University of Wisconsin

PROFESSIONAL EDUCATION

Society of Real Estate Appraisers

Appraising Real Property	Course 101
Principles of Income Property Appraising	Course 201

American Institute of Real Estate Appraisers

Residential Valuation (formerly Course VIII)

Certified as Assessor I, Department of Revenue, State of Wisconsin

PROFESSIONAL EXPERIENCE

With a significant background in education, practiced in California, Hawaii and Wisconsin, Ms. Davis is currently associated with Landmark Research, Inc. Her experience includes the appraisal and analysis of commercial and residential properties, significant involvement in municipal assessment practices, and market and survey research to determine demand potentials.

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 currently associated with Landmark Research, Inc. as an appraiser and consultant. His experience includes the valuation and analysis of commercial and residential properties, project feasibility analysis, real estate cash flow analysis, market and marketability studies, and computer applications in real estate valuation and financial analysis. Prior to joining the staff of Landmark Research, Inc., he was a Lecturer in the Department of Real Estate and Urban Land Economics, School of Business, University of Wisconsin. He has been a project underwriter with a national residential mortgage guarantor.