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[A memorandum of appraisal of the Employers Mutual office building and site on the West Side of the city of Wausau, Marathon County].

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Thomas L. Turk

James A. Graaskamp

September 13, 1968

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

Dear Mr. Conway:

At your invitation I am pleased to submit a memorandum of appraisal of the Employers Mutual office building and site on the west side of the City of Wausau, Marathon County, more specifically identified as tax parcel 27.29.7.3 containing all that part of section 29-7 described in Volume 2 of Records, page 27, and addressed as 2000 Westwood Drive, Wausau, Wisconsin.

It is my understanding that the purpose of this report is to determine for purposes of tax assessment valuation by the City Assessor "the full value which could ordinarily be obtained therefore at private sale." Therefore ~~full~~ ^{fair} market value is defined, for the purpose of this appraisal, as the highest price estimated in terms of money which a property would bring if exposed for sale in the national market for real estate investments, allowing reasonable time to find a sophisticated purchaser, knowledgeable of all the uses for which the property can reasonably be used, and assuming neither buyer nor seller is acting under the pressure of necessity.

After careful inspection, investigation and investment analysis of the subject property it is my opinion that the highest price which might be paid for purchase of title of the subject property of May 1, 1968, is in the amount of:

EIGHT MILLION FIVE HUNDRED AND SIXTY THOUSAND DOLLARS
(\$8,560,000)

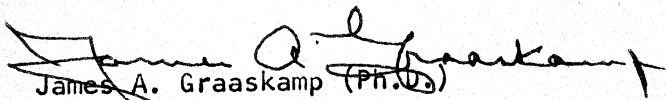
This market value would be allocated \$878,000 to land as stipulated and \$7,682,000 to structural improvements.

This value conclusion is the product of the approach and judgments which comprise the attached appraisal memorandum. Because of the familiarity of the parties who will be utilizing this report with the community, neighborhood, site, improvements and full legal description of the subject property these basic elements of a full appraisal report have been omitted. Moreover, this memorandum of evaluation does not contain the traditional ritual and emphasis on three approaches to value. Instead it stresses a very detailed and sophisticated income approach considered to be most appropriate in theory and in fact to the value question.

To the best of my knowledge and belief, the facts and data used herein are true and correct. I have personally inspected the property described several times and I certify that I have no interest therein, present or prospective, and that my employment is in no manner contingent upon the value reported. A number of limiting conditions as to the scope of appraiser responsibility are specified in the report.

Recognizing that this report represents a departure from traditional appraisal presentations, I stand ready to discuss its findings with you and your client at your convenience.

Sincerely yours,


James A. Graaskamp (Ph.D.)
Urban Land Economist

LANDMARK RESEARCH, INC.

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LIMITING CONDITIONS

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

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.

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 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.

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 in a letter of September 9, 1968 by Mr. Neil Conway that land value should be assumed to be \$878,000 to conform with the present full value implicit with an assessment of \$658,500.

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.

Information furnished by others in this report, while believed to be reliable, is in no sense guaranteed by this appraiser.

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.

The sophisticated computer applications of the income approach used in this appraisal were provided with the consent and cooperation of the "C" Corporation of Columbus, Ohio, exclusive licensee of the investment simulation computer program developed at the University of Wisconsin School of Business and presently the property of the University Foundation, the licensor.

A. Choice of Appraisal Method

The traditional appraisal approach anticipates application of three approaches to value--the market comparison approach, the cost approach, and the income approach. The different conclusions reached are then reviewed and integrated into a single value conclusion. However, in this case the market approach and the cost approach are both misleading.

The market comparison approach requires comparison of like to like, with minor adjustments for variations within a set of sales data, involving properties with relatively current and frequent transactions. However, major institutional complexes in scattered locations outside of heavily populated metropolitan centers are each unique commodities and do not fit the requirements of the typical market comparison approach. Adjustments of sales prices to reflect differences in times, circumstances of the parties, or physical factors in the property must be purely speculative on the part of the appraiser.

The cost approach requires a basic assumption that the improvements represent highest and best use of the site from the viewpoint of another user in the market for such a property. Without this assumption substantial allowances for economic and functional obsolescence must be made, and on a complex which cost \$17 million in a small northern Wisconsin community, these adjustments must necessarily be rough approximations on the part of the appraiser.

However, every property has a market for investment purposes if some income can be generated therefrom. Investors will pay the present value of the cash income from all sources anticipated over time from ownership of the property.

For unique property which must be converted to rental use and is without a rental history, the type of income appraisal required is termed investment simulation.

The leading theorists* in appraisal require that accurate appraisal go beyond the traditional average income (before debt service and income taxes) capitalized by some average rate of return on total investment.

Modern theory holds that a statement of highest and best use leads naturally to an inference about the most likely type of user-buyer. A given group of buyers allows you to be reasonably positive as to how they make their calculations on the investment value of each alternative property which they might purchase. It is these calculations which the appraiser must simulate.

A private investor is not only concerned with revenue and expenses but with the power of leverage, the impact of federal income and estate taxes, and the cash solvency of operations over time. Private investment is made in anticipation of a profit and sophisticated investors today are concerned with profit after federal taxes. This profit may arise from operating cash revenue from the real estate, from capital gains realized on sale of the real estate, from surplus proceeds of a refin-

ancing package, or from tax savings on other income which were possible because of the peculiarities of depreciation accounting available in real estate investment.

Proceeds from any of the above sources flow to the investor over time in a varying and irregular pattern and must be discounted individually rather than on an average basis as is done in the typical appraisal. Development of this flow of proceeds, month by month is a tedious, extended, and repetitious operation well suited to the computer. A computer program for doing the income approach in more detail and greater accuracy than was possible with traditional methods has now been developed.

I propose to determine the highest price which would be paid by a sophisticated investor in the national market purchasing the subject property in 1968 as a rental commercial complex under the most favorable circumstances which could be assumed for such an undertaking. This approach will extend the traditional approach to anticipate the investment advantages of real estate under the current threat of inflationary increases in price level.

The University of Wisconsin School of Business is presently the national leader in development of investment simulation computer programs for real estate. In June of 1968, programs which were developed at the School of Business were licensed to a national concern. The investors in this corporation include a group of prominent MAI appraisers and instructors and certain other principals noted for the development of xeroxing and other research breakthroughs. Simulation models have been used privately by the largest investors in the country for several years but the University program is the first one being made available nationally as a service to appraisers, lenders, and investors, big or small.

*Professor Fred M. Case, University of California, Los Angeles, "Electronic Data Processing and the Appraisal Process," The Real Estate Appraiser, Vol. 32, No. 9, September, 1966, p. 5. Computer Applications in Real Estate Appraisal, University of California.

Professor William N. Kinnard, University of Connecticut, "New Thinking in Appraisal Theory," The Real Estate Appraiser, Vol. 32, No. 8, August, 1966.

Professor Richard U. Ratcliff, Modern Real Estate Valuation, Democrat Press, Madison, 1965.

B. Valuation Issue Defined

In this case we have been asked to assume that the market price of land and therefore the assessment of the land is an acceptable representation of these land values on the Wausau market. Therefore, if there is an issue between the Taxpayer and the Assessor, it must relate to the market value of the improvements. Cost of construction or reproduction establishes only the upper limit of market value in appraisal theory, and therefore it can be presumed that any issue between the Taxpayer and the Assessor must concern the ratio of market value to replacement costs.

In short, the Taxpayer would naturally maintain that the sale on the open market of a structure designed for the unique needs of the present owner would result in a significant "writedown" of the nominal asset values determined by historical cost. The tendency of the taxing authority on the other hand is to prove that a second buyer in the private market would be willing to pay the highest upper limit on value, cost of construction in the case of a special use, non-rental structure, or at least a high percentage of the original cost.

Therefore, the basic question at issue in the search for "the full value which could ordinarily be obtained...at private sale" might be expressed:

"If the original cost of acquisition for the original user is not the value of the property to a bidder in the private market, what percentage of discount on construction cost would take place to establish an investment value at an acceptable price level to a second user?"

The basic technique in the analysis which follows was to assume conversion of the present office building complex to a multi-tenant rental property for income investment use in order to relate the present value of all possible investment proceeds to alternative purchase prices to find that purchase price which gave expectation of a minimum acceptable yield after taxes to an investor-buyer. For a project of this size it can be assumed the buyer is a national corporation or syndicate of investors in a Federal tax bracket of 48% or more.

Alternative purchase prices were defined as ratios of original cost of construction of improvements (100% of cost, 90% of cost, and so on down to 50% of cost) while land costs were held constant at the original acquisition price. The resulting valuation is thus placed in perspective by constant reference to the nub of the issue, i.e. "How big a loss would be taken on improvement costs in the unlikely event of resale?"

C. The Revenue Source Assumptions

All investment value begins with and is a function of the income generating power of usable rentable space in a particular building. Therefore the basic premise for the income approach in this situation

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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	9,000	10,597
1st floor	45,680	--	--	--	10,000	35,680
2nd floor	30,232	23,468	--	--	--	6,764
3rd floor	30,232	23,468	--	--	--	6,764
Penthouses	<u>228</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>228</u>
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	<u>1,796</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>1,796</u>
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	--	65,666	--	--	2,179
Penthouse	<u>793</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>793</u>
Sub-total	135,110	--	73,506	52,415	--	9,189
Building #4						
Boilerhouse	<u>15,097</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>15,097</u>
Sub-total	15,097	--	--	--	--	15,097
Grand total	623,698	247,065	79,750	89,121	32,698	175,064
		253,565	63,250			183,064

Building Efficiency Ratio 70%

is that there would be a ready market at premium rentals for each of the various types of space in the building. Wausau does not have sufficient demand for modern office, industrial, and parking facilities to support the supply of space available in the subject property. However, this proposal makes a generous assumption to the benefit of the Assessor's viewpoint that tenants could be found to maintain 90% occupancy of each type of usable space described below.

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 sq. ft. of 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 area. His conclusions are summarized in Table I.

Next a generous rent schedule was assigned to each rentable area in each building as specified in Table II.

1. Premium office space in dramatic Building #1 was assumed to be rentable at \$5.50 per sq. ft., currently the top level for premium office space in a 100% location in Madison on Capitol Square. This rent is at least \$.50 per sq. ft. above current rentals in downtown Wausau.
2. 10,000 sq. ft. of the vast bluestone terrace and lobby in Building #1 was considered rentable at \$1 per sq. ft. for commercial display purposes and showroom use of tenant products and services at a generous per sq. ft. per year.
3. 105 basement parking space in Building #1 were assumed rentable at \$8 per month or \$96 per year per stall.
4. Office space in Building #2 was assumed to have an average rent of \$4.50/sq. ft. because it lacks the dramatic atriums of Building #1 and features a large proportion of deep, windowless space which is difficult to rent in multi-tenant buildings. The State of Wisconsin generally pays less than \$4.00/sq. ft. for leased office space outside of Milwaukee County.
5. The restaurant facilities on the top floor with the dramatic view to the south were maintained as a commercial restaurant serving the tenants and generating \$8/sq. ft. of restaurant and kitchen

TABLE II

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

Building #1

Office rent	\$5.50 per sq. ft.
Parking (105 covered stalls)	\$96.00 per yr. per stall
Commercial space (display)	\$1.00 per sq. ft.

Building #2

Office rent	\$4.50 per sq. ft.
Industrial space	\$1.25 per sq. ft.
Restaurant	\$8.00 per sq. ft.

Building #3

Parking (150 covered stalls)	\$96.00 per yr. per stall
Industrial	\$1.25 per sq. ft.

space for the landlord.

6. Space suitable only for light industrial uses as presently finished or roughed in Buildings #2 and #3 was given a rental value of \$1.25 per sq. ft. which is comparable to Madison and Wausau charges for light industrial space.
7. The covered parking on the ground level of Building #3 was given the same charge per stall as the more desirable parking under the premium Building #1.

These various areas and rent schedules were then fed into the computer and appear on pages 2 and 3 of the outputs in Appendix A.

D. Operating Expense Assumptions

Taxpayer furnished the Appraiser with a 1968 budget of total operating expenses anticipated for the home office complex as given in Table III. For purposes of the computer it is necessary to separate real estate taxes from operating expenses and then to allocate expenses to the buildings according to area. With this objective the following adjustments were made:

Total operating expense budget per Employers	\$995,300
Less real estate taxes	<u>-470,000</u>
Net operating expense per Employers	\$525,300

If the gross area given for the building including parking space of 632,895 sq. ft. is adjusted for 89,121 sq. ft. of semi-enclosed parking area, the Employers Mutual figures suggest interior space of 543,774 gross sq. ft. would require \$.96 per sq. ft. to maintain at the owner-user budgeted level of operating cost.

However, \$525,000 of operating expenses would represent 38% of gross rent projections, before provision for real estate taxes, far in excess of normal operating ratios for commercial office space.

Rather than indulge in a long engineering study of the difference in cost between an owner-user and investor-landlord, it was arbitrarily assumed that operating costs would be \$.96 per sq. ft. per rentable area (359,514 sq. ft. x .96 + \$12 per stall parking) or \$355,384. This figure would be 24% of potential gross rent (\$1,474,484), an operating ratio which is still high for commercial space but which can be justified by the extensive landscaping and ground maintenance which characterize the subject property. Economies might be accomplished by eliminating custodial service of rentable area at the base rent and providing opportunity to contract for these services at an additional charge.

This reduction in budgeted operating expenses represents a \$169,900 assumption to the benefit of the Assessor viewpoint.

Real estate taxes were maintained at the estimated level of \$470,000 as

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TABLE III

HOME OFFICE COMPLEX
632,895 Gross Square Feet

7-29-68

	<u>1968 Budget</u>	<u>Cost Per Square Foot</u>
005 Freight Express	\$ 100	\$ -
006 Equipment - Capital	7,500	.012
007 Equipment - Expense	23,220	.037
307 Building Upkeep	11,400	.018
008 General Office Maintenance	36,900	.058
108 Electricity and Water	<u>190,800</u>	<u>.301</u>
Total	\$269,920	\$.426
011 Legal	5,000	.008
014 Supplies	1,500	.002
016 Salaries	194,550	.307
034 Overtime	<u>6,520</u>	<u>.010</u>
Total	\$207,570	\$.328
019 Travel	350	-
020 Telephone - Local	750	.001
021 Telephone - Long Distance	250	-
022 Miscellaneous	2,500	.004
029 Fuel	27,660	.044
031 Employment Expense	150	-
085 Employee Welfare	100	-
105 Power Equipment	<u>1,050</u>	<u>.002</u>
Total	\$32,810	\$.052
010 Insurance	5,000	.008
078 Taxes	<u>470,000</u>	<u>.743</u>
Total	\$475,000	\$.751
038 Building Alterations	\$ 10,000	\$.016
Total Operating Expenses	\$995,300	\$1.562

Source: Employers Mutual Dept. of Administrative Service

this was close to the 1967 fact and there was no basis for modification at this point in the study. However, if the property had sold to the investor at \$9.5 million, these taxes would have been reduced to approximately \$315,000.

E. Purchase Money Mortgage Assumption

Real estate of this type is always purchased subject to extensive financing. The computer was given instructions (page 5, Appendix A) that there would be financing available for 80% of any purchase price at 7 1/2% interest for a term of 25 years on a monthly amortized basis. No points were charged and no participation in gross rent as a bonus interest feature was given although both costs to an operator are normal for this type of investment loan in 1968.

The loan ratio is based on the combined values of structural space, land, cafeteria equipment, elevators, draperies, and parking. Thus the mortgage ratio takes a generous view of collateral value. Indeed a loan of this size at these terms on a speculative venture such as this would only be granted by a seller anxious to conclude a deal--hence description of the mortgage as a purchase money take-back loan.

Anticipating operating cash deficits, the computer was instructed (page 6, Appendix A) to borrow working capital to cover deficits at a bank rate of 7%. For the entire ten-year projection the property never operated with a positive cash flow so that it is doubtful any bank would be willing to lend at such a favorable rate.

F. Miscellaneous Assumptions

The computer program has the capability of changing rents, occupancy, expenses, taxes, and expected resale values according to any cycle of expectations of the analyst. However, to avoid speculation on inflation of revenues and costs, fluctuations in occupancy, or depreciation in resale terms all of these factors were held constant.

Rent, taxes, expenses, and resale value were held constant at 100% of the 1968 estimates. Occupancy of all office, industrial, and parking spaces was held constant at 90%. The restaurant was assumed to be 100% rented for the ten-year projection. The commercial display area in the lobby was assumed to be 75% occupied over the ten-year term.

The computer can be given data on the costs of transferring property, initial marketing costs, and similar expense items which are unusually high during the early years of a rental project. Rather than speculate, these costs were assumed to be non-existent to the benefit of the down-payment required and the operating expense ratios.

As the computer program is concerned with the aftertax returns to the investor, an income tax rate of 48% was assumed for the buyer and the capital gains rate of 25% assumed on resale proceeds at the end of ten years. No tax credits were given for items which might have been eligible for the tax credit.

The assumption that resale value will always be equal to original purchase price is very favorable to the investor. Real depreciation, as opposed to accounting depreciation for tax purposes, can be measured by the difference between the original purchase price and the resale price some years later. If resale value is held constant there is no depreciation and all of the mortgage payments on principal eventually return to the investor when he sells the property and receives the cash value of his net worth position (after adjustment for capital gains taxes).

As will be shown for this investor, his only source of profits are tax savings on other income and capital gain on resale as his cash income is 0 or less after debt service in each of nine years.

Resale has been assumed to take place at the end of the ninth year because at this time his depreciation advantage has been exhausted, his short term bank loans to cover cash deficits have absorbed net worth, and because studies show that sophisticated investors generally change their investment position on any specific property somewhere between the seventh and the tenth years.

G. Derivation of Acquisition Costs

In order to state alternative market prices as a ratio of original costs, it was first necessary to assign 100% cost of reproduction figures to each component of the investment and to classify components for depreciation purposes. Basic cost figures were developed from data provided by Employers Mutual (Table IV) as of August 31, 1967. The allocation procedure went as follows:

Total cost of building as of 8-31-67	\$15,201,730.00
Exclude to other depreciation classes:	
Draperies	\$ 51,988.00
Cafeteria equipment	127,324.00
Elevators and escalators	270,000.00
Semi-enclosed parking stalls (255 stalls x \$2,000 each)	<u>510,000.00</u>
	<u>959,312.00</u>
	\$14,242,418.00
Allocated structural costs per sq. ft. of building (534,578 en- closed) equals	26.64
Purchase cost allocated to land in the city	543,385.00
Site development cost allocated in full to land in the city	1,552,824.00

TABLE IV

EMPLOYERS MUTUAL LIABILITY INSURANCE COMPANY OF WISCONSIN NEW WEST SIDE
BUILDING AND LAND COST AS OF 8-31-67

	<u>Total</u>	<u>Land</u>	<u>Site Development</u>	<u>Building</u>
Cost as of 8-31-67	\$17,246,763.65	\$792,209.31	\$1,252,823.87	\$15,201,730.47
Cost of land not in city	(212,300.74)	(212,300.74)		
Cost of land given to city for roads	<u>(36,522.85)</u>	<u>(36,522.85)</u>		
Subtotal of cost	\$16,997,940.06	\$543,385.72	\$1,252,823.87	\$15,201,730.47
Items which could be excluded from building cost:				
Movable partitions	\$ 256,000.00			
Mobile security equipment	3,662.32			
Painting and cleaning of partitions	9,837.44			
Drapery materials (excludes rods and insulation of them)	51,987.94			
Capitalization of property taxes during construction	26,834.99			
Cafeteria equipment (F. W. Boelter Equipment Co.)	<u>127,324.15</u>			
Cost of excludable items	<u>\$ 475,646.84</u>			<u>\$ 475,646.84</u>
Adjusted land and building cost	\$16,522,293.22	\$543,385.72	\$1,252,823.87	\$14,726,083.63

Estimated capital cost of conversion to multi-tenant space (based on experience of State of Wisconsin conversion of space to office use of \$1 per sq. ft.)

\$247,066.00

These costs were modified for each run by the factors of 100%, 80%, 60%, and 50% as on Table V. Note that land and land development costs were not modified. These inputs appear in summary on page 1 of the computer printouts in Appendix A.

Classification of each item of capital expenditure for depreciation purposes is necessary to approximate the impact of federal taxes on revenues from real estate or the excess depreciation available to cover income to the investor from sources other than his real estate investment. The percentage of each class that would be depreciable, the useful life in months over which the property must be depreciated and the method of depreciation for each classification is outlined in Table VI.

To maximize value attributable to income tax savings produced by an accelerated depreciation, all depreciable property was treated with the 150% declining balance method of depreciation, the maximum permitted by the Internal Revenue Service to a second owner of real estate. A summary of depreciation classes in Table VI and values allocated to each depreciation account appears in computer output on page 4 of Appendix A.

A summary of areas, capital budget figures, and building ratios appears on page 6 of Appendix A. A few comments are in order:

1. Building efficiency of 67.25% is low for a modern successful commercial office building. Yet rentable area includes rental of 10,000 sq. ft. of existing lobby space and rental of unfinished basement area in Building #2.
2. The gross rent per sq. ft. of rentable area of \$.34 on page 6 is the monthly overall average rent. When adjusted for twelve months, the average rent per sq. ft. is \$4.08 per year for the overall rental area. Such a rent level is most generous in Wausau and is achieved by the stated assumptions despite the large areas of light industrial space rented at \$1.25. It exceeds the rent which might reasonably be expected if the State of Wisconsin were to lease the entire complex as an office building.
3. The actual debt ratio of 77.95% is slightly lower than the first mortgage ratio assumed of 80% because the buyer must pay additional equity money for remodeling.

With these assumptions as to capital outlays for purchase of the subject property, it is possible to review computer cash flow statements and appraisal outputs to determine the highest probable market price payable by an investor-operator of a commercial rental project.

TABLE V

COST OF REPRODUCTION FACTORS MODIFIED TO TEST
ALTERNATIVE PURCHASE PRICE SIMULATIONS

Structural enclosed space	\$26.64	x .9 =	\$23.98
		x .8 =	21.31
		x .7 =	18.65
		x .6 =	15.98
		x .5 =	13.32
Cafeteria Equipment	\$127,324	x .9 =	\$114,592
		x .8 =	101,859
		x .7 =	89,127
		x .6 =	76,394
		x .5 =	63,662
Elevators--Escalators	\$270,000	x .9 =	\$243,000
		x .8 =	216,000
		x .7 =	189,000
		x .6 =	162,000
		x .5 =	135,000
Draperies	\$51,988	x .9 =	\$46,789
		x .8 =	41,590
		x .7 =	36,392
		x .6 =	31,193
		x .5 =	25,994
Parking Stalls	\$2,000	x .9 =	\$1,800
		x .8 =	1,600
		x .7 =	1,400
		x .6 =	1,200
		x .5 =	1,000

TABLE VI
CAPITAL SCHEDULE

<u>Capital Schedule Identification</u>	<u>% Base</u>	<u>Deprec. Useful Life</u>	<u>Method</u>	<u>Total Cost 50% Premise</u>
1 Rentable Space	90	480	1.5	4788726
2 Nonrentable Space	90	480	1.5	2331919
3 Land and land im- provements	0	0	0.0	1796209
4 Cafeteria Equipment	100	180	1.5	63662
5 Elevators	80	120	1.5	135000
6 Draperies	100	60	1.5	25994
7 Parking	50	240	1.5	255000
8 Remodeling	100	480	1.5	247066
Total Capital Budget				9643577

H. Method for Selecting Proposed Purchase Price

Analysis of computer outputs to estimate highest probable market price will involve five basic steps:

1. First, purchase of the subject property will be assumed at four different ratios of original cost (except for land and land development cost which were held constant).
2. The purchase price ratio which first produces any dollar profit to the investor, with a holding period of nine years and assuming resale at original purchase price, will then be analyzed for value.
3. The investment value which would provide the investor the minimum yield of 5% after taxes if operated and sold under the above conditions shall be selected as the total justified investment to be made by a sophisticated investor content with the 5% yield.
4. The total investment value must then be reduced by the additional outlays for remodeling to be paid by the investor in order to determine the highest purchase price payable for the subject property as it is in May 1, 1968.
5. This purchase price can then be allocated between land and building improvements by attributing the stipulated market value of \$878,000 to land and the balance to building improvements.

A summary of market value conclusions and allocations on this format is found in Chart VIII.

I. Selection of Purchase Price Assumption

Given the rental income, expense, depreciation, and financing assumptions as outlined above, the computer calculated month by month each income and expenditure item. The monthly results are summarized for each year by the income statements which appear on page 7 through 16 in Appendix A.

A full ten-year summary of income and net worth gains (and losses) is available on page 17 of Appendix A and a complete ten-year analysis of significant ratios is calculated and presented on page 18.*

For the following analysis the reader is urged to refer to the summary sheet on page 17 of Appendix A and then to Chart VII.

It is reasonable to assume that a private investor would purchase in hopes of at least one dollar in profit. A profit dollar might come from income, from resale proceeds greater than his original equity investment, or from other income shielded from taxes by depreciation losses on the real estate.

*Summary sheets for the purchase price assumptions at 100%, 80%, and 60% of original cost are included in Appendix B. Balance of these runs are available for inspection from the appraiser.

Appendix C offers market support writedown.

NONE OF THE COMPUTER RUNS INDICATED A DOLLAR OF CASH INCOME FROM RENTALS TO THE INVESTOR AT ANY OF THE SELECTED PURCHASE PRICES.

Operating losses and payments of principal always exceeded available cash so that substantial working capital loans were needed each year, causing interest expense to rise and net worth to decline.

THUS CAPITAL GAINS ON RESALE WERE ALWAYS NEGATIVE.

Only the cumulative tax savings to other income because of the operating losses and depreciation cover has a positive value to the investor.

These relationships are summarized in Chart VII for each of four purchase price assumptions, defined as 100%, 80%, 60%, and 50% of original cost to construct improvements plus total original cost of land and land improvements.

Chart VII clearly shows that despite all favorable income and resale assumptions and credit for the accumulated value of tax savings, only the 50% assumption offers the hope for a small profit after nine years of operation.

Moreover, purchase at 50% of original cost would still produce a net capital loss of \$569,019 and the so-called profit lies only in the tax savings available for other income.

Therefore we have determined to make our final estimated value of the basis of the appraisal of purchase at the 50% option.

J. Total Income Value Indicated by Computer

Every three years, the results of the investment are appraised as though one sold the property at that point. Total investment value is determined for five different capitalization rates by three different appraisal approaches.

1. The traditional approach is the present value of the net income stream plus the discounted value of resale proceeds assuming there was no debt and no income tax.
2. The before tax approach (or mortgage-equity approach) defines value as the present value of payments to the lender, that is the original mortgage balance plus the present value of net income after debt service, plus the present value of net worth realized after sale and payment of the mortgage balance.
3. The after tax approach defines investment value as the original mortgage debt plus present value of cash to investor from income plus the present value of other income shielded from income tax (by excess depreciation or operating losses) plus the present value of net worth after resale, payment of debt, and capital gains taxes.

These interim appraisals are available on pages 9, 12, and 15 of Ap-

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CHART VII

NET GAIN OR (LOSS) TO INVESTOR ASSUMING 9 YEAR'S OPERATION AND RESALE AT ORIGINAL PURCHASE PRICE PAID IN 1968 BASED ON PERCENT OF COST OF REPLACEMENT

	<u>100%</u>	<u>80%</u>	<u>60%</u>	<u>50%</u>
Resale value*	*17243878	14202688	11161498	9643577
Less mortgage balance 1977	11216885	9209881	7202876	6201138
Less working capital loan 1977*	8343492	5759222	3174952	1885088
Net worth in ninth year*	(2316499)	(766414)	783670	1557350
Original equity investment**	(3646428)	(3038191)	(2429952)	(2126369)
Net Capital Gain or (loss)	(5962927)	(3804605)	(1646282)	(569019)
Plus PV of tax savings***	3838009	2717714	1597419	1038244
Net gain or (loss)	(2124918)	(1086891)	(48863)	(469225)

*Source: page 17 of Appendix A.

**Source: total capital budget less original loan, page 15, Appendix A.

***Source: Present value of tax, page 15, Appendix A.

pendix A.

The valuation conclusions are based on the appraisal found on page 15 which assumes resale at the end of the ninth year. For reading convenience initial costs, mortgage, and cash equity required are summarized at the top of each appraisal page.

A decision is reached on value by selecting a desired rate of return, than is, discount rate, and then reading down that column:

1. Determine that the traditional appraisal approach at the minimum overall cap rate produces a total investment value greater than total capital budget and a land value greater than total land costs.

IN THIS CASE THIS FIRST CRITERION IS TRUE ONLY FOR A MINIMUM 5% OVERALL CAP RATE.

2. Normally one should then find that favorable financing will increase the investment value of a property as found in the total investment value under "before tax approach." However in this case, the 7.5% interest on the mortgage is greater than the return of 5% sought on equity, and reverse leverage drives down the value of the property.

IN THIS CASE THE MORTGAGE-EQUITY APPROACH SUGGESTED BY THE APPRAISAL INSTITUTE FOR COMMERCIAL PROPERTIES WOULD PRODUCE A LOWER VALUE.

3. The after tax approach redeems the value of this property by recognizing the present value of \$284,000 in tax savings created by accelerated depreciation and the lower tax rate on capital gains.

IN THIS CASE THE TOTAL INVESTMENT VALUE OF THIS PROPERTY IN ORDER TO YIELD A FULL 5% AFTER TAXES TO THE INVESTOR IS \$8,807,562 DESPITE AN ORIGINAL PURCHASE ASSUMPTION OF \$800,000 MORE AT \$9.6 MILLION. RESIDUAL LAND VALUES ARE THUS ERODED TO \$960,000 REQUIRING NO ADJUSTMENT IN THE DEPRECIATION ACCOUNTS.

K. Final Market Value Determination

As summarized in Chart VIII total investment value less additional remodeling disbursements will suggest the highest purchase price payable to the present owners of the subject property as found on September 10.

In my opinion no sophisticated investor, despite the optimistic hopes for rental income and resale assumed in this report would pay more than:

EIGHT MILLION FIVE HUNDRED AND SIXTY THOUSAND DOLLARS
(\$8,560,000)

This total purchase price may then be allocated to land and improvements as follows:

Stipulated market value of land	\$ 878,000
Market price allocated to improvements	7,682,000
Total market value	\$8,560,000

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CHART VIII

SUMMARY OF MARKET VALUE CONCLUSIONS AND ALLOCATIONS

Total investment value at 5% return on equity	\$8,807,562
Less: additional remodeling cost for investor	247,066
Highest purchase price payable for subject property as is	8,560,000
<u>or \$8,560,000 rounded</u>	
Stipulated market value of land	<u>878,000</u>
Market value of investment allocated to improvements	\$7,682,000

QUALIFICATIONS OF APPRAISER

Residence: 202A Breese Terrace, Madison, Wisconsin 53705

Occupation: Professor of real estate, University of Wisconsin School of Business in Madison; real estate developer; real estate consultant.

Licensed real estate broker in the State of Wisconsin.

Age: 35; native to Milwaukee, Wisconsin; active in real estate in Milwaukee and Madison since 1956.

Education:

BA--Rollins College; Winter Park, Florida; 1955.

MBA-Marquette University School of Business (Finance); Milwaukee, Wisconsin; 1957.

Ph.D.--University of Wisconsin School of Business (Urban Land and Insurance); Madison, Wisconsin; 1964.

Employment:

Marquette University School of Business; 1957-58.

University of Wisconsin School of Business; 1960-present.

Realty Research and Development; owner; 1962-present. (General construction)

Landmark Research; owner; 1968. (Computer applications to real estate)

Regency Hill Development Corporation; 1962-present. (Land development)

Consulting clientele include:

Dept. of Transportation, State of Wisconsin; expert witness.

First Wisconsin National Bank

Mortgage Guaranty Insurance Co.

Continental Mortgage Insurance Co.

City of Madison

Northern Development Project

And a variety of insurance companies, private investors, and professional appraisers.

Professional memberships:

Society of Chartered Property and Casualty Underwriters (CPCU)

American University Teachers of Risk Management

Mortgage Bankers Association

Madison Industrial Land Commission

Numerous academic honoraries and associate memberships via company and university affiliations

APPENDIX A

CARD NO.	15	CODE	3
CARD NO.	16	CODE	3
CARD NO.	17	CODE	3
CARD NO.	18	CODE	4
CARD NO.	19	CODE	4
CARD NO.	20	CODE	4
CARD NO.	21	CODE	4
CARD NO.	22	CODE	4
CARD NO.	23	CODE	4
CARD NO.	24	CODE	4
CARD NO.	25	CODE	4
CARD NO.	26	CODE	5
CARD NO.	27	CODE	6
CARD NO.	28	CODE	7
CARD NO.	29	CODE	7
CARD NO.	30	CODE	7
CARD NO.	31	CODE	7
CARD NO.	32	CODE	7
CARD NO.	33	CODE	7
CARD NO.	34	CODE	7
CARD NO.	35	CODE	7
CARD NO.	36	CODE	8
CARD NO.	37	CODE	9
CARD NO.	38	CODE	98

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EMPLOYERS MUTUAL OF WAUSAU- 50 PER CENT FULL REPLACEMENT COSTS

PROJECT FEATURES - COMPONENTS

CODE			COST PER UNIT	ADDITIONAL CONST.	UNITS PER REA	TOTAL UNITS	COST
1	RENTABLE SPACE	SQ FT	13.32	-0.000	-0.000	359514.0	4788726
2	NONRENTABLE SPACE	SQ FT	13.32	-0.000	-0.000	175069.0	2331919
3	LAND	SITE	543385.00	1.000	-0.000	1.0	543385
4	LAND IMPROVEMENTS	SUM	1252824.00	1.000	-0.000	1.0	1252824
5	REMODELING	SQ FT	1.00	-0.000	-0.000	247066.0	247066
6	CAFETERIA EQUIPMENT	COMPL	63662.00	-0.000	-0.000	1.0	63662
7	ELEVATORS-ESCAL.	CAB	15000.00	9.000	-0.000	9.0	135000
8	DRAPERIES	COMPL	25994.00	1.000	-0.000	1.0	25994
9	PARKING STALL	STALL	1000.00	-0.000	-0.000	255.0	255000
	TOTAL DIRECT CAPITAL COST						9643577

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EMPLOYERS MUTUAL OF WAUSAU- 50 PER CENT FULL REPLACEMENT COSTS

RENTAL ELEMENTS

RENTAL CLASS TYPE	1	NUM.	RENT	FIXED EXPENSES		VARIABLE EXPENSES	
BLDG NO.1-OFFICE	1		21512	0.00	.08	0.00	0.00
FEATURE - COMPONENT			=UNITS	COST		AREA	
1 RENTABLE SPACE		SQ FT	46936.0	625188	42.48(	46936.0	100.00(
2 NONRENTABLE SPACE		SQ FT	60033.0	799640	54.33(	60033.0	127.90(
5 REMODELING		SQ FT	46936.0	46936	3.19(	0.0	0.00(
TOTAL				1471763		46936.0	

RENTAL CLASS TYPE	2	NUM.	RENT	FIXED EXPENSES		VARIABLE EXPENSES	
BLDG NO.1-COMMERCIAL	1		833	0.00	.08	0.00	0.00
FEATURE - COMPONENT			=UNITS	COST		AREA	
1 RENTABLE SPACE		SQ FT	10000.0	133200	100.00(	10000.0	100.00(
TOTAL				133200		10000.0	

RENTAL CLASS TYPE	3	NUM.	RENT	FIXED EXPENSES		VARIABLE EXPENSES	
BLDG NO.2-OFFICE	10		7505	0.00	.08	0.00	0.00
FEATURE - COMPONENT			=UNITS	COST		AREA	
1 RENTABLE SPACE		SQ FT	20013.0	266573	65.42(	20013.0	100.00(
2 NONRENTABLE SPACE		SQ FT	9075.0	120879	29.67(	9075.0	45.35(
5 REMODELING		SQ FT	20013.0	20013	4.91(	0.0	0.00(
TOTAL				407465		20013.0	

RENTAL CLASS TYPE	4	NUM.	RENT	FIXED EXPENSES		VARIABLE EXPENSES	
BLDG NO.2-INDUSTRIAL	1		650	0.00	.08	0.00	0.00
FEATURE - COMPONENT			=UNITS	COST		AREA	
1 RENTABLE SPACE		SQ FT	6244.0	83170	100.00(	6244.0	100.00(
TOTAL				83170		6244.0	

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RENTAL CLASS TYPE	5	NUM.	RENT	FIXED EXPENSES		VARIABLE EXPENSES	
BLDG NO.2-RESTAURANT	1		15132	0.00	.08	0.00	0.00
FEATURE - COMPONENT			=UNITS	COST		AREA	
1 RENTABLE SPACE		SQ FT	22698.0	302337	82.61(	22698.0	100.00(
6 CAFETERIA EQUIPMENT		COMPL	1.0	63662	17.39(	0.0	0.00(
TOTAL				365999		22698.0	

RENTAL CLASS TYPE	6	NUM.	RENT	FIXED EXPENSES		VARIABLE EXPENSES	
BLDG NO.3-PARKING	150		8	1.00	0.00	0.00	0.00
FEATURE - COMPONENT			=UNITS	COST		AREA	
9 PARKING STALL		STALL	1.0	1000	100.00(	0.0	0.00(
TOTAL				1000		0.0	

RENTAL CLASS TYPE	7	NUM.	RENT	FIXED EXPENSES		VARIABLE EXPENSES	
BLDG NO.3-INDUSTRIAL	1		7657	0.00	.08	0.00	0.00
FEATURE - COMPONENT			=UNITS	COST		AREA	
1 RENTABLE SPACE		SQ FT	73506.0	979100	75.17(	73506.0	100.00(
2 NONRENTABLE SPACE		SQ FT	24286.0	323490	24.83(	24286.0	33.04(
TOTAL				1302589		73506.0	

RENTAL CLASS TYPE	8	NUM.	RENT	FIXED EXPENSES		VARIABLE EXPENSES	
BLDG NO.1 PARKING	105		8	1.00	0.00	0.00	0.00
FEATURE - COMPONENT			=UNITS	COST		AREA	
9 PARKING STALL		STALL	1.0	1000	100.00(	0.0	0.00(
TOTAL				1000		0.0	

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EMPLOYERS MUTUAL OF WAUSAU- 50 PER CENT FULL REPLACEMENT COSTS

CAPITAL SCHEDULE

		DEPRECIATION		METHOD	TOTAL COST
=	C.S. IDENTIFICATION	(BASE	USEFUL LIFE		
1	RENTABLE SPACE	90	480	1.5	4788726
2	NONRENTABLE SPACE	90	480	1.5	2331919
3	LAND	0	0	0.0	1796209
4	CAFETERIA EQUIPMENT	100	180	1.5	63662
5	ELEVATORS	80	120	1.5	135000
6	DRAPERIES	100	60	1.5	25994
7	PARKING	50	240	1.5	255000
8	REMODELING	100	480	1.5	247066
TOTAL CAPITAL BUDGET					9643577

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LOAN SCHEDULE

=	LOAN IDENTIFICATION	BEGIN	END	(MTGD	TERM	INT.	PAYMENT	AMT.OF	LOAN
---	---------------------	-------	-----	-------	------	------	---------	--------	------

1	1ST PURCH MONEY MORG BASED ON	1	300	80	300	7.50(	55551.51	7517208.45	
---	----------------------------------	---	-----	----	-----	-------	----------	------------	--

RENTABLE SPACE
NONRENTABLE SPACE
LAND
CAFETERIA EQUIPMENT
ELEVATORS
DRAPERIES
PARKING

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EMPLOYERS MUTUAL OF WAUSAU- 50 PER CENT FULL REPLACEMENT COSTS

TOTALS

IMPORTANT RATIOS

TOT BLDG AREA	TBA	534583	BLDG EFFICIENCY	TRA/TBA	67.250
TOT RENTABLE AREA	TRA	359514	GR PER UNIT AREA	GR/TRA \$	.34
TOT CAP BUDGET	TCB	9643577	BLDG COST/U.	TCB-LC/TBA \$	14.68
LAND COST	LC	1796209	DEBT RATIO	TM/TCB	77.950
TOT IMPROV COST	TCB-LC	7847368	LAND RATIO	LC/TCB	18.630
TOT DEPRECIABLE BASE	DB	6980803			
TOT MORTGAGES	TM	7517208			

MISCELLANEOUS EXPENSE INPUTS

R.E. TAXES 0.000 OF TOTAL CAPITAL BUDGET PER YEAR

PLUS \$ 470000.00 FIXED DOLLAR BASE

ANNUAL INCOME TAX RATE- 480

INITIAL EXPENSES- \$ 0 FIXED, PLUS 0.000 OF FIRST PERIOD RENT

PLUS 0.000 OF DIRECT CAPITAL COST

WORKING CAPITAL RATE OF INTEREST 7.000

SEVEN PERCENT INVESTMENT CREDIT OF \$ 0 TO BE CREDITED IN PERIOD 12

MARGINAL ANALYSIS BY ELEMENT CLASS

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BLDG NO.2-INDUSTRIAL	.53(	1.74(	1.08(	48.92(
BLDG NO.2-RESTAURANT	12.32(	6.31(	4.76(	258.63(
BLDG NO.3-PARKING	.98(	0.00(	1.95(	50.04(
BLDG NO.3-INDUSTRIAL	6.23(	20.45(	16.95(	36.77(
BLDG NO.1 PARKING	.68(	0.00(	1.37(	50.04(

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EMPLOYERS MUTUAL OF WAUSAU- 50 PER CENT FULL REPLACEMENT COSTS

INCOME STATEMENT

GROSS INCOME PD. 1- 12	1474484	RESALE VALUE	9643577
		LESS PRIN.BAL.	7410772
EFF. GROSS - 91(OCCUPIED	1334622	LESS WK.CAP.LOAN	157379
LESS FIX. EXP.	355384	NET WORTH	2075426
LESS VAR. EXP.	0	CHANGE IN NET WORTH	-50943
LESS R.E. TAX	470000	TAX SAVING-OTHER INC.	163419
NET INCOME	509239		
LESS DEPREC.	289514	BONUS INTEREST RATE	0.0000
LESS INTEREST	560181	CURRENT PD. RETURN	-.0240
LESS BONUS INT.	0	PAYOUT RATIO	0.0000
TAXABLE INCOME	-340456	OVERALL CAP. RATE	.0528
TAX OFFSET	0	CASH RETURN ON EQUITY	0.0000
LESS TAXES	0	EXPENSE RATIO	.560
PLUS DEPREC.	289514	DEFAULT RATIO	1.012
LESS PRIN. PMT.	106437	DEBT COVER RATIO	.764
PLUS NEW MTGS	0		
CASH INCOME	-157379		
WORK CAP LN PMT	-157379	TAX COVER RATIO	2.720
CASH TO INVESTOR	0	ACCUM TAX COVER RATIO	.000

INCOME STATEMENT

GROSS INCOME PD. 13- 24	1474484	RESALE VALUE	9643577
		LESS PRIN.BAL.	7296072
EFF. GROSS - 91(OCCUPIED	1334622	LESS WK.CAP.LOAN	325775
LESS FIX. EXP.	355384	NET WORTH	2021729
LESS VAR. EXP.	0	CHANGE IN NET WORTH	-53696
LESS R.E. TAX	470000	TAX SAVING-OTHER INC.	157309
NET INCOME	509239		
LESS DEPREC.	274031	BONUS INTEREST RATE	0.0000
LESS INTEREST	562935	CURRENT PD. RETURN	-.0259
LESS BONUS INT.	0	PAYOUT RATIO	0.0000
TAXABLE INCOME	-327727	OVERALL CAP. RATE	.0528
TAX OFFSET	0	CASH RETURN ON EQUITY	0.0000
LESS TAXES	0	EXPENSE RATIO	.560
PLUS DEPREC.	274031	DEFAULT RATIO	1.019
LESS PRIN. PMT.	114700	DEBT COVER RATIO	.764
PLUS NEW MTGS	0		
CASH INCOME	-168396		
WORK CAP LN PMT	-168396	TAX COVER RATIO	2.389
CASH TO INVESTOR	0	ACCUM TAX COVER RATIO	.000

EMPLOYERS MUTUAL OF WAUSAU- 50 PER CENT FULL REPLACEMENT COSTS

INCOME STATEMENT

GROSS INCOME PD. 25- 36	1474484	RESALE VALUE	9643577
		LESS PRIN.BAL.	7172468
EFF. GROSS - 91(OCCUPIED	1334622	LESS WK.CAP.LOAN	505959
LESS FIX. EXP.	355384	NET WORTH	1965150
LESS VAR. EXP.	0	CHANGE IN NET WORTH	-56579
LESS R.E. TAX	470000	TAX SAVING-OTHER INC.	151998
NET INCOME	509239		
LESS DEPREC.	260083	BONUS INTEREST RATE	0.0000
LESS INTEREST	565818	CURRENT PD. RETURN	-.0280
LESS BONUS INT.	0	PAYOUT RATIO	0.0000
TAXABLE INCOME	-316662	OVERALL CAP. RATE	.0528
TAXOFFSET	0	CASH RETURN ON EQUITY	0.0000
LESS TAXES	0	EXPENSE RATIO	.560
PLUS DEPREC.	260083	DEFAULT RATIO	1.027
LESS PRIN. PMT.	123604	DEBT COVER RATIO	.764
PLUS NEW MTGS	0		
CASH INCOME	-180184	TAX COVER RATIO	2.104
WORK CAP LN PMT	-180184	ACCUM TAX COVER RATIO	.000
CASH TO INVESTOR	0		

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EMPLOYERS MUTUAL OF WAUSAU- 50 PER CENT FULL REPLACEMENT COSTS

INVESTMENT ANALYSIS OF PROJECT AT END OF YEAR 3

INITIAL COSTS

TOTAL CAPITAL BUDGET	9643577
LAND COST	1796209
TOTAL IMPROVEMENT COST	7847368
ORIGINAL MORTGAGE DEBT	7517208
CASH EQUITY REQUIRED	2126368

THREE APPROACHES ARE USED TO CALCULATE TOTAL INVESTMENT VALUE.
 TOTAL INVESTMENT VALUE IS THE PRESENT VALUE OF ALL RETURNS. TOTAL
 INVESTMENT VALUE LESS TOTAL IMPROVEMENT COST EQUALS RESIDUAL LAND VALUE

PRESENT VALUE

DISCOUNT RATE	5.00	8.50	15.00	20.00	25.00
---------------	------	------	-------	-------	-------

TRADITIONAL APPROACH

NET INCOME STREAM	1386783	1300607	1162707	1072702	994034
TOTAL RESALE REVERSION*	8330484	7550034	6340808	5580773	4937511
TOTAL INVESTMENT VALUE	9717267	8850641	7503515	6653475	5931545
LAND VALUE RESIDUAL	1869900	1003274	-343853	-1193892	-1915822

BEFORE TAX APPROACH

ORIG. MORTGAGE DEBT	7517208	7517208	7517208	7517208	7517208
NET INCOME LESS DEBT SERV.	0	0	0	0	0
NET WORTH AT RESALE*	1697571	1538532	1292118	1137240	1006157
TOTAL INVESTMENT VALUE	9214779	9055740	8809327	8654448	8523365
LAND VALUE RESIDUAL	1367411	1208373	961959	807081	675998

AFTER TAX APPROACH

ORIG. MORTGAGE DEBT	7517208	7517208	7517208	7517208	7517208
CASH TO INVESTOR	0	0	0	0	0
TAX SAVED ON OTHER INCOME	429622	403244	360993	333387	309236
NET WORTH AFTER TAX*	932169	844838	709527	624481	552500
TOTAL INVESTMENT VALUE	8879000	8765290	8587729	8475076	8378945
LAND VALUE RESIDUAL	1031633	917923	740361	627708	531577

*ADJ. FOR LENDER PARTIC.

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EMPLOYERS MUTUAL OF WAUSAU- 50 PER CENT FULL REPLACEMENT COSTS

INCOME STATEMENT

GROSS INCOME PD. 37- 48	1474484	RESALE VALUE	9643577
		LESS PRIN.BAL.	7039268
EFF. GROSS - 91(OCCUPIED	1334622	LESS WK.CAP.LOAN	698755
LESS FIX. EXP.	355384	NET WORTH	1905554
LESS VAR. EXP.	0	CHANGE IN NET WORTH	-59597
LESS R.E. TAX	470000	TAX SAVING-OTHER INC.	147349
NET INCOME	509239		
LESS DEPREC.	247381	BONUS INTEREST RATE	0.0000
LESS INTEREST	568835	CURRENT PD. RETURN	-.0303
LESS BONUS INT.	0	PAYOUT RATIO	0.0000
TAXABLE INCOME	-306977	OVERALL CAP. RATE	.0528
TAXOFFSET	0	CASH RETURN ON EQUITY	0.0000
LESS TAXES	0	EXPENSE RATIO	.560
PLUS DEPREC.	247381	DEFAULT RATIO	1.036
LESS PRIN. PMT.	133200	DEBT COVER RATIO	.764
PLUS NEW MTGS	0		
CASH INCOME	-192796		
WORK CAP LN PMT	-192796	TAX COVER RATIO	1.857
CASH TO INVESTOR	0	ACCUM TAX COVER RATIO	.000

INCOME STATEMENT

GROSS INCOME PD. 49- 60	1474484	RESALE VALUE	9643577
		LESS PRIN.BAL.	6895727
EFF. GROSS - 91(OCCUPIED	1334622	LESS WK.CAP.LOAN	905048
LESS FIX. EXP.	355384	NET WORTH	1842802
LESS VAR. EXP.	0	CHANGE IN NET WORTH	-62752
LESS R.E. TAX	470000	TAX SAVING-OTHER INC.	143261
NET INCOME	509239		
LESS DEPREC.	235709	BONUS INTEREST RATE	0.0000
LESS INTEREST	571990	CURRENT PD. RETURN	-.0329
LESS BONUS INT.	0	PAYOUT RATIO	0.0000
TAXABLE INCOME	-298460	OVERALL CAP. RATE	.0528
TAXOFFSET	0	CASH RETURN ON EQUITY	0.0000
LESS TAXES	0	EXPENSE RATIO	.560
PLUS DEPREC.	235709	DEFAULT RATIO	1.045
LESS PRIN. PMT.	143541	DEBT COVER RATIO	.764
PLUS NEW MTGS	0		
CASH INCOME	-206292		
WORK CAP LN PMT	-206292	TAX COVER RATIO	1.642
CASH TO INVESTOR	0	ACCUM TAX COVER RATIO	.000

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EMPLOYERS MUTUAL OF WAUSAU- 50 PER CENT FULL REPLACEMENT COSTS

INCOME STATEMENT

GROSS INCOME PD. 61- 72	1474484	RESALE VALUE	9643577
		LESS PRIN.BAL.	6741043
EFF. GROSS - 91(OCCUPIED	1334622	LESS WK.CAP.LOAN	1125780
LESS FIX. EXP.	355384	NET WORTH	1776753
LESS VAR. EXP.	0	CHANGE IN NET WORTH	-66049
LESS R.E. TAX	470000	TAX SAVING-OTHER INC.	139028
NET INCOME	509239		
LESS DEPREC.	223593	BONUS INTEREST RATE	0.0000
LESS INTEREST	575287	CURRENT PD. RETURN	-.0358
LESS BONUS INT.	0	PAYOUT RATIO	0.0000
TAXABLE INCOME	-289641	OVERALL CAP. RATE	.0528
TAXOFFSET	0	CASH RETURN ON EQUITY	0.0000
LESS TAXES	0	EXPENSE RATIO	.560
PLUS DEPREC.	223593	DEFAULT RATIO	1.055
LESS PRIN. PMT.	154684	DEBT COVER RATIO	.764
PLUS NEW MTGS	0		
CASH INCOME	-220733	TAX COVER RATIO	1.445
WORK CAP LN PMT	-220733	ACCUM TAX COVER RATIO	.000
CASH TO INVESTOR	0		

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EMPLOYERS MUTUAL OF WAUSAU- 50 PER CENT FULL REPLACEMENT COSTS

INVESTMENT ANALYSIS OF PROJECT AT END OF YEAR 6

INITIAL COSTS

TOTAL CAPITAL BUDGET	9643577
LAND COST	1796209
TOTAL IMPROVEMENT COST	7847368
ORIGINAL MORTGAGE DEBT	7517208
CASH EQUITY REQUIRED	2126368

THREE APPROACHES ARE USED TO CALCULATE TOTAL INVESTMENT VALUE.
 TOTAL INVESTMENT VALUE IS THE PRESENT VALUE OF ALL RETURNS. TOTAL
 INVESTMENT VALUE LESS TOTAL IMPROVEMENT COST EQUALS RESIDUAL LAND VALUE

PRESENT VALUE					
DISCOUNT RATE	5.00	8.50	15.00	20.00	25.00

TRADITIONAL APPROACH

NET INCOME STREAM	2584739	2318863	1927205	1693479	1502979
TOTAL RESALE REVERSION*	7196185	5910983	4169184	3229614	2528006
TOTAL INVESTMENT VALUE	9780924	8229846	6096389	4923093	4030985
LAND VALUE RESIDUAL	1933557	382478	-1750978	-2924275	-3816382

BEFORE TAX APPROACH

ORIG. MORTGAGE DEBT	7517208	7517208	7517208	7517208	7517208
NET INCOME LESS DEBT SERV.	0	0	0	0	0
NET WORTH AT RESALE*	1325841	1089052	768139	595031	465765
TOTAL INVESTMENT VALUE	8843049	8606261	8285348	8112240	7982974
LAND VALUE RESIDUAL	995682	758893	437980	264872	135606

AFTER TAX APPROACH

ORIG. MORTGAGE DEBT	7517208	7517208	7517208	7517208	7517208
CASH TO INVESTOR	0	0	0	0	0
TAX SAVED ON OTHER INCOME	766840	690059	576572	508580	452979
NET WORTH AFTER TAX*	542447	445569	314272	243448	190560
TOTAL INVESTMENT VALUE	8826496	8652836	8408052	8269236	8160748
LAND VALUE RESIDUAL	979128	805468	560685	421868	313381

*ADJ. FOR LENDER PARTIC.	0	0	0	0	0
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EMPLOYERS MUTUAL OF WAUSAU- 50 PER CENT FULL REPLACEMENT COSTS

INCOME STATEMENT

GROSS INCOME PD. 73- 84	1474484	RESALE VALUE	9643577
		LESS PRIN.BAL.	6574350
EFF. GROSS - 91(OCCUPIED	1334622	LESS WK.CAP.LOAN	1361964
LESS FIX. EXP.	355384	NET WORTH	1707262
LESS VAR. EXP.	0	CHANGE IN NET WORTH	-69491
LESS R.E. TAX	470000	TAX SAVING-OTHER INC.	136038
NET INCOME	509239		
LESS DEPREC.	213922	BONUS INTEREST RATE	0.0000
LESS INTEREST	578730	CURRENT PD. RETURN	-.0391
LESS BONUS INT.	0	PAYOUT RATIO	0.0000
TAXABLE INCOME	-283413	OVERALL CAP. RATE	.0528
TAXOFFSET	0	CASH RETURN ON EQUITY	0.0000
LESS TAXES	0	EXPENSE RATIO	.560
PLUS DEPREC.	213922	DEFAULT RATIO	1.065
LESS PRIN. PMT.	166693	DEBT COVER RATIO	.764
PLUS NEW MTGS	0		
CASH INCOME	-236184		
WORK CAP LN PMT	-236184	TAX COVER RATIO	1.283
CASH TO INVESTOR	0	ACCUM TAX COVER RATIO	.000

INCOME STATEMENT

GROSS INCOME PD. 85- 96	1474484	RESALE VALUE	9643577
		LESS PRIN.BAL.	6394717
EFF. GROSS - 91(OCCUPIED	1334622	LESS WK.CAP.LOAN	1614681
LESS FIX. EXP.	355384	NET WORTH	1634178
LESS VAR. EXP.	0	CHANGE IN NET WORTH	-73083
LESS R.E. TAX	470000	TAX SAVING-OTHER INC.	133373
NET INCOME	509239		
LESS DEPREC.	204776	BONUS INTEREST RATE	0.0000
LESS INTEREST	582322	CURRENT PD. RETURN	-.0428
LESS BONUS INT.	0	PAYOUT RATIO	0.0000
TAXABLE INCOME	-277860	OVERALL CAP. RATE	.0528
TAXOFFSET	0	CASH RETURN ON EQUITY	0.0000
LESS TAXES	0	EXPENSE RATIO	.560
PLUS DEPREC.	204776	DEFAULT RATIO	1.077
LESS PRIN. PMT.	179633	DEBT COVER RATIO	.764
PLUS NEW MTGS	0		
CASH INCOME	-252717		
WORK CAP LN PMT	-252717	TAX COVER RATIO	1.140
CASH TO INVESTOR	0	ACCUM TAX COVER RATIO	.000

EMPLOYERS MUTUAL OF WAUSAU- 50 PER CENT FULL REPLACEMENT COSTS

INCOME STATEMENT

GROSS INCOME PD. 97- 108	1474484	RESALE VALUE	9643577
		LESS PRIN.BAL.	6201138
EFF. GROSS - 91(OCCUPIED	1334622	LESS WK.CAP.LOAN	1885088
LESS FIX. EXP.	355384	NET WORTH	1557350
LESS VAR. EXP.	0	CHANGE IN NET WORTH	-76828
LESS R.E. TAX	470000	TAX SAVING-OTHER INC.	131013
NET INCOME	509239		
LESS DEPREC.	196115	BONUS INTEREST RATE	0.0000
LESS INTEREST	586067	CURRENT PD. RETURN	-.0470
LESS BONUS INT.	0	PAYOUT RATIO	0.0000
TAXABLE INCOME	-272943	OVERALL CAP. RATE	.0528
TAXOFFSET	0	CASH RETURN ON EQUITY	0.0000
LESS TAXES	0	EXPENSE RATIO	.560
PLUS DEPREC.	196115	DEFAULT RATIO	1.089
LESS PRIN. PMT.	193579	DEBT COVER RATIO	.764
PLUS NEW MTGS	0		
CASH INCOME	-270407		
WORK CAP LN PMT	-270407	TAX COVER RATIO	1.013
CASH TO INVESTOR	0	ACCUM TAX COVER RATIO	.000

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EMPLOYERS MUTUAL OF WAUSAU- 50 PER CENT FULL REPLACEMENT COSTS

INVESTMENT ANALYSIS OF PROJECT AT END OF YEAR 9

INITIAL COSTS

TOTAL CAPITAL BUDGET	9643577
LAND COST	1796209
TOTAL IMPROVEMENT COST	7847368
ORIGINAL MORTGAGE DEBT	7517208
CASH EQUITY REQUIRED	2126368

THREE APPROACHES ARE USED TO CALCULATE TOTAL INVESTMENT VALUE.
 TOTAL INVESTMENT VALUE IS THE PRESENT VALUE OF ALL RETURNS. TOTAL
 INVESTMENT VALUE LESS TOTAL IMPROVEMENT COST EQUALS RESIDUAL LAND VALUE

PRESENT VALUE DISCOUNT RATE	5.00	8.50	15.00	20.00	25.00
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TRADITIONAL APPROACH

NET INCOME STREAM	3619578	3116064	2429875	2052724	1763559
TOTAL RESALE REVERSION*	6216335	4627756	2741306	1868990	1294339
TOTAL INVESTMENT VALUE	9835914	7743820	5171182	3921714	3057898
LAND VALUE RESIDUAL	1988546	-103547	-2676186	-3925654	-4789469

BEFORE TAX APPROACH

ORIG. MORTGAGE DEBT	7517208	7517208	7517208	7517208	7517208
NET INCOME LESS DEBT SERV.	0	0	0	0	0
NET WORTH AT RESALE*	1003882	747341	442696	301825	209024
TOTAL INVESTMENT VALUE	8521090	8264549	7959905	7819033	7726232
LAND VALUE RESIDUAL	673723	417182	112537	-28334	-121135

AFTER TAX APPROACH

ORIG. MORTGAGE DEBT	7517208	7517208	7517208	7517208	7517208
CASH TO INVESTOR	0	0	0	0	0
TAX SAVED ON OTHER INCOME	1038244	899224	708555	602955	521469
NET WORTH AFTER TAX*	252110	187683	111176	75799	52493
TOTAL INVESTMENT VALUE	8807562	8604115	8336940	8195962	8091170
LAND VALUE RESIDUAL	960194	756748	489572	348594	243803

*ADJ. FOR LENDER PARTIC.	0	0	0	0	0
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EMPLOYERS MUTUAL OF WAUSAU- 50 PER CENT FULL REPLACEMENT COSTS

INCOME STATEMENT

GROSS INCOME PD. 109- 120	1474484	RESALE VALUE	9643577
		LESS PRIN.BAL.	5992531
EFF. GROSS - 91(OCCUPIED	1334622	LESS WK.CAP.LOAN	2174424
LESS FIX. EXP.	355384	NET WORTH	1476621
LESS VAR. EXP.	0	CHANGE IN NET WORTH	-80729
LESS R.E. TAX	470000	TAX SAVING-OTHER INC.	128942
NET INCOME	509239		
LESS DEPREC.	187900	BONUS INTEREST RATE	0.0000
LESS INTEREST	589967	CURRENT PD. RETURN	-.0518
LESS BONUS INT.	0	PAYOUT RATIO	0.0000
TAXABLE INCOME	-268629	OVERALL CAP. RATE	.0528
TAXOFFSET	0	CASH RETURN ON EQUITY	0.0000
LESS TAXES	0	EXPENSE RATIO	.560
PLUS DEPREC.	187900	DEFAULT RATIO	1.101
LESS PRIN. PMT.	208607	DEBT COVER RATIO	.764
PLUS NEW MTGS	0		
CASH INCOME	-289336		
WORK CAP LN PMT	-289336	TAX COVER RATIO	.901
CASH TO INVESTOR	0	ACCUM TAX COVER RATIO	.000

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APPENDIX B

EMPLOYERS MUTUAL OF WAUSAU- 50 PER CENT FULL REPLACEMENT COSTS

TEN YEAR INCOME ANALYSIS

	-1-	-2-	-3-	-4-	-5-	-6-	-7-	-8-	-9-	-10-
GROSS INCOME	1474484	1474484	1474484	1474484	1474484	1474484	1474484	1474484	1474484	1474484
LESS VACANCY + CREDIT LOSS	139862	139862	139862	139862	139862	139862	139862	139862	139862	139862
EFFECTIVE GROSS INCOME	1334622	1334622	1334622	1334622	1334622	1334622	1334622	1334622	1334622	1334622
LESS TOTAL EXPENSES (EXCL RE TAX)	355384	355384	355384	355384	355384	355384	355384	355384	355384	355384
LESS REAL ESTATE TAXES	470000	470000	470000	470000	470000	470000	470000	470000	470000	470000
NET INCOME BEFORE CAPITAL RECAPTURE	509239	509239	509239	509239	509239	509239	509239	509239	509239	509239
LESS DEPRECIATION	289514	274031	260083	247381	235709	223593	213922	204776	196115	187900
LESS INTEREST	560181	562935	565818	568835	571990	575287	578730	582322	586067	589967
LESS BONUS INTEREST	0	0	0	0	0	0	0	0	0	0
TAXABLE INCOME	-340456	-327727	-316662	-306977	-298460	-289641	-283413	-277860	-272943	-268629
TAX OFFSET	0	0	0	0	0	0	0	0	0	0
LESS INCOME TAXES	0	0	0	0	0	0	0	0	0	0
PLUS DEPRECIATION	289514	274031	260083	247381	235709	223593	213922	204776	196115	187900
LESS PRINCIPAL PAYMENT	106437	114700	123604	133200	143541	154684	166693	179633	193579	208607
PLUS NEW MORTGAGES FROM REFINANCING	0	0	0	0	0	0	0	0	0	0
CASH INCOME	-157379	-168396	-180184	-192796	-206292	-220733	-236184	-252717	-270407	-289336
LESS WORKING CAPITAL LOAN PAYMENT	-157379	-168396	-180184	-192796	-206292	-220733	-236184	-252717	-270407	-289336
NET CASH TO INVESTOR	0	0	0	0	0	0	0	0	0	0
RESALE VALUE	9643577	9643577	9643577	9643577	9643577	9643577	9643577	9643577	9643577	9643577
LESS PRINCIPAL BAL (ALL MTGS)	7410772	7296072	7172468	7039268	6895727	6741043	6574350	6394717	6201138	5992531
LESS WORKING CAPITAL LOAN	157379	325775	505959	698755	905048	1125780	1361964	1614681	1885088	2174424
NET WORTH	2075426	2021729	1965150	1905554	1842802	1776753	1707262	1634178	1557350	1476621
CHANGE IN NET WORTH	-50943	-53696	-56579	-59597	-62752	-66049	-69491	-73083	-76828	-80729
TAX SAVINGS - OTHER INCOME	163419	157309	151998	147349	143261	139028	136038	133373	131013	128942

EMPLOYERS MUTUAL OF WAUSAU- 50 PER CENT FULL REPLACEMENT COSTS

T E N Y E A R A N A L Y S I S

OF IMPORTANT RATES, RETURNS, AND RATIOS

	-1-	-2-	-3-	-4-	-5-	-6-	-7-	-8-	-9-	-10-
LENDER BONUS INTEREST RATE	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
CURRENT PERIOD RETURN (CASH + MTG AMORT + APPRECIATION DIVIDED BY NET WORTH AT BEGIN OF PERIOD)	-.0240	-.0259	-.0280	-.0303	-.0329	-.0358	-.0391	-.0428	-.0470	-.0518
OVERALL CAPITALIZATION RATE	.0528	.0528	.0528	.0528	.0528	.0528	.0528	.0528	.0528	.0528
EXPENSE RATIO (EXPENSES AS A PCT OF GROSS INCOME)	.5598	.5598	.5598	.5598	.5598	.5598	.5598	.5598	.5598	.5598
DEFAULT RATIO PCT OCCUP REQUIRED TO SATISFY ALL CASH EXPEND EXCLUDING WRK CAPT LOAN)	1.0119	1.0194	1.0273	1.0359	1.0451	1.0548	1.0653	1.0765	1.0885	1.1014
NET COVER RATIO (NET INC BEFORE TAX AS RELATED TO DEBT SERVICE)	.7639	.7639	.7639	.7639	.7639	.7639	.7639	.7639	.7639	.7639
CASH RETURN ON EQUITY (INVESTMENT)	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
MAX SHELTER RATIO (IF MORE THAN 1, AMORTIZATION PAYMTS ARE TAX-FREE)	2.7201	2.3891	2.1042	1.8572	1.6421	1.4455	1.2833	1.1400	1.0131	.9007

EMPLOYERS MUTUAL OF WAUSAU- 60 PER CENT FULL REPLACEMENT COSTS

T E N Y E A R I N C O M E A N A L Y S I S

	-1-	-2-	-3-	-4-	-5-	-6-	-7-	-8-	-9-	-10-
GROSS INCOME	1474484	1474484	1474484	1474484	1474484	1474484	1474484	1474484	1474484	1474484
LESS VACANCY + CREDIT LOSS	139862	139862	139862	139862	139862	139862	139862	139862	139862	139862
EFFECTIVE GROSS INCOME	1334622	1334622	1334622	1334622	1334622	1334622	1334622	1334622	1334622	1334622
LESS TOTAL EXPENSES (EXCL RE TAX)	355384	355384	355384	355384	355384	355384	355384	355384	355384	355384
LESS REAL ESTATE TAXES	470000	470000	470000	470000	470000	470000	470000	470000	470000	470000
NET INCOME BEFORE CAPITAL RECAPTURE	509239	509239	509239	509239	509239	509239	509239	509239	509239	509239
LESS DEPRECIATION	345491	326984	310316	295140	281198	266721	255175	244258	233920	224115
LESS INTEREST	650673	659630	669141	679238	689957	701335	713410	726225	739821	754248
LESS BONUS INTEREST	0	0	0	0	0	0	0	0	0	0
TAXABLE INCOME	-486926	-477376	-470218	-465140	-461917	-458817	-459347	-461244	-464502	-469122
TAX OFFSET	0	0	0	0	0	0	0	0	0	0
LESS INCOME TAXES	0	0	0	0	0	0	0	0	0	0
PLUS DEPRECIATION	345491	326984	310316	295140	281198	266721	255175	244258	233920	224115
LESS PRINCIPAL PAYMENT	123631	133229	143571	154717	166728	179672	193620	208652	224850	242309
PLUS NEW MORTGAGES FROM REFINANCING	0	0	0	0	0	0	0	0	0	0
CASH INCOME	-265066	-283620	-303474	-324717	-347447	-371768	-397792	-425637	-455432	-487312
LESS WORKING CAPITAL LOAN PAYMENT	-265066	-283620	-303474	-324717	-347447	-371768	-397792	-425637	-455432	-487312
NET CASH TO INVESTOR	0	0	0	0	0	0	0	0	0	0
RESALE VALUE	11161498	11161498	11161498	11161498	11161498	11161498	11161498	11161498	11161498	11161498
LESS PRINCIPAL BAL (ALL MTGS)	8607915	8474687	8331115	8176398	8009670	7829998	7636378	7427726	7202876	6960571
LESS WORKING CAPITAL LOAN	265066	548686	852159	1176876	1524323	1896091	2293883	2719520	3174952	3662260
NET WORTH	2288518	2138126	1978224	1808225	1627506	1435410	1231238	1014252	783670	538660
CHANGE IN NET WORTH	-141435	-150392	-159902	-169999	-180718	-192096	-204172	-216986	-230582	-245000
TAX SAVINGS - OTHER INCOME	233724	229140	225705	223267	221720	220232	220486	221397	222961	225170

EMPLOYERS MUTUAL OF WAUSAU- 60 PER CENT FULL REPLACEMENT COSTS

TEN YEAR ANALYSIS

OF IMPORTANT RATES, RETURNS, AND RATIOS

	-1-	-2-	-3-	-4-	-5-	-6-	-7-	-8-	-9-	-10-
LENDER BONUS INTEREST RATE	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
CURRENT PERIOD RETURN (CASH + MTG AMORT + APPRECIATION DIVIDED BY NET WORTH AT BEGIN OF PERIOD)	-.0582	-.0657	-.0748	-.0859	-.0999	-.1180	-.1422	-.1762	-.2273	-.31
OVERALL CAPITALIZATION RATE	.0456	.0456	.0456	.0456	.0456	.0456	.0456	.0456	.0456	.04
EXPENSE RATIO (EXPENSES AS A PCT OF GROSS INCOME)	.5598	.5598	.5598	.5598	.5598	.5598	.5598	.5598	.5598	.55
DEFAULT RATIO (PCT OCCUP REQUIRED TO SATISFY ALL CASH EXPEND EXCLUDING WRK CAPT LOAN)	1.0849	1.0975	1.1110	1.1254	1.1408	1.1573	1.1749	1.1938	1.2140	1.2
DEBT COVER RATIO (NET INC BEFORE TAX AS RELATED TO DEBT SERVICE)	.6577	.6577	.6577	.6577	.6577	.6577	.6577	.6577	.6577	.6
CASH RETURN ON EQUITY (INVESTMENT)	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0
TAX SHELTER RATIO (IF MORE THAN 1, AMORTIZATION PAYMTS ARE TAX-FREE)	2.7945	2.4543	2.1614	1.9076	1.6866	1.4845	1.3179	1.1707	1.0403	.9

EMPLOYERS MUTUAL OF WAUSAU- 80 PER CENT FULL REPLACEMENT COSTS

TEN YEAR INCOME ANALYSIS

	-1-	-2-	-3-	-4-	-5-	-6-	-7-	-8-	-9-	-10-
GROSS INCOME	1474484	1474484	1474484	1474484	1474484	1474484	1474484	1474484	1474484	1474484
LESS VACANCY + CREDIT LOSS	139862	139862	139862	139862	139862	139862	139862	139862	139862	139862
EFFECTIVE GROSS INCOME	1334622	1334622	1334622	1334622	1334622	1334622	1334622	1334622	1334622	1334622
LESS TOTAL EXPENSES (EXCL RE TAX)	355384	355384	355384	355384	355384	355384	355384	355384	355384	355384
LESS REAL ESTATE TAXES	470000	470000	470000	470000	470000	470000	470000	470000	470000	470000
NET INCOME BEFORE CAPITAL RECAPTURE	509239	509239	509239	509239	509239	509239	509239	509239	509239	509239
LESS DEPRECIATION	457627	433064	410949	390820	372332	353127	337826	323360	309662	296133
LESS INTEREST	831977	853362	876150	900433	926306	953874	983245	1014536	1047870	1083133
LESS BONUS INTEREST	0	0	0	0	0	0	0	0	0	0
TAXABLE INCOME	-780365	-777187	-777861	-782014	-789400	-797762	-811832	-828657	-848294	-870133
TAX OFFSET	0	0	0	0	0	0	0	0	0	0
LESS INCOME TAXES	0	0	0	0	0	0	0	0	0	0
PLUS DEPRECIATION	457627	433064	410949	390820	372332	353127	337826	323360	309662	296133
LESS PRINCIPAL PAYMENT	158079	170351	183576	197828	213185	229736	247570	266790	287502	309133
PLUS NEW MORTGAGES FROM REFINANCING	0	0	0	0	0	0	0	0	0	0
CASH INCOME	-480817	-514474	-550487	-589022	-630253	-674371	-721577	-772087	-826133	-883133
LESS WORKING CAPITAL LOAN PAYMENT	-480817	-514474	-550487	-589022	-630253	-674371	-721577	-772087	-826133	-883133
NET CASH TO INVESTOR	0	0	0	0	0	0	0	0	0	0
RESALE VALUE	14202688	14202688	14202688	14202688	14202688	14202688	14202688	14202688	14202688	14202688
LESS PRINCIPAL BAL (ALL MTGS)	11006418	10836067	10652491	10454664	10241478	10011743	9764172	9497382	9209881	8900133
LESS WORKING CAPITAL LOAN	480817	995291	1545779	2134800	2765054	3439424	4161001	4933088	5759222	6643133
NET WORTH	2715452	2371329	2004418	1613224	1196156	751521	277514	-227783	-766414	-1340133
CHANGE IN NET WORTH	-322738	-344123	-366911	-391194	-417068	-444635	-474006	-505297	-538632	-574133
TAX SAVINGS - OTHER INCOME	374575	373050	373373	375367	378912	382926	389679	397755	407181	417133

EMPLOYERS MUTUAL OF WAUSAU- 80 PER CENT FULL REPLACEMENT COSTS

T E N Y E A R A N A L Y S I S

OF IMPORTANT RATES, RETURNS, AND RATIOS

	-1-	-2-	-3-	-4-	-5-	-6-	-7-	-8-	-9-	-10-
LENDER BONUS INTEREST RATE	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
CURRENT PERIOD RETURN (CASH + MTG AMORT + APPRECIATION DIVIDED BY NET WORTH AT BEGIN OF PERIOD)	-.1062	-.1267	-.1547	-.1952	-.2585	-.3717	-.6307	-1.8208	*631.6442	*141.4747
OVERALL CAPITALIZATION RATE	.0359	.0359	.0359	.0359	.0359	.0359	.0359	.0359	.0359	.0359
EXPENSE RATIO (EXPENSES AS A PCT OF GROSS INCOME)	.5598	.5598	.5598	.5598	.5598	.5598	.5598	.5598	.5598	.5598
DEFAULT RATIO (PCT OCCUP REQUIRED TO SATISFY ALL CASH EXPEND EXCLUDING WRK CAPT LOAN)	1.2312	1.2541	1.2785	1.3046	1.3326	1.3625	1.3945	1.4288	1.4654	1.5047
DEBT COVER RATIO (NET INC BEFORE TAX AS RELATED TO DEBT SERVICE)	.5144	.5144	.5144	.5144	.5144	.5144	.5144	.5144	.5144	.5144
CASH RETURN ON EQUITY (INVESTMENT)	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
TAX SHELTER RATIO (IF MORE THAN 1, AMORTIZATION PAYMTS ARE TAX-FREE)	2.8949	2.5422	2.2386	1.9756	1.7465	1.5371	1.3646	1.2120	1.0771	.9576

EMPLOYERS MUTUAL OF WAUSAU-100 PER CENT FULL REPLACEMENT COSTS

TEN YEAR INCOME ANALYSIS

	-1-	-2-	-3-	-4-	-5-	-6-	-7-	-8-	-9-	-10-
GROSS INCOME	1474484	1474484	1474484	1474484	1474484	1474484	1474484	1474484	1474484	1474484
LESS VACANCY + CREDIT LOSS	139862	139862	139862	139862	139862	139862	139862	139862	139862	139862
EFFECTIVE GROSS INCOME	1334622	1334622	1334622	1334622	1334622	1334622	1334622	1334622	1334622	1334622
LESS TOTAL EXPENSES (EXCL RE TAX)	355384	355384	355384	355384	355384	355384	355384	355384	355384	355384
LESS REAL ESTATE TAXES	470000	470000	470000	470000	470000	470000	470000	470000	470000	470000
NET INCOME BEFORE CAPITAL RECAPTURE	509239	509239	509239	509239	509239	509239	509239	509239	509239	509239
LESS DEPRECIATION	569762	539144	511583	486500	463466	439532	420477	402462	385405	369232
LESS INTEREST	1013280	1047093	1083160	1121628	1162656	1206413	1253080	1302847	1355920	1412515
LESS BONUS INTEREST	0	0	0	0	0	0	0	0	0	0
TAXABLE INCOME	-1073804	-1076999	-1085504	-1098889	-1116883	-1136707	-1164318	-1196071	-1232086	-1272508
TAX OFFSET	0	0	0	0	0	0	0	0	0	0
LESS INCOME TAXES	0	0	0	0	0	0	0	0	0	0
PLUS DEPRECIATION	569762	539144	511583	486500	463466	439532	420477	402462	385405	369232
LESS PRINCIPAL PAYMENT	192528	207474	223581	240938	259642	279799	301521	324929	350154	377337
PLUS NEW MORTGAGES FROM REFINANCING	0	0	0	0	0	0	0	0	0	0
CASH INCOME	-696569	-745329	-797502	-853327	-913059	-976974	-1045362	-1118537	-1196835	-1280613
LESS WORKING CAPITAL LOAN PAYMENT	-696569	-745329	-797502	-853327	-913059	-976974	-1045362	-1118537	-1196835	-1280613
NET CASH TO INVESTOR	0	0	0	0	0	0	0	0	0	0
RESALE VALUE	17243878	17243878	17243878	17243878	17243878	17243878	17243878	17243878	17243878	17243878
LESS PRINCIPAL BAL (ALL MTGS)	13404922	13197448	12973868	12732930	12473287	12193488	11891967	11567039	11216885	10839548
LESS WORKING CAPITAL LOAN	696569	1441897	2239399	3092725	4005785	4982759	6028120	7146657	8343492	9624105
NET WORTH	3142387	2604533	2030612	1418223	764806	67631	-676210	-1469818	-2316499	-3219776
CHANGE IN NET WORTH	-504041	-537855	-573921	-612389	-653417	-697174	-743841	-793609	-846681	-903276
TAX SAVINGS - OTHER INCOME	515426	516959	521042	527467	536104	545619	558873	574114	591401	610804

EMPLOYERS MUTUAL OF WAUSAU-100 PER CENT FULL REPLACEMENT COSTS

T E N Y E A R A N A L Y S I S

OF IMPORTANT RATES, RETURNS, AND RATIOS

	-1-	-2-	-3-	-4-	-5-	-6-	-7-	-8-	-9-	-10-
LENDER BONUS INTEREST RATE	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
CURRENT PERIOD RETURN (CASH + MTG AMORT + APPRECIATION DIVIDED BY NET WORTH AT BEGIN OF PERIOD)	-.1382	-.1712	-.2204	-.3016	-.4607	-.9116	-10.9985	*608.6025	*681.1555	*276.2545
OVERALL CAPITALIZATION RATE	.0295	.0295	.0295	.0295	.0295	.0295	.0295	.0295	.0295	.0295
EXPENSE RATIO (EXPENSES AS A PCT OF GROSS INCOME)	.5598	.5598	.5598	.5598	.5598	.5598	.5598	.5598	.5598	.5598
DEFAULT RATIO (PCT OCCUP REQUIRED TO SATISFY ALL CASH EXPEND EXCLUDING WRK CAPT LOAN)	1.3776	1.4106	1.4460	1.4839	1.5244	1.5677	1.6141	1.6637	1.7168	1.7737
DEBT COVER RATIO (NET INC BEFORE TAX AS RELATED TO DEBT SERVICE)	.4223	.4223	.4223	.4223	.4223	.4223	.4223	.4223	.4223	.4223
CASH RETURN ON EQUITY (INVESTMENT)	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
TAX SHELTER RATIO (IF MORE THAN 1, AMORTIZATION PAYMTS ARE TAX-FREE)	2.9594	2.5986	2.2881	2.0192	1.7850	1.5709	1.3945	1.2386	1.1007	.9785

APPENDIX C

Recent sales of other insurance company office buildings tend to support a premise of severe write-downs on cost of replacement values for the building. Each of these sales involved a very small building, relative to the Employer Mutual complex but each building was relatively modern in design and construction features. Each building was located very favorably in its community and had excess land relative to the existing structure.

The Cream City Mutual Building was liquidated as was the company. Located in prime commercial frontage on Capitol Drive, it was sold for conversion to a neighborhood YMCA. Given a value of the land as though vacant on a conservative basis, the small building was valued at \$9.50 per sq. ft. although replacement cost new would have exceeded \$18 per sq. ft.

In Madison the National Guardian Life Insurance Home Office Building was replaced by a larger structure. First buyer was the Wisconsin State Investment Board which resold at a moderate loss to a development syndicate on a land contract with low down payment. Three parcels of land are in the best high-rise apartment area in Madison and developers plan a luxury apartment complex. Values which can be attributable to the building are \$12 per sq. ft., about 50% of current replacement cost of similar facilities.

The Rural Farm Bureau Building in Madison has been on the market, but for lack of acceptable purchase offers it is expected that a lease to the State of Wisconsin will soon be announced.

Further details and comparability can be judged from the attached sheets. The appraiser has reservations on use of building residual method and does not base his appraisal opinions on these sales and observations.

Cream City Mutual Building--Milwaukee, Wisconsin
5900 W. Capitol Dr.

Land: 255 front ft. by 344 ft. deep or 87,720 sq. ft. (3 street front-ages)

Building: 1 story, 7,618 sq. ft., built 1955, central air conditioning; steam boiler; solid brick construction in anticipation of more floors; 60-car parking lot.

Sold: December, 1965; \$310,000. (American Appraisal)

Grantor: Cream City Mutual Life Insurance Company.

Grantee: Y.M.C.A. of Metropolitan Milwaukee

Note: Property on market for one and a half years.

Actual sales price	\$310,000
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Low range of comparable land sale prices--\$560 per front ft.

255 front ft. x \$560 = land value of	<u>142,800</u>
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Residual value attributable to building	\$167,200
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Estimated building area = 7,600 sq. ft.

\$167,200 / 7,600 = residual market value per sq. ft. of structure =

\$9.50/sq. ft.



National Guardian Life Building--Madison, Wisconsin
142 E. Gilman St.

Land: (3 parcels)

Parcel #1 with building--99' x 230' with lake frontage
Parcel #2--99' x 220' average depth with lake frontage
Parcel #3--110' x 132'--interior lot parking lot

Lake frontage lots have high wooded bank, adjacent city park and sailing club and are zoned R6.

Building: 3 story with basement (37' x 78' + 73' x 60'), concrete and masonry construction, built about 1947 as insurance office. Approximately 24,200 sq. ft. Company relocated and sold to Wisconsin State Investment Board in 1966. Air conditioned; parking for 80 cars.

Sold: June, 1968; \$625,000 (confirmed by Grantor)

Grantor: Wisconsin State Investment Board.

Grantee: Investment Syndicate of Fitzpatrick, Walsh, etc.

Note: Office building rented to State agencies on short-term basis. Grantee anticipates replacement with luxury apartment project.

Actual sales price	\$625,000
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Low range of land values by parcel:

Parcel #1:	22,770 sq. ft. x \$6.00 =	\$136,620
Parcel #2:	21,780 sq. ft. x \$6.50 =	141,570
Parcel #3:	14,520 sq. ft. x \$4.00 =	<u>58,080</u>

\$336,270

336,270

Residual value attributable to building

\$288,730

Estimated building area = 24,200 sq. ft.

$\$288,730 / 24,200 =$ residual market value per
sq. ft. of structure =

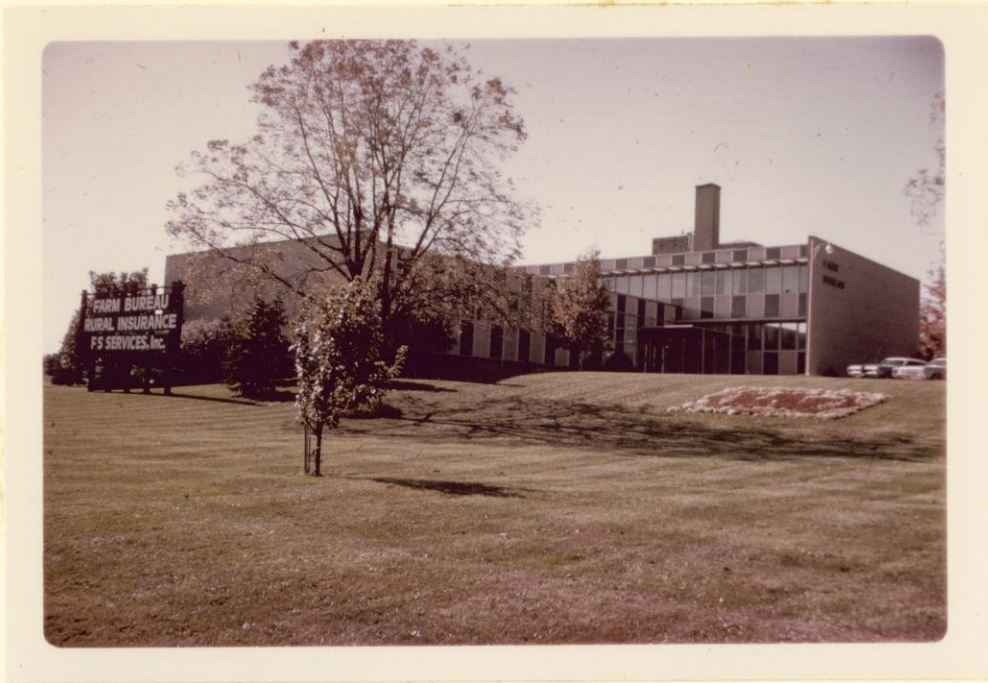
\$12/ sq. ft.

Rural Farm Bureau Building--Madison, Wisconsin
810 W. Badger Road

Land: 3 street frontages on major beltline cloverleaf at Park St.
Only access from Badger Road. Irregular shape with 240,643 sq.
ft. of land, much of it surplus to present need.

Building: 3 story (60 x 200 ft. + 50 x 100 ft. 1-story wing), concrete and steel curtain wall contemporary built in 1957. Designed for some expansion. Approximately 41,000 sq. ft.; air conditioned; paved parking for 100 cars.

Note: Property on bid market for 5 months to date; beltline area is hottest commercial development area in town. Best offer is apparently a lease to the State of Wisconsin to be announced soon for a rental figure less than \$4/sq. ft. usable space.



LANDMARK RESEARCH, INC.



LANDMARK RESEARCH, INC.

APPENDIX D

October 21, 1968

Following review of this appraisal and others, the Wausau Tax Board of Review reduced the assessed valuation of the Employers Mutual complex to the following:

Land	\$ 658,500 (as per stipulation)
Improvements	<u>8,730,000</u>
Total	<u>\$ 9,383,500</u>

These assessed values were set at 75% of fair market value as presumed by the Board. It represented a reduction of nearly \$2,000,000 in assessed value. At the request of Employers Mutual Insurance Company the computer model assuming costs at 50% of original replacement cost was rerun with an estimated 1968-9 tax of \$375,520 for real estate taxes, all other assumptions remaining identical to those in Appendix A. The investment value of the building was increased to approximately \$9,120,000 suggesting that the assessed value still represents 100% of market value.

EMPLOYERS MUTUAL OF WAUSAU- 50 PER CENT FULL REPLACEMENT COSTS

PROJECT FEATURES - COMPONENTS

CODE		COST PER UNIT	ADDITIONAL CONST.	UNITS PER REA	TOTAL UNITS	COST
	RENTABLE SPACE SQ FT	13.32	-0.000	-0.000	359514.0	4788726
2	NONRENTABLE SPACE SQ FT	13.32	-0.000	-0.000	175069.0	2331919
3	LAND SITE	543385.00	1.000	-0.000	1.0	543385
	LAND IMPROVEMENTS SUM	1252824.00	1.000	-0.000	1.0	1252824
	REMODELING SQ FT	1.00	-0.000	-0.000	247066.0	247066
6	CAFETERIA EQUIPMENT COMPL	63662.00	-0.000	-0.000	1.0	63662
	ELEVATORS-ESCAL. CAB	15000.00	9.000	-0.000	9.0	135000
	DRAPERIES COMPL	25994.00	1.000	-0.000	1.0	25994
9	PARKING STALL STALL	1000.00	-0.000	-0.000	255.0	255000
	TOTAL DIRECT CAPITAL COST					9643577

EMPLOYERS MUTUAL OF WAUSAU- 50 PER CENT FULL REPLACEMENT COSTS

RENTAL ELEMENTS

RENTAL CLASS TYPE	1	NUM.	RENT	FIXED EXPENSES		VARIABLE EXPENSES	
BLDG NO.1-OFFICE	1		21512	0.00	.08	0.00	0.00
FEATURE - COMPONENT			=UNITS	COST		AREA	
1 RENTABLE SPACE		SQ FT	46936.0	625188	42.48(	46936.0	100.00(
2 NONRENTABLE SPACE		SQ FT	60033.0	799640	54.33(	60033.0	127.90(
5 REMODELING		SQ FT	46936.0	46936	3.19(	0.0	0.00(
TOTAL				1471763		46936.0	

RENTAL CLASS TYPE	2	NUM.	RENT	FIXED EXPENSES		VARIABLE EXPENSES	
BLDG NO.1-COMMERCIAL	1		833	0.00	.08	0.00	0.00
FEATURE - COMPONENT			=UNITS	COST		AREA	
1 RENTABLE SPACE		SQ FT	10000.0	133200	100.00(	10000.0	100.00(
TOTAL				133200		10000.0	

RENTAL CLASS TYPE	3	NUM.	RENT	FIXED EXPENSES		VARIABLE EXPENSES	
BLDG NO.2-OFFICE	10		7505	0.00	.08	0.00	0.00
FEATURE - COMPONENT			=UNITS	COST		AREA	
1 RENTABLE SPACE		SQ FT	20013.0	266573	65.42(	20013.0	100.00(
2 NONRENTABLE SPACE		SQ FT	9075.0	120879	29.67(	9075.0	45.35(
5 REMODELING		SQ FT	20013.0	20013	4.91(	0.0	0.00(
TOTAL				407465		20013.0	

RENTAL CLASS TYPE	4	NUM.	RENT	FIXED EXPENSES		VARIABLE EXPENSES	
BLDG NO.2-INDUSTRIAL	1		650	0.00	.08	0.00	0.00
FEATURE - COMPONENT			=UNITS	COST		AREA	
1 RENTABLE SPACE		SQ FT	6244.0	83170	100.00(	6244.0	100.00(
TOTAL				83170		6244.0	

EMPLOYERS MUTUAL OF WAUSAU- 50 PER CENT FULL REPLACEMENT COSTS

RENTAL CLASS TYPE	5	NUM.	RENT	FIXED EXPENSES		VARIABLE EXPENSES	
BLDG NO.2-RESTAURANT	1		15132	0.00	.08	0.00	0.00
FEATURE - COMPONENT			=UNITS	COST		AREA	
1 RENTABLE SPACE		SQ FT	22698.0	302337	82.61(	22698.0	100.00(
6 CAFETERIA EQUIPMENT		COMPL	1.0	63662	17.39(	0.0	0.00(
TOTAL				365999		22698.0	

RENTAL CLASS TYPE	6	NUM.	RENT	FIXED EXPENSES		VARIABLE EXPENSES	
BLDG NO.3-PARKING	150		8	1.00	0.00	0.00	0.00
FEATURE - COMPONENT			=UNITS	COST		AREA	
9 PARKING STALL		STALL	1.0	1000	100.00(	0.0	0.00(
TOTAL				1000		0.0	

RENTAL CLASS TYPE	7	NUM.	RENT	FIXED EXPENSES		VARIABLE EXPENSES	
BLDG NO.3-INDUSTRIAL	1		7657	0.00	.08	0.00	0.00
FEATURE - COMPONENT			=UNITS	COST		AREA	
1 RENTABLE SPACE		SQ FT	73506.0	979100	75.17(	73506.0	100.00(
2 NONRENTABLE SPACE		SQ FT	24286.0	323490	24.83(	24286.0	33.04(
TOTAL				1302589		73506.0	

RENTAL CLASS TYPE	8	NUM.	RENT	FIXED EXPENSES		VARIABLE EXPENSES	
BLDG NO.1 PARKING	105		8	1.00	0.00	0.00	0.00
FEATURE - COMPONENT			=UNITS	COST		AREA	
9 PARKING STALL		STALL	1.0	1000	100.00(	0.0	0.00(
TOTAL				1000		0.0	

EMPLOYERS MUTUAL OF WAUSAU- 50 PER CENT FULL REPLACEMENT COSTS

CAPITAL SCHEDULE

C.S. IDENTIFICATION	DEPRECIATION			TOTAL COST
	(BASE	USEFUL LIFE	METHOD	
1 RENTABLE SPACE	90	480	1.5	4788726
2 NONRENTABLE SPACE	90	480	1.5	2331919
3 LAND	0	0	0.0	1796209
4 CAFETERIA EQUIPMENT	100	180	1.5	63662
5 ELEVATORS	80	120	1.5	135000
6 DRAPERIES	100	60	1.5	25994
7 PARKING	50	240	1.5	255000
8 REMODELING	100	480	1.5	247066
TOTAL CAPITAL BUDGET				9643577

EMPLOYERS MUTUAL OF WAUSAU- 50 PER CENT FULL REPLACEMENT COSTS

TOTALS

IMPORTANT RATIOS

TOT BLDG AREA TBA	534583	BLDG EFFICIENCY TRA/TBA	67.25(
TOT RENTABLE AREA TRA	359514	GR PER UNIT AREA GR/TRA \$	.34
TOT CAP BUDGET TCB	9643577	BLDG COST/U. TCB-LC/TBA \$	14.68
LAND COST LC	1796209	DEBT RATIO TM/TCB	77.95(
TOT IMPROV COST TCB-LC	7847368	LAND RATIO LC/TCB	18.63(
TOT DEPRECIABLE BASE DB	6980803		
TOT MORTGAGES TM	7517208		

MISCELLANEOUS EXPENSE INPUTS

R.E. TAXES 0.00(OF TOTAL CAPITAL BUDGET PER YEAR

PLUS \$ 375520.00 FIXED DOLLAR BASE

ANNUAL INCOME TAX RATE- 48(

INITIAL EXPENSES- \$ 0 FIXED, PLUS 0.00(OF FIRST PERIOD RENT

PLUS 0.00(OF DIRECT CAPITAL COST

WORKING CAPITAL RATE OF INTEREST 7.00(

SEVEN PERCENT INVESTMENT CREDIT OF \$ 0 TO BE CREDITED IN PERIOD 12

MARGINAL ANALYSIS BY ELEMENT CLASS

	GR	TRA	TCB	(INC/(COST
TOTAL PROJECT	122874	359514	9643577	
AS A (OF TOTAL				

BLDG NO.1-OFFICE	17.51(	13.06(	19.15(	91.43(
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BLDG NO.1-COMMERCIAL	.68(	2.78(	1.73(	39.14(
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BLDG NO.2-OFFICE	61.08(	55.67(	53.01(	115.22(
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LANDMARK RESEARCH, INC.

BLDG NO.2-INDUSTRIAL	.53(	1.74(	1.08(	48.92(
BLDG NO.2-RESTAURANT	12.32(	6.31(	4.76(	258.63(
BLDG NO.3-PARKING	.98(	0.00(	1.95(	50.04(
BLDG NO.3-INDUSTRIAL	6.23(	20.45(	16.95(	36.77(
BLDG NO.1 PARKING	.68(	0.00(	1.37(	50.04(

EMPLOYERS MUTUAL OF WAUSAU- 50 PER CENT FULL REPLACEMENT COSTS

INVESTMENT ANALYSIS OF PROJECT AT END OF YEAR 9

INITIAL COSTS

TOTAL CAPITAL BUDGET	9643577
LAND COST	1796209
TOTAL IMPROVEMENT COST	7847368

ORIGINAL MORTGAGE DEBT	7517208
CASH EQUITY REQUIRED	2126368

THREE APPROACHES ARE USED TO CALCULATE TOTAL INVESTMENT VALUE.
 TOTAL INVESTMENT VALUE IS THE PRESENT VALUE OF ALL RETURNS. TOTAL
 INVESTMENT VALUE LESS TOTAL IMPROVEMENT COST EQUALS RESIDUAL LAND VALUE

PRESENT VALUE DISCOUNT RATE	5.00	8.50	15.00	20.00	25.00
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TRADITIONAL APPROACH

NET INCOME STREAM	4291125	3694193	2880695	2433570	2090756
TOTAL RESALE REVERSION*	6216335	4627756	2741306	1868990	1294339
TOTAL INVESTMENT VALUE	10507461	8321949	5622001	4302560	3385095

LAND VALUE RESIDUAL	2660093	474582	-2225367	-3544808	-4462273
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BEFORE TAX APPROACH

ORIG. MORTGAGE DEBT	7517208	7517208	7517208	7517208	7517208
NET INCOME LESS DEBT SERV.	0	0	0	0	0
NET WORTH AT RESALE*	1733373	1290411	764390	521152	360916
TOTAL INVESTMENT VALUE	9250582	8807620	8281599	8038361	7878124

LAND VALUE RESIDUAL	1403214	960252	434231	190993	30756
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AFTER TAX APPROACH

ORIG. MORTGAGE DEBT	7517208	7517208	7517208	7517208	7517208
CASH TO INVESTOR	0	0	0	0	0
TAX SAVED ON OTHER INCOME	618555	543190	437929	378402	331691
NET WORTH AFTER TAX*	981601	730754	432871	295126	204385
TOTAL INVESTMENT VALUE	9117364	8791152	8388008	8190737	8053284

LAND VALUE RESIDUAL	1269997	943785	540641	343369	205917
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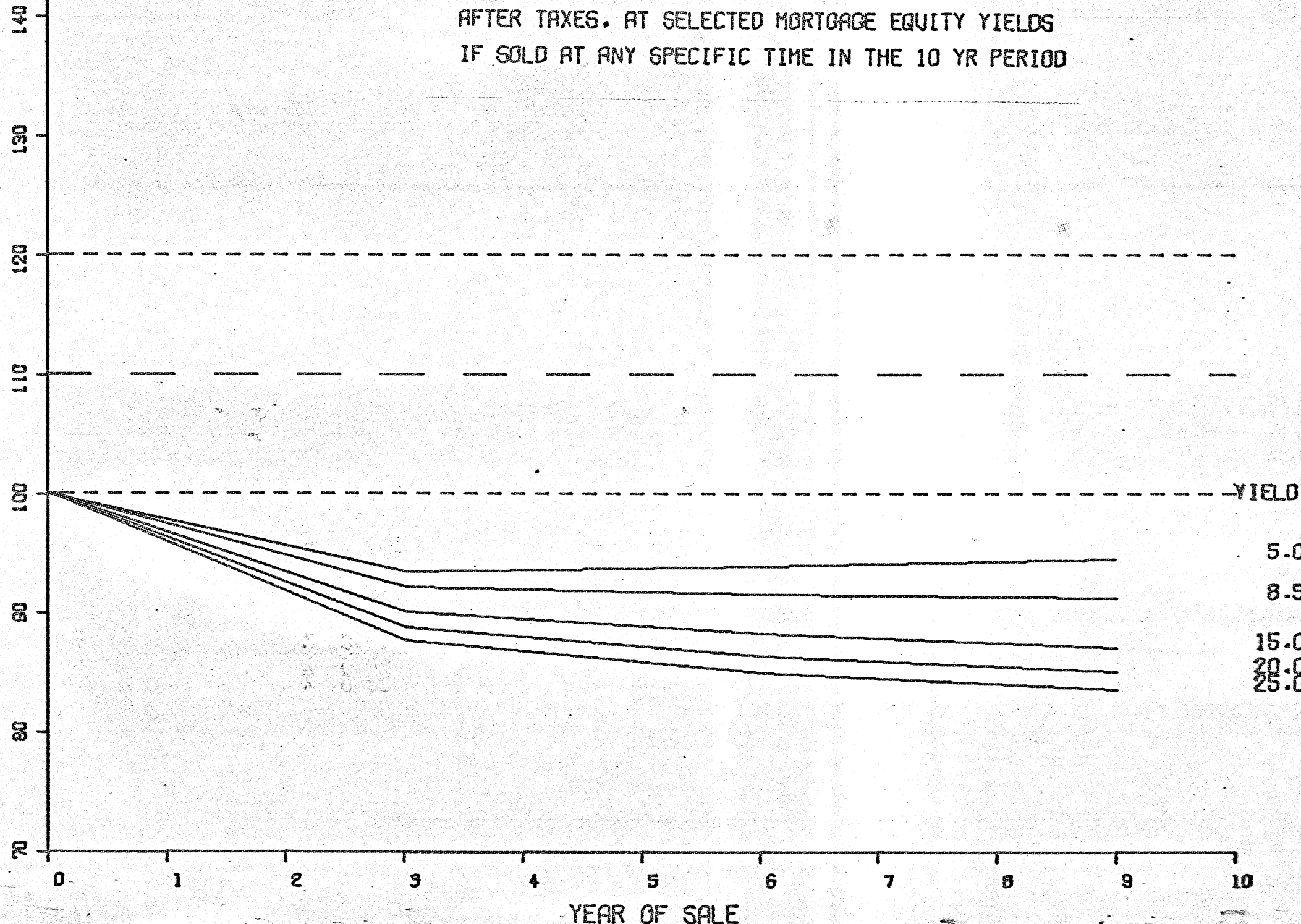
*ADJ. FOR LENDER PARTIC.

0	0	0	0	0
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PRESENT INVESTMENT VALUE

AFTER TAXES, AT SELECTED MORTGAGE EQUITY YIELDS
IF SOLD AT ANY SPECIFIC TIME IN THE 10 YR PERIOD

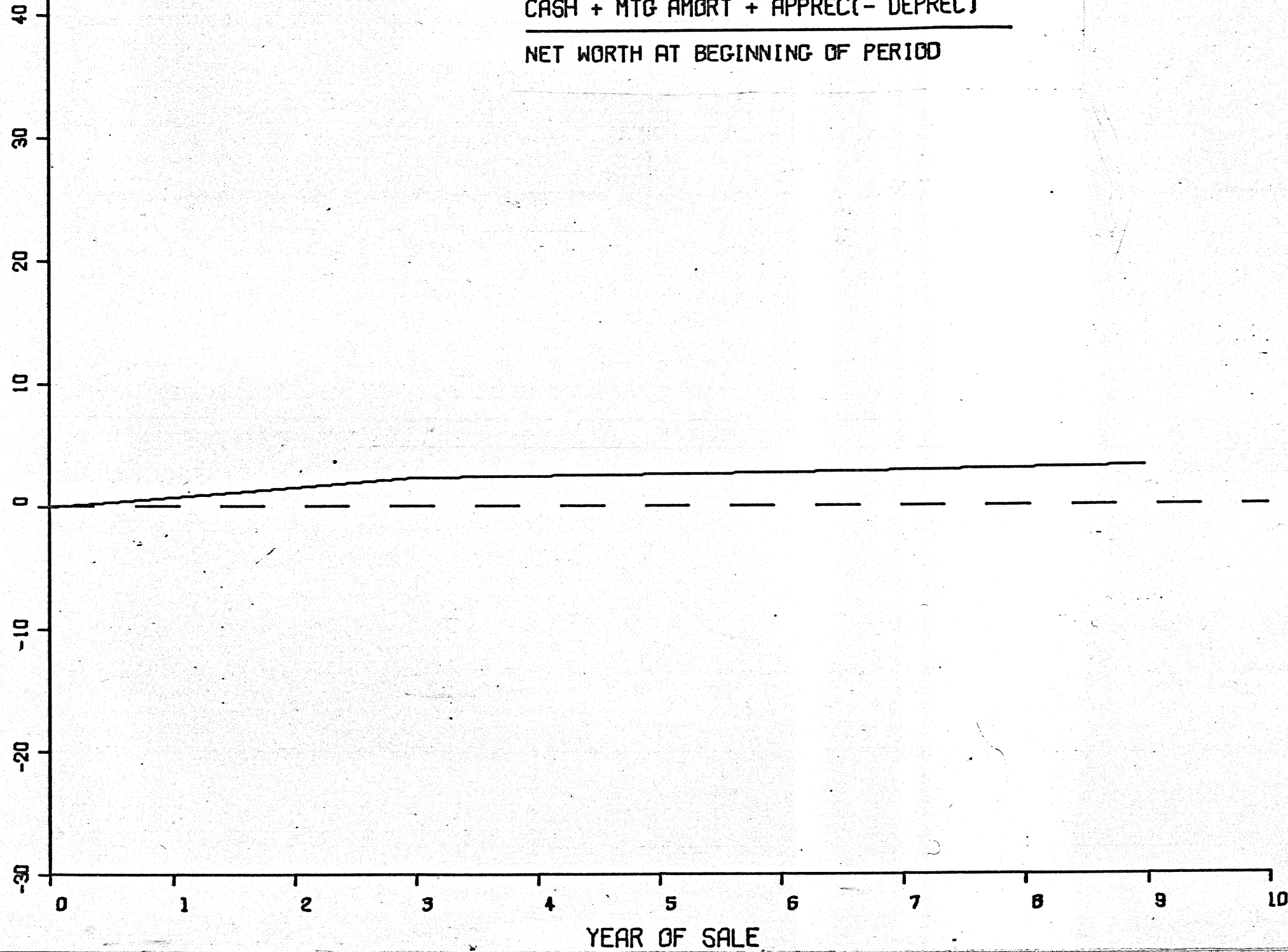
PCT OF ORIGINAL TOTAL CAPITAL INVESTMENT



CURRENT PERIOD RETURN

$$\frac{\text{CASH} + \text{MTG AMORT} + \text{APPREC}(- \text{DEPREC})}{\text{NET WORTH AT BEGINNING OF PERIOD}}$$

PCT RETURN



TEN YEAR INCOME ANALYSIS

	-1-	-2-	-3-	-4-	-5-	-6-	-7-	-8-	-9-	-10-
GROSS INCOME	1474484	1474484	1474484	1474484	1474484	1474484	1474484	1474484	1474484	1474484
LESS VACANCY + CREDIT LOSS	139862	139862	139862	139862	139862	139862	139862	139862	139862	139862
EFFECTIVE GROSS INCOME	1334622	1334622	1334622	1334622	1334622	1334622	1334622	1334622	1334622	1334622
LESS TOTAL EXPENSES (EXCL RE TAX)	355384	355384	355384	355384	355384	355384	355384	355384	355384	355384
LESS REAL ESTATE TAXES	375520	375520	375520	375520	375520	375520	375520	375520	375520	375520
NET INCOME BEFORE CAPITAL RECAPTURE	603719	603719	603719	603719	603719	603719	603719	603719	603719	603719
LESS DEPRECIATION	289514	274031	260083	247381	235709	223593	213922	204776	196115	187900
LESS INTEREST	560181	556321	552128	547573	542626	537254	531421	525088	518213	510750
LESS BONUS INTEREST	0	0	0	0	0	0	0	0	0	0
TAXABLE INCOME	-245976	-226633	-208492	-191235	-174616	-157128	-141624	-126145	-110609	-94931
TAX OFFSET	0	0	0	0	0	0	0	0	0	0
LESS INCOME TAXES	0	0	0	0	0	0	0	0	0	0
PLUS DEPRECIATION	289514	274031	260083	247381	235709	223593	213922	204776	196115	187900
LESS PRINCIPAL PAYMENT	106437	114700	123604	133200	143541	154684	166693	179633	193579	208607
PLUS NEW MORTGAGES FROM REFINANCING	0	0	0	0	0	0	0	0	0	0
CASH INCOME	-62899	-67302	-72013	-77054	-82448	-88220	-94395	-101003	-108073	-115638
LESS WORKING CAPITAL LOAN PAYMENT	-62899	-67302	-72013	-77054	-82448	-88220	-94395	-101003	-108073	-115638
NET CASH TO INVESTOR	0	0	0	0	0	0	0	0	0	0
RESALE VALUE	9643577	9643577	9643577	9643577	9643577	9643577	9643577	9643577	9643577	9643577
LESS PRINCIPAL BAL (ALL MTGS)	7410772	7296072	7172468	7039268	6895727	6741043	6574350	6394717	6201138	5992531
LESS WORKING CAPITAL LOAN	62899	130202	202215	279270	361718	449937	544332	645335	753408	869046
NET WORTH	2169906	2217303	2268894	2325039	2386132	2452596	2524894	2603525	2689031	2781999
CHANGE IN NET WORTH	43537	47397	51591	56146	61092	66464	72298	78631	85506	92969
TAX SAVINGS - OTHER INCOME	118069	108784	100076	91793	83816	75422	67979	60550	53092	45567

EMPLOYERS MUTUAL OF WAUSAU- 50 PER CENT FULL REPLACEMENT COSTS

T E N Y E A R A N A L Y S I S
OF IMPORTANT RATES, RETURNS, AND RATIOS
(EXPRESSED IN PERCENTAGES)

	-1-	-2-	-3-	-4-	-5-	-6-	-7-	-8-	-9-	-10-
LENDER BONUS INTEREST RATE	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
CURRENT PERIOD RETURN (CASH + MTG AMORT + APPRECIATION DIVIDED BY NET WORTH AT BEGIN OF PERIOD)	2.048	2.184	2.327	2.475	2.628	2.785	2.948	3.114	3.284	3.457
OVERALL CAPITALIZATION RATE	6.260	6.260	6.260	6.260	6.260	6.260	6.260	6.260	6.260	6.260
EXPENSE RATIO (EXPENSES AS A PCT OF GROSS INCOME)	49.570	49.570	49.570	49.570	49.570	49.570	49.570	49.570	49.570	49.570
DEFAULT RATIO (PCT OF GROSS RENT REQUIRED TO SATISFY ALL CASH EXPENDITURES INCLUDING DEBT SERVICE AND WORKING CAPITAL LOAN)	94.780	95.079	95.398	95.740	96.106	96.498	96.916	97.365	97.844	98.357
DEBT COVER RATIO (NET INC BEFORE TAX AS RELATED TO DEBT SERVICE)	90.564	90.564	90.564	90.564	90.564	90.564	90.564	90.564	90.564	90.564
CASH RETURN, AFTER TAXES, ON ORIGINAL EQUITY	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
TAX SHELTER RATIO (IF MORE THAN 100, AMORTIZATION PAYMENTS ARE TAX-FREE)	272.005	238.911	210.416	185.721	164.211	144.548	128.333	113.997	101.310	90.074

