An appraisal of the Heritage, a retirement living center. January 1, 1985

Landmark Research, Inc.
[s.l.]: [s.n.], January 1, 1985

AN APPRAISAL OF

THE HERITAGE

A RETIREMENT LIVING CENTER

APPLETON, WISCONSIN

Landmark Research Inc.

AN APPRAISAL OF
THE HERITAGE
A RETIREMENT LIVING CENTER

AS OF

JANUARY 1, 1985

PREPARED FOR

MADSEN-HOFFMAN JOINT VENTURE

APPLETON, WISCONSIN

PREPARED BY

LANDMARK RESEARCH, INC.

JAMES A. GRAASKAMP, PH.D., SREA, CRE

JEAN B. DAVIS, MS

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.

December 11, 1984

Mr. Ronald H. Timms
Senior Vice President
Columbia Banking Federal Savings
and Loan Association
31 East Main Street
Rochester, NY 14614

Dear Mr. Timms:

With this letter we are providing you with the appraisal of The Heritage, a 149 apartment unit retirement center that includes supportive community areas, to be constructed on a 7.087 acre site located directly south of Valley Fair Shopping Center, north of Valley Road and located in the City of Appleton, Winnebago County, Wisconsin. This appraisal assumes a sale as of January 1, 1985, of all of the contracts, commitments, and land titles necessary to complete the project on schedule, and according to plans and specifications provided the appraisers.

The appraisal is based upon the terms of financing established as of December 4, 1984. This appraisal also assumes the purchasers would operate The Heritage as an elderly rental property with the supplementary services described within the report, but without benefit of the refundable residence/entry fees.

In addition to this appraisal, a market study by Landmark Research, Inc., completed in December of 1983, is incorporated by reference into the appraisal. Further updates of the market study through November 30, 1984, have been included within the body of the appraisal. A copy of the market study, Market Survey Analysis for Proposed Retirement Center in Appleton, Wisconsin, is provided with each copy of the appraisal as a separate addendum.

The Heritage satisfies the test of a highest and best use; there is a demonstrated effective demand for the specific product, the project design is physically appropriate and technically workable, and the project is legally acceptable and consistent with community planning goals and objectives.

Mr. Ronald H. Timms
Page Two
December 11, 1984

Based upon the limiting conditions and general assumptions embodied in this appraisal, it is the opinion of the appraisers that the fair market value of the subject property, more precisely described herein, as of January 1, 1985, is:

EIGHT MILLION FIVE HUNDRED THOUSAND DOLLARS
($8,500,000)

as financed with a $5,000,000 mortgage at 9-3/8 percent contract interest, amortized over a term of 30 years with an effective interest rate of 11.115 percent.

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

FOR LANDMARK RESEARCH, INC.

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

Jean B. Davis

Jean B. Davis
Real Estate Appraiser/Analyst

Enclosure

jc

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I. INTRODUCTION

A. The Appraisal Purpose

The purpose of this appraisal is to determine the fair market value as of January 1, 1985, of a proposed apartment project to be called The Heritage, as completed on or about January 1, 1986, and subject to certain land use covenants committing 80 percent of the apartment units to elderly households on a best effort basis as defined by statute at rent levels controlled by the City of Appleton Housing Authority. In exchange for these encumbrances on the land, the property owners receive certain economic benefits of below market interest rate financing and supplementary income, (1) from certain services provided to the tenants, and (2) from certain invested reserves. The corpus of these invested reserves are to the benefit of the lenders, but the interest from the invested reserves are to the benefit of project owners and therefore pledged or assigned as additional collateral.

B. Issues to be Addressed by the Appraiser

Before estimating market value of a project to be built, the appraiser must demonstrate that the improvement proposed for the site represents highest and best use of the development opportunity in terms of being physically suitable to the site and the market use, legally acceptable, effectively supported by demand in the marketplace, and financially viable, given the economic rents, operating costs, and financing available together with specific contractual government subsidies necessary to make the project financially viable. Ordinarily fair market value implies full cash to the seller assuming the seller is able to provide the full economic benefit and productivity to the buyer, without significant encumbrances. However, in the specific case at hand, the market value sought is a measure of collateral value to the ultimate benefit of a mortgage bond trust and its guarantor, a federally chartered and insured savings and loan association. The Federal Savings and Loan Deposit Insurance Corporation imposes a regulatory guideline on appraisals done for market value collateral known as R 41b (see Appendix A), which recognizes subsidized housing projects as a special use property serving a distinctly separate market. Under R 41b the appraiser must provide an evaluation of market studies and absorption rate projections which have been prepared for the specific project and incorporate these studies, as amended if appropriate, into the appraisal approaches applied to the project. R 41b further requires that in estimating market value the appraiser recognizes the impact on sale price of an equity position subject to any specific financing contracts and income guarantees that are considered part of the total enterprise pledged as collateral to secure below market financing, in the hope of providing supplies of housing to moderate income, eligible tenants.

In addition to the standard guidelines imposed by R 41b, the letter of commitment has also required that the appraiser establish certain suitable reserves for long-term maintenance and marketability of the subject property which will be controlling on the ownership and management. (See excerpts from the commitment letter in Appendix A).

With the exception of the R 41b requirement to recognize non-market financing and the special encumbrances for housing under the control of the Appleton Housing Authority, and of special responsibilies within the letter of commitment, the appraisers are otherwise to observe professional standards of the National Association of Realtors, the American Society of Real Estate Counselors, and the American Institute of Real Estate Appraisers in the performance of the appraisal process.

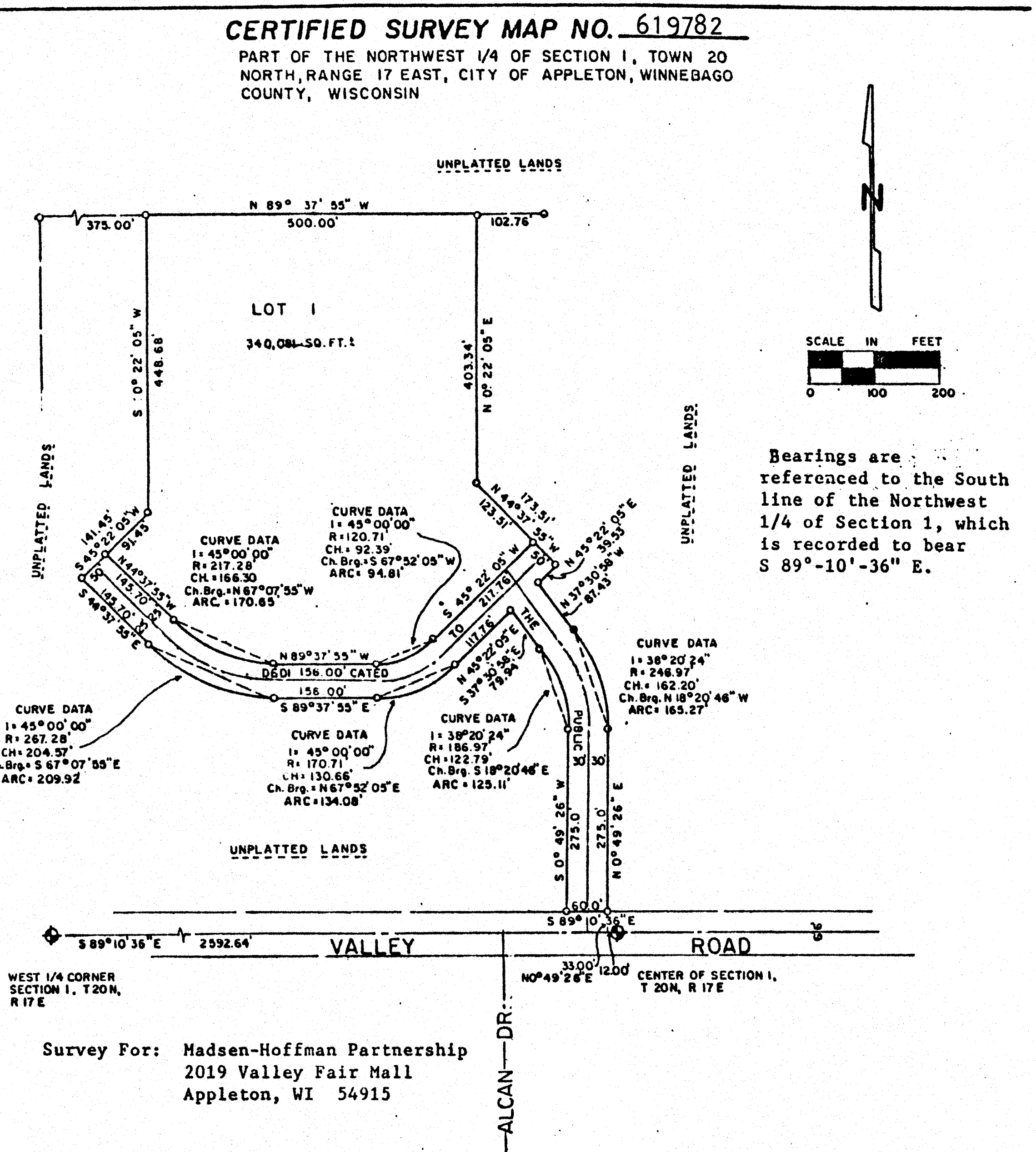
C. Definition of Interests to be Appraised

In general, the interests to be appraised include the fee simple title to the specific parcel identified by certified survey, which lands are encumbered by a restriction of use document granting certain controls to the Appleton Housing Authority, and a below market interest rate mortgage further described below. In addition to these real estate interests, certain personal properties in the nature of common area furnishings, kitchen and dining equipment, and a van for resident limousine service are also pledged so that The Heritage is a fully equipped project ready for operation as an elderly housing project. More specifically, the interests pledged and available for sale to secure the first mortgage lien include:

1. Certified Survey Map No. 619782 and the legal description which are filed in Volume I of Certified Survey Maps, page 1315, in the courthouse for Winnebago County, Wisconsin. (Exhibit I-1.)
2. Land Use Restriction Agreement running to the benefit of the City of Appleton Housing Authority, the text of which is provided in Appendix A.
3. A set of Project Contract Documents, including Part 1-Revenue Agreement, Part 2-Management Agreement, Mortgage from Appleton Housing Partners Limited Partnership to the Housing Authority of the City of Appleton, and the Assignment of Rents and Leases are on file at Landmark Research, Inc. A copy of the Management Agreement is included in Appendix A, and all are dated on or about December 15, 1984.
4. Miscellaneous common area furnishings, kitchen equipment and dining service, and transport van

EXHIBIT I-1

CERTIFIED SURVEY MAP AND
LEGAL DESCRIPTION OF THE SUBJECT SITE



Survey For: Madsen-Hoffman Partnership
2019 Valley Fair Mall
Appleton, WI 54915

EXHIBIT I-1 (Continued)

CERTIFIED SURVEY MAP NO. 619782

Surveyor's Certificate:

I, David D. Eisele, Registered Wisconsin Land Surveyor, hereby certify that I have surveyed and mapped at the direction of Mr. Paul Hoffman, part of the Southeast 1/4 of the Northwest 1/4 of Section 1, Town 20 North, Range 17 East, City of Appleton, Winnebago County, Wisconsin, more fully described as follows:

Commencing at the West Quarter corner of Section 1, Town 20 North, Range 17 East; thence S 89°-10'-36" E, along the East-West 1/4 line, 2592.64 feet; thence N 00°-49'-26" E, 33.00 feet to the point of beginning; thence N 00°-49'-26" E, 275.00 feet; thence along the arc of a curve to the left 165.27 feet, which has a radius of 246.97 feet, a central angle of 38°-20'-24", a chord of 162.20 feet which bears N 18°-20'-46" W; thence N 37°-30'-58" W, 87.43 feet; thence N 45°-22'-05" E, 39.53 feet; thence N 44°-37'-55" W, 173.51 feet; thence N 00°-22'-05" E, 403.34 feet; thence N 89°-37'-55" W, 500.00 feet; thence S 00°-22'-05" W, 448.68 feet; thence S 45°-22'-05" W, 141.45 feet; thence S 44°-37'-55" E, 145.70 feet; thence along the arc of a curve to the left 209.92 feet, which has a radius of 267.28 feet, a central angle of 45°-00'-00" and a chord of 204.57 feet which bears S 67°-07'-55" E; thence S 89°-37'-55" E, 156.00 feet; thence along the arc of a curve to the left 134.08 feet, which has a radius of 170.71 feet, a central angle of 45°-00'-00" and a chord of 130.66 feet, which bears N 67°-52'-05" E; thence N 45°-22'-05" E, 117.76 feet; thence S 37°-30'58" E, 79.94 feet; thence along the arc of a curve to the right 125.11 feet which has a radius of 186.97 feet a central angle of 38°-20'-24" and a chord of 122.79 feet which bears S 18°-20'-46" E; thence S 00°-49'-26" W, 275.00 feet to a point on the North line of Valley Road; thence S 89°-10'-36" E, along the said North line, 60.00 feet to the point of beginning. Parcel is subject to all easements and restrictions of record and contains 9.447 Acres more or less. 9.447

That I have fully complied with Chapter 236.34 of the Wisconsin Statutes in surveying, dividing and mapping the same, and with the City of Appleton, Subdivision Ordinance.

Given under my hand this 25th day of July, 1984.

David D. Eisele

David D. Eisele, Reg. WI Land Surveyor S-974

WISCONSIN
DAVID D. EISELE
S-974
MENASHA, WIS.
LAND SURVEYOR

plus any after acquired property of similar character which are integral to the operation and marketing of an independent, multifamily apartment project where 80 percent of the units are to be occupied by older people and 20 percent of the units are preferentially reserved for tenants of the Appleton Housing Authority on a best efforts basis for low income residents, i.e. a household with $22,900 per year income or less in 1984.

5. A construction contract dated December 10, 1984, between Appleton Housing Partners Limited Partnership, legal owners of the subject property, and the Madsen Corporation who will bear responsibility for the construction proposed according to plans, specifications, general conditions, timetables, and related understandings referenced into this appraisal report.

The fee title as modified and constrained by the combination of contracts described above and by presuming completion of the project substantially in accordance with these agreements is the property interest to be appraised.

D. Definition of Value to be Applied

Fair market value as of January 1, 1985, and as of the anticipated completion date of January 1, 1986, is defined in accordance with the definition in Exhibit I-2, as recommended by the 8th Edition of The Appraisal of Real Estate, espoused by the American Institute of Real Estate Appraisers. However, it should be noted that the definition must be modified as to assumptions 5 and 6 to recognize the impact on resale value of special financing and income attributes of subsidized housing as per R 41b. Thus, market value applies to a fee simple title encumbered by the various documents identified above, which in total constitute The Heritage project as contemplated in the agreement between the Housing Authority for the City of Appleton, Wisconsin, as mortgagee, and Appleton Housing Partners Limited Partnership as mortgagor, relating to Multi-Family Housing Revenue Bonds, Series 1984A, as further collateralized by a Letter of Credit from Columbia Banking Federal Savings and Loan Association, with all such rights of interest assigned to the Denver National Bank, Denver, Colorado, as Trustee of the Indenture of Trust dated on or about December 15, 1984.

E. Appraisal Methods to be Applied

The appraisal for fair market value should approach the estimated value with three general methodologies wherever possible; the Cost Approach, the Market Comparison Approach, and the Income Approach. In the subject case there are construction cost estimates by the developer, but the appraiser

EXHIBIT I-2

FAIR MARKET VALUE DEFINITION

A current definition of market value is:

The most probable price in cash, terms equivalent to cash, or in other precisely revealed terms, for which the appraised property will sell in a competitive market under all conditions requisite to fair sale, with the buyer and seller each acting prudently, knowledgeably, and for self-interest, and assuming that neither is under undue duress.

Fundamental assumptions and conditions presumed in this definition are

1. Buyer and seller are motivated by self-interest.

2. Buyer and seller are well informed and are acting prudently.

3. The property is exposed for a reasonable time on the open market.

4. Payment is made in cash, its equivalent, or in specified financing terms.

5. Specified financing, if any, may be the financing actually in place or on terms generally available for the property type in its locale on the effective appraisal date. [1]

6. The effect, if any, on the amount of market value of atypical financing, services, or fees shall be clearly and precisely revealed in the appraisal report. [1]

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[1] See text for modifications required by R 41b, Federal Savings & Loan Deposit Insurance Corporation regulatory guidelines.

Source: American Institute of Real Estate Appraisers, The Appraisal of Real Estate, 8th Edition, (Chicago: American Institute of Real Estate Appraisers, 1983), p.33.

will utilize the cross check of a national cost service, Marshall Valuation Service, as further detailed in Section IV-B of this report. The Market Comparison Approach will be applied, recognizing that only certain traditional units of comparison, are appropriate to the special market of subsidized housing and that sale of controlling interest in such projects in Wisconsin and nationally are subject to pricing formulas found in investment banking rather than real estate markets. Market comparison benchmarks will be provided in Section IV-C. However, primary reliance will be placed on discounted cash flow simulations of The Heritage as a business enterprise for a specific term of time, governed by the encumbrances and special contract benefits attached to the title and pledged as collateral. The Discounted Cash Flow Approach to value, sometimes called the shelter/reversion approach, will be presented in Section IV-E. These various estimates of market value will then be synthesized and reduced to a single estimate of value representing the central tendency or most probable price for which the subject property with its benefits and obligations documented elsewhere could be sold as of January 1, 1985, or thereabouts, with all agreements in place and with the sale of housing revenue bonds an accomplished fact at terms anticipated by this appraisal.

II. THE PROJECT - PHYSICAL AND LEGAL ATTRIBUTES

A. Overview

The Heritage, planned as a retirement living center, is to be constructed on a wooded site located directly south of Valley Fair Shopping Center, which includes both a major department store and a major grocery store. The three-story frame and brick veneer structure includes 149 well-designed apartments with adjoining supportive community areas such as a common dining room and kitchen, craft rooms, library, chapel, and laundry rooms equipped with washers and dryers. A 24-hour emergency response system and other life-safety equipment designed to meet the special needs of the elderly will be incorporated into each apartment.

B. The Site

1. Physical Description

The subject site originally contained 9.447 acres as defined in Certified Survey Map No. 619782, recorded in Volume 1 of Certified Survey Maps, page 1315, and as previously shown in Exhibit I-1. The legal description is also found in Exhibit I-1. Of the total 411,522 square feet (9.447 acres, more or less), 71,441 square feet (1.640 acres, more or less) have been dedicated to the public for a 60 foot wide street. The buildable site, which contains 340,081 square feet (7.807

acres, more or less), and is designated as Lot 1 on the Certified Survey Map, has been sized specifically for the first phase of The Heritage Retirement Center.

The subject site was part of a larger 35.64 acre site owned by Gerald E. Hoffman and Carlton E. Hoffman. The purchase of The Heritage site is controlled by an option agreement dated October 11, 1984. The option also governs the possible staged acquisition of the entire 35.64 acre site for future expansion, given certain terms and conditions.

The site is relatively flat, and the majority of the area is covered with saplings and light timber. As of the date of this appraisal, the basic building site had been cleared and rough graded for construction with the gravel road bed in place for the public roads.

A subsurface exploration of the proposed Heritage Retirement Living Center was performed by STS Consultants, Ltd., Green Bay, Wisconsin, in August 1984, and a copy of their report is on file at Landmark Research, Inc. Natural silty and sandy clays were present beneath approximately four feet of topsoil and fill materials on the majority of the site. One boring near the Valley Fair Shopping Mall yielded eight feet of fill material. Because of the unstable nature of fill, it was recommended that the fill be removed or the footings extended beyond the fill.

Ground water, found at 14 to 16 feet at 7 of the 8 boring sites, was determined to fluctuate seasonally and would not be a major problem during the construction or operation of this project.

2. Legal Attributes

The site, newly annexed into the City of Appleton in late 1983, is zoned C-2, General Commercial, which permits multifamily residential development as defined for an R-3 zoning district. The permitted density level of 20 units per acre would allow 156 apartment units to be constructed on the buildable site (20 units * 340,081 square feet/43,560 square feet). Only 149 units are planned for this phase of The Heritage.

However, conversations with Bill Brehm of the Appleton Planning and Development Department indicate that the City would be receptive to a formal request for a zoning change to a Planned Development District (PDD) which would increase the maximum allowable density to 100 units per acre.

Restrictions which could be placed upon the developer before the PDD is granted make this zoning option a potentially expensive trade-off for the increased density allowance; therefore PDD zoning was not sought for the subject site.

The developers of The Heritage would prefer to exercise the option agreement to acquire additional land as needed for expansion.

3. Linkages and Dynamic Attributes

The proposed project is well-buffered by the existing woods from middle class homes on Southwood Drive to the east and Chain Drive to the west. To the immediate north of The Heritage site is the Valley Fair Shopping Center which provides an attractive amenity and site identification. Along Valley Road and Alcan Road to the south of The Heritage is Windsor Park, a large wooded reserve. To the east of the park is a condominium development called Windsor Park North and Windsor Park South, built in the late 1970s and one of the first condominium projects in the area. An aerial photo taken April 2, 1984, shows the relationship of the site to its surrounding neighborhood. (See Exhibit II-1.)

The area appears to be economically stable with well-maintained properties surrounding the site. The homes along Southwood Drive are valued between $75,000 to $120,000, and the homes along Chain Drive, smaller, but well-maintained are valued from $50,000 to $75,000. The Windsor Park three-bedroom condominiums have sold in the $75,000 range with the one- and two-bedroom units selling from $35,000 to $50,000.

EXHIBIT II-1

AERIAL PHOTO OF THE SUBJECT SITE
AND ITS SURROUNDING NEIGHBORHOOD

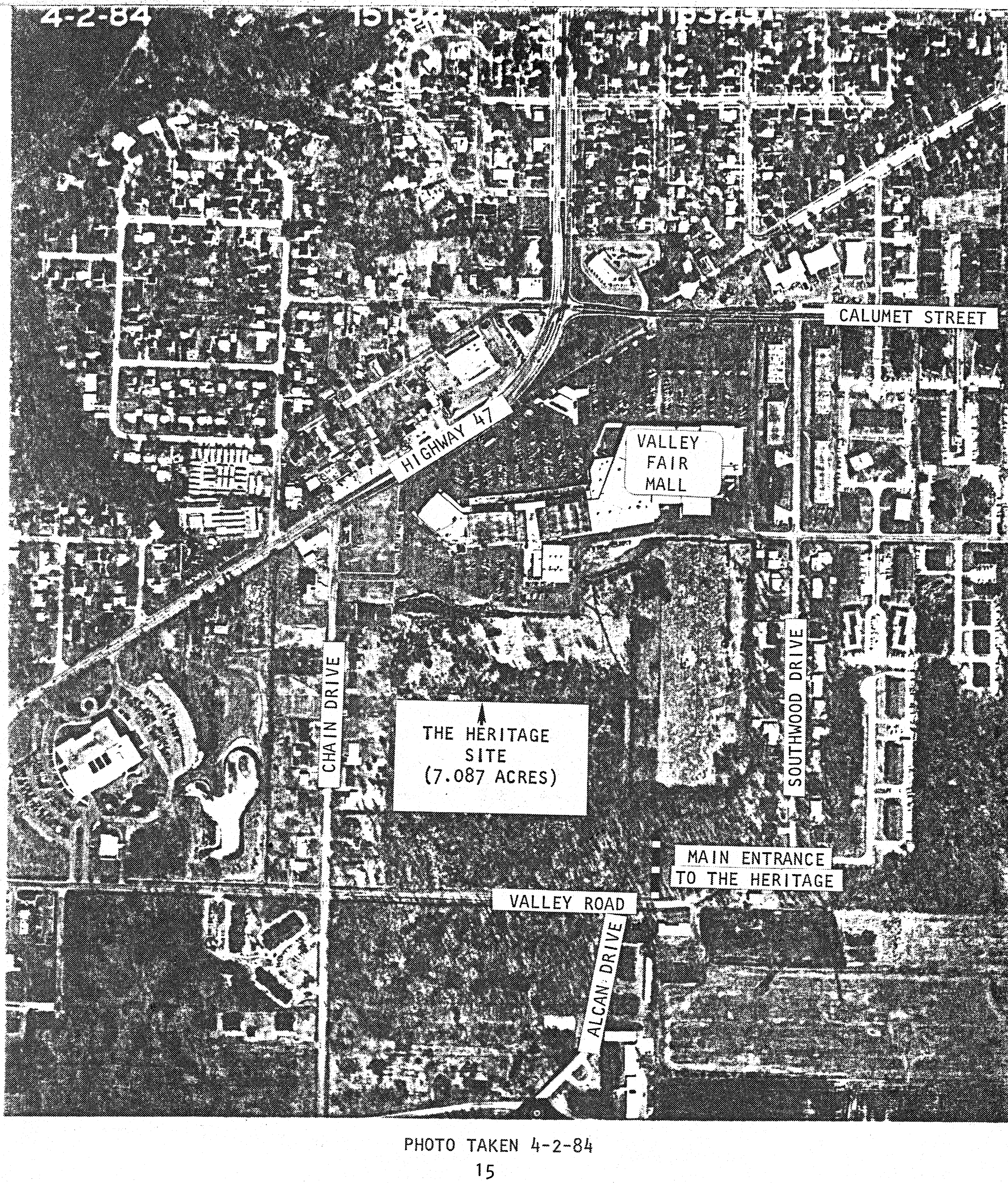


PHOTO TAKEN 4-2-84

Some of the units purchased as investments, rent from $350 to $600 per month with the tenant paying all utilities.

The home office of Home Mutual Insurance, which fronts on Highway 47 and Valley Road, is located on a large 16 to 20 acre site to the west of Chain Drive and The Heritage site. A branch of Twin City Savings & Loan is located across from Valley Fair Shopping Center to the north and on the Valley Fair site is a free-standing building which houses a branch of the Firstar Bank. A retail shopping strip fronts on Highway 47 across from Valley Fair. Multifamily and single family residential neighborhoods are located to the north and northeast of the subject site.

The Valley Fair Shopping Center was expanded and renovated within the last five years and is anchored by a Kohls Food Store and a Kohls Department Store on the east and Mike's Towne and Country Market on the western wing of the Mall. A wide variety of shops and a theater are also included in the Mall's retail offerings. The Heritage provides a paved footpath to Valley Fair Shopping Center.

The Heritage site is well located between the Town of Menasha, the fastest growing area in the Fox River Valley and the City of Appleton, the hub of commercial activity for the area. The availability of bus transportation from the Valley Fair Shopping Center and main roadways make the site accessible to other areas of commerce and recreation in the Fox River Valley.

4. Vacant Site Valuation - Market Comparison Approach

Valuation of the subject property must rely upon the market comparison approach which uses as benchmarks of value the sale of multifamily apartment sites that have the necessary zoning, streets, utilities, and size to permit inmmediate development. Photographs of the site are provided in Exhibit II-2.

Three vacant site sales and one accepted offer (pending closing) were selected as benchmarks with which to value the subject site. Exhibit II-3 details the critical data for each sale. Their locations are found on the map in Exhibit II-4. In Exhibit II-5 adjustments are made to the comparable sale prices to reflect the differences between the sale properties and the subject property. No adjustment was made for time because the rapidly increasing costs of construction in recent years have kept a ceiling on the price a developer can pay for a site. The land contract for Comparable Sale No. 1 offered no advantage to the buyer, and the other two consummated sales were for cash. The terms of the accepted offer are not known. Therefore no adjustment was made for below market financing.

The most recent sale, also located closest to the subject, was given the most weight, or 40 percent contribution to the

EXHIBIT II-2

PHOTOGRAPHS OF THE HERITAGE SITE

Photographed from parking lot of Valley Fair Shopping Center, looking south onto site--Point A on map on next page.

Photographed from gravel road bed of dedicated public street, looking northwest onto site--Point B on map on next page.

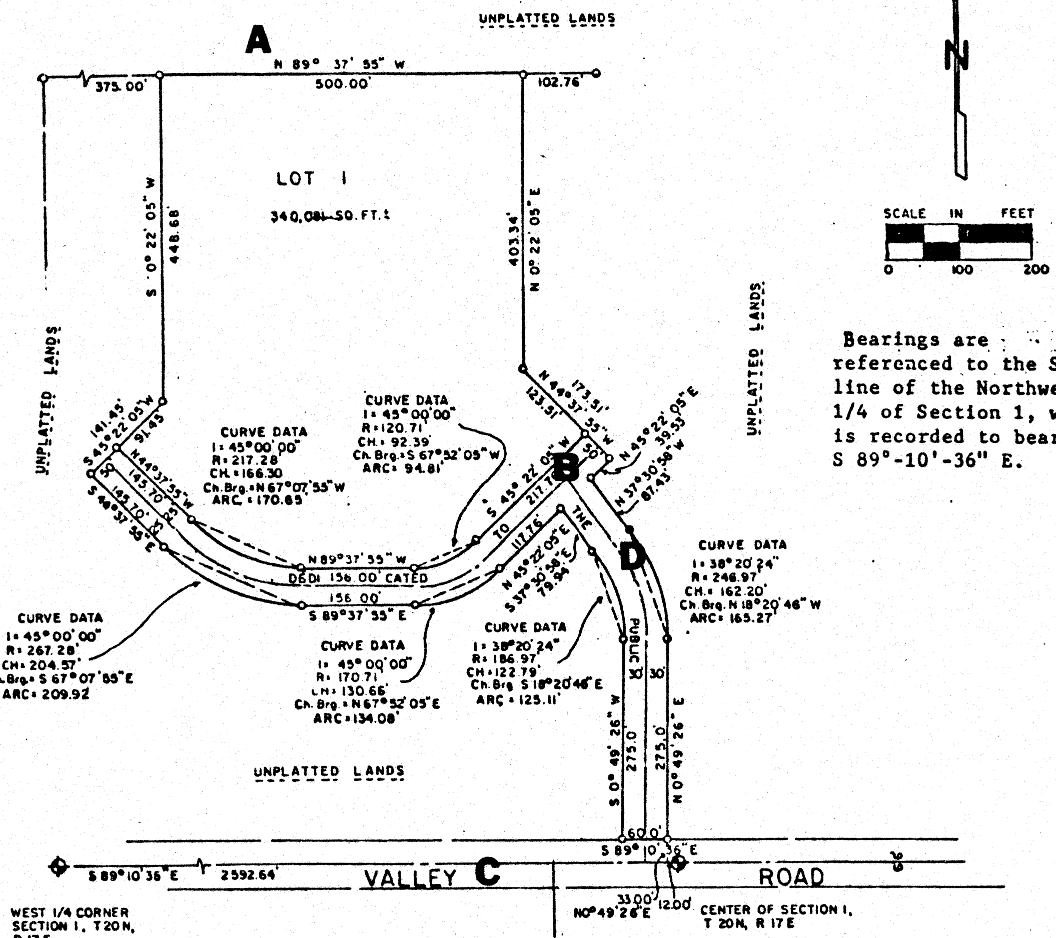
Photographed from Valley Road looking at entry road for The Heritage--Point C on map on next page.

Photographed from dedicated public street looking south toward Valley Road--Point D on map on next page.

EXHIBIT II-2 (Continued)

CERTIFIED SURVEY MAP NO. 619782

PART OF THE NORTHWEST 1/4 OF SECTION 1, TOWN 20 NORTH, RANGE 17 EAST, CITY OF APPLETON, WINNEBAGO COUNTY, WISCONSIN



Bearings are referenced to the South line of the Northwest 1/4 of Section 1, which is recorded to bear S 89°-10'-36" E.

Survey For: Madsen-Hoffman Partnership
2019 Valley Fair Mall
Appleton, WI 54915

EXHIBIT II-3

COMPARABLE SALES

VACANT SITE SALE

COMPARABLE NO. 1

GRANTOR:	Florence I. Maloney
GRANTEE:	Joseph A. Pennings
RECORDED:	Document No. 615553, Winnebago County, Wisconsin
DATE:	July 3, 1984
PRICE:	$179,520
SALES INSTRUMENT:	Land Contract
TERMS:	$50,000 down payment (27.85%), interest at prime rate charged by Firstar Bank of Appleton on commercial loans plus 2 percentage points; interest payable every six months on unpaid balance. Balloon due on July 1, 1987.
LOCATION:	Town of Menasha on the south side of Calumet Road, approximately 300 feet west of South Oneida Street (Hwy. 10).
SIZE:	5.984 acres, or 260,663 square feet
SITE DIMENSIONS:	700 plus feet of frontage along Calumet Road and approximately 400 feet of depth on the eastern border
DEVELOPMENT PLANS:	Multifamily residential; 13 to 14 units per acre, or 78 to 84 units on the site
PRICE PER DWELLING UNIT:	$2,137 to $2,302 per dwelling unit
TOPOGRAPHY:	Flat
VEGETATIVE COVER:	Grassy
ADVERSE CONDITIONS:	High voltage tower near site. Heavy traffic along Calumet Street.
ZONING:	B-2 Business Community

EXHIBIT II-3 (Continued)

COMPARABLE SALES (Continued)

VACANT SITE SALE

COMPARABLE NO. 2

GRANTOR:	Consolidated Papers, Inc.
GRANTEE:	Joseph A. Pennings
RECORDED:	Jacket No. 3946, Image No. 44, Outagamie County, Wisconsin
DATE:	June 17, 1983
PRICE:	$165,000
SALES INSTRUMENT:	Warranty Deed
TERMS:	Cash
LOCATION:	Located in the City of Appleton on a site overlooking the Fox River at the northeast corner of the intersection of East Newburg Street and East College Avenue. The subject's southeast property line fronts along the cul-de-sac which terminates Gunn and East Harriet Streets and the back side of the Walter Avenue Shopping Center.
SIZE:	8.26 acres, or 359,805.6 square feet
SITE DIMENSIONS:	More or less triangular with a maximum width of 415 feet on the College Avenue side on the west narrowing to approximately 30 feet on Newberry Street to the east with approximately 1,400 feet between points.
DEVELOPMENT PLANS:	Constructed 64 units in 8 buildings with 8 units each.
PRICE PER DWELLING UNIT:	$2,578 per dwelling unit
TOPOGRAPHY:	Hillside site with steep embankments along northern edges.
VEGETATIVE COVER:	Some mature trees

EXHIBIT II-3 (Continued)

COMPARABLE SALES (Continued)

COMPARABLE SALE NO. 2 (Continued)

ADVERSE CONDITIONS:	Cost of site preparations high due to massive concrete foundation reported to have been buried on the site. Part of site on unusable hillside. Walter Avenue Shopping Center is very small and poorly maintained. Older low to low-moderate income single family homes in immediate area.
ZONING:	M-2 Industrial which was changed to Planned Residential Development (PRD)

EXHIBIT II-3 (Continued)

COMPARABLE SALES (Continued)

VACANT SITE SALE

COMPARABLE NO. 3

GRANTOR:	Riverview Country Club
GRANTEE:	Riverview Development Partnership
RECORDED:	Jacket No. 3120, Image No. 10, Outagamie County, Wisconsin
DATE:	January 21, 1982
PRICE:	$144,375 [1]
SALES INSTRUMENT:	Warranty Deed
TERMS:	Cash
LOCATION:	Located on the west side of South Oneida Street, south of the Fox River, and along the east part of the golf course.
SIZE:	6.6 acres, or 287,496 square feet
SITE SHAPE:	Irregular rectangle
DEVELOPMENT PLANS:	31 condominiums built on 3.5 acres; future plans for remaining 3.1 acres flexible [2]
PRICE PER DWELLING UNIT:	$3,208 per dwelling unit assuming a total of 76 units
TOPOGRAPHY:	Rolling terrain - hillside site with moderately steep embankment

[1] Riverview Development Partnership purchased a total of 8.0 acres for $175,000, but 1.4 acres lies across the street from this residential development and will probably have a mixed use. Therefore, based upon a price of $21,875 per acre, $30,625 is subtracted from the total purchase price to eliminate this acreage from this comparable sale.

[2] Owner plans higher density use of remaining 3.1 acres with 50 to 60 units considered. Appraiser assumes future development will be a compromise between present development of 31 units and future plans, with 45 units most probable.

EXHIBIT II-3 (Continued)

COMPARABLE SALES (Continued)

COMPARABLE NO. 3 (Continued)

VEGETATIVE COVER:	Grassy
ADVERSE CONDITIONS:	Overlooks industrial area along Fox River and old residential area. Heavy traffic along South Oneida Street, modified somewhat by elevated location of site from street, but also means decrease in net developable area.
ZONING:	Residential

EXHIBIT II-3 (Continued)

COMPARABLE SALES (Continued)

PENDING OFFER FOR VACANT SITE

COMPARABLE NO. 4

GRANTOR:	Francis D. Danielski
GRANTEE:	Unavailable
RECORDED:	Sale has not closed to date
DATE:	Originally due to close 5/84
PRICE:	Offering price $143,000
SALES INSTRUMENT:	N/A
TERMS:	N/A
LOCATION:	Located in the City of Appleton on the northeast corner of the intersection of County Trunk Highway OO and Park Drive Lane.
SIZE:	3.28 acres, or 142,877 square feet
SITE DIMENSIONS:	Rectangular in shape-- 482.11 feet along Hwy. OO 302.896 feet along Park Drive Lane 481.55 feet on the northern property line 290.0 feet on the eastern property line
DEVELOPMENT PLANS:	Multifamily residential - maximum of 66 units allowed
PRICE PER DWELLING UNIT:	$2,167 per unit (given maximum allowable units of 20 units per acre)
TOPOGRAPHY:	Level
VEGETATIVE COVER:	Shrubby woods, grass, and landfill soil
ADVERSE CONDITIONS:	Borders on busy County Trunk Highway OO and has uninteresting viewshed.
ZONING:	R-3 Residential

EXHIBIT II-4

LOCATION OF COMPARABLE VACANT SITE SALES

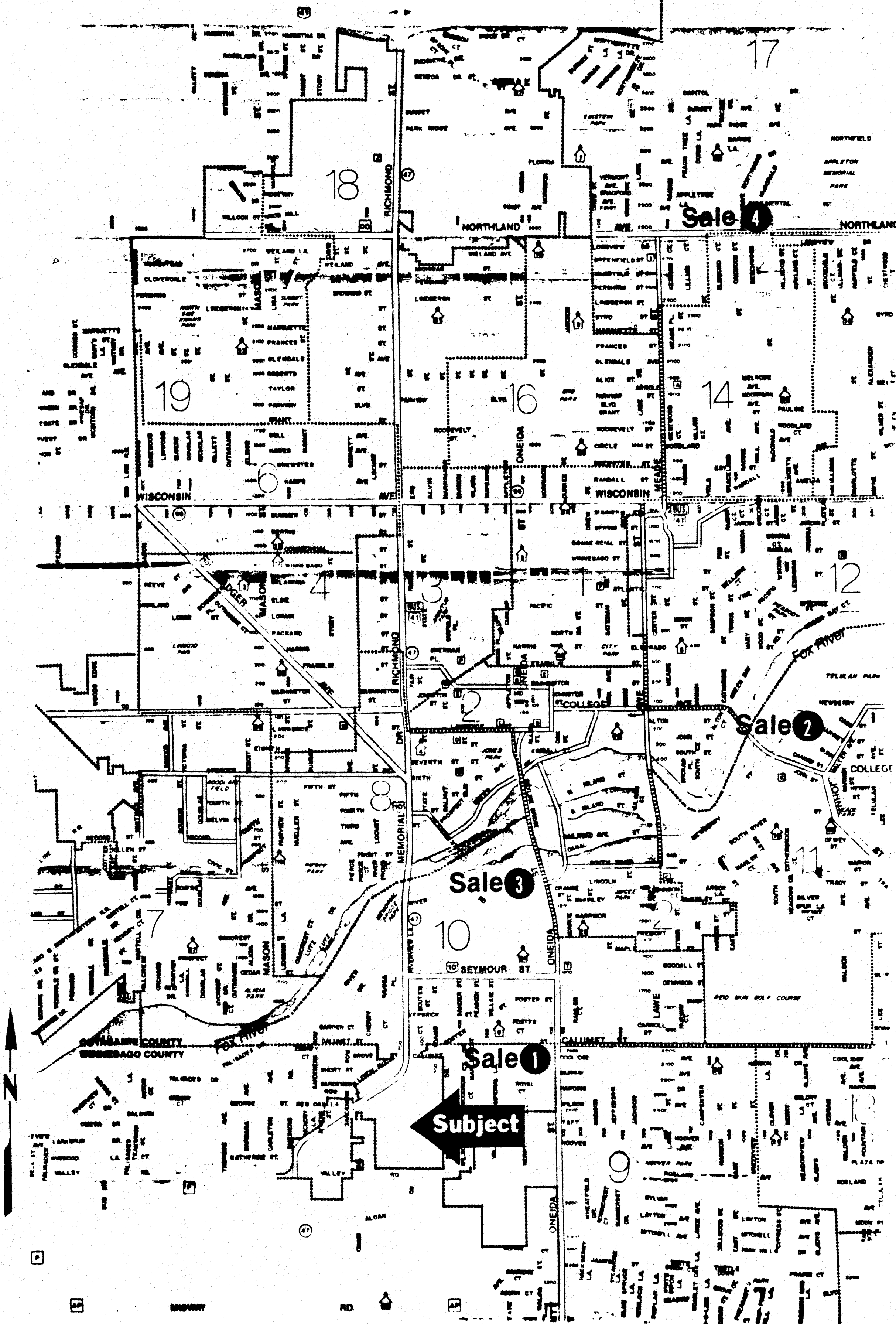


EXHIBIT II-5

VALUATION OF THE HERITAGE SITE
MARKET COMPARISON APPROACH

Landmark Research, Inc.

	SUBJECT	COMPARABLE NO. 1	COMPARABLE NO. 2	COMPARABLE NO. 3	COMPARABLE NO. 4
LOCATION	City of Appleton, south of Valley Fair Mall, off Valley Rd.	Town of Menasha, on south side of Calumet Rd. near Hwy 10	City of Appleton, end of Gunn & East Harriet St., near East College Ave.	City of Appleton, at Oneida St. entrance to Riverview C.C.	City of Appleton, corner of Hwy 00 and Park Drive Ln.
GRANTOR TO GRANTEE	N/A	Maloney to Pennings	Consolidated Paper to Pennings	Riverview Country Club to Riverview Development	Danielski to N/A
Sale Price (Cash)	—	$179,520	$165,000	$144,375	$143,000
Sale Date	—	07/03/84	06/17/83	01/21/82	Offer pending
Site Size (Acres)	9.447 gross 7.807 net buildable	5.984	8.26	6.6	3.28
Potential or Actual Dwelling Units Built	149 units	78 units	64 units	76 units	60 units
Unadjusted Price per Dwelling Unit	—	$2,302	$2,578	$1,897	$2,383
ADJUSTMENTS					
Location					
Proximity to downtown	Good	0 Good	- 10% Excellent	- 10% Excellent	+ 10% Fair
Proximity to service amenities	Excellent	0 Excellent	- 5% Good	+ 5% Good	+ 10% Fair
Quality of adjacent residential area	Excellent	+ 5% Good	+ 10% Fair	+ 5% Good	0% Excellent
Terrain					
Elevated from street	No	0 No	- 5% Yes	- 5% Yes	0 No
Unbuildable topography	None	0 None	+ 10% A lot	+ 5% Some	0 None
Adverse Environmental Factors					
Traffic volume and noise	None	+ 5% Some	0 Very little	+ 10% A lot	0 Very little
Quality of viewshed	Good	+ 10% Mixed	+ 10% Mixed	+ 10% Mixed	+ 5% Fair
Adjacent to incompatible uses	No	+ 5% Some	0 Very little	0 No	0 No
Vegetative Cover	Heavily wooded	+ 10% No woods	+ 5% Scattered trees	+ 10% No woods	+ 5% Scattered
Shape of Site	Rectangular	0 Rectangular	+ 10% Triangular	+ 5% Irregular	0 Rectangular
Net Adjustments to Comparables	—	+ 35%	+ 35%	+ 35%	+ 30%
Adjusted Price Per Unit	—	$3,107	$3,480	$2,561	$3,098
Weighting of Comparables	—	40%	30%	20%	10%

INDICATED VALUE OF SUBJECT $3,100 per unit x 149 units = $462,000 Site Value valuation of the subject, with the accepted offer given only a 10 percent weight. The indicated value of the subject site is $3,100 per unit planned for the site.

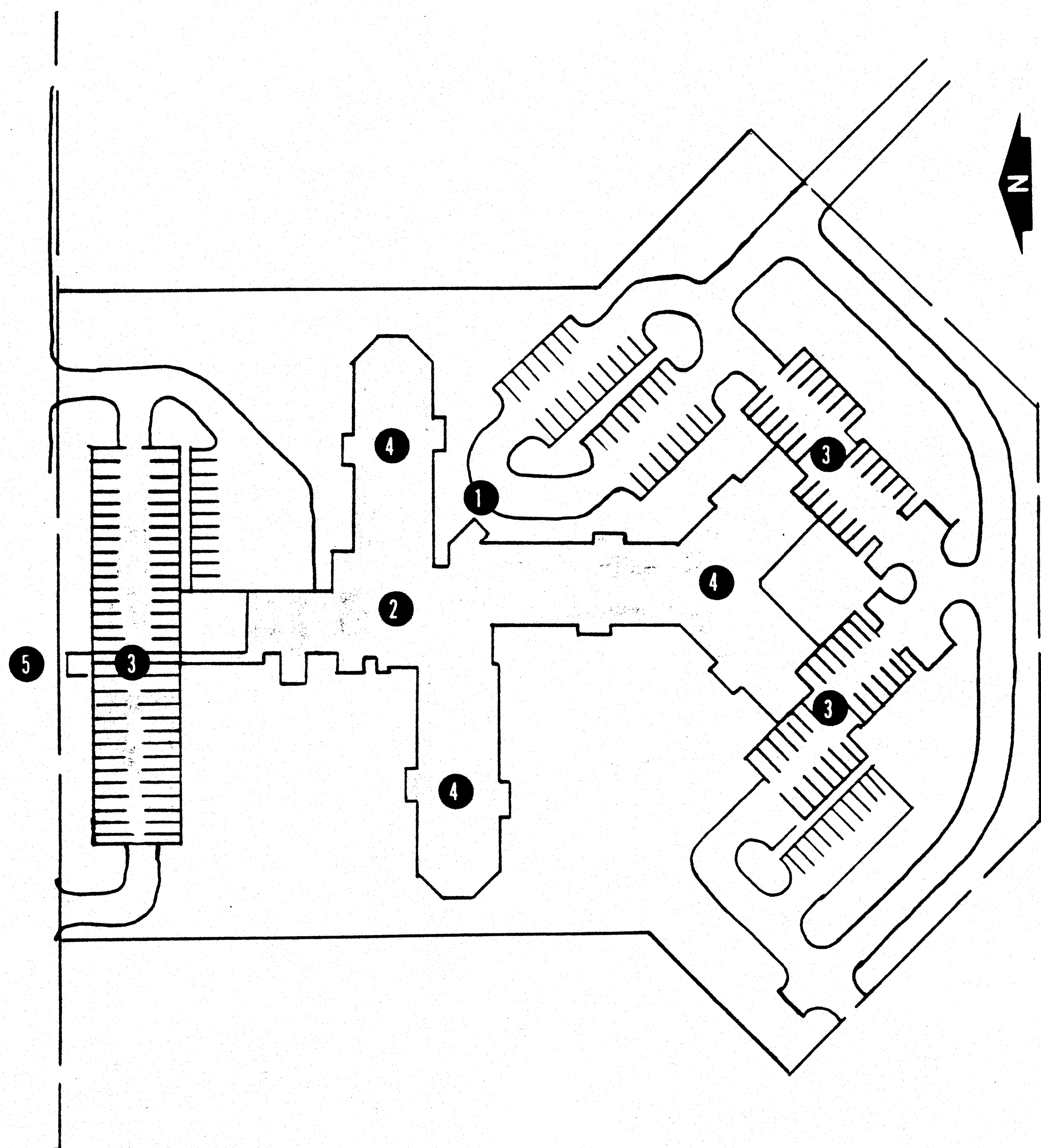
USING THE MARKET COMPARISON APPROACH TO VALUE, THE ESTIMATED FAIR MARKET VALUE OF THE SUBJECT ~~PROPERTY~~ SITE AS OF JANUARY 1, 1985, ASSUMING CASH TO THE SELLER, IS $3,100 PER UNIT, OR $462,000.

C. Apartment Units

The building structure proposed for the subject parcel is well oriented to off-site factors and is highly articulated to subdivide the site into logical zones (see site plan in Exhibit II-6) which are easily understood by those living and working at The Heritage as well as those visiting for the first time. The main entrance to the building faces the southeast which maximizes sunshine on the facade and permits direct visibility to the public street connecting the site to Valley Road. Primary parking attached to the three-story apartment project is immediately accessible to the public street, with generous turnaround and loading areas. The great majority of apartment units face southeastern and southwestern sunshine. The garages soften the ends of the three-story building to the massing of single family homes in adjacent neighborhoods while the bulk of the main building screens a view of the back side of the Valley Fair Shopping Center from most of the apartment units. Since

EXHIBIT II-6

SITE PLAN FOR
THE HERITAGE



Key

1. Main Entrance
2. City Square
3. Sheltered Parking
4. Resident Apartments
5. Valley Fair Mall

the site could be expanded on the east and west, the east and west wings which pinwheel off the common area can add one to four wings of 25 units each to expand the project to an additional 100 units with the potential for an almost equal number of garages. Space has been left to expand the dining room to match future possible additions of apartment units, while the clubhouse facilities, called City Square, have been sized to anticipate future expansion.

The construction character of the building can be divided into three basic modules, the five apartment wings, the center hub of common activity areas, and the kitchen/dining room wing. With the exception of a small 160 square foot basement under the City Square for mechanical items, the entire building is built on a concrete slab and footings. Outside walls are framed with 2" by 6" studs for maximum insulation efficiency. Construction details can be summarized in Exhibit II-7. Exterior materials are brick veneer, stained vertical cedar siding and fiberglass roof shingles. The architect has richly articulated the exterior with recessed balconies, cantilevered closet masses, and other design detail, which create an important image of residential domesticity and textures which are important in favorable acceptance to an elderly group primarily accustomed to single family residential form.

EXHIBIT II-7
THE HERITAGE
DESCRIPTION OF IMPROVEMENTS

	APARTMENT (Wings A, B, D, G, and F)	CITY SQUARE	DINING ROOM AND KITCHEN
NUMBER OF STORIES:	3	3	1
AGE OF IMPROVEMENTS:	New	New	New
UNIT MIX AND SIZE:	81 - 1 BR, 1 BA Units - 625 SF 60 - 2 BR, 1.5 BA Units - 900 SF 8 - 2 BR, 1.75 BA Units - 1,150 SF	N/A	N/A
GROSS BUILDING AREA ESTIMATES:	158,500 SF (includes attached garages)	20,900 SF	6,200 SF
EXTERIOR FINISH:			
FOUNDATION:	<————————	Poured concrete frost walls on concrete footings	————————>
WALLS:	<————————	Brick veneer and cedar siding over wood	Brick veneer over wood
ROOF:	<————————	Fiberglass shingles ————————>	Also includes achitectural laminated wood beam interior finish
CONSTRUCTION TYPE:			
FLOORS:	<————————	Pre-engineered wood floor trusses	————————>
WALLS:	<————————	2" x 6" wood - Exterior ————————> 2" x 4" wood - Interior	Also including masonry fire wall in kitchen
BEAMS:	Wood	Steel and wood	Masonry and wood
ROOF SYSTEM:	<————————	Pre-engineered wood roof trusses ————————>	Also includes clerestory window
BASEMENT:	None	160 SF for mechanicals	None
HEATING SYSTEM:	Electric baseboard	Water source heat pump	Water source heat pump and forced air, gas
AIR CONDITIONING AND VENTILATION:	A/C Sleeves	Water source heat pump	Water source heat pump
HOT WATER HEATERS:	<————————	Two large Rheem dual heater gas-fired units	————————>
ELEVATORS:	1 - Passenger 2,500 lb. capacity - hydraulic 2 - To be installed when wings F & G expanded	1 - Passenger 3,500 lb. capacity - hydraulic 1 - Freight 4,000 lb. capacity - hydraulic	None
PUBLIC BATHROOMS:	None	3 - Women (1 each per floor) 3 - Men (1 each per floor)	1 - Women 1 - Men
APPLIANCES INCLUDED:	In each apartment: Range, refrigerator, ductless hood, disposal	In community kitchen: 1 - Microwave 1 - Range 1 - Refrigerator 1 - Disposal	Commercial kitchen equipment
UTILITIES:			
WATER:	<————————	8 inch main to building	————————>
SEWER:	<————————	8 inch sanitary sewer	————————>
ELECTRICAL: (1,600 amp main)	80 amps per apartment unit	400 amps	400 amps

There are three types of apartment units distributed by wings and overall unit mix as indicated in Exhibit II-8. The floor plans for these individual units, detailed in Exhibit II-9, as well as supportive service areas in each residential wing were critiqued according to the design standards which are sensitive to the needs for the elderly as recommended in a recent HUD publication [1]. The project scored extremely well on the behavioral elements recommended in the design criteria. A detailed design review of the unit types as well as the other building features is provided in a lengthy Exhibit II-10. The type of questions in the design review which are answered affirmatively will indicate the sensitivity with which architects have provided for the physical and psychological needs of the elderly. Moreover, the appraiser spent more than five years on the Board of Wisconsin Housing Finance Authority educating developers to many of the refinements shown by the developers of The Heritage including open kitchens where the living room and out of doors are visible from the kitchen sink, where the bathrooms have direct access to the bedrooms, and

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[1] Low Rise Housing for Older People: Behavioral Criteria for Design, for U.S. Department of Housing and Urban Development, Office of Policy Development and Research, by Zeisel Research, Cambridge, Massachusetts., John Zeisel, Gayle Epp, Stephen Demos, Sept. 1977.

EXHIBIT II-8

APARTMENT UNIT MIX BY WINGS AND FLOORS

WING	A	B	D	F	G	TOTAL
			BY WINGS AND FLOORS			
FIRST FLOOR	7	7	11	11	11	47
SECOND FLOOR	9	9	11	11	11	51
THIRD FLOOR	9	9	11	11	11	51
TOTAL UNITS	25	25	33	33	33	149

WING	A	B	D	F	G	TOTAL
			BY WINGS AND UNIT TYPE			
ONE-BEDROOM	9	9	21	21	21	81
TWO-BEDROOM	12	12	12	12	12	60
TWO-BEDROOM (DELUXE)	4	4	0	0	0	8
TOTAL UNITS	25	25	33	33	33	149

(Continued)

23,000

$210 13,000

10,000 spend

1,771

EXHIBIT II-8 (Continued)

BY FLOOR AND UNIT TYPE

FIRST FLOOR		1-BR	2-BR	DELUXE 2-BR	TOTAL	
WING	A	3	4	0	7	
	B	3	4	0	7	
	D	7	4	0	11	
	F	7	4	0	11	
	G	7	4	0	11	
TOTAL		27	20	0		47

SECOND FLOOR		1-BR	2-BR	DELUXE 2-BR	TOTAL	
WING	A	3	4	2	9	
	B	3	4	2	9	
	D	7	4	0	11	
	F	7	4	0	11	
	G	7	4	0	11	
TOTAL		27	20	4		51

THIRD FLOOR		1-BR	2-BR	DELUXE 2-BR	TOTAL	
WING	A	3	4	2	9	
	B	3	4	2	9	
	D	7	4	0	11	
	F	7	4	0	11	
	G	7	4	0	11	
TOTAL		27	20	4		51
TOTAL UNITS		81	60	8		149

EXHIBIT II-9

FLOOR PLANS FOR THREE UNIT TYPES

1 BEDROOM - 1 BATHROOM
625 SQUARE FEET

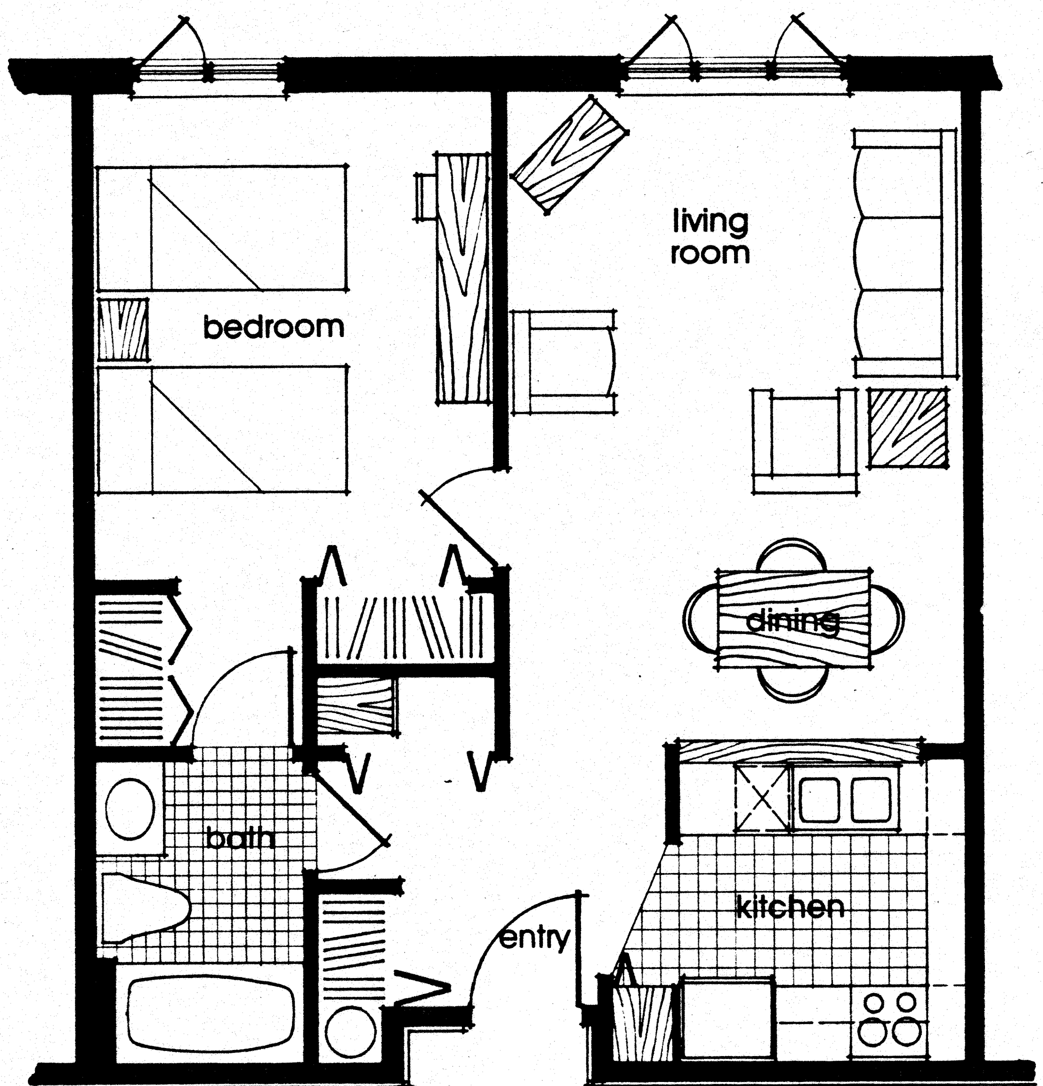

EXHIBIT II-9 (Continued)

2 BEDROOM - 1.5 BATHROOM
900 SQUARE FEET

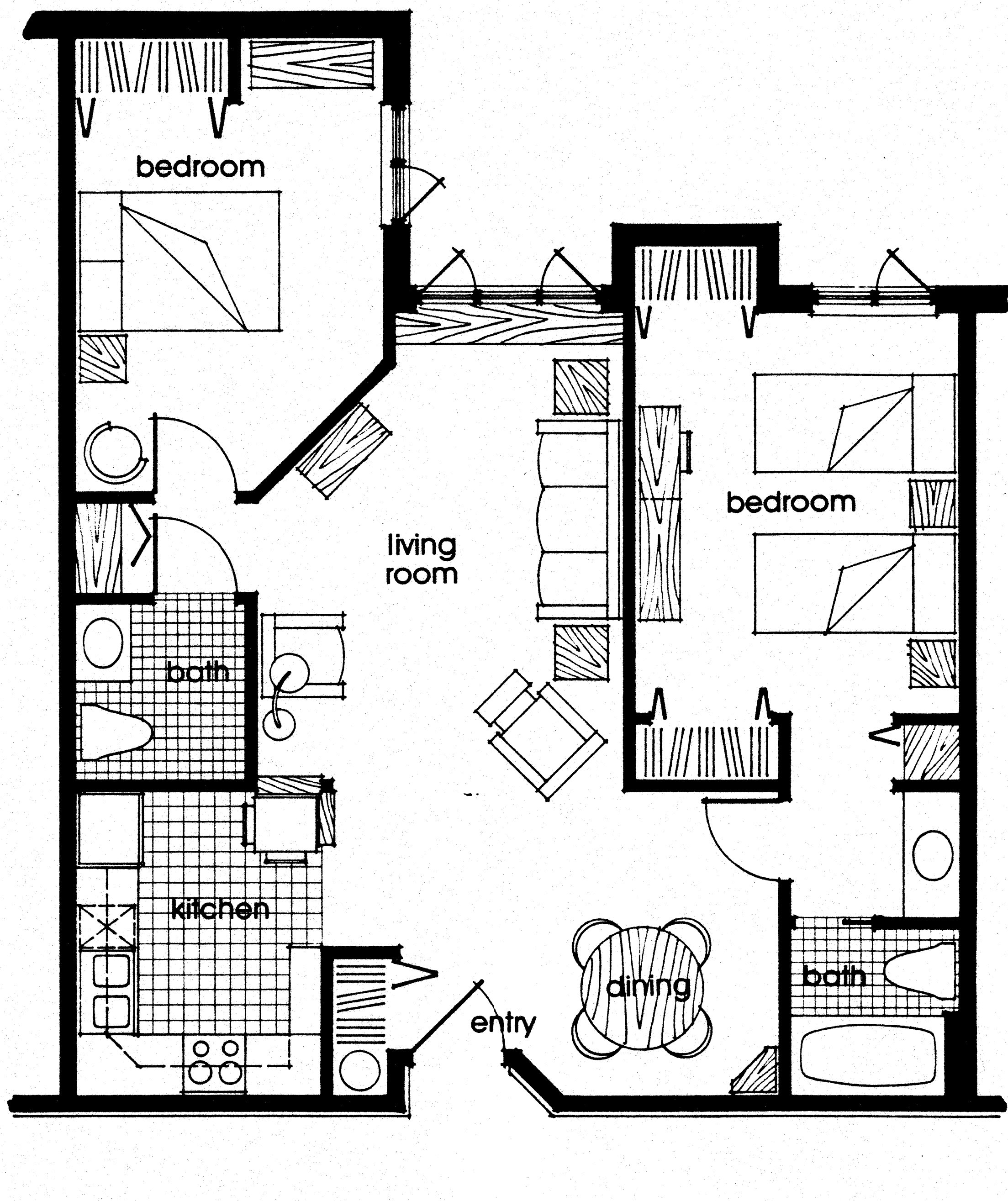

EXHIBIT II-9 (Continued)

2 BEDROOM - 1.75 BATHROOM
1,150 SQUARE FEET (DELUXE)

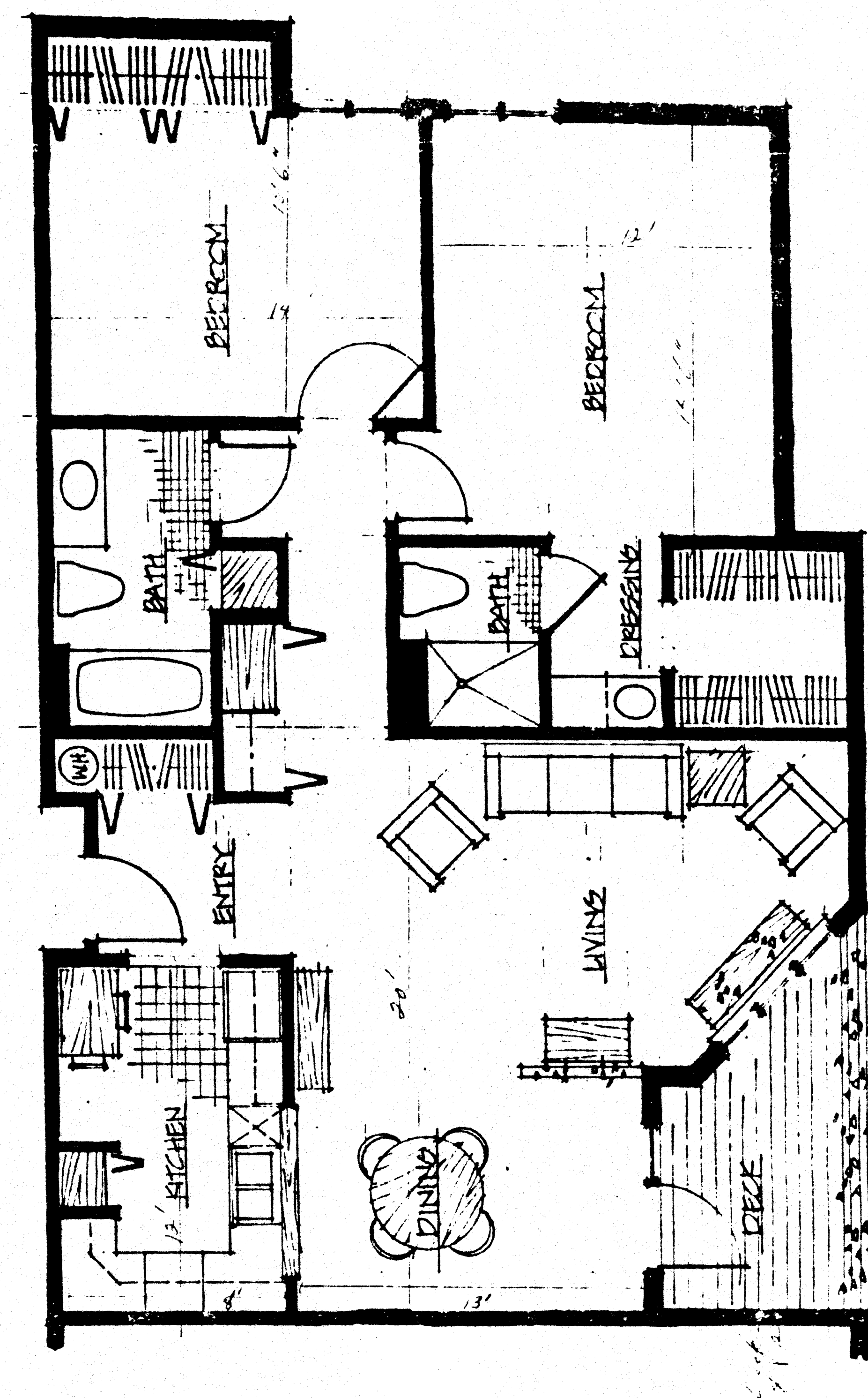

EXHIBIT II-10

DESIGN REVIEW OF THE HERITAGE
BASED UPON HUD DESIGN CRITERIA

A. Design Review Questions

	Unit Type 1	Unit Type 2	Unit Type 2D	
FURNISHABILITY	●	●	●	Are alternative arrangements possible for furniture in the living room and bedroom?
	●		●	Are circulation paths direct and unobstructed when the unit is furnished?
		●	●	Are spaces provided for special furniture such as dining room hutch, work table for hobbies, and TV-stereo console?
	●	●	●	Are windows, doors, and closets located to maximize the number of furnishable corners in each room?
	●	●	●	Are there places to put a TV in the bedroom and living room other than in front of the window?
	●			Are there at least two walls against which a couch can be placed in the living room?
	●	●	●	Is it possible to furnish double occupancy units with two twin beds and single occupancy units with a double bed?
OPTIONS FOR EATING		●	●	Is there a place in kitchens for residents to eat?
	●	●	●	Is there a place near the kitchen for a dining room table for entertaining guests?
	●	●	●	Is there a view from the eating area to the outside?
	●	●	●	Is the more formal dining area visually separated from the kitchen?
CONTROL OF BACKSTAGE		●		Is there a direct route from bedroom to bathroom with door swings in the direction of travel for residents getting up at night?
	●	●	●	Is it possible for guests to use the bathroom without having to walk through the bedroom?
	●	●	●	Is there privacy for the bedroom and bathroom from the living room and kitchen?
		●	●	Is the bathroom located so that the door can be left open without giving direct views into it from the entry, living room, and kitchen?

● Included in The Heritage

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EXHIBIT II-10 (Continued)

	UNIT TYPE 1	2	2D	
	●	●	●	Is the unit organized so that residents and guests do not have to pass through the kitchen when entering or moving from room to room?
	●	●	●	Is the unit designed so that doors to bedroom and bathroom can remain open without obstructing circulation?
STORAGE AND DISPLAY	●	●	●	Are there walls in the entry and other rooms for display of personal objects?
	●	●	●	Are walls constructed so that residents can hang objects on them safely and without permanent damage?
		●		Are windows designed with sills wide enough for plants and knick-knacks?
	●	●	●	Is there enough space around and above windows for residents to hang draperies?
				Is there storage space for large objects such as foldaway beds, snow tires, and outdoor furniture?
				Is outside storage provided for lawn chairs and gardening tools?
	●	●	●	Are shelves in storage areas and kitchen cabinets easily accessible without use of a step stool?
	●	●	●	Are storage spaces located near the area where stored items are used?
ENTERING	●	●	●	Is there a place outside for residents to put down packages while opening the front door?
	●	●	●	Is the entry vestibule large enough for greeting guests and putting on coats and boots?
		●		Is space provided outside the front door for residents to personalize and identify their unit?
	●	●	●	Is there a window or peephole through which residents can see who is at their door?
				Is the unit designed so that visitors at the front door cannot see into the rest of the apartment?
	●	●	●	Is the coat closet located at the entry where it will be most convenient for residents and their guests?

EXHIBIT II-10 (Continued)

	UNIT TYPE 1	UNIT TYPE 2	UNIT TYPE 2D	
OUTDOOR TERRITORY				Does each ground floor unit have a porch or patio?
			●	Do upper floor units have balconies or slidng glass doors with railings?
			●	Is the territory belonging to each unit easily identifiable for residents and their neighbors?
			●	Are porches and patios designed so that residents can watch outdoor activity from them while sitting down?
				Are balconies designed so that the view from inside is not obstructed by railings or walls?
				Are outdoor extensions designed so that they can be used comfortably at different times of the day and during different seasons?
WINDOWS TO THE WORLD	●		●	Is there a window in the kitchen, dining or living area beside which residents can sit in a comfortable chair and watch community activities?
	●	●		Are bedroom windows designed so that furniture can be placed in front of them without obstruction and so that bedridden residents can see out?
		●	●	Are windows sufficiently separate from outdoor public areas to ensure that resident privacy is not invaded?
		●		Is it possible for residents to see outside while eating in the kitchen?
			●	Are second storey living room windows low enough for residents to see ground level activity?
INDOOR SHARED PLACES (Applicable to all units)		●		Are corners and walls available in shared hallways and entries for residents to personalize and decorate?
		●		Are stair landings in front of unit entries large enough for personal display and items such as wet boots?
		●		Is there a storage area in common entries where residents can store outdoor equipment such as lawn chairs?

EXHIBIT II-10 (Continued)

		Are screen doors with locks provided on front doors so that residents can be neighborly without reducing sense of security?
	●	Is space available in shared entries for residents to sit and socialize?
OUTDOOR SHARED PLACES (Applicable to all units)		Are places provided for residents to sit outside near their units without being in a main circulation path?
		Are outdoor sitting areas in front of units large enough so that several people may use them without conflict?
	●	Are outdoor shared areas located to avoid visual and auditory invasion of nearby units?
		Are outdoor areas between units clearly defined in terms of shared spaces and private territory?
CLUSTERING (Applicable to all units)	●	Are units arranged in identifiable clusters so that residents have a sense of being part of a smaller group within the larger project?
	●	Are the clusters designed so that each is identifiable as a group, different in some way from the rest?
	●	Are pathways in the cluster organized to be visible from unit windows so that residents can watch activity?
		Are pathways in the cluster designed so that people walking on them do not invade the privacy of residents in units?
	●	Are pathways in the cluster adequately separate from those for the entire project so that clustered units have a defined territory?
	●	Are pathways organized to maximize chance encounters among residents?
	●	Is parking close enough to each cluster to minimize walking distance and to clearly indicate to which cluster it belongs?

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EXHIBIT II-10 (Continued)

COMMUNITY SPACE LOCATION (Applicable to all units)	●	Are both indoor and outdoor community spaces organized to create a focal point of activity on the site?
	●	Are community spaces located at the focus of pedestrian movement on and off the site?
	●	Are community spaces located near frequently used services like laundry and mail to increase the likelihood of residents dropping in on activities?
	●	Are community spaces located to minimize walking distance from units, exposure to bad weather, and physical barriers such as steep slopes and stairs?
		Are community spaces within view of a maximum number of units?
INDOOR COMMUNITY SPACES (Applicable to all units)	●	Is there at least one space which residents can use as a common informal "living room"?
	●	Is there a space where all residents in the community can gather at one time for meetings and games?
	●	Is there a space with kitchen facilities which residents can use for private parties of 12 to 16 people?
	●	Are there places which men can claim apart from others using indoor community spaces?
	●	Is there space adjacent to but separate from the laundry where residents can wait and socialize?
	●	Is there space adjacent and visible to mailboxes where residents can wait for mail to be delivered?
	●	Are management offices accessible to residents as well as private enough for management to get their work done?
OUTDOOR COMMUNITY SPACES (Applicable to all units) (Not applicable to project)	●	Are garden areas available for residents' use and located where they can be enjoyed from units and pathways?
		Are there places for clothes drying lines near to and visible from apartment units?

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EXHIBIT II-10 (Continued)

Are outdoor eating, picnic, and barbecue areas located near enough to inside community space to make use of kitchen and bathroom facilities?

Are community activities such as games located where there is a place for an audience to sit in the shade and where equipment can be stored close by?

Are facilities provided for games and sports which are locally popular?

PATHWAYS AS ACTIVITY GENERATORS

(Not applicable to project)

Is there one major pathway which connects most units with major on- and off-site activities?

Are sitting areas provided at intervals along the major pathway so that residents can sit and watch activity?

Are pathway intersections designed to accommodate a greater concentration of traffic and socializing?

Are sitting areas located close enough to pathways for residents to recognize passersby and in places where they are likely to be used?

Are community activities such as games located along pathways to encourage casual participation?

Are pathways and sitting areas located to maximize sun in winter and shade in summer?

PATHFINDING

(Not applicable to project)

Is the site organized to provide clear unit addresses within the conventional address systems of streets, entries, and units?

Is it easy for residents to describe to friends how to find where they live?

Are units and clusters designed and located so that it is easy for residents and visitors to orient themselves?

Is there a clear and consistent distinction between front door and back door of units?

Are natural and built landmarks utilized to help give individual identity to different clusters and different parts of large sites?

EXHIBIT II-10 (Continued)

RETREATS (Not applicable to project)		Are there places for people to walk to on the site, removed from community activities, where residents can get away from it all?
		Are natural features of the site, like ponds and tree groves utilized as pleasant places for residents to walk to?
		If no natural features exist, are built retreats such as duck ponds and picnic areas provided?
		Are pathways to retreats easily accessible from residents' units?
		Are natural or planned pathways organized to provide different degrees of challenge to residents with a wide range of physical energy?
CARS (Applicable to all units)		Is parking located so that parked cars do not dominate views from units?
	●	Is parking located in small areas around the site as convenient as possible to each unit?
	●	Are there convenient drop-off places near residents' units for getting in and out of cars?
	●	Are roadways and parking areas located so that they do not interfere with natural pedestrian pathways?
	●	Are drop-off and pick-up areas easy to find and located where residents can wait comfortably and conveniently?
	●	Are vehicular drop-off places visible from community spaces and units so that residents can watch the activity?
GETTING ON AND OFF THE SITE (Applicable to all units)	●	Is there a natural or built "gateway" at the entrance to the project on sites where the housing is separate and distinct from the surrounding neighborhood?
		Are site planning and addresses similar to surrounding streets on sites where the housing is intended to be a continuation of an existing neighborhood?
	●	Is the site organized so that there is a convenient and direct pedestrian pathway on and off the site for residents going into town?

EXHIBIT II-10 (Continued)

Are bus stops located in places convenient to residents?

ON-SITE FACILITIES FOR CHILDREN
(Not applicable to project)

If indoor day-care facilities for children are provided, do they have a separate entrance so that children do not disturb residents using community spaces?

Are children's outdoor play areas visible from sitting areas from which residents can watch?

Are children's play areas physically separated from resident community spaces to minimize possible unwanted physical encounters?

Are children's outdoor play areas acoustically separated from dwelling units?

Are children's play areas designed to discourage children from wandering into other parts of the community?

ON-SITE NEIGHBORHOOD FACILITIES FOR ADULTS
(Not applicable to project)

Is the community center accessible to outsiders for large functions without invading residential areas like mail room and laundry?

Are community spaces easy to find by outsiders when entering the site?

Are entrances to neighborhood-wide spaces easily controlled by residents?

Are facilities intended for neighborhood use located in such a way that outsiders are not forced to walk through the site to get to them?

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where the circulation pattern and wall layouts permit more than one kind of furniture arrangement in a particular room.

Supportive services such as laundry, supplemental storage, and waste disposal are grouped in clusters around a sitting area so that in doing daily chores there is adequate opportunity for residents to meet one another and overcome the loneliness which characterizes a loss of mobility. The attached garages at the south end of project wings A and B enjoy automatic door openers, ramped entrances into the building, and a general freedom from interior posts or cramped parking spaces which might harrass elderly drivers. The plans do not indicate windows for natural light in the garage, which might be desirable should the usual lighting systems burn out. Since the eastern and western wings have not been finished in the first phase, an additional 96 attached garage stalls have also been postponed. Instead, ancillary attached garages are planned along the northern edge of the property, linked to the dining wing with an all-weather connector. If these parking spaces prove to be redundant, some could be converted to rentable furniture storage areas. The ancillary garage provides a desirable barrier between the project and the activity of Valley Fair Shopping Center.

D. Community Areas--City Square

In addition to small social areas for the residents in each wing, a central hub for general administration and community activities has been provided between the residential wings and the dining area, placed strategically to benefit from the flow of people to and from the dining area and the front entrance way. It is a three-story space which permits the residents to observe activities discretely from each level of an architectural centerstair before choosing to participate. Specially designated spaces for chapel, counseling, reading, crafts, cards, and TV watching are provided. There is a motel room and bath for a guest of a resident, and a coffee shop counter conveniently tied to the kitchen providing the residents an excuse to visit City Square between meals or without any specific activity or function in mind. Vertical circulation is encouraged with an elevator, an open stair in the atrium, and a high level of visibility from oblique angles of the open center core, skylighted from above for that important magnet of sunshine in a northern climate. The mailroom is made a special feature as this is an important draw for the elderly. The front entrance vestibule is spacious with a waiting area and the outside is shielded from the wind and rain for convenient loading and unloading from autos. There are several public bathrooms that are convenient to the entrance way and dining areas, recognizing that the elderly may not be able to walk long distances to find public facilities. At the same time, management offices and secretarial people are made readily visible and accessible to underscore a readiness to help. The City Square core is of fire resistant construction and fully furnished in a comfortable residential mode to attract and encourage social interaction, the core of the congregate housing idea. Again the reader is referred to the second portion of Design Review questions, Exhibit II-10, which will underscore the social behavioral questions which have properly been addressed in this design for the elderly.

E. Dining and Kitchen Areas

A primary tool for motivating the elderly to venture out of their apartments, to groom for social interaction, to maintain their social skills, as well as to maintain proper nutrition, is the kitchen and dining facility for the retirement living center. The dinner meal becomes a primary social event, and the gallery connecting the dining room to City Square features a series of small alcoves among the structural pylons to provide displays of residents' crafts and hobbies as well as a gracious entry. The gallery also provies a sunny exit to an outside dining patio to which luncheon trays might be taken. Significantly, the dining area has parted from a domestic architectural format to an open ceiling, contemporary shed roof with clerestory windows to flood the evening dinner hour with the late afternoon sun. The height and light and acoustic treatments alleviate the claustrophobia of conventional spaces, causing the residents to linger longer after meals. At the same time, elderly residents enjoy social dinners in smaller groups for birthdays, anniversaries, and similar events so that a smaller private dining room has been provided off the Gallery. It has its own fireplace, a wet bar, and can be served from the kitchen, while remaining secluded from the others in the main dining room. As pointed out earlier, the modular post and truss framing of the dining room would permit easy expansion to the north to the edge of the ancillary garage.

A full kitchen has been provided with food preparation and storage areas capable of handling an additional 100 residents should the dining room be expanded to the north. Specific lists of kitchen stoves, dishwashers, and all manner of equipment can be found with the plans and specifications for the project, and therefore will not be listed separately here. The kitchen is well located to receive deliveries from the northeast corner of the site. These deliveries enter immediately adjacent to coolers and dry storage. A maintenance shop conveniently adjoins this same rear delivery and an employee parking lot, well screened visually from all the public areas of the project as well as virtually all of the apartment windows in the residential wings. A freight elevator serves this rear service entry and all three levels of the residential wings to permit the movement of housekeeping equipment, the furniture of residents moving in or out, and the removal of residents by stretcher without disturbing activities in City Square. In short, the physical plan shows much sensitivity to the needs for multiple horizontal and vertical circulation options which separate project operations from resident circulation where social interaction is desirable.

III. MARKET FEASIBILITY

A. Overview

The Heritage is well located in a cluster of communities which are entering a period of rapid increase in the number of elderly cohorts of the middle class. Like many American communities, the Fox River Valley area is just beginning to address the need for specialized housing to bridge the housing cycle gap from high cost, independent living, single family detached homes to full-care nursing home dependency. To measure this awareness of need among the elderly in the Appleton, Neenah, and Menasha area and to estimate the effective demand for a privately developed retirement center which is not tied to a Section 8 government subsidized rent program, a comprehensive and intensive study titled, Market Study Analysis for Proposed Retirement Center in Appleton, Wisconsin, was completed by Landmark Research, Inc., in December of 1983. The following market parameters are drawn from this study which is referenced into this appraisal and provided in full as a separate addendum to this appraisal.

B. Effective Demand for The Heritage Retirement Center Apartments

1. Demographics of the Elderly in Appleton, Neenah, and Menasha

The population of elderly persons 65 years and older in Appleton, Neenah, and Menasha is the fastest growing segment of the population in these communities located closest to The Heritage. The site, formerly in the Town of Menasha and annexed into the City of Appleton in late 1983, is located in the area that experienced the most rapid growth between 1970 and 1980 of persons 65 years and older. Excerpts from Exhibit 5 through Exhibit 9, pages 20-24, in Section II of the above referenced market study are summarized below:

	% Change in Population Persons Under 65 Years 1970 - 1980	% Change in Population Persons 65 Years & Older 1970 - 1980
Appleton-City	+1.5%	+20.1%
Neenah-City	-4.4%	+23.5%
Menasha-City	-39.5%	+25.1%
Neenah-Town	-24.9%	+21.4%
Menasha-Town	+55.0%	+73.6%

Exhibit 20, page 48 in the above referenced study projected an increase of 952 persons (from 11,720 to 12,672) 65 years and older from 1980 to 1983 in the defined study area, given the historical growth rates over the past ten years for this population segment.

2. Supply of Existing Alternatives

There are no other non-subsidized (Section 8) retirement centers in the Appleton, Neenah, and Menasha area which offer congregate dining and social/recreational programs as well as apartments designed especially for elderly persons. See Section III pages 40-44 of the Landmark Research market study for a discussion of housing alternatives for the elderly.

As rental rates in the private apartment sector catch up to the market in the Appleton area, due in part to the mass purchase of poorly managed apartment projects by several syndicators who immediately bring rents up to market, and due in part to inflation and increased demand, the elderly will find that fewer low-cost alternatives to home ownership are available.

All indicators suggest a pent-up demand for a private retirement living center targeted to the middle-class elderly who prefer to live in the Fox River Valley area.

3. Survey Results for the Defined Study Area of Appleton, Neenah, and Menasha

Landmark's analysis of the 388 responses from a mail survey sample composed of persons 65 years and older with an Appleton, Neenah, or Menasha address who were neither living in a nursing home nor in a subsidized (Section 8) elderly housing project suggested an effective demand for approximately 100 one and two bedroom apartments in the first year after the retirement center is ready for operation. See Section IV of the referenced market study, in general, and Exhibits 38 through 40, in particular. An expansion of the survey sample beyond the Appleton, Neehah, and Menasha area and a reevaluation of the more tentative responses since the December 1983 analysis suggest a total effective demand for 150 units in the first year of operation after The Heritage is completed and ready for occupancy. A discussion of the update in the estimate of effective demand follows.

The study area for the referenced market study was confined to the Appleton, Neenah, and Menasha areas based upon the assumptions that (1) these population centers constituted the primary market area for effective demand for The Heritage; and (2) it was more cost effective to concentrate the study in the immediate areas of the proposed site.

Other populated areas along the Fox River to the east of Appleton constitute additional secondary sources of effective demand. A listing of these communities with pertinent secondary demographic data is shown in Exhibit III-1. A map of the area, taken from the original survey, is shown in Exhibit III-2.

EXHIBIT III-1

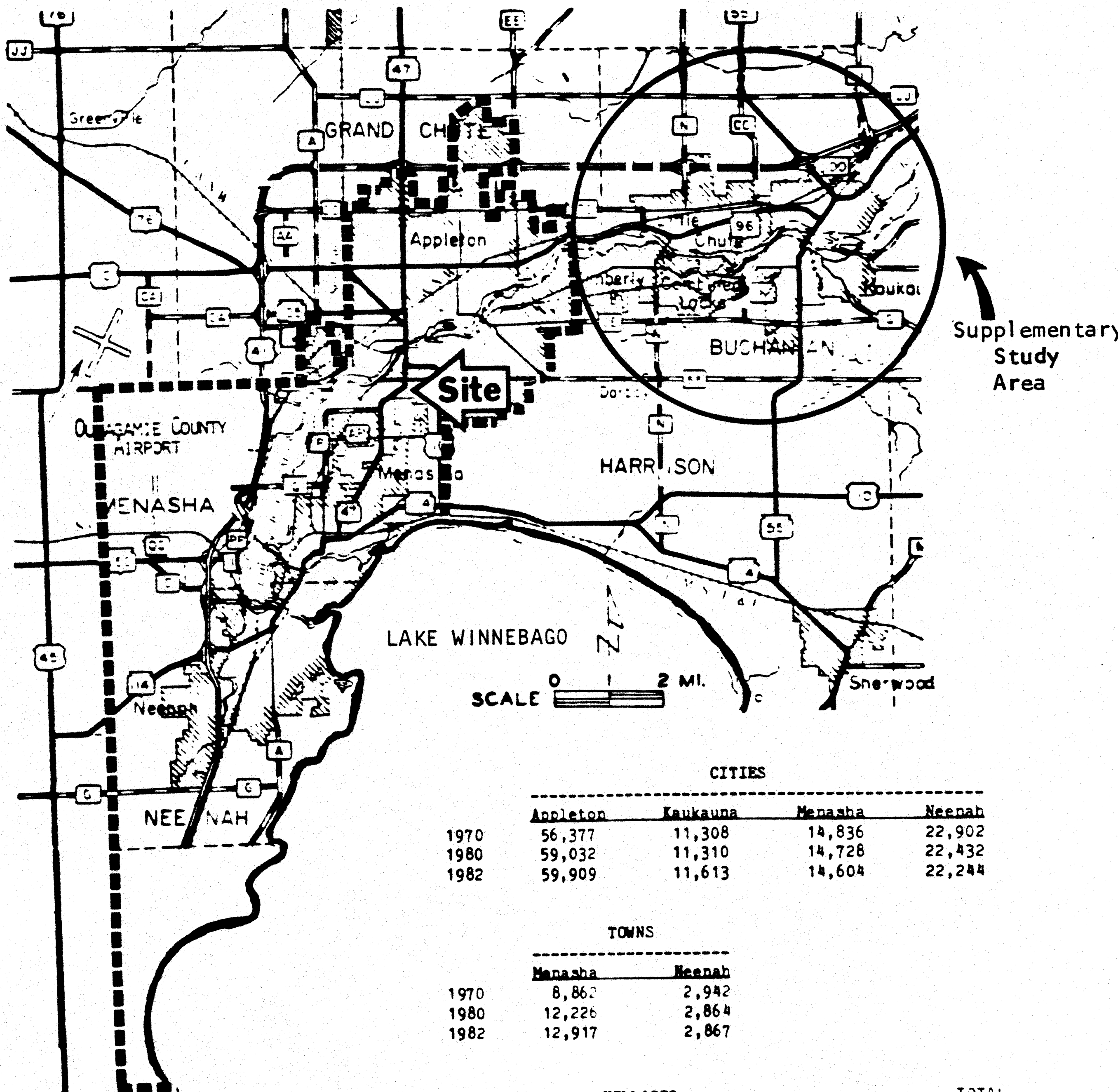
NUMBER OF PERSONS 65 YEARS AND OLDER
AND
NUMBER OF ELDERLY PERSONS PER HOUSEHOLD
IN SUPPLEMENTARY STUDY AREA
1980 CENSUS DATA

	KIMBERLY VILLAGE	LITTLE CHUTE VILLAGE	COMBINED LOCKS VILLAGE	KAUKAUNA CITY	TOTALS
TOTAL 1980 POPULATION	5,881	7,907	2,573	11,310	27,671
NUMBER OF ELDERLY IN EACH COMMUNITY					
65 - 74	320	392	67	767	1,546
75 - 84	149	225	22	417	813
85 +	30	96	3	117	246
TOTAL ALL PERSONS 65 YEARS AND OLDER	499	713	92	1,301	2,605
PERCENT OF ALL ELDERLY 65 YEARS AND OLDER	8.5%	9%	3.6%	11.5%	9.4%
ELDERLY PERSONS IN INSTITUTIONS AND GROUP QUARTERS	(0)	(167)	(0)	(62)	(229)
TOTAL PERSONS 65 YEARS AND AND OLDER - POTENTIALLY ELIGIBLE FOR RETIREMENT CENTER	499	546	92	1,239	2,376
NO. OF HOUSEHOLDS HEADED BY PERSONS 65 YEARS AND OLDER	354	379	62	889	1,684
NO. OF PERSONS PER HOUSEHOLD EXCLUDING PERSONS IN INSTITUTIONS AND GROUP QUARTERS	1.41	1.44	1.48	1.39	1.41

Source: 1980 Census Data - General Population Characteristics - Wisconsin: Part 51, Pages 183, 184, 177, & 162

EXHIBIT III-2

MAP OF STUDY AREA FOR MADSEN-HOFFMAN
RETIREMENT CENTER MARKET SURVEY RESEARCH



KEY:
Study area boundary

and shore line of
Lake Winnebago

CITIES

	Appleton	Kaukauna	Menasha	Neenah
1970	56,377	11,308	14,836	22,902
1980	59,032	11,310	14,728	22,432
1982	59,909	11,613	14,604	22,244

TOWNS

	Menasha	Neenah
1970	8,862	2,942
1980	12,226	2,864
1982	12,917	2,867

	VILLAGES			TOTAL
	Combined Locks	Kimberly	Little Chute	Fox Cities
1970	2,771	6,131	5,522	138,560
1980	2,573	5,881	7,907	148,419
1982	2,508	5,947	8,339	151,141

Source: U.S. Census Bureau, 1970, 1980, Wisconsin Department of Administration, 1982

Between 1970 and 1980 the 65 year and older population in the City of Kaukauna grew 21 percent, or at an average of 2.1 percent per year, compared to minimal growth (less than 0.1 percent) for the entire Kaukauna population in ten years. Ten-year growth figures are not available for the Villages of Kimberly, Little Chute, or Combined Locks, but the projected average growth rate for the original study area was 2.7 percent per year. Using 2.5 percent per year, the estimated number of non-institutionalized persons 65 years and older in the supplementary study area in 1984 is projected to be 2,614 (1.10 x 2,376). (See Exhibit III-3 for adjusted 1984 Elderly Population Frame.) If the number of persons per household remains at approximately 1.41, a conservative projection, the estimated number of elderly households in 1984 in the supplementary study area is estimated to be 1,853.

If the characteristics and behavior of the elderly population in the Kaukauna, Combined Locks, Kimberly, and Little Chute areas are similar to those of the respondents in the Appleton, Neenah, and Menasha area, the same capture rates could be assumed for the proposed Madsen/Hoffman retirement center. An effective demand of 103 units, estimated from a population of 7,668 households in the original study area, results in a composite ratio of 0.0134. When this ratio is applied to the 1,853 households in the supplementary area, the

EXHIBIT III-3

ADJUSTED 1984 ELDERLY POPULATION FRAME
SUPPLEMENTARY STUDY AREA

Total Number of Persons 65 Years and Older - Potentially Eligible [1] for the Retirement Center	2,376
Projected Average Growth Rate of 2.5 Percent per Year = 10 Percent for Four Years	x 1.10
Estimated Number of Eligible Elderly in Supplementary Study Area in 1984	2,614
Number of Persons Per Household Excluding Persons in Institutions and Group Quarters	÷ 1.41
Number of Households Headed by Persons 65 Years and Older	1,853

[1] Not living in an institution such as a nursing home or in group quarters.

additional effective demand would be 25 units. Some adjustment downward might be needed for the loss of drawing power because of increased travel distance from familiar neighborhoods, but we are uncertain as to how to make the calculation for these secondary market areas. No adjustment is made for the subsidized units scheduled to be constructed in the Kaukauna area. No other subsidized housing is presently available to the elderly in Kimberly, Little Chute, Combined Locks, and Kaukauna according to the Outagamie Housing Authority Office.

Understandably, many of the elderly respondents to the survey were tentative in their response to a hypothetical project. Once the project is completed and occupied by a peer group to be emulated, the capture rate of the more tentative respondents can be signficantly improved. The result is a new segment of the market will be opened with construction in place. Reference to Exhibits III-4 and III-5 demonstrate a small increase in the capture rate among the more tentative, but interested respondents will generate an effective demand for an additional 25 units. Therefore, an estimated effective demand for a total of 150 units is suggested from the original and updated market survey analyses.

EXHIBIT III-4

(EXHIBIT 38)
(ORIGINAL REPORT)

CAPTURE RATES ASSUMED FOR EACH SUBSET OF POTENTIAL RETIREMENT CENTER RESIDENTS

Group	Number in Sample	Capture Rate	
A. 75 years and older, qualified homeowners or renters who expressed serious interest in moving	18	1:3	33.0%
B. 65 to 74 year old qualified homeowners or renters who expressed serious interest in moving	9	1:5	20.0%
C. 75 year and older qualified homeowners or renters who expressed a more tentative interest in a year or so	16	1:6	16.7%
D. 65 to 74 year old qualified homeowners or renters who expressed a more tentative interest in a year or so	24	1:8	12.5%
E. 75 year and older qualified homeowners and renters who expressed interest, but would wait and see how others liked the project	3	1:20	5.0%
F. 65 to 74 year old qualifided homeowners and renters who expressed interest, but would wait and see how others liked the project	14	1:25	4.0%
G. 75 years and older qualified homeowners and renters who would be interested ONLY if and when needed	38	1:30	3.3%
H. 65 to 74 year old qualified homeowners and renters who would be interested ONLY if and when needed	65	1:50	2.0%

EXHIBIT III-5

REVISED ESTIMATION OF EFFECTIVE DEMAND FOR MADSEN-HOFFMAN RETIREMENT CENTER APPLETON - NEENAH - MENASHA STUDY AREA ONLY

MOST PROBABLE MARKET

	SAMPLE RATIO			POPULATION POTENTIAL					CAPTURE RATE [1]	EFFECTIVE DEMAND
Group A.	18/1,242	=	.0145	7,668	x	.0145	=	111 units	.330	37 units
Group B.	9/1,242	=	.0072	7,668	x	.0072	=	55 units	.200	11 units
Group C.	16/1,242	=	.0013	7,668	x	.013	=	100 units	.250	25 units
Group D.	24/1,242	=	.019	7,668	x	.019	=	146 units	.188	27 units
Estimated Number of Units Captured From Most Probable Market Group										100 units

TENTATIVE MARKET

	SAMPLE RATIO			POPULATION POTENTIAL					CAPTURE RATE	EFFECTIVE DEMAND
Group E.	3/1,242	=	.0024	7,668	x	.0024	=	18 units	.060	1 unit
Group F.	14/1,242	=	.0113	7,668	x	.0113	=	87 units	.050	4 units
Group G.	38/1,242	=	.0306	7,668	x	.0306	=	235 units	.040	10 units
Group H.	65/1,242	=	.0523	7,668	x	.0523	=	401 units	.025	10 units
Estimated Number of Units Captured From Tentative Market Group										25 units
TOTAL ESTIMATE - EFFECTIVE DEMAND										125 UNITS

[1] Small increases in the circled capture rates are made to reflect the increased public confidence and interest in a project that is shifting from a hypothetical one to an identifiable and acceptable living alternative for the elderly.

4. Appleton Housing Authority Definition of Eligibility for Subsidized Units and Effect Upon the Project

Eligibility for tax-exempt financing from the Appleton Housing Authority requires that the project serve public purposes. In this case, the public purpose is to house the elderly so that 80 percent of the units must be occupied by households who have at least one member qualified as elderly as defined in Section 66.395 of the Wisconsin Statutes. In addition, 20 percent of the units have a preferential reservation for clients of the Appleton Housing Authority. However, the contract with the Appleton Housing Authority is unusually generous for such arrangements because of the following features:

1. Income for eligibility is $22,900/year, the base maximum income for a family of four of low to moderate standards in other housing programs.
2. The operator is required only to make a "best effort" marketing move toward the elderly and then the reservation is released so the units can be rented to a less specialized market.
3. The rents charged the Housing Authority for their clients are the same as those charged in the private market, unlike many situations where interest savings from tax-exempt financing must

provide deep subsidies on the 20 percent block of units reserved for the Housing Authority.

Thus, the benefit of the tax-exempt financing interest charges have been secured with minimum concessions to the Housing Authority, and all residents in the project benefit from lower rents or greater amenities than would have been possible with conventional interest rates.

C. Absorption Projections for Apartment Units and Garages

Based upon actual leasing patterns through November 1984, the reported behavior and attitudes of potential Heritage residents, and the responses of elderly persons from the survey sample, projections are made of the anticipated pattern of future absorption for The Heritage apartments. Exhibit III-6 gives a month-by-month count of a reasonable number of units of each type that may be rented until the project is 100 percent occupied at the end of 1986. The assumptions upon which these projections are made are explained in the footnotes which follow the exhibit. It is quite likely that, as the project nears completion, the momentum of absorption will be even greater than anticipated, but even if the pace is more moderate, the project has a very favorable future.

Exhibit III-7 converts the absorption pattern into projected occupancy/vacancy rates for each unit type. Similar

THE HERITAGE
A RETIREMENT LIVING CENTER
ANTICIPATED PATTERN OF ABSORPTION OF APARTMENT UNITS

	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	TOTAL	
1984 ACTUAL THROUGH NOVEMBER														
1 BR, 1 BA Unit					0	1	3	1	3	7	2	1	18	
2 BR, 1.5 BA Unit					4	2	0	2	2	4	7	3	24	
2 BR, 1.75 BA Unit (Deluxe)					3	0	3	2 [1]	0 [1]	0	0	0	8	
Subtotal - 1984 Absorption of Units					7	3	6	5	5	11	9	4		50
1985 PROJECTED [2]														
1 BR, 1 BA Unit [3]	1	1	1	1	2	1	2	3	3	4	5	3	27	
2 BR, 1.5 BA Unit [4]	1	1	2	2	3	2	1	2	3	3	2	2	24	
2 BR, 1.75 BA Unit (Deluxe)	0	0	0	0	0	0	0	0	0	0	0	0	0	
Subtotal - 1985 Absorption of Units	2	2	3	3	5	3	3	5	6	7	7	5		51
1986 PROJECTED [5]														
1 BR, 1 BA Unit	2	2	2	3	3	2	3	5	6	4	2	2	36	
2 BR, 1.5 BA Unit	2	2	3	3	2	0	0	0	0	0	0	0	12	
2 BR, 1.75 BA Unit (Deluxe)	0	0	0	0	0	0	0	0	0	0	0	0	0	
Subtotal - 1986 Absorption of Units	4	4	5	6	5	2	3	5	6 [6]	4 [6]	2	2		48
TOTAL UNITS ABSORBED THROUGH 1986														147

actual = 65

actual 8/6/85 = 70

65   71   82   89/96   96/101

2/1/86 = 92

105   107

107
92
15 Down

EXHIBIT III-6

FOOTNOTES TO EXHIBIT III-6

ABSORPTION PROJECTIONS

[1] After all 8 deluxe 2-bedroom, 1.75 bath units were leased, a waiting list was established. In August 1984, one couple placed their names on the waiting list for the deluxe unit and in September 1984, two more couples were placed on the deluxe unit waiting list. No more reservations were taken for the deluxe unit at that time. It is assumed that over time, the majority of candidates for the deluxe units will select a 2-bedroom, 1.5 bath unit when the project is complete.

[2] It is assumed that there will be a slow-down period during the early part of 1985 due to the tendency of older persons to either stay close to home or seek warmer climates in the winter and also due to the residual inertia which results from the holidays. The hot summer months and vacation time when families visit may also be slower rent-up periods.

[3] One-bedroom units will be absorbed at a slower rate initially; the single person, usually a widow, is expected to make the decision to move more cautiously. As the project nears completion in the fall/winter of 1985, it is assumed that the absorption rate of one-bedroom units will increase. In general, the single resident who is more price conscious will delay her/his decision until there is greater assurance the project will be completed as planned, and that other people will find retirement center living a satisfactory alternative.

As the charter population of The Heritage ages, the need for the one-bedroom unit will increase as space needs and resources decrease with the death of a spouse.

[4] The two-bedroom units will continue to have the higher absorption rate. Market research results indicated an initial preference for the two-bedroom units; of the older (75 years and older) most interested survey respondents, 62 percent preferred the two-bedroom unit and 38 percent preferred the one-bedroom unit. The actual unit mix pre-leased as of December 1984 is 65 percent two-bedroom units to 35 percent one-bedroom units.

[5] Winter and summer will continue to be the slower absorption periods, but when the project opens, it is assumed there will be more rent-up activity in the early months of 1986.

[6] In August of 1986, the occupancy rate is estimated to reach 90 percent, and 95 percent of pro forma apartment revenue should be achieved by the end of September 1986.

EXHIBIT III-7

THE HERITAGE
A RETIREMENT LIVING CENTER
OCCUPANCY/VACANCY PROJECTIONS FOR APARTMENT UNITS

I. AVERAGE OCCUPANCY/VACANCY RATES DURING 1985 BY UNIT TYPE

	OCCUPANCY AS OF 01/01/85	OCCUPANCY AS OF 12/31/85	CALCULATION OF AVERAGE OCCUPANCY	AVERAGE OCCUPANCY	AVERAGE VACANCY
1 BR, 1 BA	18/81 = 0.22	45/81 = 0.56	(0.22 + 0.56)/2	0.39	0.61
2 BR, 1.5 BA	27/60 = 0.45	48/60 = 0.80	(0.45 + 0.80)/2	0.63	0.37
2 BR, 1.75 BA	8/8 = 1.00	8/8 = 1.00	(1.00 + 1.00)/2	1.00	0.00

II. AVERAGE OCCUPANCY/VACANCY RATES DURING 1986 BY UNIT TYPE

	OCCUPANCY AS OF 01/01/86	OCCUPANCY AS OF 12/31/86	CALCULATION OF AVERAGE OCCUPANCY	AVERAGE OCCUPANCY	AVERAGE VACANCY
1 BR, 1 BA	45/81 = 0.56	79/81 = 0.975 [1]	(0.56 + 0.975)/2	0.77	0.23
2 BR, 1.5 BA	48/60 = 0.80	60/60 = 1.00	(0.80 + 1.00)/2	0.90	0.10
2 BR, 1.75 BA	8/8 = 1.00	8/8 = 1.00	(1.00 + 1.00)/2	1.00	0.00

III. AVERAGE OCCUPANCY/VACANCY RATES AFTER 1986 BY UNIT TYPE

	VACANCY ASSUMPTION	CALCULATION OF AVERAGE VACANCY	AVERAGE OCCUPANCY	AVERAGE VACANCY
1 BR, 1 BA 81 units x 12 mos. = 972 unit months	During each year, approximately 10% of the units will be vacant for 2 months, or 8 units vacant for 2 months.	8 units x 2 mos. = 16 unit months <u>16 unit months vacant</u> 972 unit months = 0.983	0.983	0.017
2 BR, 1.5 BA 60 units x 12 mos. = 720 unit months	During each year, approximately 10% of the units will be vacant for 2 months, or 6 units vacant for 2 months.	6 units x 2 mos. = 12 unit months <u>12 unit months vacant</u> 720 unit months = 0.983	0.983	0.017
2 BR, 1.75 BA 8 units x 12 mos. = 96 unit months	During each year, approximately 10% of the units will be vacant for 1 month, or less than 1 unit (0.8) vacant for 1 month.	0.8 units x 1 mo. = 0.8 unit months <u>0.8 unit months vacant</u> 96 unit months = 0.990	0.990	0.010

[1] Although all 149 units will be leased by 12/31/86, a small allowance for vacancy is made for turnover of tenants. The average vacancy rate reflects both rent-up and turnover. It is assumed that there will be a waiting list for two-bedroom units initially, so no loss is included for turnovers in 1986.

occupancy/vacancy projections are made for the garages and the results are detailed in Exhibit III-8 complete with footnotes.

D. Confirmation of Estimated Market Demand from Marketing Program to Date and Comparison of Preferences of Charter Residents and Survey Respondents

At the end of November 1984, with 49 units reserved, the goal of 50 reserved units or 50 percent of Landmark Research's estimated effective demand as of December 1983 for the first 100 units to be occupied in the first full year of operation is within reach before the start of construction; the goal will most likely be reached and even surpassed in December 1984.

As expected, the majority of those who have pre-leased a Heritage apartment are from Appleton, Neenah, and Menasha. The actual tally to date, compared with the survey results of financially qualified interested respondents 75 years and older, follows:

	ACTUAL		SURVEY	
	No.	%	No.	%
Appleton	34	69%	27	84%
Neenah	3	6%	1	3%
Menasha	4	8%	2	6%
Other	8	16%	2	6%
	49	100%	32	100%

THE HERITAGE
A RETIREMENT LIVING CENTER
OCCUPANCY/VACANCY PROJECTIONS FOR GARAGE STALLS

I. PRE-LEASING EXPERIENCE - 1984

Of the 49 units leased as of December 1, 1984, 41 residents have reserved a garage stall assumed to be in the 48-stall attached garages at the end of the A and B wings of The Heritage. Therefore, the ratio of residents/garages is approximately 84 percent and the occupancy ratio for the 48 stalls is 41/48, or 85.4 percent. No reservations had been made specifically for the 60 ancillary garage stalls.

II. AVERAGE OCCUPANCY/VACANCY RATES DURING 1985 BY GARAGE TYPE

	OCCUPANCY AS OF 01/01/85	OCCUPANCY AS OF 12/31/86	CALCULATION OF AVERAGE OCCUPANCY	AVERAGE OCCUPANCY	AVERAGE VACANCY
48 Attached Garage Stalls	41/48 = 0.85	48/48 = 1.00	(0.854 + 1.00)/2	0.925	0.75
60 Ancillary Garage Stalls	0/60 = 0.00	36/60 = 0.60 [1]	(0.00 + 0.60)/2	0.30	0.70

III. AVERAGE OCCUPANCY/VACANCY RATES DURING 1986 BY GARAGE TYPE

	OCCUPANCY AS OF 01/01/86	OCCUPANCY AS OF 12/31/86	CALCULATION OF AVERAGE OCCUPANCY	AVERAGE OCCUPANCY	AVERAGE VACANCY
48 Attached Garage Stalls	48/48 = 1.00	48/48 = 1.00	(1.00 + 1.00)/2	1.00	0.00
60 Ancillary Garage Stalls	36/60 = 0.60	57/60 = 0.95 [2]	(0.36 + 0.95)/2	0.65	0.35

IV. AVERAGE OCCUPANCY/VACANCY RATES AFTER 1986 BY GARAGE TYPE

	VACANCY ASSUMPTION	CALCULATION OF AVERAGE VACANCY	AVERAGE OCCUPANCY	AVERAGE VACANCY
48 Attached Garage Stalls (48 stalls x 12 mos. = 576 stall months)	10% of stalls vacant for 1 month	$\frac{\text{5 stalls vacant for 1 mo.}}{\text{576 stall months}}$	0.99	0.01
60 Ancillary Garage Stalls (60 stalls x 12 mos. = 720 stall months)	30% of stalls vacant for 2 months	$\frac{\text{18 stalls vacant for 2 mos.}}{\text{720 stall months}}$	0.95	0.05

FOOTNOTES TO EXHIBIT III-8

OCCUPANCY/VACANCY PROJECTIONS FOR GARAGE STALLS

[1] As of December 1984, of the 17 persons who reserved a one-bedroom unit, 53 percent, or 9 persons, also reserved an attached garage stall.

It is estimated that of the 27 persons who will reserve a one-bedroom unit in 1985, 50 percent, or 14, will also reserve a garage stall. Of the 24 persons who will reserve a two-bedroom unit, 90 percent, or 22 persons, will also reserve a garage stall. Therefore there will be a demand for 36 of the 60 ancillary garage stalls in 1985.

At that same point in time, of the 32 persons who had reserved two bedroom and two-bedroom deluxe units, 32, or 100 percent, had also reserved an attached garage stall.

The persons who have pre-leased an apartment in 1984 tend to be more independent, have more flexible living patterns, and are likely to still drive a car. It is less likely that the more dependent persons who will take a longer time to make their housing decision will also want to maintain a car and reserve a garage stall.

[2] In 1986 it is assumed that of the 34 persons leasing one-bedroom units, 11, or 33 percent, will also reserve a garage stall. Of the 12 persons leasing two-bedroom units, 10. or 80 percent, will also reserve a garage stall. Therefore in 1986, 21 more garage stalls will be occupied. A total of 57 ancillary garage stalls will be occupied.

The market study area was confined to the Appleton, Neenah, and Menasha area; the two survey respondents not residing within the study area were currently residing in California and in Florida at the time of the survey, but want to return to Appleton. The actual charter residents who are from outside the study area include two from Florida, one from California and one from Illinois, and four from Port Edwards, Kimberly, Nekoosa, and Oshkosh.

It appears the marketing program is reaching well outside the vicinity of the site and the response has been favorable. This confirmation of effective demand outside Appleton, Neenah, and Menasha adds support to Landmark's estimate of additional demand for 25 units in the supplementary market area.

The average age of the charter residents of The Heritage is 76 years old. The majority of the survey respondents who were seriously interested in moving to a retirement living center in the near future were 75 years and older. A comparison of the preferences of the charter residents and the seriously interested survey respondents 75 years and older follows:

	ACTUAL CHARTER RESIDENTS	SERIOUS SURVEY RESPONDENTS 75 YEARS AND OLDER	
Unit Mix Preference	2 BR - 65% 1 BR - 35%	2 BR - 62% 1 BR - 38%	
Income Level - Annual Income	$22,318/year (1984)	$20,800/year (1983)	
Enclosed Garage	Yes - 84%	Heated & underground	52%
		Detached & locked	42%
	No - 16%	Carport	3%
		No response	3%

The actual absorption pattern for Heritage units and the profile of the charter residents to date is very consistent with the market survey forecasts.

E. <u>Evaluation of The Heritage Pricing Structure for Apartments, Garages, Food, Services and Other Amenities</u>

1. Description of Current Heritage Pricing Structure

The current pricing structure for The Heritage, which closely resembles the findings from the referenced market study, (see page 5 of study) is as follows:

	Monthly Service Charge	Refundable Entry Fee
1 BR 1BA Apartment	$595	$25,000
2 BR 1.5 BA Apartment	$675	$30,000
2 BR 1.75 BA Deluxe Apartment	$750	$35,000
Second Occupant	$175	$ 2,500

The refundable entry or residency fees are used to fund the gap between total project costs and capital funds raised from the mortgage and from syndication of the partnership shares. Refundable fees are ignored by the appraiser, and value is based only on the revenues from monthly services charged and other miscellaneous income. The appraiser has presumed that the existence of an entry fee retards demand so that, if for any reason, project absorption rates were to fall short of expectations, entry fees could be eliminated to accelerate absorption and protect the mortgage lender at the expense of partnershp equity. The monthly service charges are used to fund the daily operation of The Heritage when the project is completed and occupied and are the major sources of revenue for the retirement center. The following amenities and services are included in the monthly service charge:

APARTMENT AMENITIES

- Apartment unit with fully equipped kitchen, carpet, tile and draperies
- Monthly apartment cleaning
- Individual hot water heaters
- Master antenna television reception
- 24 hour emergency response system
- Individual room-controlled heating (electric heating costs are not included)
- All utilities, less electricity and long distance telephone
- Smoke detection and sprinkler systems

COMMON AMENITIES

- Daily meal in restaurant-style dining room
- Schedule van transportation
- On-site health mainenance office
- Wide array of social and recreational activities
- Professional management
- 24 hour building security system
- Common areas for hobby and craft interests
- Library
- Use of private dining room
- Chapel
- Landscaped grounds for personal gardening and enjoyment
- Spacious lobby and lounge areas
- Conveniently located clothes washers and dryers, elevators, resident storage spaces, and trash disposal

Other sources of revenue include: guest lodging and meals, tray service, sheltered parking, air-conditioning, additional housecleaning, additional laundry, barber and beauty shops and coffee shop.

2. Analysis of the Monthly Service Charge Components and Other Sources of Project Revenue

Two exhibits, complete with explanatory footnotes, provide the basis of the analysis of the current pricing structure for The Heritage apartments and services. Exhibit III-9 details the appraiser's estimate of market value of each component of the monthly service charge and analyzed in terms of reasonableness and comparability of each in the Appleton market.

The several sources of revenue for The Heritage are defined and analyzed in Exhibit III-10 and the annual potential gross revenue, as of January 1, 1985, is calculated. Since the project will be under construction during all or most of 1985, the gross potential revenue as of January 1, 1985, from each source becomes the basis from which to project future revenue for the project as the rent-up phase is completed in 1986 and the first full year of operation begins in 1987.

For purposes of appraisal, the estimate of effective demand has been fully supported by a comprehensive market study, based upon primary consumer contacts in a market area of high concentrations of the target market of healthy elderly. Moreover, a pre-leasing campaign has produced reservations and deposits for 49 units and these consumers closely match the findings of the market study. Most significantly, the reservations require not only acceptance of the rent structure, but acquiescence to a significant refundable deposit of many thousands of dollars. Such deposits generally represent a significant psychological barrier to entry. The appraiser has presumed a straight rental project without need for a capital deposit from the resident other than the customary security deposit. Nevertheless, market absorption rates assume a significant refundable deposit and were that assumption removed, absorption rates would be substantially increased. The pre-leasing results to date, subject to deposits, and the possibility of removing a deposit requirement, validate the existence of effective demand and an appropriate product which are the basis for the revenue assumptions underlying project value and product pricing.

EXHIBIT III-9

THE HERITAGE
A RETIREMENT LIVING CENTER

ANALYSIS OF THE COMPONENTS OF THE MONTHLY SERVICE CHARGE
(Appraiser's Estimated Market Value of Each Component)

	UNIT TYPE		
	1 BR/ 1 BA	2 BR/ 1.5 BA	2 BR/ 1.75 BA
Basic Apartment Rent [1]	$320	$400	$475
Food Service [2]	$150	$150	$150
Monthly Cleaning and Maintenance Services [3]	$ 30	$ 30	$ 30
Emergency Response System [4]	$ 15	$ 15	$ 15
Telephone - Local Service [5]	$ 20	$ 20	$ 20
Scheduled Van Transportation [6]	$ 20	$ 20	$ 20
Building Amenities - Social, Recreational, Spiritual, and Health Care Opportunities [7]	$ 40	$ 40	$ 40
TOTAL MONTHLY SERVICE CHARGE	$595/mo	$675/mo	$750/mo

FOOTNOTES TO EXHIBIT III-9

COMPONENTS OF MONTHLY SERVICE CHARGE

[1] To establish the basic rental value of a Heritage apartment without the retirement center amenities and service, a survey was made of the Appleton, Neenah, and Menasha private apartment rental market. The survey results are found in Appendix B. The range of apartment rents, as listed by the Appleton Department of Planning and Development in their publication Housing Market Update 1984 are also summarized in Appendix B. The current basic apartment rent estimated for The Heritage units represent the upper end of market rents which could reasonably be expected for new, well-designed apartments in which the tenant pays for heat and electricity.

[2] The retail value of an evening meal is estimated to be $5 per day for 30 days per month, or $150 per month.

[3] The monthly housecleaning service for the apartment and common areas will take approximately 3 hours x $5 per hour, or $15 per month, and the value of the monthly snow removal, yard care, and apartment maintenance per apartment is $15 per month. (3 hours x $5 per hour)

[4] A 24-hour emergency response system is comparable to an investment in a subscription to a service such as Lifeline Systems, Inc. A home unit, which costs $495 and is amortized over five years, would equate to $8 per month for equipment with another $7 per month added to partially compensate for the personnel involved in maintaining the response system.

[5] Local telephone service with unlimited calls is $16.05 per month with an initial fee of $35.05 for the connection. The cost of management to maintain the system brings the total value of this service to approximately $20 per month.

[6] The value of the scheduled van transportation equates to four taxi trips per month at $5 per trip, or $20 per month.

[7] The availability of the resources of City Square including recreational areas, social events, and a private dining room equates to membership in a country club or social club. For example, membership at Riverview Country Club in Appleton at $600 per year plus an additional $80 per quarter for a minimum expenditure requirement and $200 per year in capital assessments, or a total $1,120 per year, provides a benchmark for comparison. Social, recreational, spiritual, and health care opportunities are assumed to be worth approximately one-half of a country club membership, or a minimum of $40 per month.

EXHIBIT III-10

THE HERITAGE
A RETIREMENT LIVING CENTER
SOURCES OF REVENUE FOR THE HERITAGE
AS OF JANUARY 1, 1985

Apartment Rental and Service Revenue	Annual Potential Gross Revenue	
81 - 1 BR, 1 BA Units @ $320/mo.	$ 311,040	
60 - 2 BR, 1.5 BA Units @ $400/mo.	288,000	
8 - 2 BR, 1.75 BA Units @ $475/mo.	45,600	
149 - Service packages for first occupant @ $275/mo. [1]	491,700	
37 - Service packages for second occupant @ $175/mo.	77,700	
48 - Attached garages @ $35/mo. [2]	20,160	
60 - Ancillary attached garages @ $20/mo.	14,400	
Subtotal - Potential Gross Rental and Service Revenue		$1,248,600
Miscellaneous Revenues		
Laundry revenue [3]	$ 2,000	
Other Revenue [4]	20,230	
Subtotal - Miscellaneous Revenue		22,230
Interest Revenue		
Interest earned on debt service reserve fund [5]	$ 64,400	
Interest earned on resident security deposits [6]	9,100	
Subtotal - Interest Revenue		73,500
TOTAL GROSS POTENTIAL REVENUE		$1,344,330

FOOTNOTES TO EXHIBIT III-10

[1] See Exhibit III-8 for breakdown of the service components.

[2] The proximity and convenience of the attached garages to the living units make these garages more popular than the ancillary attached garages at the north end of the building. Forty-one of the forty-eight attached garage stalls are currently preleased, the $35 per stall per month assigned by the appraiser is well supported by the demand and the $15 price differential recognizes the quality and convenience difference between the two garage types.

[3] Current management policy is to supply residents with an allowance of free tokens to operate the washers and dryers available in each apartment wing. It is assumed that each apartment unit family will want to do at least two to three additional washer/dryer loads per month at a cost of $0.50 per load. Therefore, a laundry revenue source of approximately $2,000 per year (variable with occupancy) is anticipated. (149 apartments x 2 to 3 loads x 12 months x $0.50 per load = $1,788 to $2,235, rounded to $2,000)

[4] Other revenue includes charges for the use of the guest room, coffee shop and beauty shop revenues, more frequent housekeeping services, and other miscellaneous extra services. The beauty shop and coffee shops, operated by outside vendors, will pay rent based upon a percentage of gross receipts. This revenue varies with occupancy; if the net revenue to the Heritage is only $0.30 per day per resident, this revenue source would produce $20,367 per year. (186 residents x $0.30 per day x 365 days = $20,367 rounded to $20,300)

[5] The lender requires the borrower to place a Debt Service Reserve Fund with a Trustee; the fund will earn interest during the term of the loan. The earned interest may be annually swept by the borrower and is revenue to the borrower. For the purposes of this appraisal, the Debt Service Reserve Fund is $560,000 and is assumed to earn interest at the annual rate of 11.5 percent, or $64,400 per year.

[6] At the time of occupancy a resident is required to pay a security deposit equal to one month's service charge. The interest earned on the security deposits becomes revenue to the Heritage. Gross potential revenue from monthly service charges is $1,214,040 per year or $101,700 per month. One month's service charges invested at 9 percent annual interest yields $9,105, rounded to $9,100 per year.

IV. FINANCIAL VIABILITY AND PROJECT VALUE

A. Overview

Given the proper fit of property improvements to the site and applicable legal constraints, together with established effective demand over time, project value still depends on the relationship of gross potential revenues to capital and operating costs. Ultimately to be feasible, the capital costs of the proper improvements must not exceed, and presumably will be less, than the capital funds available to the project. The first step is therefore to provide an estimate of capital costs which will define the approximate cost of substitution for the would-be investor. Some theorists maintain that cost defines the upper limit of value, but that is true only if appropriate recognition has been made of the value added by the expertise risk-taking functions, and life energies of the entrepreneurial developer. The cost approach also has many theoretical weaknesses when applied to properties which are not the best use of the land, the most sensitive fit to the needs of the market, or the most efficient use of current building technology. However, in this case, it has been demonstrated that the project design and all of its details are skillfully fit to the site, sensitive to a segment of the market with very special physical and psychological needs, and well engineered for balance between original cost and operating efficiency.

Therefore, the traditional cost approach can provide some useful benchmarks in evaluating financial feasibility and focusing estimates of project value.

B. The Cost Approach to Valuation of The Heritage

The total value suggested by the cost approach will be the sum of the site value as though vacant (determined from the Market Comparison Approach in Section II of this appraisal), the cost to construct independent elderly residential units, including community areas, and the cost to provide certain specified furnishings and equipment necessary to make it operational under the marketing plan defined for the project.

1. Application of Marshall Valuation System Cost Model

For the purposes of this appraisal, the segregated cost computerized valuation model of the national appraisal service, Marshall Valuation Service will be used. The structure will be segmented into three sections: the residential wings and garages, the City Square, and the kitchen-dining room area. Building specifications were taken from a set of preliminary blueprints prepared by Contemporary Dwellings, Inc., of Appleton, Wisconsin. The residential wings were classified as apartments consisting of three-story, frame construction with brick veneer assuming above average quality. The City Square was classified as a three-story clubhouse and the kitchen and dining area were classified as a restaurant for purposes of the cost estimate. The Marshall Valuation Service permits explicit recognition of custom project features including the following items estimated by the Madsen Corporation construction experts:

Restaurant Kitchen Equipment	$150,000
Dining Room and Common Area Furnishings	125,000
Vehicle	25,000
Freight Elevator	35,000
Two Passenger Elevators	100,000
Fees	25,000
Architecture Fees	200,000
Phone System	60,000
TOTAL	$720,000

This service is indexed for both time and construction costs of a particular locality, and is performed by computer via telephone interface with the appraisal office. A description of general specifications from the Marshall Valuation Service Manual is provided in Exhibit IV-1, while the specific assumptions and quantities provided by the appraiser for The Heritage are photostated in Appendix C. The output by detailed category, summarized to a total cost approach valuation, is displayed in Appendix C and summarized in Exhibit IV-2. The general assumptions of the Marshall Valuation Service Model relative to the construction soft costs built into the system are listed in Exhibit IV-1 in order to justify the necessity of adding an appropriate development fee before concluding what the final cost approach estimate should be.

EXHIBIT IV-1

GENERAL SPECIFICATIONS FROM
THE MARSHALL VALUATION SERVICE

Marshall Valuation Service

WHAT THE COSTS CONTAIN

(1) In the Calculator Section, the actual costs used are final costs to the owner and will include average architect's and engineer's fees. These, in turn, include plans, plan check and building permits, and survey to establish building lines and grades.

(2) In the Segregated Cost and Unit-in-Place Cost Sections, the architect's fees are omitted. For these sections, a schedule of typical fees is printed in Section 99. However, each listed item will have its pro rata share of the other miscellaneous costs included in the construction of the whole building or other improvement.

(3) Normal interest on building funds during period of construction and processing fee or service charge is included.

(4) Sales taxes on materials are included.

(5) Normal site preparation including excavation for foundation and backfill.

(6) Utilities from structure to lot line figured for typical setback.

(7) Contractor's overhead and profit including job supervision, workmen's compensation, fire and liability insurance, unemployment insurance, etc., are included.

WHAT THEY DO NOT CONTAIN

(1) Costs of buying or assembling land such as escrow fees, legal fees, property taxes, demolition, storm drains, or rough grading, are considered costs of doing business or land improvement costs.

(2) Pilings or hillside foundations are priced separately in the manual and are considered an improvement to the land. This also refers to soil compaction and vibration.

(3) Costs of land planning or preliminary concept and layout for large developments are not included, nor is interest or taxes on the land.

(4) Discounts or bonuses paid for financing are considered a cost of doing business.

(5) Yard improvements including signs, landscaping, etc.

(6) Off site costs including roads, utilities, jurisdictional hook-up fees and assessments, etc.

(7) Furnishings and fixtures, usually not found in the general contract, that are peculiar to a definite tenant, such as seating or kitchen equipment, etc.

(8) Marketing costs to create first occupancy including model or advertising expenses, or temporary operation of property owners associations.

Source: Marshall Valuation Service, a Marshall and Swift publication.

EXHIBIT IV-2

SUMMARY OF TOTAL COST APPROACH VALUATION

SUMMARY	TOTAL COST NEW	DEPRECIATED COST [1]
1: APARTMENT (Residential Wings)	$ 6,578,608	$ 6,578,608
2: RESTAURANT (Kitchen and Dining Areas)	372,890	372,890
3: CLUBHOUSE (City Square)	904,994	904,994
TOTAL COST	$ 7,856,492	$ 7,856,492
ADDITIONS:		
Restaurant Kitchen Equipment	$ 150,000	$ 150,000
Dining Room and Common Area Furnishings	125,000	125,000
Vehicle	25,000	25,000
Freight Elevator	35,000	35,000
Two Passenger Elevators	100,000	100,000
Fees	25,000	25,000
Architecure Fees	200,000	200,000
Phone System	60,000	60,000
Subtotal for Additions Before Land	$ 720,000	$ 720,000
Improved Site	462,000	462,000
SUBTOTAL FOR ALL ADDITIONS	$ 1,182,000	$ 1,182,000
TOTAL COST OF STRUCTURES	$ 9,038,492	$ 9,038,492
CONTINGENCY AND DEVELOPER FEE	1,282,650	1,282,650
TOTAL	$10,321,142	$10,321,142
ROUNDED TO NEAREST $1,000	$10,320,000	$10,320,000

[1] Since the project is new, well designed, and well located, the depreciated cost equals the total replacement cost new. There is no adjustment needed for physical deterioration or functional and location obsolescence.

In summary, the construction costs, including land at $462,000, are estimated by this procedure to be $9,038,492, or $9,040,000 before the addition of the contingency/developer fee.

2. The Developer's Fee

In addition to services included in the general contractor's fee, it is generally recognized that a certain value is added by the developer who conceives and orchestrates the development through many months of commitment, financial risk, and sunk costs in the organizational expectation of structuring a successful project. In short, a value is added by entrepreneurship [2], but there is some disagreement as to how much this added value should be. A search of 1984 syndication filings of the State of Wisconsin Securities Commission Office for projects to be constructed for partnership investment, reported fees which are related to development and contingencies for newly constructed 221-(d) (4) projects in Wisconsin to be 15 percent of construction costs. (For examples and details see Section IV-C-4.) Various authorities advising investors as to signs of excessive charges for development and

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[2] Kahn, Sanders A., "The Entrepreneur Revisited", The Appraisal Journal, January 1973, Volume XLI, No. 1, pp. 113-118.

organization suggest the investor should show alarm when development fees begin to exceed 18 percent [2]. The appraisers have taken the 15 percent reported for newly built, below market interest rate housing projects as the appropriate entrepreneurial factor recognized by R 41b. Value added by the developer for conceptualization, organization, marketing, risk taking and overall managerial responsibilities is 15 percent of the direct construction cost estimated for the project by the Marshall Valuation Cost System. (1.15 times $9,038,000 equals $1,282,650 for the contingency and developer fee.)

3. Summary of Cost Approach Valuation Process

VALUE OF LAND AS THOUGH VACANT (See Section II for site valuation)	$ 462,000
REPLACEMENT VALUE OF BUILDING AS ESTIMATED BY MARSHALL VALUATION SERVICE) (See Exhibit IV-2)	7,856,492
VALUE OF COMMON AREA FURNISHINGS, ELEVATORS, AND OTHER SPECIAL EQUIPMENT (See Exhibit IV-2 as reported by Madsen Corp.)	720,000
DEVELOPER'S ENTREPRENEURIAL VALUE ADDED	1,282,650
TOTAL COST TO REPLACE LAND, BUILDINGS, AND EQUIPMENT AS OF JANUARY 1, 1985	$10,321,142
ROUNDED	$10,321,000

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[3] Allen Cymrot, "How to Read a Syndication Prospectus", Real Estate Review, Fall, 1984, pp. 66-70, Volume 14, No. 3.

C. Market Comparison Approach

1. Limited Application for Subject Property

The Heritage is a going concern, providing multiple services for a monthly service fee and an environment for a special segment of the elderly market, utilizing capital provided with quasi-public funds so that conventional units of comparison for real estate interests bought and sold in apartment projects are not appropriate. Indeed, it is difficult to specify what is a comparable property or to find an arm's length sale of such an elderly housing project. The appraisers are not aware of any sales in Wisconsin of apartment projects designed specifically to serve an elderly population.

2. Price Comparison by Physical Unit

If an older project had sold, price comparisons based on physical units such as per room, per square foot of gross building area, or per square foot of rentable living area would all be seriously distorted by the degree of public and service space provided in each project, high-rise versus low-rise construction, and the relative age of the properties sold. Design for energy efficiency, for the psychology of aging, and for barriers to mobility has made significant advances in the past five years, causing functional obsolescence to older projects designed for independent living by the elderly.

3. Price Comparison by Use of Units of Comparison from Analogous Housing Projects

The total living area per resident of the Heritage, together with the quality of construction and interior equipment is more analogous to townhouse and condominium projects. A condominium unit without architctural barriers to the less mobile is to some degree a competitive alternative to the elderly choosing the Heritage. A few condominium sales in Appleton available during 1984 are provided in Exhibit IV-3, with the size and price converted to square foot per resident and cost per resident. The Heritage is providing gross square footage, not counting garage space, of an estimated 169,558 square feet for an estimated 186 residents or 911 square feet per person. A congregate housing unit places at least a third of this space in common facilities rather than within private apartment units in order to enhance social contact and reduce the alienation that comes with decreasing mobility and declining energies of aging. As a comparative analogue in Exhibit IV-3, the condominiums provide approximately 720 square feet of space per resident with no public space or community rooms at a cost from $54,000 to $72,000 per occupant. Given the economies of scale in building large common spaces, a cost per resident of $50,000 suggests a comparative market value of $9,000,000 for retirement housing with 180 or so residents. Such a market comparison price is a rough method for bridging

EXHIBIT IV-3

1984 APPLETON CONDOMINIUM UNIT SALES PRICES
PER OCCUPANT AND PER SQUARE FOOT PER OCCUPANT
AS A COMPETITIVE ALTERNATIVE TO CONGREGATE HOUSING

==

Riverview Circle Condos (20 units)

$80,000/1,150 sq.ft. = $70 per sq.ft.
$80,500/1.5 residents = $53,666 per occupant
1,150 sq.ft./1.5 residents = 776.66 sq.ft. per person

Riverview Fairway Apartments (30 units)

$99,600/1,200 sq.ft. = $83 per sq.ft.
$99,600/1.8 residents = $55,338 per occupant
1,200 sq.ft./1.8 residents = 666.66 sq.ft. per person

Lawrence Court Condos (28 units)

$90,000/900 sq.ft. = $100 per sq.ft.
$90,000/1.25 residents = $72,000 per occupant
900 sq.ft./1.25 residents = 720.00 sq.ft. per person

Average space per resident is 720 sq.ft. at an average cost of $55,000 per occupant.

the comparison between a condominium unit without a common social area and a congregate housing unit where the unit size of the individual apartment has been reduced and added to congregate space for social interaction. Nevertheless, the resident at the Heritage has more spacious environments for less capital cost than the owner of an individual condominium and is assured of a supportive environment for a potentially increasing need for physical and social assistance. Assuming an $85,000 average cost for a condominium unit and a 12 percent cost of money, the condominium solution will cost a minimum of $850 a month in Appleton without any supportive services so that The Heritage unit provides more space, a better balance of services, and one meal a day at a significantly lower monthly cost per resident. This type of market comparison approach at least appropriately places The Heritage in the spectrum of housing choices for the elderly as competitive in terms of affordability, although distinctly specialized in terms of lifestyle.

4. Value Comparison by Use of Gross Rent Multiplier from Analagous Shelter/Service Providers

A favorite method of market comparison valuation for apartment buildings is the use of gross rent multipliers (GRM), but in the case of The Heritage, only a portion of revenues are considered rent for real estate space. The balance represents revenues for the service and food package. One adaptation of gross rent multipliers would be to apply the GRM for recent apartment project sales in Appleton to the apartment portion and a gross revenue multiplier borrowed from the restaurant business for the service package. If this crude model were applied to The Heritage for January 1, 1987, the first full year of operation, the values would be:

$716,696 Gross Potential Rents x 7.0 GRM = $5,016,872

$726,314 Gross Service Receipts x 3.5 GRM = $2,542,099

Total Gross Rent Multiplier Value Indicated = $7,558,971 or

Rounded = $7,560,000

5. Sale of Equity Control in Subsidized Projects

Perhaps the most useful market comparison approach is to model the pricing formulas of those who purchase housing projects with below market interest rate loans, subsidized by government agencies and sometimes supplemented with rent subsidy programs, or a special eligibility group of rental households. The purchaser of such a project acquires the partnership entity which controls the real estate in order to gain the benefit of the tax exempt financing in place, existing rental subsidy assistance contracts, and the special income tax shelters provided multifamily housing through a successive series of federal income tax reform laws.

Investors purchase projects eligible for accelerated appreciation primarily for tax shelter provided to other earned income during the early years of ownership. Cash dividends available for distribution to the owner after debt service payments are minimal, perhaps in the neighborhood of one or two percent of actual cash invested by the owner. When the tax shelter advantages are exhausted, the investor anticipates selling the project for a capital gain attributable to several factors. First there has been some reduction in the mortgage balance due, thus increasing net worth, because real wear and tear on the property have been offset by the accumulation of substantial cash reserves required by regulations of the subsidized loan program. Secondly, the future buyer may benefit from inflated building costs, which would make purchase of an existing project a less costly alternative than new construction. Third, the new buyer may continue to enjoy the benefit of below market, fixed interest financing during an inflationary period of rising market interest rates, leading to the fourth and most important source of increase in future values, a release from the rent controls and dividend controls of the subsidized program when the contract with the controlling public agency expires. At that point, the project moves into the private market when competitive alternatives have been curtailed due to high cost to replace, high interest rates, and changing demographics, thereby, creating a shortage of units.

This investment strategy for the purchase of apartments subsidized with below market financing uses two pricing formulas. Recognition of the fact that the most probable purchasers of apartment projects enjoying some form of financing subsidies have different investment priorities than traditional real estate investors is well recognized in the literature. [4]

Miller and Green succinctly summarize the concerns, in order of priority, of investors in conventional versus subsidized housing:

Conventional Property	vs.	Subsidized Housing
1. High and Secure Cash Flow		1. Tax Shelter
2. Increasing Cash Flow		2. Appreciation at Resale
3. Appreciation at Resale		3. Level Cash Flow
4. The Time Value of Money		4. The Time Value of Money
5. (Bonus) Tax Shelter		

[4] Key references would include: "Using the Reversion/Shelter Approach to Appraise Subsidized Housing," by David S. Kirk and David A. Smith, The Appraisal Journal, July 1983, and "The Valuation of Government Assisted Low- and Moderate-Income Housing," by Stanley F. Miller and Victor Green, a monograph published by Real Estate Research Corporation, September 1983.

The primary method advocated is a discounted after tax cash flow approach, sometimes designated the shelter/reversion approach, which will be presented in Section IV-E.

However, there is a market comparison pricing formula reflecting the tax shelter emphasis which can be supported by evidence from investor commitments to purchase equity, subordinated to government subsidized loan balances. Since the R 41b directive recognizes that a property benefiting from long-term, below-market interest rate, subsidized loans would sell subject to that financing, it follows that partnership syndication filings with the State of Wisconsin Commissioner of Securities would indicate the total price paid for such properties. For direct comparison to The Heritage, comparative properties should be limited to syndications involving apartment projects to be constructed during 1984-85, benefiting from 9-3/4 percent interest under the 221 (d)(4) federally subsidized program. This interest is not a tax-exempt rate, but the effect is similar to the financing of the Heritage. Investors paid for units prior to completion of construction or rent-up so that these market comparisons have the added advantage of relating to a January 1, 1985, date of valuation for the Heritage when all contracts and permits were in place but the construction and rent-up risk remained. The subsidy generally takes the form of a tandem purchase commitment of the loan at close to par by the Government National Mortgage Association (GNMA). Four such comparables were found involving projects with 120 apartments or more, and a further check was made of resales to see if the general pattern held up. A summary of these comparable sales transactions is presented in Exhibit IV-4 and the details on each transaction follow in Exhibit IV-5. In short, the record shows that investors pay approximately 35 percent of the depreciable tax base for a new project plus the expected balance on the subsidized mortgage to be closed at the time of completion. Slight variations on the 35 percent occur due to variations in classification of investment among 15, 10 and 5 year accounts and expenses deductible in the first year.

When this factor is applied to the total depreciable cost of The Heritage project, when completed, specifically $9,865,150 from Exhibit IV-6 in this report, it suggests a market price for the equity of $3,452,803. Then this equity price is added to the effective mortgage balance for this project of $5,000,000, the market comparison price is $8,452,803, or rounded, $8,450,000. The appraiser believes that the market comparison analogue to prices paid for newly constructed 221 (d)(4) projects in Wisconsin for the 1984-85 rental market is the only proper market analogue for the subject property. Alternative methodologies explored, using

Landmark Research, Inc.

SUMMARY OF COMPARABLE SALES OF EQUITY INTERESTS

SUBORDINATE TO 221(d)4, 9.75% INTEREST, 40-YEAR TERM MORTGAGES SUBSIDIZED BY GNMA AND WITH 175% DB DEPRECIATION, 15-YEAR USEFUL LIFE FOR NEW CONSTRUCTION IN WISCONSIN IN 1984

SECURITIES COMMISSION FILE NO.	NAME OF PARTNERSHIP/ PROJECT	LOCATION	SIZE OF PROJECT	RATIO OF VALUE OF EQUITY SHARE TO DEPRECIABLE BASE	RATIO OF DEVELOPER FEE TO CONSTRUCTION COSTS	REMARKS
201-723-07	Courtyard Square Associates	Milwaukee	118 units	36%	15%	New construction
201-729-07	Park Meadows II Stonewood Village	Madison	128 units	37%	15%	New construction
N/A	Del Rio Apartments	Milwaukee	112 units plus 7,000 SF commercial	37%	6%	New construction - Involved a land trade for Class B limited partnership unit for a general partner.
N/A	Pebble Valley Housing Partners Hillcrest & Monterey Projects	Waukesha	300 units	23%	10%	New construction - Involved take over of some existing buildings on site plus new construction; 60 units under Section 8 family qualified for 7.5% interest on GNMA tandem plan.
200-900-07	Summerset Associates	Beloit	120 units	43%	16%	Subject to Section 236 loan. Resale of limited partnership to general partnership with 9.75% wrap.
200-121-07	Fairfax Partners Key Apartments	Eau Claire	76 units	28%	5%	Resale of subject to 9.75% land contract, 3-year lock-in.

EXHIBIT IV-4

EXHIBIT IV-5

NEWLY CONSTRUCTED SUBSIDIZED HOUSING PROJECTS
SYNDICATED IN WISCONSIN IN 1984

EXHIBIT IV-5 (Continued)

COMPARABLE SALE NO. 1

COURTYARD SQUARE ASSOCIATES LIMITED PARTNERSHIP
118 UNIT APARTMENT BUILDING - MILWAUKEE
221 (d) (4) AT 9.75% INTEREST PLUS 5% MORTGAGE INSURANCE
40-YEAR TERM

Mortgage Amount	$4,683,800			
Ltd. Partnership Equity	1,800,000			
General Partner Equity	72,384	$1,872,384 / $5,140,924	=	36% Ratio of Equity to Depreciable Base
	$6,556,184			
Construction Costs	$4,469,667			
Amortized and Deductible Expenses	671,257			
Total Excluding Land	$5,140,924			
		$ 810,500 / $5,140,924	=	15% Ratio of Developer's Fees to Construction Costs and Expenses

Developer's Fees:

Partnership Management Fee	$ 358,500
Development Fee	200,000
Investor's Service Fee	98,000
Organizational Fee	154,000
	$ 810,500

Wisconsin Securities Division File No. 201-723-07 - Section D Exclusion for Private Placement

EXHIBIT IV-5 (Continued)

COMPARABLE SALE NO. 2

PARK MEADOWS II LIMITED PARTNERSHIP
STONEWOOD VILLAGE - MADISON
128 APARTMENTS - 221 (d) (4), 40-YEAR TERM
@ 9.75% INTEREST PLUS 5% MORTGAGE INSURANCE

Mortgage Amount	$3,800,700		
Partnership Equity	1,750,000		
General Partner Equity	17,677	$1,767,677 / $4,717,700 =	37% Ratio of Equity to Depreciable Base
	$5,568,377		
Construction Costs	$4,015,703		
Amortized Expenses	694,886		
Deductible Expenses	262,861		
Less: Land	(255,750)		
	$4,717,700		
		$ 718,601 / $4,717,700 =	15% Ratio of Developer's Fees to Construction Costs and Expenses

Developer's Fees:

General Contractor	$ 170,000
Financing	342,801
Organizational Fee	36,000
Partnership Fee	88,000
Development Fee	81,800
	$ 718,601

Wisconsin Securities Division File No. 201-729-07 - Section D Exclusion for Private Placement

EXHIBIT IV-5 (Continued)

COMPARABLE SALE NO. 3

DEL RIO APARTMENTS, A LIMITED PARTNERSHIP, MILWAUKEE
112 - 2-BEDROOM APARTMENTS PLUS 7,000 SQUARE FEET COMMERCIAL
221 (d) (4) LOAN AT 9.75% PLUS 5%, 40-YEAR TERM

Mortgage Amount	$4,662,700			
Limited Partnership Equity	1,360,000			
General Partners	100			
Class B Limited Partnership	430,000	$1,790,100 / $4,761,815	=	37% Ratio of Equity to Depreciable Assets
	$6,452,800			
Construction Costs	$4,520,092			
Amortized and Deductible Expenses	241,723			
Total Depreciable Excluding Land	$4,761,815			
		$ 324,079 / $4,761,815	=	6% Ratio of Developer Fees to Construction Costs and Expenses

Developer's Fees:	
Development Fees	$ 124,630
Management Commitment Fee	98,449
Real Estate Commissions	35,000
Organizational Fees	66,000
	$ 324,079

EXHIBIT IV-5 (Continued)

COMPARABLE SALE NO. 4

PEBBLE VALLEY HOUSING PARTNERS
HILLCREST AND MONTEREY PROJECTS - WAUKESHA
HILLCREST = 60 UNITS OF SECTION 8 FAMILY HOUSING
MONTEREY = 240 UNITS OF MARKET RATE HOUSING
221 (d) (4), 40-YEAR TERM FINANCING
PURCHASED BY GMNA @ 7.5% INTEREST, 40-YEAR TERM

Mortgage Amount	$15,083,500		
Partnership Equity	4,000,000		
General Partner Equity (1%)	40,500	$ 4,040,500 / $16,885,925 =	23% Ratio of Equity to Depreciable Assets
	$19,124,000		
Construction Costs	$15,064,039		
Amortized Costs	4,259,262		
Deductible Costs	159,699		
Less: Land	(2,597,075) [1]		
	$16,885,925		
Development Fees	$ 1,852,540 / $16,885,925 =	10% Ratio of Development Fee to Construction Costs and Expenses	

[1] Bought out existing development plan with old buildings which distorts usual pattern of new projects.

EXHIBIT IV-5 (Continued)

RESALE OF OLDER PROJECTS SUBJECT TO
SUBSIDIZED FINANCING AND/OR RENTS

EXHIBIT IV-5 (Continued)

COMPARABLE SALE NO. 5

SUMMERSET ASSOCIATES, A GENERAL PARTNERSHIP
(Wisconsin Businessmen buy a Limited Partnership in a Project)
90 - 1-BEDROOM APARTMENTS AND 30 2-BEDROOM APARTMENTS

Project is subject to a 236 loan with an outstanding principal of $1,251,817 at an annual interest of 7%, 40-year term, with subsidy reducing loan to effective rate of approximately 1%. Will utilize 200% declining balance depreciation.

Mortgage Amount	$1,250,700		
Note to Sellers	843,000		
Limited Partners	985,500	$ 985,500 / $2,284,797 =	43% Ratio of Equity to Depreciable Assets
	$3,079,200		
Total Tax Basis of Property for Depreciation	$2,486,177		
Less: Land	(201,380)		
	$2,284,797		
		$ 375,448 / $2,284,797 =	16% Ratio of Developer Fees to Depreciable Assets

Developer's Fees:

Management Fee	$ 146,000
Investor's Service Fee	55,400
Cash Flow Fee	35,500
Organizational Fees and Commission	138,548
	$ 375,448

Wisconsin Securities Division File No. 200-900-07

EXHIBIT IV-5 (Continued)

COMPARABLE NO. 6

KEY APARTMENTS, FAIRFAX PARTNERS
76 UNITS IN EAU CLAIRE, WISCONSIN
SUBJECT TO VARIABLE RATE LAND CONTRACT FOR 27 YEARS AT
AN AVERAGE 9.75% FOR FIRST 3 YEARS

Mortgage Proceeds	$1,450,000			
Limited Partners Cash	475,000			
	$1,925,000			
Depreciable Building	$1,530,000			
Personal Property	150,000	$ 475,000 / $1,680,000	=	28% Ratio to Equity to Depreciable Assets
	$1,680,000			
Fees to General Partner:				
Syndication Fee	$ 5,000			
Organizational Fee	69,100			
Financing Fee	15,900			
	$ 90,000			
		$ 90,000 / $1,680,000	=	5% Ratio of General Partner Fees to Depreciable Assets

Wisconsin Securities Division File No. 200-900-07

EXHIBIT IV-6

THE HERITAGE
A RETIREMENT LIVING CENTER
CAPITAL COMPONENTS FOR DEPRECIATION [1]

COMPONENT	COST		RECOVERY PERIOD	DEPRECIATION METHOD
A. BUILDING				
Construction and site work	$7,215,000			
Plans	10,000			
Architectural and municipal fees	225,000 [2]			
Contingency/development fee	1,136,250			
Subtotal		$ 8,586,250	15 years	200%
B. FURNITURE, FIXTURES, EQUIPMENT, AND OTHER				
Dining room, common area, and laundry rooms	$ 125,000			
Marketing costs	204,500			
Legal and organizational	75,000			
Subtotal		$ 404,500	5 years	200%
C. FINANCING COSTS				
Bond costs	$ 385,000			
Madsen financing fee	110,000			
Title insurance	18,000			
Appraisal	7,000			
Subtotal		$ 520,000	10 years	200%
D. START-UP COSTS				
Vehicle	$ 25,000			
Marketing fee	270,000			
Gap loan fee	59,400			
Subtotal		$ 354,400	3 years	200%
TOTAL OF DEPRECIABLE COSTS		$ 9,865,150		
E. LAND		$ 462,000	Non-depreciable	
TOTAL COST		$10,327,150		

[1] Based upon costs estimated by Madsen Corporation as of December 4, 1984.

[2] Based on 15 percent of building and Furniture, Fixtures, and Equipment, costs which total $7,575,000.

units of comparison or gross rent multipliers in Paragraphs 1 through 3, do not properly reflect the risk/shelter/reversion priorities of investors in this type of project.

It should also be noted that the development fees charged in addition to the normal costs of construction and land have a central tendency of 15 percent, and that these fees are higher only for smaller projects reaching less efficient segments of the investor market. Therefore, 15 percent which was used as the entrepreneurial loan relative to the cost approach to value, a load specifically requested by R 41b, is supported from empirical observation in the marketplace.

6. Conclusions

Alternative valuation methods were explored in search for market patterns or pricing formula analogues in the marketplace for valuation of The Heritage. In this section the appraiser has computed the following:

1. Condominium analogue - $9,000,000
2. Gross rent multiplier analogue - $7,560,000
3. Newly constructed 221 (d)(4) mortgage equity model with equity as 35 percent of depreciable base - $8,450,000

Of these three market price comparison approaches, each has a different perspective of the market. The first is organized relative to housing consumers rather than third party investors. The gross rent multiplier method applies traditional multipliers to a project in a way that does not recognize the synergy of these elements relative to the needs of the elderly. Comparison to a congregate facility like a hotel ignores the distinct investment risks which are discounted heavily by motel investors who place higher weight on management dynamics and anticipate higher rates of competitive obsolescence. As a result, only the third analogy, the prices investors paid for equity shares in 221 (d)(4) projects recently constructed in Wisconsin, provides a supportable indication of market values, as financed and specially benefited by the federal tax law, of the subject property. Therefore, the market comparison analysis concludes:

THE MARKET VALUE OF THE HERITAGE IS $8,450,000 AS OF JANUARY 1, 1985.

D. Traditional Income Approach

For a property which features multiple sources of space and service income, the income approach to value is the preferred method to capture the economic synergy of the real estate product and consumer services. Recalling the investment motivations of the traditional investor versus the tax shelter investor discussed in the market comparison valuation section, it is useful to briefly present the traditional income approach to value if only for a comparative benchmark to after-tax discounted cash flow, sometimes termed the shelter/reversion approach.

Stabilized net operating income for the first full year of operation in 1987 can be converted to capital value through direct capitalization or through the justified value of capital components. Net operating income (NOI) in 1987 is estimated to be $692,802 as shown in Exhibit IV-9, which is detailed in the following Section E. A direct capitalization rate for the Appleton apartment market has been derived from a number of comparable sales and offerings in Exhibit IV-7. Analysis of these sales produces an overall capitalization rate for larger, better-managed projects of 0.085. When $692,802 is capitalized at 0.085, the indicated value by the direct income approach is $8,150,000.

An alternative approach is more sensitive to the fact that investors in a subsidized project, featuring a long-term below market interest rate loan will pay a total purchase price which is the sum of the effective loan balance plus the capitalized value of the cash throw-off, i.e. cash remaining after debt service. The capitalization rate used by investors is a sensitive proxy for other implied sources of return, specifically tax-shelter benefits and future reversion values (capital gain). The capitalization rate for cash-throw off is sometimes called the cash-on-cash rate, specifically

COMPARABLE SALES/LISTINGS OF
APARTMENT PROJECTS IN THE FOX CITIES AREA
A SURVEY OF INVESTOR PRICING RATIOS

	COMPARABLE NO. 1	COMPARABLE NO. 2
GRANTOR:	Douglas Salmon	John Graham
GRANTEE:	Bill Dekker	Jon McMurtrie
NAME AND/OR ADDRESS:	10-18 Mathias Court 2516 East Peter Street Appleton, WI	2112-2312 Southwood Drive Town of Menasha, WI
RECORDED:	Scheduled to close 1/1/85	Document #
DATE:	Offer to Purchase prior to 11/84	10/83
SALE PRICE:	$1,582,560	$2,175,000
FINANCING TERMS:	Seller carryback of $110,000 @ 12-1/2% interest only - 7 yrs.	$500,000 down payment, wrap at 10-3/8%, with seller receiving 100% of cash flow - effective yield = 11-3/4%
SITE SIZE:	3.2 acres	3.42 acres
UNIT MIX:	50 units - 5 bldgs. 48 = 1 BR, 1 BA 12 - 2 BR, 1 BA	92 units - 3 bldgs. 44 - 1 BR, 1 BA 24 - 2 BR, 1.5 BA 24 - 3 BR, 2 BA
UTILITIES:	Tenant pays electricity	Tenant pays all utilities

RENTS:

Comparable No. 1

	As of 02/84:	As of 11/84:
1 BR	$270/mo	$305/mo
2 BR	$315/mo	$345/mo

Comparable No. 2

	As of 10/83:	As of 11/84:
1 BR	N/A	$295/mo
2 BR	N/A	$335/mo
3 BR	N/A	$400/mo

	Comp. No. 1: At time of offer:	Comp. No. 1: At time of closing:	Comp. No. 2: At time of purchase:	Comp. No. 2: Projected at time of sale:	Comp. No. 2: Following year increase:
POTENTIAL GROSS RENT:	$219,600	$225,360 (est.)	$290,880	N/A	N/A
NET OPERATING INCOME:	$120,780	$123,950 (est.)	$148,743	$164,635	$184,635
GROSS RENT MULTIPLIER:	7.21	7.02	7.48	N/A	N/A
OVERALL RATE:	0.076	0.078	0.068	0.076	0.085

EXHIBIT IV-7

	COMPARABLE NO. 3		COMPARABLE NO. 4
GRANTOR:	Home Savings & Loan		William Lloyd and Grant Densing
GRANTEE:	Alan Ament & Mark Cummings		Colonial Village Apt. Partnership
NAME AND/OR ADDRESS:	20, 35, 50 Blue Mound Court Town of Grand Chute, WI		1500 East Longview Appleton, WI
RECORDED:	Jacket No. 4814, Image No. 22 & 23		Jacket No. 3627, Image 34
DATE:	07/31/84		01/01/83
SALE PRICE:	$1,095,000		$1,000,020 ($920,900 + $79,120 for personalty)
FINANCING TERMS:	$856,000 - 1st mortgage plus 1 pt. loan origination fee		N/A - Warranty Deed
SITE SIZE:	3.96 acres		1.69 acres
UNIT MIX:	48 units - 3 bldgs. 24 = 1 BR, 1 BA 24 = 2 BR, 1 BA		48 units 12 = 1 BR, 1 BA 36 = 2 BR, 1 BA
UTILITIES:	Owner pays heat and electricity		Tenant pays electricity
RENTS:	As of 11/84: 1 BR $260/mo 2 BR $290/mo		As of 11/84: 1 BR $305/mo 2 BR $345/mo
POTENTIAL GROSS RENT:	At time of purchase: $156,480	Potential 11/84: $158,400	Projected at time of sale: $161,280 (est.)
NET OPERATING INCOME:	$ 81,370 (est.)	$ 82,368	$ 74,063 (est.)
GROSS RENT MULTIPLIER:	7.0	6.9	6.2
OVERALL RATE:	0.074	0.075	0.074

COMPARABLE NO. 5

GRANTOR:	John Schmerin and wife
GRANTEE:	American Cedar Ltd. Partnership
NAME AND/OR ADDRESS:	711-835 S. Lynndale Appleton, WI
RECORDED:	Jacket No. 3738, Image No. 38
DATE:	03/14/83
SALE PRICE:	$740,000 (Cash = $670,000 discounted at 12.5%)
FINANCING TERMS:	$80,000 down payment, $660,000 land contract at varying interest rates 9-12.545% for 10 years
SITE SIZE:	2.2 acres
UNIT MIX:	20 townhouses - 5 bldgs. 11 = 2 BR, 1 BA 1 = 2 BR, 2 BA 8 = 3 BR, 1.5 BA
UTILITIES:	Tenant pays all utilities

RENTS:

	As of 03/83:	As of 11/84:
2 BR = 10	@ $365-395/mo	$400-510/mo
2 BR = 2	@ $455/mo	$400-510/mo
3 BR = 8	@ $425-475/mo	$415-525/mo

POTENTIAL GROSS RENT: At time of purchase: $ 97,140

NET OPERATING INCOME: $ 63,140

	Based on nominal price:	Based on cash price:
GROSS RENT MULTIPLIER:	7.62	6.9
OVERALL RATE:	0.085	0.094

EXHIBIT IV-7 (Continued)

Landmark Research, Inc.

	COMPARABLE NO. 6	COMPARABLE NO. 7
GRANTOR:	Midwest Investment Associates	Glori Nicolai
GRANTEE:	Colony Oaks Apartments, Ltd.	Gillette Highland Apartments Partnership
NAME AND/OR ADDRESS:	3401, 3411 Edgemere Drive 530, 600, 610 Briarcliff Drive Appleton, WI	1835 West Pershing Appleton, WI
RECORDED:	Jacket No. 3685, Image No. 11	Jacket No. 3339, Image No. 18
DATE:	01/19/83	06/30/82
SALE PRICE:	$840,000	$1,100,050 ($1,023,100 + $76,950 personalty)
FINANCING TERMS:	N/A - Warranty Deed	N/A - Warranty Deed
SITE SIZE:	2.22 acres	2.07 acres
UNIT MIX:	40 units 40 = 2 BR, 1 BA	57 units 3 = Efficiencies 18 = 1 BR 36 = 2 BR
UTILITIES:	Tenant pays all except water	Owner pays heat

Comparable No. 6

		Actual 01/83:	Projected 1983:	As of 11/84:
RENTS:	2 BR	$226/mo	$250/mo	$295/mo
POTENTIAL GROSS RENT:	2 BR	$108,480	$120,000	$141,600
NET OPERATING INCOME:		$ 49,430	$ 66,000	N/A
GROSS RENT MULTIPLIER:		7.7	7.0	N/A
OVERALL RATE:		0.06	0.08	N/A

Comparable No. 7

		At time of sale:	Projected 1982-1983:	As of 11/84:
RENTS:	Average	$245/mo	$280/mo	Eff $255/mo 1 BR $305/mo 2 BR $345/mo
POTENTIAL GROSS RENT:		$175,617	N/A	N/A
NET OPERATING INCOME:	(est.)	$ 91,131	N/A	N/A
GROSS RENT MULTIPLIER:		6.3	N/A	N/A
OVERALL RATE:		.083	N/A	N/A

Landmark Research, Inc.

EXHIBIT IV-7 (Continued)

	LISTING NO. 1	LISTING NO. 2
GRANTOR:	Century Capital Group	David Weilman
GRANTEE:	Virginia Village	Park West Apartments
NAME AND/OR ADDRESS:	75 Schaefer Circle Appleton, WI	425 N. Linwood Appleton, WI
RECORDED:	N/A	N/A
DATE:	Listed: 07/84	Listed: 10/84
SALE PRICE:	Asking: $3,250,000 [1]	Asking: $1,500,000 (approximate) Includes house $55,000 (approximate)
FINANCING TERMS:	Financing Offered: 25-30% down payment, split funded over 3 yrs., 5-yr land contract at 12% interest only	Financing offered: 30% down payment, split funded over 3 yrs., 7 year land contract at 10% interest only
SITE SIZE:	8.9 acres	4.36 acres
UNIT MIX:	120 units 64 = 1 BR, $275/mo 56 = 2 BR, $310/mo	42 units 24 = 1 BR, $320/mo 12 = 2 BR, $375/mo 6 = 2 BR, $420/mo
UTILITIES:	Tenant pays heat and electricity	Tenant pays heat and electricity
RENTS:	N/A	N/A
POTENTIAL GROSS RENT:	$419,520	$188,500
NET OPERATING INCOME:	$238,682	$103,675 [1]
GROSS RENT MULTIPLIER:	6.97	7.28
OVERALL RATE:	.082	.076

Listing No. 1:

[1] Purchased in 1982 by seller for $1,925,000 plus $125,000-140,000 in capital improvements.

[2] Assume selling price no more than 90% of asking price, or $2,925,000.

Listing No. 2:

[1] Assume selling price of apartments no more than 95% of (asking price (less $55,000 for house)), or $1,372,750. Seller turned down offer of approximately $1,400,000 for apartments and house.

distributable cash paid as dividends on equity cash invested. For housing projects, such as Section 221 (d) (4) projects or those financed with tax-exempt financing and eligible for 200 percent declining balance depreciation, 15-year useful life, the cash-on-cash rate is a very low 1 percent to 2 percent, but improves over time, consistent with the priorities suggested by the previous Real Estate Research Corporation quote.

The estimated NOI in the first year of interest and principal payment in 1988 is $717,000, of which $617,994 is paid in interest, $30,000 for principal, and $27,760 is placed in a sinking fund reserve, leaving $41,260 for the equity investor. Capitalized at 1.25 percent, the equity value would be $3,300,800, which added to the $5,000,000 mortgage, results in a justified mortgage-equity value of $8,300,000, rounded. (See Exhibit IV-9 for projected revenues and expenses for The Heritage.) While each of these traditional techniques provide useful benchmarks for the investor, it is not necessary to use rules of thumb and averages to measure the present value of tax shelter and reversion investments when data processing techniques permit effective simulation and discounting of tax shelter, cash dividend, and reversion returns with a high level of mathematical reliability.

Although standard methods suggest income approach values of $8,150,000 and $8,300,000, respectively, primary reliance for an income approach to valuation will be placed on a discounted after-tax cash flow simulation of The Heritage enterprise.

E. Net Present After-Tax Value of Discounted Cash Flow

The preferred income approach to value utilizes the discounted cash flow methodology. The Heritage can be considered a vehicle for the purchase of investment income, appreciation, and tax shelter, not unlike any other cash cycle investment with a series of returns. The relationship of the outlays and receipts, both in their timing and in their quantity, determines the investment rate of return. Conversely, if the investment rate of return sought is known, and the net receipts can be estimated, the relationship can be reversed to determine the maximum outlay, i.e. probable purchase price which can be justified by the investor.

1. Implementation of Discounted Cash Flow Methodology

To determine the net present after-tax value of a series of possible negative and positive cash flows after income tax to an investor/purchaser of The Heritage as of Janaury 1, 1985, and as completed on or about January 1, 1986, a projection is made of revenues and expenses estimated for the project. Based upon the projected occupancy/vacancy rates detailed in Exhibit III-6 for the apartments and in Exhibit III-7 for the garages, a schedule of projected revenues is constructed in Exhibit IV-8 with the 1984-1985 current pricing structure trended on a component by component basis as detailed in the footnotes to that exhibit. (The calculations for the projected revenues are found in Appendix C.) In Exhibit IV-9 a schedule of projected expenses is developed with supportive Appleton market data and underlying assumptions detailed in the footnotes to the exhibit. Using the ten-year horizon of projected revenues from 1985 through 1994, as developed in Exhibit IV-8, in combination with the projected expenses, the net operating income (before debt service, income taxes, and reserves for replacements) for the ten years from 1985 through 1994 is also shown in Exhibit IV-9. The financing assumptions are detailed in Exhibit IV-10 and the calculation of the capital maintenance and replacement reserve fund, as required by the lender, is found in Exhibit IV-11.

A computerized discounted cash flow program, MRCAP, developed at the University of Wisconsin, is used to solve for the justified after-tax net present value of The Heritage. The MRCAP Input Form presented in Exhibit IV-12 gives the inputs used to compute value, and the assumptions underlying the inputs are shown in Exhibit IV-13. The inputs, as they appear in the computer data file, are shown in Exhibit IV-14. The MRCAP computer print-out is presented in Exhibit IV-15.

Line 39 of the MRCAP output reports the after-tax present value of the project, as of January 1, 1985, if held for ten years and sold at the end of 1994.

GIVEN THE ABOVE ASSUMPTIONS, MRCAP CALCULATES AN AFTER-TAX PRESENT VALUE OF THE SUBJECT PROPERTY TO BE $8,546,760 AS OF JANUARY 1, 1985. THE ESTIMATED MARKET VALUE, USING THE INCOME APPROACH, IS $8,550,000 AS OF JANUARY 1, 1985.

Landmark Research, Inc.

THE HERITAGE
A RETIREMENT LIVING CENTER
SCHEDULE OF PROJECTED REVENUES FROM JANUARY 1, 1985, THROUGH DECEMBER 31, 1994 [1]

	ESTIMATED GROWTH RATES FROM 1987–1994 [2]	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994
EFFECTIVE GROSS APARTMENT/SERVICE REVENUE [2]											
81 – 1 BR Apartment Units	5%	0	239501	321040	337092	353947	371644	390226	409737	430224	451735
60 – 2 BR Apartment Units	6%	0	266976	309093	327639	347297	368135	390223	413636	438454	464762
8 – 2 BR Deluxe Apartment Units	7%	0	47880	50719	54270	58069	62133	66483	71136	76116	81444
Service/Amenity Package – 149 Residents [3] (1st Occupant)	6%	0	435204	543635	576253	610828	647477	686326	727506	771156	817425
Service/Amenity Package – 37 Residents (2nd Occupant)	6%	0	68772	85907	91061	96525	102316	108455	114963	121861	129172
SUBTOTAL: EFFECTIVE GROSS APARTMENT/ SERVICE REVENUE		0	1058333	1310394	1386314	1466665	1551706	1641713	1736978	1837811	1944539
EFFECTIVE GROSS PARKING REVENUE [4]											
48 Attached Garages	5%	0	19114	21480	22554	23682	24866	26109	27415	28786	30225
60 Ancillary Attached Garages	5%	0	9360	14364	15082	15836	16628	17460	18333	19249	20212
SUBTOTAL: EFFECTIVE GROSS PARKING REVENUE		0	28474	35844	37636	39518	41494	43569	45747	48035	50436
LAUNDRY – EFFECTIVE GROSS REVENUE [5]	5%	0	1712	2118	2224	2335	2452	2575	2703	2838	2980
OTHER – EFFECTIVE GROSS REVENUE [5]	7%	0	16892	21300	22791	24386	26093	27920	29874	31965	34203
SUBTOTAL: EFFECTIVE GROSS REVENUE-RENT/SERVICE PARKING, LAUNDRY & OTHER SOURCES		0	1105411	1369656	1448965	1532904	1621745	1715776	1815303	1920649	2032158
INTEREST INCOME [6]											
Security Deposit @ 9%	0%	0	7599	8954	8954	8954	8954	8954	8954	8954	8954
Debt Service Reserve Fund @ 11.5%	0%	64400	64400	64400	64400	64400	64400	64400	64400	64400	64400
SUBTOTAL: INTEREST INCOME		64400	71999	73354	73354	73354	73354	73354	73354	73354	73354
TOTAL EFFECTIVE GROSS REVENUE [7]		64400	1177409	1443010	1522320	1606259	1695099	1789130	1888657	1994004	2105512

EXHIBIT IV-8

FOOTNOTES TO EXHIBIT IV-8

THE HERITAGE
A RETIREMENT LIVING CENTER
SCHEDULE OF PROJECTED REVENUES FROM JANUARY 1, 1985, THROUGH DECEMBER 31, 1994

[1] Detailed calculations of projected potential and effective gross revenue are found in Appendix C. The potential gross revenue and vacancy loss from each revenue source for each year are shown.

[2] Vacancy Loss: Although completion of The Heritage is targeted for the late fall of 1985, for purposes of this appraisal it is assumed that operations begin on January 1, 1986, and all pre-leased units are occupied at that time. Based upon occupancy/vacancy projections detailed in Exhibit III-6 the 81 one-bedroom units will have an average vacancy loss of 23 percent in 1986 and apartment rents will remain at the same level as in 1984-85. The average vacancy thereafter will be stable at 1.7 percent per year for tenant turnover.

The 60 two-bedroom units will have an average vacancy loss of 10 percent in 1986 and will then be stabilized at 1.7 annually for tenant turnover.

The eight deluxe two-bedroom units have a waiting list 1-1/4 years before the project is scheduled to open. Vacancy will be 0 percent in 1986 and will average 1 percent thereafter to account for the time needed to redecorate as tenancy changes.

Inflation Rate: Landmark Research, Inc.'s 1984 apartment rental survey in Appleton and in Menasha indicates a varying pattern of rental increases from February 1984 to November 1984. The City of Appleton Department of Planning and Development previously referenced study also indicates a steady increase in rents for one- and two-bedroom units. The data given for efficiencies and three-bedroom units were discovered to contain some distortions, but the one- and two-bedroom information appears to be consistent with the 1982 data and Landmark's information. Landmark's rental study and the City of Appleton's comparative rent data for 1982 and 1984 are found in Appendix B of this appraisal.

FOOTNOTES TO EXHIBIT IV-8 (Continued)

Based upon historic market rent increases in Appleton and Menasha, comparative rents of other retirement centers in Wisconsin and Minnesota on file in Landmark's office, changes in the consumer price index, and demand factors for unit types, the following inflation factors are projected for The Heritage:

For one-bedroom units, the rental revenue is expected to increase annually from 1987 at 5 percent after the initial rent-up period.

The two-bedroom units will have a greater demand in the early years of the project; the market survey results and the pre-leasing unit mix confirm this consumer preference. The appraiser estimates that the two-bedroom monthly service charge at $675 per month was initially understated when compared with other Wisconsin and Minnesota retirement center fees; because of the strong demand for two-bedroom units and the initial understatement of the total monthly service charge, the rent portion is expected to increase 3 percent in 1986 and is projected to increase at 6 percent annually thereafter.

The demand is high for the larger two-bedroom, 1.75 bath unit and therefore the rent is expected to increase 5 percent in 1986 and 7 percent per year thereafter, a rate which includes both a high demand and an inflationary factor.

[3] The monthly service package, as detailed in Exhibit III-8, is projected to increase at 6 percent per year. As residents learn to live in and fully utilize the varied spaces and services available in a well-managed retirement living center, the value of this package will increase in intrinsic value to each resident. The revenue from the service package varies with occupancy; in 1986 occupancy is estimated to be 83.5 percent and in 1987 and thereafter, occupancy is expected to average 98.4 percent overall.

[4] In 1986 the 48 attached garage stalls located on the south end of wings A and B are projected to experience a vacancy loss of 7.5 percent and an average of 1 percent thereafter. The rent is expected to increase by 2-1/2 percent in 1986 and at 5 percent thereafter.

FOOTNOTES TO EXHIBIT IV-8 (Continued)

The 60 ancillary enclosed garage stalls, expected to have a longer rent-up period, are projected to have a vacancy loss of 35 percent in 1986 and thereafter the vacancy loss is projected to be 5 percent annually. Rents will remain flat through 1986 and will then increase at the rate of 5 percent per year.

[5] Laundry revenue will vary with occupancy at 83.5 percent in 1986 and 98.4 percent in 1987 and thereafter. Laundry revenue will increase 2-1/2 percent in 1986 from the 1985 lease amount and thereafter the annual increase is estimated to be 5 percent per year. This percentage increase in laundry revenue anticipates greater use of the washer/dryer beyond the allowance limit as well as the effect of inflation.

Other income from the coffee shop, beauty shop, guest rooms, and other sources will vary with occupancy. In 1986 allowances for vacancy is 16.5 percent, and in 1987 and thereafter, vacancy loss is projected to be no more than 1.6 percent. The gross potential revenue from these sources is projected to remain at the 1985 base amount until 1987 when the residents will have gradually adapted to living in a retirement center and will make fuller use of these facilities and services. In 1987 and thereafter, revenue from other sources will increase at the rate of 7 percent per year.

[6] The interest earned on security deposits varies with occupancy; in 1986 only 83.5 percent of the potential security deposits were earning interest, but from 1987 on, interest was earned on 98.4 percent of the potential security deposits. Interest at 9 percent is expected to remain stable.

Interest earned on the Debt Service Reserve Fund does not vary with occupancy and the interest rate is projected to be stable at 11.5 percent.

[7] The total effective gross income for years 1985 through 1994 is entered into the discounted cash flow program MRCAP as fixed income net of vacancy losses. See Exhibit IV-10.

EXHIBIT IV-9

THE HERITAGE
A RETIREMENT LIVING CENTER
SCHEDULE OF PROJECTED REVENUES AND EXPENSES FROM JANUARY 1, 1985, THROUGH DECEMBER 31, 1994 [1]

		1985	1986	1987	1988	1989	1990	1991	1992	1993	1994
TOTAL EFFECTIVE GROSS REVENUE [1]		64400	1177409	1443010	1522320	1606259	1695099	1789130	1888657	1994004	2105512
EXPENSES	Base Amount First Year of Operation	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994
MANAGEMENT FEE [2]	5% effective gross before interest revenue	0	55270	68483	72448	76645	81087	85789	90765	96032	101608
FOOD SERVICE CONTRACT [3]	264771	0	221090	273560	287240	301602	316682	332516	349142	366599	384929
ADMINISTRATIVE [4]											
Personnel	75678	0	63191	78190	82100	86205	90515	95041	99793	104783	110022
Legal/Audit	10700	0	10700	11235	11800	12390	13010	13660	14343	15060	15813
Supplies, Dues & Advertising	5875	0	4900	6070	6380	6699	7034	7386	7755	8143	8550
SUBTOTAL: ADMINISTRATIVE	92253	0	78791	95495	100280	105294	110559	116087	121891	127986	134385
UTILITIES [5]											
Electricity	28700	0	24000	29370	30500	31720	32989	34308	35681	37108	38592
Water & Sewer	10700	0	8950	11050	11600	12180	12789	13428	14100	14805	15545
Gas	7600	0	6350	8000	7560	8089	8655	9261	9910	10603	11346
Telephone Service	12000	0	10020	12500	13270	14066	14910	15805	16753	17758	18824
SUBTOTAL: UTILITIES	59000	0	49320	60920	62930	66055	69343	72803	76443	80274	84307
MAINTENANCE [6]											
Personnel-Building Services	42430	0	35430	44260	46910	49725	52708	55871	59223	62776	66543
Grounds Care	4725	0	3950	4880	5130	5387	5656	5939	6236	6547	6875
Rubbish Removal	2650	0	2200	2740	2870	3014	3164	3322	3489	3663	3846
Janitorial Supplies & Services	5985	0	5000	6180	6490	6815	7155	7513	7889	8283	8697
Vehicle Usage & Maintenance	3600	0	3000	3720	3910	4106	4311	4526	4753	4990	5240
Building Repairs & Maintenance	9035	0	7550	9430	9990	10589	11225	11898	12612	13369	14171
Elevator Maintenance Contract	7000	0	7000	7350	7718	8103	8509	8934	9381	9850	10342
Parking Lot Repair	200	0	200	200	1700	1802	1910	2025	2146	2275	2411
Decorating	5250	0	5250	5850	6140	6447	6769	7108	7463	7836	8228
Exterminating	850	0	710	880	920	966	1014	1065	1118	1174	1233
Laundry Expense	300	0	260	320	330	347	364	382	401	421	442
SUBTOTAL: MAINTENANCE	82025	0	70550	85810	92108	97299	102785	108583	114710	121185	128028
ALL RISK INSURANCE [7]	14700	0	14700	15440	16200	17010	17861	18754	19691	20676	21710
OPERATING EXPENSES BEFORE R.E. TAXES		0	489721	599708	631206	663905	698317	734531	772642	812752	854966
REAL ESTATE TAX [8]	13300	11650	13300	150500	174100	182805	191945	201543	211620	222201	233311
TOTAL OPERATING EXPENSES		11650	503021	750208	805306	846710	890262	936073	984262	1034952	1088277
NET OPERATING INCOME (before reserves, debt service, and income taxes)		52750	674388	692802	717014	759549	804837	853057	904395	959052	1017235

FOOTNOTES TO EXHIBIT IV-9

THE HERITAGE

SCHEDULE OF PROJECTED REVENUES AND EXPENSES FROM
JANUARY 1, 1985, THROUGH DECEMBER 1, 1994

[1] Total effective gross revenue is taken from Exhibit IV-8 which details each revenue component.

The operating expenses used for this project are based upon estimates made by Madsen Corporation and checked for reasonableness against actual expenses experienced by other property managers in Wisconsin or from service suppliers. The annual inflation factor of 5 percent used to forecast most of the expenses is based upon the following pattern of changes in the Consumer Price Index and upon the premise that current Federal deficits will cause the inflation rate to accelerate gradually from recent lows.

1980	-	10.8%	
1981	-	8.1%	
1982	-	3.5%	
1983	-	3.5%	
1984	-	4.0%	(Annualized)

[2] The management fee is 5 percent of the effective gross revenue before interest revenue.

[3] The expense for the food service contract assumes that all residents will utilize the seven-day meal plan which entitles each resident to one full dinner/supper each day of the week. The monthly service charge also includes the charge for the seven-day meal plan. The rate of increase in food service has been relatively stable in the past few years, according to Roy W. Poe, President of Professional Culinary Management in Milwaukee, Wisconsin, from whom the quote of $3.90 per meal per day was obtained. Mr. Poe forecasts future price increases to be less than 5 percent per year, including increases both for food products and for labor. Food service charges are assumed to vary with occupancy. Full occupancy of 149 residents plus 37 second occupants will result in an initial food service cost of $264,771 (186 residents x 365 days x $3.90), but in 1986, at 83.5 percent occupancy, the expense is $221,090. In 1987 and thereafter, occupancy is assumed to remain stable at 98.4 percent with expenses increasing annually at 5 percent.

FOOTNOTES TO EXHIBIT IV-9 (Continued)

[4] Administrative personnel include an administrator, a resident service coordinator, a secretary-bookkeeper, receptionists, and other part-time administrative assistants. Added to the estimated base salary cost of $63,065 is 20 percent for fringe benefits for a total base of $75,678. Salaries are estimated to increase at 5 percent annually and staff size will vary with occupancy. Legal and audit costs are fixed and are inflated at 5 percent per year. Supplies, dues, and advertising costs vary with occupancy and are inflated annually at 5 percent.

[5] The Wisconsin Electric Power Company in Appleton has experienced a 2 percent rate decrease in 1984 and less than a 1 percent decrease has been requested for 1985. A surplus of electricity generating capacity in Wisconsin will keep electricity costs stabilized for the near future. Costs are assumed to increase at a generous 4 percent per year.

Natural gas increases in September/October of 1984 were approximately 3 percent. Both pipeline and utility operators expect the commodity charge for natural gas to be flat in the future with only inflationary increases anticipated, according to a spokesman for Wisconsin Natural Gas Co. An inflation factor of 5 percent is assumed for both gas and sewer and water. Local telephone service will be included in the monthly service charge for each apartment. The basic quote of $12,000 from the telephone company for all telephone service is expected to inflate at 6 percent per year, higher than the anticipated inflation rate, because of the uncertainty of the telephone company's pricing policy.

[6] The personnel for building services include a full-time building service coordinator, a part-time general maintenance person and housekeepers to clean common areas and to provide monthly cleaning services for each apartment. The estimated salaries of $35,360 plus 20 percent for fringe benefits total $42,432. Salary increases for this type of work, more likely to be influenced by labor unions, are estimated to increase 6 percent annually.

Many of the maintenance services such as landscaping, rubbish removal, exterminating, and elevator maintenance are expected to be performed by contract. Parking lot repair and decorating expenses (the apartment portion of the total expenses) are expected to be minimal in the first two years of operation. An annual inflation factor of 5 percent is used to forecast expense increases for all maintenance categories except for labor. All maintenance expenses, except for the elevator contract, vary with occupancy or the age of the project.

FOOTNOTES TO EXHIBIT IV-9 (Continued)

[7] An all-risk insurance policy is a fixed expense and the premium is estimated to increase at 5 percent annually. Insurance coverage during construction is included in the construction budget.

[8] Real estate assessments are made as of the first of January of each year based upon the value in place on that day. Taxes, based on January first assessments, are due and payable in the following year, or an annual, semi-annual, or quarterly basis. Land value in 1984 is estimated to be $462,000, or $3,100 per unit. The 1983 net mill rate for Appleton property located in Winnebago County was 0.02232 based upon assessments at 95.94 percent of full market value. At full market value the mill rate would be 0.02232/0.9594, or 0.02326. In 1984 the assessments are at 88.47 percent of full market value and the mill rate has not yet been determined. Using the 1983 mill rate of 0.02232/0.8847 equals a 1984 mill rate of 0.02523. Average mill rate increases over the past four years range from 2.5 percent to 4.4 percent for Winnebago and Outagamie Counties. However, forecasting real estate tax increases, an annual increase of 5 percent is used because State and Federal governments are continually withdrawing their tax funds from local tax districts.

For 1984 real estate taxes, payable in 1985, a land value of $462,000 times a mill rate of 0.02523 yields taxes of $11,650. As of January 1, 1985, the contractor estimates $40,000 of site improvements will be added to the site. Therefore $462,000 plus $40,000, or $502,000 times 0.02649 (0.02523 x 1.05) is $13,300 for 1985 real estate taxes due in 1986. As of January 1, 1986, the project is expected to be 90 percent complete. Market value for real estate tax purposes of $40,000 per unit includes $3,100 per unit for land. Therefore, an improvement value of $5,900,400, which is 90 percent complete, plus land, taxed at 0.02781 (0.02649 x 1.05) yields real estate taxes of $150,500, payable in 1987. The completed project as of January 1, 1987, would be taxed at $174,100 based upon the previously stated assumptions and would increase at 5 percent per year thereafter.

EXHIBIT IV-10

FINANCING ASSUMPTIONS FOR THE HERITAGE

MORTGAGE AMOUNT	$5,000,000	
Interest Only for 3 Years	555,750/yr	
Amortized over 30-Year Term, Thereafter	555,750 plus principal payment	
INTEREST RATE		
Bond Rate	0.09375	
Letter of Credit Fee	0.01650	— monthly
Trustee Fee	~~0.00090~~ ~~.0015~~ .00135	semi-annually
Effective Rate	0.11115	
	~~.00240~~	payable annually
	.00216	
	.11375	

greater monthly

Corporate Letter of Credit
$500,000 – life of project
300,000 – Columbia until 110% breakeven

Debt

MORTGAGE PRINCIPAL PAYMENT SCHEDULE

Year 1	Interest Only	0
2	" "	0
3	" "	0
4	" "	$ 30,000
5	" "	30,000
6	" "	35,000
7	" "	35,000
8	" "	40,000
9	" "	45,000
10	" "	50,000

DEBT SERVICE RESERVE FUND	$ 560,000
Annual Interest Only Charge	~~0.11115~~
Annual Payment	$ 62,244

s.b. 632,480

555750
62244
617,994

EXHIBIT IV-11

THE HERITAGE
CAPITAL MAINTENANCE AND REPLACEMENT RESERVE FUND

I. RESERVE FUND POLICY

A. Set aside 0.002 of hard dollar construction costs until reserve fund level is equal to $1,000 per unit

B. Annually set aside 0.05 of cost of furniture, fixtures, and equipment

C. Reserves will be paid out of positive cash throw-off after income taxes

D. For The Heritage, the replacement reserves begin to be funded as of January 1, 1987

II. DEFINITION OF COST BASIS

A. Hard construction costs from The Heritage capital budget

Construction and sitework	$7,215,000
(less kitchen equipment)	(150,000)
(less telephone system)	(60,000)
Total	$7,005,000

B. Cost of furniture, fixtures, and equipment from The Heritage capital budget

Kitchen equipment	$ 150,000
Dining room and common area furnishings	125,000
Total	$ 275,000

III. CALCULATION OF RESERVE FUND

A. $7,005,000 x 0.002 = Maximum level of $149,000 reached in 10.6 years	$ 14,010
B. $275,000 x 0.05 =	13,750
TOTAL ANNUAL RESERVES FOR REPLACEMENTS	$ 27,760

MRCAP INPUT FORM DISCOUNTED CASH
FLOW SIMULATION AND VALUATION MODEL

1.	THE HERITAGE Project Title		Madsen-Hoffman Joint Venture User Name			
10.	1985 Starting Year	0 Data Sets	0 Classification	1 % Owned Yr. 1	10 Holding Period	1788 Units/Yr.
20.	Not applicable Back-Door	Back-Door Loans	Investment Default	B/4 Tax	Beginning Year	End Year
30.	Not applicable Default Ratio	Cash-On-Cash	Year	% Change	Equity B/4 Tax	Reserve B/4 Tax
40.	64400 Fixed Income	1177409 2	1443010 3	1522320 4	1606259 5	
41.	1695099 6	1789130 7	1888657 8	1994004 9	2105512 10	
50.	Included in Fixed Variable Income	Income 2	3	4	5	
51.	6	7	8	9	10	
60.	0 Vacancy Rate	* 2	3	4	5	
61.	6	7	8	9	10	

CLASSIFICATION
0 = Subsidized Housing
1 = Non-Subsidized

OWNERSHIP FORM
1 = Individual
2 = Corporation

CHARGE NEW CAPITAL
0 = Use Reserves First THEN Cash Flow
1 = Use Cash Flow First THEN Reserves

EXHIBIT IV-12

70.	11650	13300	150500	174100	182805
	Real Estate Tax	2	3	4	5
71.	191945	201543	211620	222201	233311
	6	7	8	9	10
80.	0	489721	599708	631206	663905
	Fixed Expenses	2	3	4	5
81.	698317	734531	772642	812752	854966
	6	7	8	9	10
90.	Included in Fixed Expenses				
	Variable Expenses	2	3	4	5
91.					
	6	7	8	9	10

100.	.20	.50	.09	
	Discount Rate	Income Tax Rate	Reinvestment Rate	
101.	0	11.7647	2	
	Extraordinary Exp.	Project Growth Rate	Project Growth Type	
102.	.125	1	.03	0
	Working Cap. Loan	Ownership	Resale Cost Rate	Charge New Capital
103.	27760	640770	.09	0
	Reserves Withheld	Equity Reserves	Equity Reserve Rate	Reserve Maximum

CLASSIFICATION
0 = Subsidized Housing
1 = Non-Subsidized

OWNERSHIP FORM
1 = Individual
2 = Corporation

CHARGE NEW CAPITAL
0 = Use Reserves First THEN Cash Flow
1 = Use Cash Flow First THEN Reserves

EXHIBIT IV-12 (Continued)

Landmark Research, Inc.

COMPONENT ENTRIES

200. 1. Title (20 character maximum): LAND

201. 1. Original Cost: 462000, % Depreciable: 0, Depreciation Method: 0

202. 1. Starting Year: 1, Useful Life: 0, Switching: 0

200. 2. Title: BUILDING

201. 2. Original Cost: 8586250, % Depreciable: 1.0, Depreciation Method: 5

202. 2. Starting Year: 1, Useful Life: 15, Switching: 0

200. 3. Title: FURNITURE, FIXTURES & EQUIPMENT

201. 3. Original Cost: 404500, % Depreciable: 1.0, Depreciation Method: 5

202. 3. Starting Year: 1, Useful Life: 5, Switching: 0

200. 4. Title: START-UP COSTS

201. 4. Original Cost: 354400, % Depreciable: 1.0, Depreciation Method: 5

202. 4. Starting Year: 1, Useful Life: 3, Switching: 0

200. 5. Title: FINANCING COSTS

201. 5. Original Cost: 520000, % Depreciable: 1.0, Depreciation Method: 5

202. 5. Starting Year: 1, Useful Life: 10, Switching: 0

CODES FOR DEPRECIATION METHOD

0 = No Depreciation
1 = Sum of Years Digits
2 = Straight Line
3 = 125% Declining Balance
4 = 150% Declining Balance
5 = 200% Declining Balance
6 = Reverse Sum of Years Digits
9 = Equity Modification
"-" value = remove equity
"+" value = add equity

Landmark Research, Inc.

EXHIBIT IV-12 (Continued)

200. 6. ____________________
Title

201. 6. ____________, ____________, ____________
Original Cost, % Depreciable, Depreciation Method

202. 6. ____________, ____________, ____________
Starting Year, Useful Life, Switching

200. 7. ____________________
Title

201. 7. ____________, ____________, ____________
Original Cost, % Depreciable, Depreciation Method

202. 7. ____________, ____________, ____________
Starting Year, Useful Life, Switching

200. 8. ____________________
Title

201. 8. ____________, ____________, ____________
Original Cost, % Depreciable, Depreciation Method

202. 8. ____________, ____________, ____________
Starting Year, Useful Life, Switching

MORTGAGE ENTRIES

300. 1. INTEREST ONLY
Title (20 character maximum)

301. 1. 5000000, .11115, 1.0, 0
Principal Amount, Annual Interest, Payment Period, Term

302. 1. 1, 1, 3, 2
Payments/Year, Year Began, Year End, Refinanced by #

303. 1. 0, 0, 0, 0
Bonus Interest, Base Amount, Base Type, Mortgage Factor

300. 2. MORTGAGE
Title

301. 2.	5000000	.11115	0	30
	Principal Amount	Annual Interest	Payment Period	Term
302. 2.	1	4	30	0
	Payments/Year	Year Began	Year End	Refinanced by #
303. 2.	0	0	0	.11665
	Bonus Interest	Base Amount	Base Type	Mortgage Factor

300. 3. DEBT SERVICE RESERVE
Title

301. 3.	560000	.11115	1.0	0
	Principal Amount	Annual Interest	Payment Period	Term
302. 3.	1	1	30	0
	Payments/Year	Year Began	Year End	Refinanced by #
303. 3.	0	0	0	0
	Bonus Interest	Base Amount	Base Type	Mortgage Factor

300. 4. ____________
Title

301. 4.				
	Principal Amount	Annual Interest	Payment Period	Term
302. 4.				
	Payments/Year	Year Began	Year End	Refinanced by #
303. 4.				
	Bonus Interest	Base Amount	Base Type	Mortgage Factor

400.	9									
	1	2	3	4	5	6	7	8	9	10
403.	99									

999,99

Landmark Research, Inc.

EXHIBIT IV-12 (Continued)

EXHIBIT IV-13

ASSUMPTIONS UNDERLYING INPUTS IN MRCAP

MRCAP INPUT	ASSUMPTION
Line 10 - Starting Year	Date of Valuation - January 1, 1985
Line 10 - Classification	Subsidized housing for income tax purposes - 200% DDB depreciation, 15-year life and special recapture rates.
Line 10 - Units per Year	149 apartment units x 12 months
Lines 40-41 - Fixed Income	Sum of all projects' revenues (effective gross) (See Exhibit IV-8 and Appendix C.)
Line 60 - Vacancy	Vacancy loss has already been deducted from potential gross revenue. (See Exhibit IV-8 and Appendix C.)
Line 70-71 - Real Estate Taxes	Real estate tax calculations are found in the footnotes for Exhibit IV-9.
Lines 80-81 - Fixed Expenses	All fixed and variable expenses as shown in Exhibit IV-9, excluding real estate taxes.
Line 100 - Discount Rate	Limited partners seek an after-tax internal rate of return of 18 percent to 20 percent. 20 percent is used for this project.
Line 100 - Income Tax Rate	Limited partners are assumed to be in the 50 percent tax bracket
Line 100 - Reinvestment Rate	After tax reinvestment rate of 9 percent to be applied to after-tax cash flow for compounding into the future.
Line 101 - Project Growth Rate	A net income multiplier of 11.7647 translates to an overall capitalization rate of 8.5 percent, which was taken from comparable sales in the Appleton area as indicative of investor pricing strategy. See Exhibit IV-7 for comparable sales and overall capitalization rates.

EXHIBIT IV-13 (Continued)

Line 102 - Working Capital Loan	Interest charged for a working capital loan is 12.5 percent, but all first year construction costs and operating costs are paid out of equity and mortgage proceeds, so no new loan is required.
Line 102 - Resale Cost Rate	Real estate selling costs will be 3 percent of the selling price in 1994.
Line 103 - Reserves	Based upon 0.2 percent of construction costs plus 5 percent of the furniture, fixtures, and equipment, reserves are set aside from cash throw-off (after debt service) when available. Reserves begin to accumulate in 1987.
Line 103 - Equity Reserves	Equity of $640,770 is needed in the first two years to cover real estate taxes and debt service (interest only) reduced by interest earned on the debt service reserve in Year 1 and Year 2 and by cash from operations in Year 2.
Line 103 - Equity Reserve Rate	It is assumed that replacement reserves earn 9 percent interest paid annually.
Line 303, 2 - Mortgage Factor	A mortgage factor of 0.116650 is used to best replicate the principal payment plan shown in Exhibit IV-10.

Component and Mortgage inputs and assumptions are discussed within the text and are detailed in Exhibit IV-6 and IV-10.

EXHIBIT IV-14

INPUT FILE USED FOR MRCAP PROGRAM

```
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     12=102,.125,1,.03,0
     13=103,27760,640770,.09,0
     14=200,1,LAND
     15=201,1,462000,0,0
     16=202,1,1,0,0
     17=200,2,BUILDING
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     23=200,4,START-UP COSTS
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     43=999,99
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EXHIBIT IV-15

OUTPUT OF MRCAP DISCOUNTED CASH FLOW PROGRAM

P R O   F O R M A

INVESTMENT ANALYSIS OF

THE HERITAGE CENTER

FOR

MADSEN-HOFFMAN JOINT VENTURE

R E P O R T   S E C T I O N   N U M B E R   1   PAGE 1

==

* GROSS RENT $	1528580.	RATE OF GROWTH OF GROSS RENT	0.0550	(Average growth rate)
* EXPENSES $	625775.	RATE OF GROWTH OF EXPENSES	0.0520	(Average growth rate)
* R E TAXES $	159298.	RATE OF GROWTH OF R E TAXES	0.0500	(Average growth rate)
* INCOME TAX RATE	0.5000	PROJECT VALUE GROWTH TYPE	2.0000	
* VACANCY RATE	0.0000	WORKING CAPITAL LOAN RATE	0.1250	
EQUITY DISCOUNT	0.2000	EXTRAORDINARY EXPENSES $	0.	
RESALE COST	0.0300	REINVESTMENT RATE	0.0900	
WKG CAPITAL RS$	640770.	CAPITAL RESER INTEREST RATE	0.0900	
INVESTOR TAX CLASS	0	OWNERSHIP FORM	1	
INITIAL COST $	10327150.	INITIAL EQUITY REQUIRED $	5407920.	

ALL '*' VALUES ARE AVERAGE AMOUNTS FOR HOLDING PERIOD. OF 10 YRS.

P R O F O R M A

INVESTMENT ANALYSIS OF

THE HERITAGE CENTER

FOR

MADSEN-HOFFMAN JOINT VENTURE

R E P O R T   S E C T I O N   N U M B E R   3   PAGE 1

CASH FLOW ANALYSIS

		1985	1986	1987	1988	1989	1990	1991	1992	1993	1994
1	GROSS RENT	64400.	1177409.	1443010.	1522320.	1606259.	1695099.	1789130.	1888657.	1994004.	2105512.
2	LESS VACANCY	0.	0.	0.	0.	0.	0.	0.	0.	0.	0.
3	LESS REAL ESTAE TAXES	11650.	13300.	150500.	174100.	182805.	191945.	201543.	211620.	222201.	233311.
4	LESS EXPENSES	0.	489721.	599708.	631206.	663905.	698317.	734531.	772642.	812752.	854966.
5	NET INCOME	52750.	674388.	692802.	717014.	759549.	804837.	853056.	904395.	959051.	1017235.
6	LESS DEPRECIATION	1646900.	1251225.	1024083.	842178.	732163.	593840.	519205.	454522.	424490.	424490.
7	LESS INTEREST PMTS	617994.	617994.	617994.	617994.	614937.	611541.	607767.	603574.	598914.	593737.
8	TAXABLE INCOME	-2212144.	-1194830.	-949275.	-743158.	-587551.	-400544.	-273916.	-153700.	-64353.	-992.
9	PLUS DEPRECIATION	1646900.	1251225.	1024083.	842178.	732163.	593840.	519205.	454522.	424490.	424490.
10	LESS PRINCIPAL PMTS	0.	0.	0.	27500.	30557.	33953.	37727.	41920.	46580.	51757.
11	CASH THROW-OFF	-565244.	56394.	74808.	71520.	114055.	159343.	207562.	258901.	313557.	371741.
12	LESS INCOME TAXES	122018.	68573.	43806.	24611.	9519.	0.	0.	0.	0.	0.
13	LESS RESERVES	0.	0.	27760.	27760.	27760.	27760.	27760.	27760.	27760.	27760.
14	CASH FROM OPERATIONS	0.	0.	3242.	19149.	76776.	131583.	179802.	231141.	285797.	343981.
15	WORKING CAPITAL LOAN	0.	0.	0.	0.	0.	0.	0.	0.	0.	0.
16	DISTRIBUTABLE CASH AFTER TAX	0.	0.	3242.	19149.	76776.	131583.	179802.	231141.	285797.	343981.
17	TAX SAVINGS ON OTHER INCOME	1106072.	597415.	474637.	371579.	293776.	200272.	136958.	76850.	32177.	496.
18	SPENDABLE CASH AFTER TAXES	1106072.	597415.	477879.	390728.	370551.	331855.	316760.	307991.	317974.	344477.

INVESTMENT ANALYSIS OF

THE HERITAGE CENTER

FOR

MADSEN-HOFFMAN JOINT VENTURE

MARKET VALUE & REVERSION
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CASH FLOW ANALYSIS
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		1985	1986	1987	1988	1989	1990	1991	1992	1993	1994
19	END OF YEAR MARKET VALUE	620588.	7933973.	8150608.	8435455.	8935866.	9468666.	10035948.	10639936.	11282947.	11967465.
20	LESS RESALE COST	18618.	238019.	244518.	253064.	268076.	284060.	301078.	319198.	338488.	359024.
21	LESS LOAN BALANCES	5560000.	5560000.	5560000.	5532500.	5501944.	5467991.	5430264.	5388344.	5341764.	5290007.
22	PLUS CUM. CASH RESERVES	11178.	5.	27765.	58024.	91007.	126957.	166143.	208856.	255413.	306160.
23	BEFORE TAX NET WORTH	-4946852.	2135958.	2373855.	2707916.	3256853.	3843573.	4470750.	5141251.	5858108.	6624595.
24	CAPITAL GAIN (IF SOLD)	-8901730.	-984297.	49290.	1030908.	2221624.	3362856.	4537537.	5747821.	7084755.	8466363.
25	CAPITAL GAINS TAX	-1780346.	-196859.	9858.	206182.	444325.	672571.	907507.	1149564.	1416951.	1693273.
26	MINIMUM PREF. TAX	0.	0.	0.	0.	0.	0.	0.	0.	0.	0.
27	INCOME TAX ON EXCESS DEP.	411725.	645301.	796321.	883359.	920090.	920090.	920090.	920090.	920090.	920090.
28	TOTAL TAX ON SALE	-478448.	546872.	806179.	1089541.	1364415.	1592661.	1827597.	2069654.	2337041.	2613363.
29	AFTER TAX NET WORTH	-4468404.	1589087.	1567676.	1618375.	1892438.	2250912.	2643152.	3071596.	3521067.	4011232.

BEFORE TAX RATIO ANALYSIS
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CASH FLOW ANALYSIS
==================

		1985	1986	1987	1988	1989	1990	1991	1992	1993	1994
30	RETURN ON NET WORTH B/4 TAX	-1.9147	-1.4432	0.1464	0.1709	0.2448	0.2291	0.2172	0.2079	0.2004	0.1943
31	CHANGE IN NET WORTH B/4 TAX	*********	7082810.	237897.	334061.	548938.	586720.	627177.	670501.	716857.	766487.
32	ORIG EQUITY CASH RTNB/4 TAX	-0.1045	0.0104	0.0138	0.0132	0.0211	0.0295	0.0384	0.0479	0.0580	0.0687
33	ORIG EQUITY PAYBACK B/4 TAX	-0.1045	-0.0941	-0.0803	-0.0670	-0.0459	-0.0165	0.0219	0.0698	0.1278	0.1965
34	B/4 TAX PRESENT VALUE	966588.	6611431.	6545176.	6511809.	6560601.	6592312.	6610738.	6618937.	6619356.	6613963.

AFTER TAX RATIO ANALYSIS
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CASH FLOW ANALYSIS
==================

		1985	1986	1987	1988	1989	1990	1991	1992	1993	1994
35	RETURN ON NET WORTH AFR TAX	-1.6217	-1.4893	0.2873	0.2816	0.3983	0.3648	0.3150	0.2786	0.2499	0.2370
36	CHANGE IN NET WORTH AFR TAX	-9876324.	6057491.	-21411.	50700.	274063.	358473.	392241.	428444.	449470.	490166.
37	ORIG EQUITY CASH RTNAFR TAX	0.2045	0.1105	0.0884	0.0723	0.0685	0.0614	0.0586	0.0570	0.0588	0.0637
38	ORIG EQUITY PAYBACK AFR TAX	0.2045	0.3150	0.4034	0.4756	0.5441	0.6055	0.6641	0.7210	0.7798	0.8435
39	AFTER TAX PRESENT VALUE	2758057.	8000131.	8080369.	8142045.	8271023.	8375458.	8447689.	8496018.	8525694.	8546760.

CASH FLOW ANALYSIS
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		1985	1986	1987	1988	1989	1990	1991	1992	1993	1994
40	NET INCOME-MARKET VALUE RTO	0.0850	0.0850	0.0850	0.0850	0.0850	0.0850	0.0850	0.0850	0.0850	0.0850
41	LENDER BONUS INTEREST RATE	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
42	DEFAULT RATIO	9.7771	0.9521	0.9482	0.9530	0.9290	0.9060	0.8840	0.8629	0.8428	0.8234

Landmark Research, Inc.

EXHIBIT IV-15 (Continued)

EXHIBIT IV-15 (Continued)

REPORT SECTION NUMBER 8 PAGE 1

MORTGAGE AMORTIZATION SCHEDULE FOR INTEREST ONLY

MORTGAGE AMOUNT	5000000.	TERM	0
INTEREST RATE	0.11115	MORTGAGE FACTOR	0.00000000
PERIOD PAYMENT	1.00	PAYMENTS PER YEAR	1
BONUS INTEREST	0.0000	TYPE 0 GREATER THAN	0.

YR	ANNUAL PAYMENT	INTEREST PAYMENT	PRINCIPAL PAYMENT	BALANCE	BONUS INT PAYMENT
1	1.	555750.	0.	5000000.	0.
2	1.	555750.	0.	5000000.	0.
3	1.	555750.	0.	5000000.	0.

MORTGAGE AMORTIZATION SCHEDULE FOR MORTGAGE

MORTGAGE AMOUNT	5000000.	TERM	30
INTEREST RATE	0.11115	MORTGAGE FACTOR	0.11665000
PERIOD PAYMENT	583250.00	PAYMENTS PER YEAR	1
BONUS INTEREST	0.0000	TYPE 0 GREATER THAN	0.

YR	ANNUAL PAYMENT	INTEREST PAYMENT	PRINCIPAL PAYMENT	BALANCE	BONUS INT PAYMENT
4	583250.	555750.	27500.	4972500.	0.
5	583250.	552693.	30557.	4941944.	0.
6	583250.	549297.	33953.	4907991.	0.
7	583250.	545523.	37727.	4870264.	0.
8	583250.	541330.	41920.	4828344.	0.
9	583250.	536670.	46580.	4781764.	0.
10	583250.	531493.	51757.	4730007.	0.

EXHIBIT IV-15 (Continued)

MORTGAGE AMORTIZATION SCHEDULE FOR DEBT SERVICE RESERVE

MORTGAGE AMOUNT	560000.	TERM	0
INTEREST RATE	0.11115	MORTGAGE FACTOR	0.00000000
PERIOD PAYMENT	1.00	PAYMENTS PER YEAR	1
BONUS INTEREST	0.0000	TYPE 0 GREATER THAN	0.

YR	ANNUAL PAYMENT	INTEREST PAYMENT	PRINCIPAL PAYMENT	BALANCE	BONUS INT PAYMENT
1	1.	62244.	0.	560000.	0.
2	1.	62244.	0.	560000.	0.
3	1.	62244.	0.	560000.	0.
4	1.	62244.	0.	560000.	0.
5	1.	62244.	0.	560000.	0.
6	1.	62244.	0.	560000.	0.
7	1.	62244.	0.	560000.	0.
8	1.	62244.	0.	560000.	0.
9	1.	62244.	0.	560000.	0.
10	1.	62244.	0.	560000.	0.

C O M P O N E N T   S U M M A R Y

TITLE	PCT. DEPR	BEGIN USE	USEFUL LIFE	DEPR METHOD		COST	SCH
LAND-IMPROVED SITE	0.00	1	40.	0	$	462000.	0
BUILDING	1.00	1	15.	5	$	8586250.	0
FURNITURE	1.00	1	5.	5	$	404500.	0
START-UP COSTS	1.00	1	3.	5	$	354400.	0
FINANCING COSTS	1.00	1	10.	5	$	520000.	0

M O R T G A G E   S U M M A R Y

TITLE	INTR RATE	BEGIN YR.	END YR.	TERM		ORIG BALC	PCT VALUE
INTEREST ONLY	0.11115	1	3	0	$	5000000.	0.484
MORTGAGE	0.11115	4	30	30	$	5000000.	0.613
DEBT SERVICE RESERVE	0.11115	1	30	0	$	560000.	0.054

EXHIBIT IV-15 (Continued)

R E P O R T   S E C T I O N   N U M B E R   9   PAGE 1

DEPRECIATION SCHEDULE FOR BUILDING

INITIAL COST 8586250.
DEPRECIATION METHOD 5   PERCENT DEPRECIABLE 1.000
USEFUL LIFE 15.   BEGINNING YEAR 1

YR	ANNUAL DEP.	CUMULATIVE STR. LINE	CUMULATIVE ACCELERATED	EXCESS
1	1144833.	572417.	1144833.	572417.
2	992189.	1144833.	2137022.	992189.
3	859897.	1717250.	2996919.	1279669.
4	745244.	2289667.	3742164.	1452497.
5	645878.	2862084.	4388042.	1525959.
6	559761.	3434500.	4947803.	1513303.
7	485126.	4006917.	5432930.	1426013.
8	420443.	4579334.	5853373.	1274039.
9	390411.	5151750.	6243784.	1092034.
10	390411.	5724167.	6634195.	910028.

DEPRECIATION SCHEDULE FOR FURNITURE

INITIAL COST 404500.
DEPRECIATION METHOD 5   PERCENT DEPRECIABLE 1.000
USEFUL LIFE 5.   BEGINNING YEAR 1

YR	ANNUAL DEP.	CUMULATIVE STR. LINE	CUMULATIVE ACCELERATED	EXCESS
1	161800.	80900.	161800.	80900.
2	97080.	161800.	258880.	97080.
3	58248.	242700.	317128.	74428.
4	43686.	323600.	360814.	37214.
5	43686.	404500.	404500.	0.
6	0.	0.	0.	0.
7	0.	0.	0.	0.
8	0.	0.	0.	0.
9	0.	0.	0.	0.
10	0.	0.	0.	0.

EXHIBIT IV-15 (Continued)

R E P O R T   S E C T I O N   N U M B E R   9   PAGE 2

DEPRECIATION SCHEDULE FOR START-UP COSTS

INITIAL COST 354400.
DEPRECIATION METHOD 5   PERCENT DEPRECIABLE 1.000
USEFUL LIFE 3.   BEGINNING YEAR 1

YR	ANNUAL DEP.	CUMULATIVE STR. LINE	CUMULATIVE ACCELERATED	EXCESS
1	236267.	118133.	236267.	118133.
2	78756.	236267.	315022.	78756.
3	39378.	354400.	354400.	0.
4	0.	0.	0.	0.
5	0.	0.	0.	0.
6	0.	0.	0.	0.
7	0.	0.	0.	0.
8	0.	0.	0.	0.
9	0.	0.	0.	0.
10	0.	0.	0.	0.

DEPRECIATION SCHEDULE FOR FINANCING COSTS

INITIAL COST 520000.
DEPRECIATION METHOD 5   PERCENT DEPRECIABLE 1.000
USEFUL LIFE 10.   BEGINNING YEAR 1

YR	ANNUAL DEP.	CUMULATIVE STR. LINE	CUMULATIVE ACCELERATED	EXCESS
1	104000.	52000.	104000.	52000.
2	83200.	104000.	187200.	83200.
3	66560.	156000.	253760.	97760.
4	53248.	208000.	307008.	99008.
5	42598.	260000.	349606.	89606.
6	34079.	312000.	383685.	71685.
7	34079.	364000.	417764.	53764.
8	34079.	416000.	451843.	35843.
9	34079.	468000.	485921.	17921.
10	34079.	520000.	520000.	0.

V. VALUE CONCLUSION

A. Satisfaction of Best Use Test

The test of a feasible and most probable use requires demonstration of the presence of effective demand for a specific product, a project design which is physically appropriate, technically workable, legally acceptable, and consistent with community planning goals and objectives. Finally, the project must be financially viable at the estimated cost. The Heritage has been shown to be unusually sensitive to the needs of the elderly, and a comprehensive market and pre-leasing program have demonstrated effective demand for the product for the price. The project density of 149 units fits the constraints of R-3 multifamily residential use, which is permitted in the C-2 zoning for the site. The structural design and life safety systems are in the process of review by the Safety and Buildings Division of the State of Wisconsin, Department of Industry, Labor, and Human Relations, State of Wisconsin, which has ultimate jurisdiction over structures exceeding 50,000 cubic feet, but the architect has checked each design detail in advance to insure approval. Endorsement by the Appleton Housing Authority demonstrates consistency with community goals and planning objectives.

However, the special costs of spacious community areas supportive of the elderly, make the capital costs inconsistent with the rental value of the project; nonetheless, financial viability is demonstrated because effective demand will provide a refundable capital deposit to bridge the gap between estimated improvement costs and street investment value. A similar spread between investment value and effective demand can be observed in prices paid for single family homes during the child rearing phase of the adult housing cycle. The Heritage clearly meets all of the criteria of highest and best use, as defined in Section I.

B. Satisfaction of Value Definition

The definition of value required by R 41b presumes rational buyers purchasing a business investment, specifically a fully completed and equipped project suitable for marketing to the elderly, as a rental project providing supportive services for an operating profit, tax shelter benefits, and the expectation of long-term capital gains. To provide a competitive edge and stabilized pricing, the fee title includes entitlement to the below market interest rate loans subject to certain subordinations to the purposes of the Appleton Housing Authority. Thus fair market value includes any value increment from entitlement to public financing assistance and indirect subsidy by favorable federal income tax provisions for capital recapture and deferment of income taxes.

Since the budget provides for a prolonged marketing period for tenancy and the costs of raising equity through syndication, the tests of sale with willing buyer and willing seller under no duress and with appropriate exposure on the market, have been met. Therefore the value conclusions meet the test of fair market value modified to include special financing and deferred income tax entitlements.

C. Restatement and Weighting of Alternative Value Estimates and Final Synthesis of Value

The appraisers have applied multiple variations to the three approaches to value, concluding:

1. Fair Market Value as of Janaury 1, 1985, via the Cost Approach, including a 15 percent contingency/ developer fee is $10,320,000.
2. Fair Market Value as of January 1, 1985, via the Market Comparison Approach is $8,450,000.
3. Fair Market Value as of January 1, 1985, using an After Tax Discounted Cash Flow Approach, sometimes referred to as the Shelter/Reversion Approach for subsidized housing, is $8,550,000.

As discussed in more detail in the main body of the text, the Cost Approach is irrelevant to the sale of the completed project to investors. The Market Comparison Approach, which uses a 35 percent factor applied to the depreciable base is a proxy for the more complex Discounted Cash Flow Approach to investment performance and present value. Nevertheless, it must be considered as a benchmark for the conventional wisdom among investors seeking shelter opportunities in subsidized residential housing projects. Therefore we have given the Market and Income Approach equal weight and it is our opinion that fair market value as of January 1, 1985, is $8,500,000, and this is the most probable price and central tendency within the range of $8,450,000 and $8,550,000 when financed with a $5,000,000, 9-3/8 percent contract interest rate, 30-year term mortgage with an effective 11.115 percent interest rate per annum, and qualified for federal tax treatment with a 15-year life, 200 percent declining balance allowable depreciation, and an eventual forgiveness of the recapture of excess depreciation.

THE FAIR MARKET VALUE, AS MODIFIED FOR TAX-EXEMPT FINANCING IN THE AMOUNT OF $5,000,000 AT AN EFFECTIVE INTEREST RATE OF 11.115 PERCENT, AMORTIZED OVER A TERM OF 30 YEARS, IS $8,500,000 AS OF JANUARY 1, 1985.

VI. CERTIFICATE OF APPRAISAL

We hereby certify that we have no interest, present or contemplated, in the property and that neither the employment to make the appraisal nor the compensation is contingent on the value of the property. We certify that we have personally inspected the property and that according to our knowledge and belief, all statements and information in the report are true and correct, subject to the underlying assumptions and limiting conditions.

Based on the information and subject to the limiting conditions contained in this report, it is our opinion that the market value as defined herein, of this property as of January 1, 1985, is:

EIGHT MILLION FIVE HUNDRED THOUSAND DOLLARS

$8,500,000

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

Jean B. Davis

Jean B. Davis, Real Estate Appraiser/Analyst

December 15, 1984

Date

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 the report, while believed to be reliable, is in no sense guaranteed by the appraisers.

- 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 the 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.

- Since the projected mathematical models are based on estimates and assumptions, which are inherently subject to uncertainty and variation depending upon evolving events, we do not represent them as results that will actually be achieved.

- Sketches in the 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 the 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 the 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.

- The 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 the appraiser; (2) in the appraiser's opinion the proposed reference is not untrue or misleading in light of the circumstances under which it is made; and (3) written permission has been obtained by the client from the appraiser for these uses.

- The appraiser shall not be required to give testimony or to attend any governmental hearing regarding the subject matter of this appraisal without agreement as to additional compensation and without sufficient notice to allow adequate preparation.

APPENDIX A

RELATED REGULATIONS, AGREEMENTS AND OTHER DOCUMENTS

APPENDIX A-1

REGULATION 41b - APPRAISAL POLICIES AND PRACTICES OF INSURED INSTITUTIONS AND SERVICE CORPORATIONS

an estimate of identifiable market demand and sales pace, cites data on competing projects showing size of project, sale price per model and per square foot and sales rates in each development, recaps the anticipated cost of development, and assesses probability of obtaining governmental approval of the proposed development.

(11) *Comprehensive Cash Flow Projection*

The file should contain a cash flow projection which contains data on the following matters projected over the life of the project at quarter-year intervals: sales; expenditures broken down as to land, overhead, development, taxes and interest, marketing, and maintenance; and a calculation of the internal rate of return or profitability analysis.

(12) *Accounting and Other Internal Controls*
The file should contain a description of the type and periodicity of accounting reports to be furnished to the management and directorate of both the service corporation and its parent association(s) together with a description of the controls to be maintained with respect to cash receipts and expenditures in the project. (3/2/77)

R 39 INSURANCE REGULATION 563.33
Paragraph (b) of Insurance Regulation 563.33 provides that any insured institution which agrees in writing with the Corporation to comply with all of the guidelines set forth in paragraph (a) of the section need no longer comply with any present condition of insurance or provision of its agreement for operating policies concerning the composition of its board of directors or the employment of its officers.

Institutions wishing to enter into such an agreement should submit a resolution of their board of directors to the Supervisory Agent. Such resolution should set forth the institution's agreement to comply with Section 563.33(a) recommended guidelines for composition of the board of directors of an insured institution. In the event the existing board of the insured institution is not in compliance with the guidelines, the resolution should include a proposed schedule for bringing the noncomforming directorate into compliance. Such proposed schedule should be for a short a period of time as is reasonably possible consistent with the remaining terms of the existing directorate, but in no event later than the third annual meeting following the date of submission to the Supervisory Agent.

Unless notified by the Supervisory Agent within 30 days after submission of its resolution that the agreement is not acceptable, an institution need no longer comply with any present condition of insurance or provision of its agreement for operating policies concerning the composition of its board of directors or the employment of its officers. (3/21/77)

R 40 [Rescinded]

R 41 [Rescinded]

R 41a [Rescinded]

R 41b APPRAISAL POLICIES AND PRACTICES OF INSURED INSTITUTIONS AND SERVICE CORPORATIONS

(Editor's Note: In addition to consolidating the provisions of Memoranda R 41a and R41a-1 into a single document and incorporating the content of T 15-1, the following significant revisions have been incorporated in the section entitled "Appraisal Procedures":

Item #4—expands and clarifies requirement that appraisals of development type properties reflect deductions and discounts by eliminating the 12 month sell-out/occupancy threshold formerly provided by R-41a.

Item #5—expands and clarifies expected use of market/economic feasibility assessments to include support of appraiser's conclusion of highest and best use as well as of probable success of the project.

Item #7—revises definition of "Market Value" to reflect terminology currently in use by leading professional appraisal organizations and, consistent with the collateral lending posture of the savings and loan industry, the need to obtain the most probable selling price should the property be placed on the market under the conditions herein specified.)

Introduction

The soundness of an association's or service corporation's mortgage loans and real estate investments depends to a great extent upon the adequacy of the appraisals of the real estate. This memorandum provides guidelines for appraisal management and procedures to assist in determining compliance with the appraisal requirements of Insurance Regulation 563.17–1(c)(1)(iii).

Appraisal Management

The lending policies established by the board of directors will determine the complexity and diversity of appraisal situations to be encountered and, therefore, the general requirements of the association or service corporation for appraisal staff and facilities. Management should ensure that appraisal services provided, whether by fee or staff appraisers, meet the current needs of the association or service corporation.

An appraisal should serve an underwriter's needs by providing a supported opinion of a property's market value as of a specified date sufficiently current so as to reduce the likelihood of material value fluctuations prior to the loan/investment decision. In addition to providing estimated market value, the appraisal should give the appraiser's opinion of the property's feasibility and marketability. An accurate and useful appraisal is most often produced by a

Source: Federal Home Loan Bank of Chicago capable and suitably equipped fee or staff appraiser who has ready access to current market information. Therefore, each association and service corporation should be able to demonstrate that its fee and staff appraisers are competent and knowledgeable of the relevant markets, and have the facilities necessary to perform adequate appraisals.

Appraisal skills and professional requirements are not static. Staff appraisers should continually increase their knowledge and skills through attendance at courses sponsored by universities, colleges, and/or professional organizations. Memberships in professional appraisal organizations should be encouraged. Attendance at courses and participation in the activities of professional organizations are also useful factors for management to consider in selecting independent fee appraisers.

Appraisal Procedures

The appraisal content shall follow generally accepted and established appraisal practices, as reflected in the standards of the nationally recognized professional appraisal organizations.

Specifically, each appraisal report must:

1. be totally self-contained so that:
   a. it is a useful tool for prudent underwriting, REO and/or LTF decisions.
   b. when read by any third party, the appraiser's logic, reasoning, judgment and analysis in arriving at a final conclusion indicate to the reader the reasonableness of the market value reported.
   c. it demonstrates professional competence, ethics and expertise.
2. be of a narrative style for major loans and/or investments made by the association or affiliates.
3. contain all recognized approaches to market value unless the appraiser fully explains and documents the rationale for eliminating one or more of the approaches to value.
4. take into consideration and make provision for all appropriate deductions and discounts for any development type property.
5. address itself to the market/economic feasibility prospects for any proposed major loan/investment real estate project, in sufficient detail to support the appraiser's forecast of the probable success and the conclusion(s) of highest and best use. If a market/economic feasibility report is prepared by other than the appraiser, the appraiser will set forth the reasoning and rationale for accepting or rejecting said report. All such market/economic feasibility studies will be made a permanent part of the appraisal report.
6. contain, if for major loan/investment properties (except for home type properties) located in highly speculative local market areas which have experienced dramatic price increases relative to regional norms, a sales history analysis of the subject property covering the speculative time period. This analysis should reasonably disclose and verify:
   a. grantor(s)-grantee(s).
   b. sale date(s).
   c. sale price(s) and terms of financing, discounting the sale to a cash equivalent, where necessary.
   d. any interrelated parties to each transaction.
7. address itself to "Market Value" as hereby defined and qualified:

   The most probable price in terms of money which a property should bring in competitive and open market under all conditions requisite to a fair sale, the buyer and seller, each acting prudently, knowledgeably and assuming the price is not affected by undue stimulus.

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

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

Market value as defined is applicable in all lending/investment circumstances for insured associations and affiliates, including special purpose properties and REO/LTF situations. In REO/LTF situations, defined market value estimates will be derived on an "as is" basis. Under no circumstances should the appraiser further qualify or, by assumptions, erode the impact of this definition. All market data inputs should be thoroughly analyzed and, where necessary, adjusted in terms of the above definition, as qualified.

As reflected in qualifications d, e and f of the above definition, all valuations must be couched in terms of "cash or its equivalent" and "typical financing" for that particular property type.

Any valuations which by assumtion or qualification effectively utilize any form of specialized, unique and/or subsidized financing assumptions as surrogates for "typical financing" assumptions in the appraisal methodology are not considered to be acceptable. All properties, regardless of the specific nature of the particular financing arrangements then existing and/or as proposed, must be evaluated in a market value context as defined and as qualified relative to "typical financing" and "cash equivalency."

For certain governmental subsidy programs, such as HUD Section 8 Programs, where the real estate project and the ultimate product user represent a distinct and readily identifiable separate market relative to those projects found in the typical market, the appraiser may consider the various subsidized income/vacancy guarantees and/or subsidized aspects of the specific financing/contractual programs. In no case, however, should the final value estimate exceed replacement cost. Replacement cost in this context refers to the sum of the following:

1. market value of the subject site ("value" conforming to the above referenced market value definition).
2. current reproduction cost less deterioration and obsolescence of all building and site improvements.
3. a reasonable, market-supportable, entrepreneurial profit.

Please note that the definition of "market value" contained in this memorandum supersedes all older definitions of "market value" or "fair market value" previously deemed acceptable to the Bank Board. Memorandum #T 15-1, which contains a now obsolete definition, is hereby rescinded. It should be understood, however, that the long-standing examining and supervisory policy described in #T 15-1 remains in effect. Substantial variations between the appraised "market value" of a property and its actual selling price (and/or book value in the case of REO) will continue to be carefully scrutinized during the examination process. (3/12/82)

R 42 REASONABLENESS OF COMPENSATION AND FEES

The Board of Directors of an insured institution or affiliated service corporation has the responsibility for the determination of compensation of officers of the institution which, in accordance with Insurance Regulation 563.17(b), must be reasonable and commensurate with their duties and responsibilities.

Such compensation generally includes: remuneration such as salary, bonus, profit sharing, and fees for serving as a director, advisory director, or member of an executive, loan or other committee; as well as annuities, options, pension or other retirement benefits.

In making the determination concerning institution officers, the Board of Directors should include at least the following in the factors to which consideration is given:

1. The qualifications and experiences of the person(s) concerned;
2. The compensation paid to other persons employed by the institution or service corporation;
3. The compensation paid to persons having similar duties and responsibilities in other insured institutions or service corporation affiliates;
4. The size of the institution or service corporation, and the complexity of its operations;
5. The financial condition, including income, of the institution or service corporation and the individual's contribution thereto;
6. Any amounts received, either directly or indirectly, by the officer whose principal occupation is with the institution or service corporation for other services performed for the institution or service corporation (i.e., fees for serving as appraiser, attorney, escrow agent, insurance agent, etc.);
7. The value of personal fringe benefits provided to the employee and also perquisites such as an automobile, club membership and expense account.

With respect to fees of outside appraisers or attorneys, the Board of Directors is responsible for a determination of whether those fees are reasonable and commensurate with the services being performed. The responsibility will not necessarily be satisfied by a determination that the fees (particularly if the outsider appraiser or attorney is an affiliated person) are comparable to those charged by other appraisers or attorneys performing similar services for other insured institutions in the same area. In exercising its responsibility, the Board should also consider the comparative advantages to be gained by the institution or service corporation by employing a staff appraiser or attorney to perform its appraisal and legal services.

In establishing fees to be paid to members of the board, each director should be keenly aware of his fiduciary responsibilities. Each should keep in mind that one of his primary responsibilities is to establish policies which will protect the assets of the association. Thus, directors should use similar factors in setting such fees as it does in setting officer's salaries. The minutes of the Board of Directors should include the record of deliberations concerning salaries for officers and fees for attorneys, appraisers and directors, and the records of the board should support the conclusions reached. (8/2/77)

R 43 CREDIT CARDS

The staff of the Bank Board has concluded that, under certain circumstances, Federal associations presently have the authority to issue credit cards. That conclusion is confirmed in a letter directed to California Federal Savings and Loan Association, a copy of which is attached to this memorandum. In arriving at that conclusion, the staff also recognized

APPENDIX A - 2

EXCERPTS FROM COLUMBIA BANK

FEDERAL SAVINGS & LOAN ASSOCIATION

REGARDING APPRAISAL REQUIREMENTS

4 11/20

November 21, 1984

Appleton Housing Partners
Limited Partnership
P. O. Box 7760
Madison Wisconsin 83707

Attention: Michael L. Morey

Re: $5,840,000 Letter of Credit to Secure Housing Authority of the City of Appleton, Wisconsin Multifamily Housing Revenue Bonds Series 1984A (Heritage Project)

Dear Mike:

Columbia Banking Federal Savings and Loan Association, a federally chartered savings and loan association ("Columbia") agrees to issue on your behalf an unconditional and irrevocable letter of credit in the approximate amount not to exceed the Face Amount (as defined below) (the "Letter of Credit") on substantially the following terms and conditions:

Account Party: Appleton Housing Partners Limited Partnership, a Wisconsin limited partnership (the "Account Party"), whose general partners are Paul J. Hoffman and Madsen Partners VI, a Wisconsin general partnership (collectively the "General Partners").

Face Amount: The face amount of the Letter of Credit (the "Face Amount") shall be the sum of: (i) the Basic Amount (as defined below); plus (ii) the Additional Amount (as defined below); plus, (iii) amounts placed with the Trustee (as defined below) in the Debt Service Reserve Fund established pursuant to the terms of the Indenture (as defined below).

Appleton Housing Partners
Limited Partnership
November 21, 1984
Page 2

Basic Amount: The Basic Amount shall be the lesser of the following:

(a) FOUR MILLION SEVEN HUNDRED THOUSAND AND NO/100THS UNITED STATES DOLLARS (U.S. $4,700,000); or

(b) an amount equal to sixty percent (60%) of the appraised value of the Project, as determined by a MAI narrative appraisal of the Project acceptable in all respects to Columbia (the "Appraisal"), which Appraisal shall be made with reference to consideration for Ruling 41-B of the Federal Home Loan Bank and which shall adequately address the rate at which apartment units are reasonably anticipated to be leased; or

(c) the amount of debt which could be serviced at an eleven percent (11%) annual debt constant at a 1.10 debt service coverage ratio based on the Net Income (as herein defined) for the first full calendar year of operation beginning January 1, 1987 as contained in the Appraisal.

Additional Amount: The Additional Amount shall be equal to THREE HUNDRED THOUSAND AND NO/100THS UNITED STATES DOLLARS (U.S. $300,000), which shall be secured by the Account Party Letter of Credit (as defined below).

Debt Service Reserve Fund: The Debt Service Reserve Fund shall be a segregated fund held by the Trustee (as hereinafter defined), established pursuant to the terms of the Indenture (as hereinafter defined), funded with Bond Proceeds equal in amount to EIGHT

HUNDRED FORTY THOUSAND AND NO/100THS UNITED STATES DOLLARS (U.S. $840,000). The purpose of the Debt Service Reserve Fund is to assure bondholders that payments of interest made during the term of the Bonds will not be subject to the preference provision of the federal insolvency laws. Amounts held by the Trustee in the Debt Service Reserve Fund may be invested pursuant to a guaranteed investment contract acceptable in all respects to Columbia. The Account Party acknowledges that Standard & Poor's Corporation ("S & P") may require that investment of the Debt Service Reserve Fund be limited to certain types of investments, and agrees to invest the Debt Service Reserve Fund in a manner acceptable to the Trustee, S & P and Columbia.

Net Income: Net Income shall mean all gross income, revenues and consideration of whatever form or nature received by or paid to or for the account of or benefit of the Account Party, its agents or employees, from any and all sources resulting from or attributable to the Property minus all reasonable expenses actually incurred by the Account Party in respect to the ownership, operation, leasing and occupancy of the Property, but excluding: (i) depreciation expenses and other income tax related bookkeeping entries which do not result in the payment of monies; and (ii) any and all payments to be made by the Account Party pursuant to the terms of the Loan Documents, the Bond Documents and the Security Documents. For purposes of this Commitment Net Income shall be calculated on an accrual basis.

shall make and be responsible for all investment decisions.

Guarantors: Paul J. Hoffman ("Hoffman") and Madsen Partners VI, a Wisconsin general partnership ("Madsen") shall each unconditionally guarantee the full performance of the Account Party's obligations under the Security Documents. Hoffman and Madsen are collectively referred to herein as the "Guarantors." The Guarantors shall each execute a guarantee, in form and substance acceptable to Columbia in its sole discretion. The guarantees executed by the Guarantors are collectively referred to herein as the "Guaranty." The Guarantors' obligation under the Guaranty shall remain in full force and effect until the Completion Date (as defined below) has occurred and the date on which ninety percent (90%) of the apartment units have been rented and occupied for a continuous period of one hundred eighty (180) days at a rate which produces ninety-five percent (95%) of the gross income from such units as is contemplated in a pro forma of rents for the Project prepared by the Account Party for Columbia dated ______________, 1984 (the "Lease-Up Date"). Notwithstanding the foregoing, after the Completion Date but prior to the occurrence of the Lease-Up Date, the Guarantors shall have the option to replace the Guaranty with an irrevocable and unconditional letter of credit payable to Columbia, in form and content satisfactory to Columbia and in an amount which shall equal the greater of the following: (i) FIVE HUNDRED THOUSAND AND NO/100THS UNITED STATES DOLLARS (U.S. $500,000); or, (ii) that amount (the "Break-Even Amount") which is equal to the difference between: (a) the sum of all debt service (including any and all fees required to be paid pursuant to the terms of any Security Document, Bond Document or Loan Document) relating to the Project payable from the Completion Date up to and including the projected Lease-Up Date (as determined in the updated Appraisal); and, (b) that amount of Net Income which the Appraiser determines will be realized from the Completion Date up to and including the projected Lease-Up Date, as contained in the Appraisal (the "Lease-Up Letter of Credit"). In the event that after the Completion Date but prior to the Lease-Up Date the Guarantors have elected to replace the Guaranty with the Lease-Up Letter of Credit and limited partners of the Account Party have contributed as capital to the Account Party at least SEVEN HUNDRED FIFTY THOUSAND AND NO/100THS UNITED STATES DOLLARS (U.S. $750,000) for their limited partnership interests in the Account Party then the amount of the Lease-Up Letter of Credit shall be the greater of: (i) TWO HUNDRED FIFTY THOUSAND AND NO/100THS UNITED STATES DOLLARS (U.S. $250,000); or, (ii) the Break-Even Amount. In the event the Guarantors determine to exercise their option to replace the Guaranty with the Lease-Up Letter of Credit pursuant to the terms and conditions described above, and the Lease-Up Letter of Credit is delivered to Columbia, the Guaranty shall terminate and shall be of no further force and effect. Any undrawn amount of the Lease-Up Letter of Credit will be returned to the Guarantors on the Lease-Up Date.

Event of Default Bond Redemption:

If the Account Party causes any default under the Loan Documents, the Bond Documents, or the Security Documents, or otherwise causes a default under the documents executed in conjunction with the Bonds which results in the early redemption of the Bonds, the Account Party shall pay all costs associated with such default and Bond redemption including, but not limited to, Bond premiums, and other costs required by the Loan Documents.

Maintenance Reserve:

The Account Party shall establish a maintenance and replacement reserve to provide funds for the maintenance and replacement of capital equipment, furnishings and other equipment required in order to operate the Project in a first-class manner (the "Maintenance Reserve"). Funds in the Maintenance Reserve shall be allocated to the repairs, refurbishment and/or improvement of common areas, recreational facilities or the building exterior of the Project in the discretion of the Account Party. Any such repair, refurbishment and/or improvement of the Project shall be in a manner consistent with improvements made to similar properties located in Outagamie County, Wisconsin. The amount of the Maintenance Reserve shall be the amount which the Appraiser or another independent party agreed to by the Account Party and Columbia deems necessary for the continued operation of the Project as a first-class apartment project.

On the Closing Date, and thereafter not less than ten (10) days prior to the expiration dates of the expiring insurance policies required by this section, the Account Party shall deliver to Columbia insurance binders or originals of the policies bearing notations evidencing the payment of premiums or accompanied by other evidence satisfactory to Columbia of such payment.

Original or duplicate policies evidencing the insurance described in (i), (ii) and (iii) above together with certificates evidencing the insurance described in (iv) and (v) above will be held by Columbia until the Loan is repaid in full.

17. The Account Party shall obtain at its expense and deliver to Columbia an Appraisal. The Appraisal shall be addressed to Columbia and shall be acceptable to Columbia in all respects. The Appraisal shall be performed by an appraiser acceptable to Columbia in its sole discretion (the "Appraiser"). The Reimbursement Agreement shall provide that the Appraisal shall include any updated information or recertification required from time to time by Columbia in its sole discretion.

18. The Account Party shall submit to Columbia copies of the most recently available tax bills from the appropriate County, City and School District covering the Property.

19. An opinion shall be provided to Columbia by nationally recognized

APPENDIX A - 3

LAND USE RESTRICTION AGREEMENT TO THE

BENEFIT OF THE HOUSING AUTHORITY OF THE

CITY OF APPLETON, WISCONSIN

LAND USE RESTRICTION AGREEMENT

THIS AGREEMENT, made and entered into as of December 1, 1984, by and among the HOUSING AUTHORITY OF THE CITY OF APPLETON, WISCONSIN (the "Authority"), a public body corporate and politic duly created, organized and existing under the laws of the State of Wisconsin, DENVER NATIONAL BANK (the "Trustee") as trustee under the Trust Indenture, dated as of December 1, 1984, between the Authority and said Trustee (the "Indenture"), having its offices at Denver, Colorado, APPLETON HOUSING PARTNERS LIMITED PARTNERSHIP (the "Developer"), a Wisconsin limited partnership, owning the real property described in Exhibit A hereto (the "Property") and COLUMBIA BANKING FEDERAL SAVINGS AND LOAN ASSOCIATION, a federally chartered savings and loan association having its principal office in Rochester, New York;

W I T N E S S E T H :

WHEREAS, Authority proposes to issue Bonds (as hereinafter defined) to make a mortgage loan ("Mortgage Loan") to Developer; and

WHEREAS, the S&L at the request and for the account of the Developer proposes to issue an irrevocable letter of credit to secure payment of the principal and purchase price of the Bonds; and

WHEREAS, the Authority and the Trustee, as a condition of issuing and authenticating the Bonds, and the S&L as a condition to issuing the letter of credit, require that the Developer enter into this Agreement;

NOW, THEREFORE, in consideration of the mutual covenants and undertakings set forth herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Authority, the Trustee, the S&L and the Developer do hereby agree as follows:

Section 1. Definitions. In addition to terms defined elsewhere herein, unless otherwise expressly provided herein, the following terms shall have the respective meanings set forth below for the purposes hereof:

"Agreement" means this Land Use Restriction Agreement.

"Bonds" means the Multifamily Housing Revenue Bonds, Series 1984A (Columbia Banking Federal Savings and Loan Association Collateralized Letter of Credit - Heritage Project), to be issued by the Authority in the aggregate principal amount of not to exceed $_________ pursuant to the Indenture.

"Closing Date" means the date of delivery of the Bonds to the initial purchaser or purchasers thereof against payment therefor.

"Code" means the Internal Revenue Code of 1954, as amended.

"Development" means the Heritage, the multi-family residential rental development to be constructed on the Property, the construction of which is to be financed with Bond proceeds.

"Low or Moderate Income Tenants" means persons and families of low or moderate income within the meaning of Section 103(b)(4)(A) and 103(b)(12)(C) of the Code and applicable regulations thereunder, as the same may be amended from time to time.

"Qualified Project Period" means that period of time beginning on the later of (i) the first day on which 10% of the units in the Development are first occupied and (ii) the Closing Date and ending on the latest of (a) the date that is ten years after the date on which 50% of the units in the Development are first occupied, (b) the date on which any assistance provided with respect to the Development under Section 8 of the United States Housing Act of 1937 terminates, and (c) the date that is 50% of the number of days constituting the term of the latest maturing Bond (including any refunding bond) after the date on which any of the units in the Development is first occupied; provided, however, that the Qualified Project Period shall end in the event that the Internal Revenue Service finds that the interest on the Bonds is taxable, other than as a result of ownership thereof by a "substantial user" or a "related person" under Section 103(b) of the Code.

"State" means the State of Wisconsin.

Unless the context clearly requires otherwise, words of masculine gender shall be construed to include correlative words of the feminine gender and vice versa, and words of the singular number shall be construed to include correlative words of the plural number and vice versa. All the terms and provisions hereof shall be construed to effectuate the purposes set forth herein and to sustain the validity hereof. The titles and headings of the sections hereof have been inserted for convenience of reference only and are not to be considered a part hereof and shall not in any way modify or restrict any of the terms or provisions hereof and shall not be considered or given any effect in construing this instrument or any provision hereof or in ascertaining intent, if any question of intent should arise.

Section 2. Term of Agreement. This Agreement shall become effective on the Closing Date. Unless sooner terminated or amended in accordance with the terms hereof, this Agreement shall continue in full force and effect for a period equal to the longer of (a) the remaining term of the Bonds, or (b) the end of the Qualified Project Period.

Section 3. General Covenants. The Authority and the Developer, each for its own part, covenants to comply with respect to the Development with Section 103(b)(4)(A) of the Code and applicable regulations thereunder at all times during the term of this Agreement. The Authority and the Developer, each for its own part, covenants that it will not knowingly take or permit any action to be taken which would adversely affect the exemption of interest under Section 103(b)(4)(A) of the Code from federal income taxation. The Authority and the Developer, each for its own part, agrees to take any lawful actions, including amending this Agreement, as is necessary, in the opinion of a nationally recognized bond counsel, to comply fully with all applicable requirements affecting the federal tax exemption of interest on the Bonds under Section 103(b)(4)(A) of the Code.

Section 4. Specific Covenants. The Developer hereby represents, covenants and agrees that:

(a) the Development is being constructed and acquired for the purpose of providing multi-family "residential rental property", as such phrase is used in Section 103(b)(4)(A) of the Code, primarily for elderly persons; the Developer will own the entire Development for federal tax purposes; and the Developer will own, manage and operate (or cause to be managed and operated) the Development as a project to provide multifamily residential rental property for primarily elderly persons consisting of residential dwelling units and facilities functionally related and subordinate thereto, in accordance with Section 103(b)(4)(A) of the Code and Treasury Regulation 1.103-8;

(b) each dwelling unit in the Development will contain separate and complete facilities for living, sleeping, eating, cooking and sanitation for a single person or a family;

(c) none of the dwelling units in the Development will be used on a transient basis or leased or rented for a period of less than 30 days;

(d) no part of the Development will be used as a hotel, motel, dormitory, fraternity house, sorority house, rooming house, hospital, nursing home, sanitarium, rest home or trailer park or court for use on a transient basis;

(e) the Developer will rent continuously or make available for rent on a continuous basis the dwelling units in the Development to members of the general public for the longer of the remaining term of the Bonds or the Qualified Project Period (the "Rental Restrictions Period"); and will not give preference in renting dwelling units in the Development to any particular class or group of persons, other than persons and families of low and moderate income, a resident manager or maintenance personnel, disabled persons and elderly persons (within the meaning of §66.395, Wis. Stats.);

(f) the Development will be located on the Property, which comprises a single tract of land or two or more tracts of land which meet at one or more points (or would meet, but for the interposition of a street), and the Development comprises buildings, structures and facilities that are geographically contiguous and functionally related;

(g) the Developer will not occupy any dwelling unit in any building or structure in the Development that contains fewer than five dwelling units;

(h) for the Qualified Project Period, at least 20% (15% if the Development is, or subsequently becomes, a "targeted area project", as defined in 26 CFR §1.103-8 (b)(8)(iii)) of the completed and occupied dwelling units in the Development shall be initially occupied or thereafter held for occupancy by Low or Moderate Income Tenants within the meaning of Section 103(b)(4)(A) of the Code and applicable regulations thereunder;

(i) to obtain and maintain on file and available for inspection by the Authority or the Trustee, income certifications from each Low or Moderate Income Tenant residing in the Development in the form and manner required by Treasury Regulation 1.167(k)-3(b) or in such other form and manner as may be required by applicable rules, regulations or policies promulgated or proposed by the Department of the Treasury or the Internal Revenue Service with respect to obligations issued under Section 103(b)(4)(A) of the Code;

(j) to provide in each lease to a Low or Moderate Income Tenant that a material misrepresentation in such tenant's income certification will be grounds for default and eviction (the substance and enforcement of such provision, however, being subject to limitations under any tenant-protection law);

(k) to the extent permitted by applicable law, to obtain from each Low or Moderate Income Tenant residing in the Development and maintain on file and available for inspection by the Authority or the Trustee, a copy of such Low or Moderate Income Tenant's federal income tax return (or other documents and records acceptable to the Trustee and the Authority) for the taxable year immediately preceding such Low or Moderate Income Tenant's initial occupancy in the Development or, in the event that a Low or Moderate Income Tenant certifies that he or she did not file or did not retain a copy of such tax return, to obtain and maintain on file alternate independent evidence of such Low or Moderate Income Tenant's income for such year, such as wage statements or employer records;

(l) to prepare and submit to the Authority and to the Trustee, at the end of each month, a certificate executed by the Developer stating the percentage of the dwelling units of the Development that were occupied by Low or Moderate Income Tenants (or, after initial occupancy of all dwelling units, that were during such month occupied by, or held vacant and available for occupancy by, Low or Moderate Income Tenants) at all times during such month; and

(m) immediately upon discovering any violation of any of the covenants, restrictions and representations set forth herein, to notify the Trustee and the Authority in writing of such violation.

For the purpose of this Section, a dwelling unit occupied by an individual or family who at the beginning of its occupancy is a Low or Moderate Income Tenant shall be treated as occupied by a Low or Moderate Income Tenant during such individual's or family's tenancy in such unit even if the individual or family, as the case may be, subsequently ceases to qualify as a Low or Moderate Income Tenant. In addition such unit shall be treated as occupied by a Low or Moderate Income Tenant until reoccupied, other than for a temporary period not exceeding thirty-one days, by another occupant, at which time the character of the unit shall be redetermined according to the provisions of this Section.

Section 5. Premature Termination. This Agreement and the covenants, representations and restrictions set forth herein shall automatically terminate upon foreclosure or transfer of title by deed-in-lieu of foreclosure. The covenants, representations and restrictions set forth herein shall terminate in the event of an involuntary noncompliance caused by fire, seizure, requisition, change in a federal law or an action of a federal agency after the Closing Date which prevents the Authority from enforcing this Agreement or condemnation or similar event relating to the Development but only if, within a reasonable period, either (i) the Bonds are retired, or (ii) amounts received as a consequence of such event are used to provide a project which meets the requirements of Section 103(b)(4)(A) of the Code and applicable regulations thereunder. The provisions of this Section 5 will cease to apply in the event of foreclosure or transfer of title by deed-in-lieu of foreclosure or similar event, if the Developer or any "related person", within the meaning of Treasury Regulation 1 103-10(e), as the same may be amended from time to time, obtains an ownership interest in the Development for tax purposes at any time during that part of the Qualified Project Period subsequent to such event. Upon involuntary loss, substantial destruction or other unforeseen events such as fire, seizure, requisition or condemnation of the Development, the proceeds of any insurance or condemnation award not used to retire the Bonds will be used either to restore the Development or to provide a substitute project which meets the requirements of Section 103(b)(4)(A) of the Code and applicable regulations thereunder.

Section 6. Uniformity. The provisions hereof shall apply uniformly to the entire Development.

Section 7. Burden of Agreement. This Agreement shall inure to the benefit of and shall be binding upon the legal representatives, successors and assigns of all parties hereto. No part of the Development shall be voluntarily transferred by the Developer prior to expiration of both the Rental Restrictions Period and the Qualified Project Period unless prior thereto or simultaneously therewith the transferee enters into an agreement, in form acceptable to the Authority and the Trustee, assuming all obligations of the Developer hereunder with respect to the transferred property.

Section 8. Remedies; Enforceability. If either the Authority or the Trustee becomes aware of a violation of any of the provisions hereof, it shall give immediate written notice thereof to the Developer, directing the Developer to remedy the violation within a reasonable specified period of time. If the violation has not been fully remedied by the Developer to the satisfaction of both the Authority and the Trustee within the specified period of time, the Trustee or the Authority may institute and prosecute any proceeding at law or in equity to abate, prevent or enjoin any such violation to compel specific performance hereunder, to recover monetary damages caused by such violation or take any other action available to remedy the violation. No delay in enforcing the provisions hereof as to any breach or violation shall impair, damage or waive the right of any party entitled to enforce the same or to obtain relief against or recover for the continuation or repetition of such breach or violation or any similar breach or violation thereof at any later time or times. No person other than the Authority, the Trustee, the S&L or agents thereof shall be entitled to enforce this Agreement. No partner of the Developer shall be personally liable for any violation by the Developer of this Agreement.

Section 9. Amendment; Termination. This Agreement shall not be amended, revised or terminated prior to the termination of the covenants, representations and restrictions provided for herein except by an instrument in writing duly executed by the Authority, the Trustee, the S&L and the Developer or their respective successors or assigns and duly recorded. The Trustee shall not consent to any such amendment, revision or termination of the interests of any present or former registered owner of the Bonds which would be materially adversely affected thereby.

Section 10. Governing Law. This instrument shall be governed by the laws of the State.

Section 11. Severability. If any provision hereof is determined to be invalid, illegal or unenforceable by a court of competent jurisdiction, the validity, legality and enforceability of the remaining portions shall not in any way be affected or impaired.

Section 12. Multiple Counterparts. This instrument may be simultaneously executed in multiple counterparts, all of which shall constitute one and the same instrument and each of which shall be deemed to be an original.

IN WITNESS WHEREOF, the Authority, the Trustee and the Developer has each caused this instrument to be signed and attested on its behalf by its duly authorized representatives all as of the 1st day of December, 1984.

HOUSING AUTHORITY OF THE CITY
OF APPLETON, WISCONSIN

By ______________________________
Name: __________________
Title: Chairperson

Attest ___________________________
Name: Helen Heil
Title: Secretary/Executive
Director

DENVER NATIONAL BANK,
Trustee

By ______________________________
Name: __________________
Title: __________________

Attest ___________________________
Name: __________________
Title: __________________

APPENDIX A - 4

MANAGEMENT AGREEMENT BY AND BETWEEN

THE HOUSING AUTHORITY OF THE

CITY OF APPLETON, WISCONSIN

mdr112684

PROJECT CONTRACT

(Part II - MANAGEMENT AGREEMENT)

Dated as of December 1, 1984

By and Between

HOUSING AUTHORITY OF
THE CITY OF APPLETON, WISCONSIN

and

APPLETON HOUSING PARTNERS LIMITED PARTNERSHIP

Relating to:

$________

HOUSING AUTHORITY OF THE CITY OF APPLETON, WISCONSIN

MULTIFAMILY HOUSING REVENUE BONDS, SERIES 1984A

(COLUMBIA BANKING FEDERAL SAVINGS AND LOAN ASSOCIATION

COLLATERALIZED LETTER OF CREDIT - HERITAGE PROJECT)

TABLE OF CONTENTS

PROJECT CONTRACT

(Part II - MANAGEMENT AGREEMENT)

THIS PROJECT CONTRACT (Part II - MANAGEMENT AGREEMENT), dated as of December 1, 1984, between the HOUSING AUTHORITY OF THE CITY OF APPLETON, WISCONSIN, a public body corporate and politic duly created, organized and existing under the laws of the State of Wisconsin (the "Authority"), and APPLETON HOUSING PARTNERS LIMITED PARTNERSHIP, a Wisconsin limited partnership (the "Owner");

WHEREAS, the Authority and the Owner desire to establish procedures for the ongoing management of Units within the Project (as hereinafter defined) which are occupied by persons or families who are Authority Subtenants (as hereinafter defined); and

WHEREAS, the Authority, by resolutions adopted by it on March 13, 1984, and December __, 1984 (hereinafter collectively referred to as the "Resolution") has established criteria for the operation of the Project;

NOW, THEREFORE, in consideration of the premises and of the covenants and undertakings herein expressed, the Authority and the Owner agree as follows:

ARTICLE XII

GENERAL MATTERS

Section 12.1 Additional Definitions. As used in this Agreement and the recitals hereto, the following terms and phrases shall have the following meanings.

"Authority Subtenant" means persons meeting all of the following requirements:

(a) they are "elderly persons" as defined in Section 66.395 of the Wisconsin Statutes, as amended;

(b) their occupancy of a Unit will not result in a violation of the Land Use Restriction Agreement;

(c) the Unit is "Necessary Accommodations" for them, as defined in the Resolution.

"Managing Agent" means the person having the powers and duties with respect to all Units leased hereunder from time to time to the Authority provided for in Article XIII of this Agreement.

"Reserved Unit" means:

(a) until the Completion Date, one hundred twenty (120) Units; and

(b) from and after the Completion Date, a vacant Unit or the next Unit to become vacant at such time as the number of Authority Subtenants is less than one hundred twenty.

"Unit" means each occupiable dwelling unit in the Project containing separate and complete facilities for living, sleeping, eating, cooking and sanitation for a single person or a family.

ARTICLE XIII

LEASE AND MANAGEMENT OF AUTHORITY UNITS

Section 13.1 Lease of Project Units to Authority. Commencing on the Completion Date and for the term of this Agreement, the Owner shall lease to the Authority and the Authority shall lease from the Owner that number of Units from time to time subleased by the Authority to Authority Subtenants.

The monthly lease payment (payable on the first day of each month in advance) for the Units leased by the Authority shall be an amount equal to the rent payable by Authority Subtenants for Units leased by the Authority and occupied by Authority Subtenants for such month. The entry fee deposit, if any (payable prior to occupancy of a Unit), for the Units leased by the Authority shall be an amount equal to the entry fee deposit payable by Authority Subtenants for Units leased by the Authority and occupied by Authority Subtenants. Notwithstanding the foregoing, the monthly lease payment and entry fee deposit due to the Owner from the Authority shall be payable only from and to the extent of rentals and entry fee deposits collected by the Managing Agent from Authority Subtenants, and the Managing Agent may make such payment directly to the Owner.

Section 13.2 Reports to Authority. The Owner shall make the following reports to the Authority: (a) upon occupancy of the first Unit, the date on which it was first occupied; (b) upon occupancy of 10% of the Units, the date on which that percentage of Units was first occupied; (c) upon occupancy of 50% of the Units, the date on which that percentage of Units was first occupied; (d) within 30 days after the Completion Date and quarterly thereafter, as of the first day of the month in which such report is made, the number of Units rented to Authority Subtenants, the number of Reserved Units, the number of Authority Subtenants awaiting Reserved Units, the aggregate amount of Authority lease payments due for such month, and the aggregate amount of rentals collected from Authority Subtenants for such month.

Section 13.3 Use and Management of Authority Units. (a) Unless otherwise agreed by the Owner in a particular case, the Authority agrees that the first thirty Units under lease to it from time to time shall be used only in a manner so as at all times to be in complete compliance with the Land Use Restriction Agreement.

(b) The Authority reserves the right to set, and change from time to time, reasonable rules and regulations with respect to Authority Subtenants renting Units and with respect to Units rented to Authority Subtenants. The Owner accepts such rules and regulations and, as Managing Agent, agrees to use its best efforts to enforce and comply with them, notwithstanding that they may indirectly affect portions of the Project not leased to the Authority.

(c) The Authority hereby irrevocably appoints the Owner as (and the Owner hereby irrevocably accepts appointment as) its exclusive Managing Agent for all Units leased by the Authority, with full power and authority to manage, maintain, operate and rent such Units subject only to the terms of this Agreement. The Owner may subcontract all or any part of its powers and duties as Managing Agent to any person which agrees to comply with all applicable provisions of this Agreement; provided, however, that no such subcontracting shall relieve the Owner of any duties or responsibilities owed by it to the Authority hereunder and further provided that such subcontracting shall have the prior written approval of the Authority.

(d) The Managing Agent is hereby authorized and directed to set, revise, collect, hold and disburse rents, charges, deposits (including entry fee deposits) and other payments with respect to all Units leased by the Authority; it being the intent of the parties hereto, in light of the limited nature of the Authority's obligation to make lease payments to the Owner hereunder, that the Managing Agent may charge monthly rentals to Authority Subtenants sufficient, if possible, to produce net income, after expenses, equal to the monthly lease payments due to the Owner from the Authority.

(e) The Managing Agent is hereby authorized and directed to use its "Best Efforts" to rent Reserved Units to Authority Subtenants. Best Efforts means: (i) advertising appropriate to the size and nature of the Authority Subtenants market; and (ii) either (I) or (II) below:

(I) Until the Completion Date, not renting any Reserved Unit to a tenant other than an Authority Subtenant; and

(II) From and after the Completion Date, not renting any Reserved Unit to a tenant other than an Authority Subtenant, provided that:

(A) the Authority is not in default under this Agreement;

(B) there is an Authority Subtenant ready and willing to rent such Unit for a period of not less than 270 days, commencing on the first day such Unit becomes unoccupied on any terms and conditions specified by the Managing Agent which are in total compliance with this Agreement and the Land Use Restriction Agreement; and

(C) there is not a sufficient number of Reserved Units to accommodate all Authority Subtenants ready and willing to rent within the meaning of subsection (B) of this Section.

ARTICLE XIV

DEFAULT; INDEMNITY

Section 14.1 Defaults; Remedies. In the event of any failure on the part of Owner to perform or observe any of the covenants, agreements or conditions set forth in this Part II - Management Agreement, then the Authority may pursue any available remedy at law or in equity to secure compliance herewith on the part of Owner and to recover damages incurred by the Authority as a result of said failure.

Section 14.2 Payment of Costs and Expenses. If the Owner defaults under any provisions of this Part II - Management Agreement and the Authority employs attorneys or incurs other expenses for the enforcement of performance or observance of any obligation or agreement on the part of the Owner herein contained, the Owner agrees that it will on demand therefor pay to the Authority the reasonable fees of such attorneys and such other reasonable expenses so incurred by the Authority.

Section 14.3 Indemnification of Authority and County. The Owner agrees to indemnify and hold harmless the Authority and the City and their officers and officials from and against any and all losses, claims, damages, expenses and all suits in equity or actions at law, (including reasonable counsel fees) and liabilities arising from, in connection with, or as a result of the operation, construction or maintenance of the Project as a housing project on behalf of the Authority or the actions of the Owner or Managing Agent undertaken pursuant to this Agreement. Nothing in the foregoing indemnity shall protect the Authority against its own default, gross negligence or willful misconduct.

IN WITNESS WHEREOF, the Authority and the Owner have each caused this instrument to be signed, sealed and attested on its behalf by its duly authorized representatives all as of the 1st day of December, 1984.

HOUSING AUTHORITY OF THE CITY
OF APPLETON, WISCONSIN

____
Name: ______________
Title: Chairperson

[Corporate Seal]

Attest ______________________
Name: Helen Heil
Title: Secretary/Executive Director

APPLETON HOUSING PARTNERS
LIMITED PARTNERSHIP
(a Wisconsin limited partnership)

By ___________________________
Paul Hoffman,
Its General Partner

APPENDIX B

APPLETON AREA APARTMENT

RENT STUDIES

APPENDIX B - 1

LANDMARK RESEARCH, INC.

APARTMENT RENT SURVEY OF

APPLETON AND MENASHA, WISCONSIN

PROJECT NAME AND ADDRESS	NO. OF UNITS/ BUILDINGS	TYPE OF UNITS EFF	1-BR	2-BR	3-BR	APPROXI-MATE SQUARE FEET	MONTHLY RENTAL RATE AS OF 02/84	MONTHLY RENTAL RATE AS OF 11/84	ANNUALIZED PERCENTAGE INCREASE	RENT/SF PER MONTH AS OF 11/84	PARKING	RESPONSIBILITY FOR UTILITIES (LANDLORD/TENANT) HEAT	WATER	ELEC	RANGE OF VACANCY
<u>APPLETON</u>															
1. CAMELOT APARTMENTS	150											L	L	T	Low to none
2105 Camelot Court	15-16 bldgs.		50			600	$285	$290	2%	$0.48	Open				
				60		700	$300	$320	9%	$0.46	Open				
					40 (1.5 BA)	1,200	$380	$380	0%	$0.32	Garage				
2. CEDAR HEATH APARTMENTS	20											T	T	T	None
711-835 S. Lynndale	Townhouses-5 bldgs.														
				12		1,062-1,666	N/A	$365-455	N/A	$0.34-$0.27	Garage				
					8	1,254-1,832		$425-475	N/A	$0.34-$0.26	Garage				
3. CEDAR PLACE	80											T	L	T	0 to 4%
2980 W. Spencer	5 bldgs.		40			800	$260	$260	0%	$0.33	Open				
				40		900	$295	$295	0%	$0.33	Open				
4. CENTURY VILLAGE	171											L	L	T	Average 1%
1800 W. Marquette	3 bldgs.		64			N/A	$285	$290-305	5%	N/A	Underground				
				107		N/A	$325	$330-345	6%	N/A	Underground				
5. CHALET MANOR	36											L	L	T	Usually filled
435-445 W. Foster	2 bldgs.		16			N/A	$280	$290	5%	N/A	Open				
				20		N/A	$300	$310	4%	N/A	Open				
6. CHATEAU VILLAGE	112	40				N/A	$205	$235	20%	N/A	Open	T	L	T	0 - 3%
1830 E. Pershing	5 bldgs.		40			N/A	$235	$270	20%	N/A	Open				
				32		N/A	$280	$305	12%	N/A	Open				
7. COACHLIGHT APARTMENTS	80											T	L	T	0 - 3%
2975 W. Lawrence	5 bldgs.		40			750	$260	$270	5%	$0.36	Open				
				40		850	$295	$310	7%	$0.36	Open				
8. COLLEGE BRIDGE APARTMENTS	64										Open, carports available at $150/year	L	L	T	None
1229 Gunn	8 bldgs.			64		900	$315	$335	8%	$0.37					
9. COLONY OAKS APARTMENTS	40											T	L	T	1%
3401 Edgemore	5 bldgs.														
Briarcliff - Newberry				40		N/A	$275	$295	10%	N/A	Open				

PROJECT NAME AND ADDRESS	NO. OF UNITS/ BUILDINGS	TYPE OF UNITS EFF	1-BR	2-BR	3-BR	APPROXI-MATE SQUARE FEET	MONTHLY RENTAL RATE AS OF 02/84	MONTHLY RENTAL RATE AS OF 11/84	ANNUALIZED PERCENTAGE INCREASE	RENT/SF PER MONTH AS OF 11/84	PARKING	RESPONSIBILITY FOR UTILITIES (LANDLORD/TENANT) HEAT	WATER	ELEC	RANGE OF VACANCY
10. CROCUS COURT APARTMENTS	114											L	L	T	0 - 3%
Wilson Court Apartments	7 bldgs.		57			N/A	$285	$285 [1]	0%	N/A	Open				
				57 (2 BA)		N/A	$315	$315	0%	N/A	Open				
11. DRISCOLL APARTMENTS	48											L	L	T	Low
1401 S. Driscoll	1 bldg.		40			N/A	$280	$280	0%	N/A	Open				
	3 stories			8		N/A	$290	$290	0%	N/A	Open				
12. EVERGREEN SQUARE	146											T	L	T	< 1%
3020 W. Spencer	10 bldgs.		73			650	$260-280	$260-280	0%	$0.40, $0.43	Open	L	L	T	
				73 (1.5 BA)		650	$290-300	$310-315	9%-7%	$0.48, $0.48	Open				
						900+	$325-335	$345-355	8%-8%	$0.38, $0.39	Open				
13. FOREST VIEW APARTMENTS	45											T	L	T	Few
	3 bldgs.		33			3 sizes	$225	$270	27%	3 sizes	Open				
				12		N/A	$260	$310	26%	N/A	Open				
14. GILLETTE HIGHLANDS	57	4				N/A	$235	$255	11%	N/A	Open	L	L	T	< 1% - 2%
1835 W. Pershing	1 bldg.		20 (1.5 BA)			N/A	$305	$305	0%	N/A	Open				
				33 (1.5 BA)		N/A	$315	$345	13%	N/A	Open				
15. MATHIAS COURT	60											L	T	T	< 1% - 3%
10-18 Mathias Court	5 bldgs.		48			700	$270	$305	17%	$0.44	Enclosed				
				12		N/A	$315	$345	13%	N/A	carports				
16. PARK WEST APARTMENTS	42											T	L	T	None
425 N. Linwood	1 bldg.	24				700	$320	$345	8%	> $0.49	Underground and enclosed garages				
			18			970-1,100	$375-$420	$400-455	7%-6%	$0.41-$0.40					
17. RUSTIC WOODS	150 Twnhses											T	T	T	1% - 3%
1912 E. Calumet Street	14 bldgs.														
				116 (1.5 BA)		875-925	$310-365	$310-365	0%	$0.35-$0.39	—				
					42 (1.5 BA)	925-1,000	$340-410	$340-410	0%	$0.37-$0.41	—				

[1] Rents will increase $10-15 in May 1985.

PROJECT NAME AND ADDRESS	NO. OF UNITS/ BUILDINGS	TYPE OF UNITS EFF	1-BR	2-BR	3-BR	APPROXI-MATE SQUARE FEET	MONTHLY RENTAL RATE AS OF 02/84	MONTHLY RENTAL RATE AS OF 11/84	ANNUALIZED PERCENTAGE INCREASE	RENT/SF PER MONTH AS OF 11/84	PARKING	RESPONSIBILITY FOR UTILITIES (LANDLORD/TENANT) HEAT	WATER	ELEC	RANGE OF VACANCY
18. TIMMERS LANE APARTMENTS	56											T	L	T	< 1% - 4%
Timmers Lane	3 bldgs.		28			N/A	$240	$265	14%	N/A	Open				
				28		N/A	$280	$295	7%	N/A	Open				
19. VILLA DEFAIRE	32											L	L	T	0 - 1%
2303 Woodrow Court	4 bldgs.		8			N/A	$285	$320	16%	N/A	Open				
				24 (2 BA)		N/A	$320	$360	17%	N/A	Open				
20. VIRGINIA VILLAGE	120											T	L	T	0 - 10%
77 Schaefer Circle			64			696	$265	$277	6%	$0.40	Open				
				56		842	$295	$319	11%	$0.38	Open				
21. WALDEN SQUARE	56											T	L	T	2%
2126 S. Walden															
				9 (1.5 BA)		1,000	$275	$295	10%	$0.30	Open				
					46 (1.5 BA)	1,000	$275	$295-305	10%-15%	$0.30-$0.31	Open				
MENASHA															
22. JEFFERSON PARK	60											L	L	T	0 - 1%
990-3rd Street	2 bldgs.		36			700	$235	$255	11%	$0.36	Open				
				24 (1.5 BA)		800	$320	$350	13%	$0.44	Open				
23. LONDON PLACE	197											T	L	T	None now
1000 Lucerne Drive	5 bldgs.		134			540	$240-275	$255-299	8%-12%	$0.47-$0.55	Open				
				63		650	$275-310	$299-345	12%-15%	$0.46-$0.53	Open				

APPENDIX B - 2

APARTMENT RENTS BY UNIT TYPE FROM

HOUSING MARKET UPDATE - 1984

APPLETON DEPARTMENT OF PLANNING & DEVELOPMENT

TABLE 20
RENT BY UNIT TYPE - 1984

EFFICIENCY

UNITS	RENT $
6	125
5	200
42	210
2	220
5	230

60 Total Units

Avg. Rent $203

ONE-BEDROOM

UNITS	RENT $
323	*
7	155
6	160
4	180
13	200
30	210
4	220
4	235
37	240
36	245
63	250
102	255
26	260
1	265
24	270
106	275
9	285
20	290
7	295
64	305
24	320

910 Total Units

Avg. Rent $261

TWO-BEDROOM

UNITS	RENT $
42	*
13	160
6	200
4	210
7	220
9	225
22	235
19	245
45	250
4	255
18	260
34	265
31	270
24	275
24	280
14	285
58	290
290	295
74	300
89	305
198	310
141	315
8	320
22	325
11	330
70	340
24	350
9	375
2	400
2	415
13	420
4	430
2	510

1333 Total Units

Avg. Rent $298

THREE-BEDROOM

UNITS	RENT $
1	240
1	275
20	280
20	290
9	310
34	320
112	335
1	400
2	420
2	430
2	450
2	475
2	525

208 Total Units

Avg. Rent $327

* These are subsidized units. Rents vary depending on the income of the tenant.

* The average rent excludes subsidized units.

SOURCE: Appleton Department of Planning and Development

APPENDIX B - 3

CHANGE IN APPLETON APARTMENT RENTS FROM

1982 - 1984 BASED UPON DATA FROM

APPLETON DEPARTMENT OF PLANNING & DEVELOPMENT

MONTHLY RENT RANGE
FOR ONE- AND TWO-BEDROOM APARTMENTS
IN APPLETON, WISCONSIN
1984

	ONE-BEDROOM	TWO-BEDROOM
LOW RENT RANGE	$0 - $220	$0 - $240
Number of Units	64	61
MEDIUM RENT RANGE	$221 - $280	$241 - $340
Number of Units	399	1,174
HIGH RENT RANGE	$281 - $320	$341 - $510
Number of Units	124	56
TOTAL UNITS BY TYPE	587	1,291
1984 WEIGHTED AVERAGE RENT PER UNIT	$261	$298
1982 WEIGHTED AVERAGE RENT PER UNIT	$238	$275
RENT INCREASE FROM 1982 TO 1984	10%	8.5%
ANNUAL AVERAGE RENT INCREASE	5%	4.25%

Source: Housing Market Study 1984, Appleton Department of Planning and Development

APPENDIX C

COST AND REVENUE DATA FOR VALUATION OF THE HERITAGE

APPENDIX C - 1

MARSHALL VALUATION SERVICE

COST ESTIMATE OF THE HERITAGE

Landmark Research, Inc.

COST ESTIMATE FOR: THE HERITAGE
PROPERTY OWNER: MADSEN-HOFFMAN JOINT VENTURE
ADDRESS: APPLETON, WISCONSIN
SURVEYED BY: LANDMARK RESEARCH,INC
DATE OF SURVEY: JANUARY 1, 1985

SECTION 1:

OCCUPANCY: APARTMENT

CLASS: D Frame	COST RANK: 3.0 Above Average
EFFECTIVE AGE: 0 YEARS	CONDITION: 6.0 Excellent
NUMBER OF STORIES: 3.0	AVERAGE STORY HEIGHT: 9.0
FLOOR AREA: 145,433 Sq. Ft.	COST AS OF: 12/84

COMPONENT	UNITS	COST	REPLACEMENT COST NEW	REPLACEMENT COST DEPR
EXCAVATION & SITE PREPARATION:				
Site Preparation..............	48,500	0.14	6,790	6,790
FOUNDATION:				
Concrete,Bearing walls........	145,433	1.39	202,152	202,152
FRAME:				
Wood Posts & Beams...........	145,433	2.18	317,044	317,044
FLOOR STRUCTURE:				
Concrete,Elevated Slab........	48,500	6.72	325,920	325,920
Wood Joists and Sheathing.....	96,933	4.25	411,965	411,965
SUBTOTAL......................			737,885	737,885
FLOOR COVER:				
Carpet and Pad...............	123,618	2.45	302,864	302,864
Tile,Ceramic.................	10,180	6.53	66,477	66,477
Vinyl Sheet..................	11,635	2.36	27,458	27,458
SUBTOTAL......................			396,799	396,799
CEILING:				
Gypsum Board,Taped & Paint....	145,433	1.02	148,342	148,342
INTERIOR CONSTRUCTION:				
Interior Construction,Framed..	130,890	10.08	1,319,368	1,319,368
Interior Construction,Masonry.	14,543	10.85	157,795	157,795
Base cabinet..................	2,136	55.26	118,035	118,035
Wall cabinet..................	2,136	41.84	89,370	89,370
Water heater cabinet..........	224	79.27	17,756	17,756
Laminated Plastic Pullman Top.	2,136	30.88	65,960	65,960
Cultured Marble Pullman Top...	586	50.70	29,710	29,710
Tub tile......................	149	268	39,932	39,932
Shower tile...................	8	516	4,128	4,128
Tub enclosure.................	149	186	27,714	27,714
Shower door...................	8	145	1,160	1,160
SUBTOTAL......................			1,870,928	1,870,928
PLUMBING:				
Bathtub.......................	149	802	119,498	119,498
Shower over tub...............	149	170	25,330	25,330
Kitchen Sink..................	149	447	66,603	66,603
Laundry tray..................	18	420	7,560	7,560
Lavatory......................	217	357	77,469	77,469
Toilet........................	217	657	142,569	142,569
Stall shower..................	8	562	4,496	4,496
Water heater..................	149	546	81,354	81,354
Rough-in......................	18	249	4,482	4,482
SUBTOTAL......................			529,361	529,361
HEATING AND COOLING:				
Electric......................	145,433	1.94	282,140	282,140
ELECTRICAL:				
Electrical....................	145,433	3.57	519,196	519,196
EXTERIOR WALL:				
Brick Veneer..................	34,326	11.26	386,511	386,511
Insulation....................	34,326	0.41	14,074	14,074
SUBTOTAL......................			400,585	400,585
WALL ORNAMENTATION:				
Brick,Select Common...........	19,160	5.77	110,553	110,553
ROOF STRUCTURE:				
Wood joists,Wood deck.........	48,500	4.00	194,000	194,000
ROOF COVER:				
Composition Shingle...........	48,500	1.06	51,410	51,410
Insulation....................	48,500	0.73	35,405	35,405
SUBTOTAL......................			86,815	86,815
BUILT-IN CONSTRUCTION:				
Exhaust Fan & Hood............	149	233	34,717	34,717
Garbage Disposal..............	149	209	31,141	31,141
Range and Oven................	149	691	102,959	102,959
Refrigerator..................	149	899	133,951	133,951
Trash Compactor...............	3	10,759	32,277	32,277
SUBTOTAL......................			335,045	335,045
BALCONY:				
Cement composition,Wood rails.	656	13.66	8,961	8,961
SUBTOTAL SUPERSTRUCTURE........	145,433	42.26	6,146,596	6,146,596
GARAGE:				
Concrete Block Walls..........	19,160	5.98	114,577	114,577
Concrete,Bearing walls........	38,232	1.39	53,142	53,142
Concrete on Ground............	38,232	2.32	88,698	88,698
Wood joists,Wood deck.........	38,232	4.00	152,928	152,928
Composition Roll..............	38,232	0.54	20,645	20,645
Garage door opener............	6	337	2,022	2,022
SUBTOTAL......................			432,012	432,012
REPLACEMENT COST NEW...........	145,433	45.23	6,578,608	
DEPRECIATED COST...............				6,578,608

SECTION 2:

OCCUPANCY: RESTAURANT

CLASS: D Frame
EFFECTIVE AGE: 0 YEARS
NUMBER OF STORIES: 1.0
FLOOR AREA: 6,340 Sq. Ft.

COST RANK: 3.0 Above Average
CONDITION: 6.0 Excellent
AVERAGE STORY HEIGHT: 10.0
COST AS OF: 12/84

COMPONENT	UNITS	COST	REPLACEMENT COST NEW	REPLACEMENT COST DEPR
EXCAVATION & SITE PREPARATION:				
Site Preparation.............	6,340	0.15	951	951
FOUNDATION:				
Concrete,Bearing walls........	6,340	1.45	9,193	9,193
FRAME:				
Wood Posts & Beams...........	6,340	2.29	14,519	14,519
FLOOR STRUCTURE:				
Concrete,Elevated Slab........	6,340	6.62	41,971	41,971
FLOOR COVER:				
Carpet and Pad...............	2,853	2.96	8,445	8,445
Tile,Ceramic.................	444	6.99	3,102	3,102
Tile,Quarry..................	2,219	6.99	15,511	15,511
Vinyl Sheet..................	824	2.40	1,978	1,978
SUBTOTAL.....................			29,036	29,036
CEILING:				
Gypsum Board,Taped & Paint....	6,340	1.05	6,657	6,657
INTERIOR CONSTRUCTION:				
Interior Construction,Framed..	4,121	10.04	41,375	41,375
Interior Construction,Masonry.	2,219	10.97	24,342	24,342
Base cabinet.................	58	52.91	3,069	3,069
Stainless Steel Counter Top...	58	60.40	3,503	3,503
SUBTOTAL.....................			72,289	72,289
PLUMBING:				
Kitchen Sink.................	3	442	1,326	1,326
Laundry tray.................	2	415	830	830
Lavatory.....................	3	353	1,059	1,059
Toilet.......................	5	650	3,250	3,250
Water heater.................	1	540	540	540
Rough-in.....................	2	246	492	492
SUBTOTAL.....................			7,497	7,497
HEATING AND COOLING:				
Hot and Chilled Water.........	6,340	8.66	54,904	54,904
ELECTRICAL:				
Electrical...................	6,340	9.60	60,864	60,864
EXTERIOR WALL:				
Brick Veneer.................	2,816	11.33	31,905	31,905
Insulation...................	2,816	0.44	1,239	1,239
SUBTOTAL.....................			33,144	33,144
ROOF STRUCTURE:				
Wood joists,Wood deck.........	6,340	4.16	26,374	26,374
ROOF COVER:				
Composition Shingle...........	6,340	1.22	7,735	7,735
Insulation...................	6,340	0.91	5,769	5,769
SUBTOTAL.....................			13,504	13,504
BUILT-IN CONSTRUCTION:				
Fireplace....................	1	1,987	1,987	1,987
REPLACEMENT COST NEW..........	6,340	58.82	372,890	
DEPRECIATED COST..............				372,890

SECTION 3:

OCCUPANCY: CLUBHOUSE

CLASS: D Frame	COST RANK: 3.0 Above Average
EFFECTIVE AGE: 0 YEARS	CONDITION: 6.0 Excellent
NUMBER OF STORIES: 3.0	AVERAGE STORY HEIGHT: 9.0
FLOOR AREA: 19,891 Sq. Ft.	COST AS OF: 12/84

COMPONENT	UNITS	COST	REPLACEMENT COST NEW	DEPR
EXCAVATION & SITE PREPARATION:				
Site Preparation.............	6,542	0.15	981	981
FOUNDATION:				
Concrete,Bearing walls........	19,891	1.47	29,240	29,240
FRAME:				
Wood Posts & Beams...........	19,891	2.26	44,954	44,954
FLOOR STRUCTURE:				
Concrete,Elevated Slab........	6,542	6.92	45,271	45,271
Wood Joists and Sheathing.....	13,349	4.38	58,469	58,469
SUBTOTAL.....................			103,740	103,740
FLOOR COVER:				
Carpet and Pad...............	12,929	2.69	34,779	34,779
Concrete Color...............	796	0.56	446	446
Tile,Ceramic.................	995	6.80	6,763	6,763
Tile,Quarry..................	398	6.80	2,705	2,705
Vinyl Sheet..................	1,989	2.52	5,013	5,013
SUBTOTAL.....................			49,706	49,706
CEILING:				
Gypsum Board,Taped & Paint....	19,891	1.04	20,687	20,687
INTERIOR CONSTRUCTION:				
Interior Construction,Framed..	17,902	8.66	155,030	155,030
Interior Construction,Masonry.	1,989	9.43	18,757	18,757
Base cabinet.................	30	55.26	1,658	1,658
Broom closet.................	10	79.27	793	793
Open shelves.................	20	2.53	51	51
Garage work bench............	22	23.61	519	519
Laminated Plastic Pullman Top.	30	30.88	926	926
SUBTOTAL.....................			177,734	177,734
PLUMBING:				
Kitchen Sink.................	4	447	1,788	1,788
Laundry tray.................	3	420	1,260	1,260
Lavatory.....................	7	357	2,499	2,499
Toilet.......................	9	657	5,913	5,913
Water heater.................	1	546	546	546
SUBTOTAL.....................			12,006	12,006
HEATING AND COOLING:				
Electric.....................	2,188	2.05	4,485	4,485
Hot and Chilled Water.........	19,891	9.03	179,616	179,616
SUBTOTAL.....................			184,101	184,101
ELECTRICAL:				
Electrical...................	19,891	5.53	109,997	109,997
EXTERIOR WALL:				
Brick Veneer.................	11,367	11.60	131,857	131,857
Insulation...................	11,367	0.43	4,888	4,888
SUBTOTAL.....................			136,745	136,745
ROOF STRUCTURE:				
Wood joists,Wood deck.........	3,226	4.11	13,259	13,259
Exposed Beams and Sheathing...	3,226	4.52	14,582	14,582
SUBTOTAL.....................			27,841	27,841
ROOF COVER:				
Composition Shingle..........	6,542	1.11	7,262	7,262
REPLACEMENT COST NEW..........	19,891	45.50	904,994	
DEPRECIATED COST..............				904,994

SUMMARY	TOTAL COST NEW	DEPR
1: APARTMENT	6,578,608	6,578,608
2: RESTAURANT	372,890	372,890
3: CLUBHOUSE	904,994	904,994
TOTAL COST.....................	7,856,492	7,856,492
ADDITIONS:		
RESTAURANT KITCHEN EQUIPMENT	150,000	150,000
DINING ROOM AND COMMON AREA FURNISHINGS	125,000	125,000
VEHICLE	25,000	25,000
FREIGHT ELEVATOR	35,000	35,000
TWO PASSENGER ELEVATORS	100,000	100,000
FEES	25,000	25,000
ARCHITECTURE FEES	200,000	200,000
PHONE SYSTEM	60,000	60,000
IMPROVED SITE	462,000	462,000
CONTINGENCY & DEVELOPER FEE	1,282,650	1,282,650
TOTAL COST.....................	10,321,142	10,321,142
ROUNDED TO NEAREST $1,000	10,321,000	10,321,000

Cost Data by MARSHALL and SWIFT

APPENDIX C - 2

SPECIFICATIONS USED IN MARSHALL VALUATION SERVICE

SEGREGATED COST PROGRAM

```
COMMAND:>LIST

GENERAL INFORMATION:
NUM    DATA
----- ---------------------------------------------------------------
GI  1: THE HERITAGE
GI  2: MADSEN-HOFFMAN JOINT VENTURE
GI  3: APPLETON, WISCONSIN
GI  4: LANDMARK RESEARCH,INC
GI  5: JANUARY 1, 1985
GI  6: 2 ( Central )   1 (Extreme )

SECTION DATA:
NUM     OCC C   LM    RANK        AREA          F   HT  AGE COND DEP%    EX%
----- --- -- ----  ---- ---------------- ---- ---- --- ---- ----    ----
SE  1: 300 D  1.04   3.0          145433  3.0  9.0   0 6.0   0.0     0.0
SE  2: 350 D  1.04   3.0            6340  1.0 10.0   0 6.0   0.0     0.0
SE  3: 311 D  1.04   3.0           19891  3.0  9.0   0 6.0   0.0     0.0

COMPONENT DATA: [1]
NUM     S(H)  CODE       UNITS            RANK  DEP%    EX%
----- ----- ---- ---------------- ---- ------ ------
CO  1: 1( 2) BC                48500
CO  2: 1( 3) CAB  SE AREA=  145433
CO  3: 1( 4) DK   SE AREA=  145433
CO  4: 1( 5) EC                48500
CO  5: 1( 5) EM                96933
CO  6: 1( 6) FE    85%        123618
CO  7: 1( 6) FY     7%         10180
CO  8: 1( 6) FAB    8%         11635
CO  9: 1( 7) GH   SE AREA=  145433
CO 10: 1( 8) HA    90%        130890
CO 11: 1( 8) HB    10%         14543
CO 12: 1( 8) HWA                2136
CO 13: 1( 8) HWB                2136
CO 14: 1( 8) HWD                 224
CO 15: 1( 8) HWN                2136
CO 16: 1( 8) HWP                 586
CO 17: 1( 8) HWU                 149
CO 18: 1( 8) HWS                   8
CO 19: 1( 8) HWV                 149
CO 20: 1( 8) HWW                   8
CO 21: 1( 9) IC                  149
CO 22: 1( 9) ID                  149
CO 23: 1( 9) IE                  149
CO 24: 1( 9) IF                   18
CO 25: 1( 9) IG                  217
CO 26: 1( 9) IH                  217
CO 27: 1( 9) IJ                    8
CO 28: 1( 9) IK                  149
CO 29: 1( 9) IL                   18
CO 30: 1(11) KA   SE AREA=  145433
CO 31: 1(12) LA   SE AREA=  145433
CO 32: 1(13) MAL               34326
CO 33: 1(13) MAU               34326
CO 34: 1(16) PO                19160
CO 35: 1(17) QAA               48500
CO 36: 1(18) RF                48500
CO 37: 1(18) RU                48500
CO 38: 1(21) UD                  149
CO 39: 1(21) UE                  149
CO 40: 1(21) UJ                  149
CO 41: 1(21) UM                  149
CO 42: 1(21) UR                    3
CO 43: 1(27) VAK                 656
CO 44: 1(32) VK                19160
CO 45: 1(32) CAB               38232
CO 46: 1(32) EB                38232
CO 47: 1(32) QAA               38232
CO 48: 1(32) RE                38232
CO 49: 1(32) VM                    6
CO 50: 2( 2) BC   SE AREA=      6340
CO 51: 2( 3) CAB  SE AREA=      6340
CO 52: 2( 4) DK   SE AREA=      6340
CO 53: 2( 5) EC   SE AREA=      6340
CO 54: 2( 6) FE    45%          2853
CO 55: 2( 6) FY     7%           444
CO 56: 2( 6) FZ    35%          2219
CO 57: 2( 6) FAB   13%           824
CO 58: 2( 7) GH   SE AREA=      6340
CO 59: 2( 8) HA    65%          4121
CO 60: 2( 8) HB    35%          2219
CO 61: 2( 8) HWA                  58
CO 62: 2( 8) HWL                  58
CO 63: 2( 9) IE                    3
CO 64: 2( 9) IF                    2
CO 65: 2( 9) IG                    3
CO 66: 2( 9) IH                    5
CO 67: 2( 9) IK                    1
CO 68: 2( 9) IL                    2
CO 69: 2(11) KN   SE AREA=      6340
CO 70: 2(12) LA   SE AREA=      6340
CO 71: 2(13) MAL                2816
CO 72: 2(13) MAU                2816
CO 73: 2(17) QAA  SE AREA=      6340
CO 74: 2(18) RF   SE AREA=      6340
CO 75: 2(18) RU   SE AREA=      6340
CO 76: 2(21) VDA                   1
CO 77: 3( 2) BC                 6542
CO 78: 3( 3) CAB  SE AREA=     19891
CO 79: 3( 4) DK   SE AREA=     19891
CO 80: 3( 5) EC                 6542
CO 81: 3( 5) EM                13349
CO 82: 3( 6) FE    65%         12929
CO 83: 3( 6) FF     4%           796
CO 84: 3( 6) FY     5%           995
CO 85: 3( 6) FZ     2%           398
CO 86: 3( 6) FAB   10%          1989
CO 87: 3( 7) GH   SE AREA=     19891
CO 88: 3( 8) HA    90%         17902
CO 89: 3( 8) HB    10%          1989
CO 90: 3( 8) HWA                  30
CO 91: 3( 8) HWC                  10
CO 92: 3( 8) HWH                  20
CO 93: 3( 8) HWX                  22
CO 94: 3( 8) HWN                  30
CO 95: 3( 9) IE                    4
CO 96: 3( 9) IF                    3
CO 97: 3( 9) IG                    7
CO 98: 3( 9) IH                    9
CO 99: 3( 9) IK                    1
CO100: 3(11) KA                 2188
CO101: 3(11) KN   SE AREA=     19891
CO102: 3(13) MAL               11367
CO103: 3(13) MAU               11367
CO104: 3(17) QAA                3226
CO105: 3(17) QR                 3226
CO106: 3(18) RF                 6542
CO107: 3(12) LA   SE AREA=     19891

ADDITIONS:
#   SEC          DESCRIPTION                  UNITS/AMOUNT       DEP    EXC  DATE
-- ----- ----------------------------- ------------------ ----   ---- -----
 7:0    :RESTAURANT KITCHEN EQUIPMENT                150000
 8:0    :DINING ROOM AND COMMON AREA FU              125000
 9:0    :VEHICLE                                      25000
10:0    :FREIGHT ELEVATOR                             35000
11:0    :TWO  PASSENGER ELEVATORS                    100000
12:0    :FEES                                         25000
13:0    :ARCHITECTURE FEES                           200000
14:0    :PHONE SYSTEM                                 60000
15:0    :IMPROVED SITE                               462000

COST AS OF: 12/84
ARCHITECT FEES: OFF

COMMAND:>ROUND 1000
COMMAND:>REPORT
```

[1] See field form on following pages for explanation of codes.

SEGREGATED COST FIELD FORM – RESIDENTIAL
(4003)

GI 1 Cost Estimate For ______
GI 2 Property Owner ______
GI 3 Address ______
GI 4 Surveyed By ______
GI 5 Date of Survey ______
GI 6 REGION: 1) Western 2) Central 3) Eastern CLIMATE: 1) Extreme 2) Moderate 3) Mild

AREA DIMENSION

DI 1 ____ = ______
DI 2 ____ = ______
DI 3 ____ = ______
DI 4 ____ = ______
DI 5 ____ = ______
DI 6 ____ = ______
DI 7 ____ = ______

	Occupancy Code	Class	Local Multiplier	Cost Rank (1-4)	Total Floor Area	Number of Stories	Story Height	Effective Age	Condition (1-6)	% Dep. (Optional)	% Insur. Excl. (Optional)
SE 1											
SE 2											

CO COMPONENTS

St. Code Area Rank Dep. Insur. Excl.

EXCAVATION & SITE PREPARATION (2)
___ BA ______ Excavation (C.F.)
___ BB ______ Fill (C.F.)
___ BC ______ Site Preparation (S.F.)

FOUNDATION (Sq. Ft. Floor Area) **(3)**
___ CAB ______ Concrete
___ CB ______ Wood Blocks and Sills
___ CC ______ Concrete (Lineal Feet)
___ CG ______ Footings for Columns (Each)

FRAME (Sq. Ft. Floor Area) **(4)**
___ DB ______ Floor Supports Only
___ DK ______ Wood Posts & Beams
___ DQ ______ Wood Cols.,Beams (Lin. Ft.)
___ DR ______ Steel Cols.,Beams (Lin. Ft.)
___ DS ______ Conc. Cols.,Beams (Lin.Ft.)
___ DT ______ Pipe Cols., (Lin. Ft.)

FLOOR STRUCTURE (Sq. Ft. Floor Area) **(5)**
___ EB ______ Concrete Slab on Ground
___ EC ______ Elevated Slab
___ EM ______ Wood Joists and Sheathing
___ EN ______ Wood Joists and Bridging (Only)
___ EO ______ Insulation (Add)
___ EP ______ Waterproofing (Add)

FLOOR COVER (Sq. Ft. Floor Area) **(6)**
___ FA ______ Asphalt Tile
___ FB ______ Brick, Common in Mortar
___ FE ______ Carpet and Pad
___ FF ______ Concrete Color
___ FH ______ Cork
___ FI ______ Diato
___ FL ______ Flagstone
___ FM ______ Foamed Concrete Subfloor
___ FO ______ Hardwood
___ FP ______ Linoleum
___ FU ______ Rubber Tile
___ FV ______ Slate
___ FW ______ Softwood
___ FX ______ Terrazzo
___ FY ______ Tile, Ceramic
___ FZ ______ Tile, Quarry
___ FAB ______ Vinyl
___ FAF ______ Wood over Concrete, Hardwood
___ FAE ______ Wood over Concrete, Softwood
___ FS ______ Wood over Concrete, Parquet

CEILING (Sq. Ft. Floor Area) **(7)**
___ GH ______ Drywall, Taped & Painted
___ GY ______ Fiberboard
___ GJ ______ Plaster on Lath, Acoustical
___ GZ ______ on Drywall, Sprayed
___ GL ______ on Lath, Standard
___ GP ______ Plywood, Hardwood
___ GQ ______ Plywood, Softwood
___ GR ______ Plastic Panels
___ GS ______ Printed Hardboard
___ GT ______ Wood Boards
___ GU ______ Furring (Add)
___ GV ______ Suspended Ceiling (Add)
___ GW ______ Ceiling Insulation (Add)

INTERIOR CONSTRUCTION (Sq. Ft. Floor Area) **(8)**
___ HA ______ Interior Construction, Frame
___ HB ______ Interior Construction, Masonry

Alternate Method (Sq. Ft. Partition Area)
___ HE ______ Acoustical Accordion
___ HI ______ Gypsum Block
___ HH ______ Concrete Block

Sq. Ft. of Partition Area (Cont'd)
___ HF ______ Brick
___ HG ______ Clay Tile & Plaster
___ HJ ______ Gypsum Block & Plaster
___ HR ______ Wood Frame, Drywall Finish
___ HS ______ Plaster Finish
___ HT ______ Wood Paneling
___ HU ______ Tile (Add)

Cabinets (Lin. Ft.)
___ HWA ______ Base Cabinet
___ HWB ______ Wall Cabinet
___ HWC ______ Broom Closet
___ HWD ______ Water Heater Cabinet
___ HWE ______ Linen Cabinet
___ HWF ______ Pullman Cabinet
___ HWG ______ Wardrobe
___ HWH ______ Open Shelves
___ HWI ______ Built-In Desk
___ HWX ______ Garage Work Bench
___ HWY ______ Garage Storage (Sq. Ft.)

Sink or Counter Tops (Lin. Ft.)
___ HWJ ______ Kitchen Sink, Tile
___ HWK ______ Laminated Plastic
___ HWL ______ Stainless Steel
___ HWM ______ Pullman, Tile
___ HWN ______ Laminated Plastic
___ HWO ______ Marble
___ HWP ______ Cultured Marble

Bathroom Miscellany (Each)
___ HWQ ______ Tub Tile
___ HWR ______ Shower Tile (Floor and Base Only)
___ HWS ______ Shower Tile (Floor and Walls)
___ HWT ______ Prefab Fiberglass Stall Shower
___ HWU ______ Prefab Fiberglass Tub Shower
___ HWV ______ Tub Enclosure
___ HWW ______ Shower Door

PLUMBING (Sq. Ft. Floor Area) **(9)**
___ IA ______ Plumbing (Sq. Ft. Floor Area)
___ IB ______ **Alternate (Number of Fixtures)**
___ IC ______ Bathtub
___ ID ______ Shower over Tub (Add)
___ IE ______ Kitchen Sink
___ IF ______ Laundry Tray
___ IG ______ Lavatory
___ IH ______ Toilet
___ IJ ______ Stall Shower
___ IK ______ Water Heater
___ IL ______ Rough-In Only

HEATING, COOLING & VENTILATION (Sq. Ft. Floor Area) **(11)**
___ KA ______ Electric (Cable, Panel or Baseboard)
___ KB ______ Electric Wall Heaters
___ KC ______ Forced Air
___ KD ______ Floor Furnace
___ KE ______ Gas Steam Radiator
___ KV ______ Gas Outlet Only
___ KF ______ Gravity Furnace
___ KG ______ Heaters, Vented
___ KH ______ Hot Water
___ KI ______ Hot Water, Radiant
___ KL ______ Steam
___ KN ______ Air Cond. Hot and Chilled Water
___ KO ______ Air Cond. Warm and Cooled Air
___ KP ______ Package Heating & Cooling
___ KQ ______ Heat Pump
___ KR ______ Evaporative Cooling
___ KS ______ Refrigerated Cooling
___ KT ______ Ventilation
___ KU ______ Wall Furnace

Landmark Research, Inc.

ELECTRICAL (Sq. Ft. Floor Area) (12)

- LA — Electrical & Lighting
- LB — Unfinished Area

EXTERIOR WALL (Sq. Ft. Wall Area) (13)

Masonry Walls

- MA — Adobe Block
- MB — Brick, Block Back-Up ("Thick)
- MC — Common ("Thick)
- MD — Cavity ("Thick)
- ME — Face Brick (Add)
- MF — Concrete Block ("Thick)
- MI — Stn. Ashlar Veneer, Block ("Thick)
- MJ — Stone, Rubble ("Thick)
- MZ — Tile, Clay ("Thick)
- MAB — Facing Tile (Add)

Wood Framed Walls

- MAD — Aluminum Siding
- MAE — Asbestos Siding
- MCA — Asbestos Shingles
- MBF — Glass Wall
- MAF — Shingles
- MAG — Shakes
- MAH — Stucco on Wire and Paper
- MAI — on Sheathing
- MAJ — Wood Siding on Paper
- MAK — on Sheathing
- MAL — Veneer, Common Brick
- MAM — Face Brick
- MAN — Stone
- MAO — Used Brick
- MAP — Siding, Vinyl Surface
- MCB — Hardboard Sheets
- MAQ — Textured Plywood
- MAR — Board and Batten Box Frame
- MAS — Log, Rustic
- MAU — Insulation (Add)

WALL ORNAMENTATION (Sq. Ft. Ornamented Area) (16)

- PA — Brick Face, Split
- PC — Face, Standard Size
- PD — Select Common
- PE — Used
- PF — Cast Stone
- PG — Concrete Block, Imitation Stone
- PH — Screen
- PI — Slumpstone
- PJ — Granite
- PK — Limestone
- PL — Marble
- PN — Sandstone Veneer
- PO — Stone Veneer, Local
- PQ — Special
- PR — Slate
- PS — Stucco on Masonry
- PT — Terra Cotta
- PU — Tile, Ceramic
- PV — Mosaic

ROOF STRUCTURE (Sq. Ft. Ground Floor Area) (17)

- QAA — Wood Joists, Wood Deck
- QO — Composition Deck
- QP — Precast Plank Deck
- QR — Exposed Beams and Sheathing

ROOF COVER (Sq. Ft. Ground Floor Area) (18)

- RA — Aluminum
- RB — Aluminum Shingles
- RC — Asbestos Shingles
- RD — Built-Up Composition
- RE — Composition, Roll
- RF — Composition, Shingles
- RG — Concrete Tile
- RH — Copper
- RI — Galvanized Steel
- RK — Lead
- RL — Porcelain Enamel Shingles
- RM — Shakes
- RN — Shakes-Fire Resistant
- RO — Slate
- RP — Tar and Gravel
- RR — Tile
- RT — Wood Shingles
- RU — Insulation (Add)

ELEVATORS (Each) (20)

- TN — 2 - Story
- TO — 3 - Story
- TP — Inclinator

MISCELLANEOUS BUILT-INS (Each) (21)

- UAE — Bathroom Heater, Electric
- UAF — Dishwasher
- UAO — Exhaust Fan
- UD — Exhaust Fan and Hood
- UE — Garbage Disposer
- UO — Gas Incinerator
- UF — Mixer-Blender (Food Center)
- UL — Oven
- UV — Oven, Microwave
- ( )
- ( )

MISCELLANEOUS BUILT-INS (Cont'd) (21)

- UG — Radio-intercom, Base System
- UH — Add per Satellite
- UN — Add per closed circuit TV Outlet
- UJ — Range and Oven Combination
- UK — Range Top
- UM — Refrigerator
- US — Trash Compactor (Single Unit)
- UR — Trash Compactor (Central Unit)
- UP — Vacuum Cleaner System, 3 Outlets
- UT — Add for Extra Outlets
- UAM — Window Air Conditioner
- UAN — Window Evaporative Cooler

FIREPLACES (Each) (21)

- VDA — One Story, Single
- VDB — Double
- VDC — Two Story, Both Single
- VDD — One Single, One Double
- VDE — Both Double
- VDF — Prefabricated
- VDG — Heatilator (Add)
- VDH — Raised Hearth (Add)
- VDI — Log Lighter (Add)

PORCHES (Sq. Ft. Porch Area) (26)

- VAC — Open Concrete with Steps
- VAD — Concrete without Steps
- VAE — Wood with Steps
- VAF — Wood without Steps
- VAH — Ceiling (Add)
- (26) — *Roof Structure*
- (26) — *Roof Cover*
- (26)

BALCONIES (Sq. Ft. Balcony Area) (27)

- VAI — Wood, Wood Rails
- VAJ — Iron Rails
- VAK — Cement Composition, Wood Rails
- VAL — Iron Rails
- VAM — Finished Soffit (Add)

EXTERIOR STAIRWAYS (Per Flight) (28)

- VAN — Wood, Wood Rails
- VAO — Iron Rails
- VAP — Cement Composition, Wood Rails
- VAQ — Iron Rails
- VAR — Steel, Ornamental Iron Rails
- VAS — Finished Soffit (Add)

BASEMENTS (31)

Basement Wall (Sq. Ft. Base Wall Area)

- *A — Brick Masonry ("Thick)
- *B — Concrete Block ("Thick)
- *C — Concrete, Reinforced ("Thick)
- *D — Rubble Masonry ("Thick)
- *E — Waterproofing (Add)

Interior Construction (Sq. Ft. Floor Area)

- *NO — Finished
- *NP — Partially Finished
- *NQ — Unfinished

Basement Stairs (Per Flight)

- *NS — Open
- *NT — Enclosed

Electrical & Lighting (Sq. Ft. Floor Area)

- *NX — Finished
- *NY — Plain Lighting
- *NZ — Unfinished

Basement Garage Doors (Number of Cars)

- *NG
- (31)
- (31)
- (31)

GARAGES (32)

Garage Exterior Wall (Sq. Ft. Wall Area)

- VA — Aluminum Siding
- VB — Asbestos
- VC — Stucco
- VD — Wood Siding
- VE — Wood Shingle
- VF — Brick Veneer
- VG — Stone Veneer
- VH — Common Brick
- VI — Face Brick
- VJ — Stone
- VK — Concrete Block
- VL — Interior Finish on Exter. Wall (Add)
- (32) — *Foundation*
- (32) — *Floor*
- (32) — *Roof Structure*
- (32) — *Roof Cover*
- VM — Garage Door Opener (Each)
- (32)
- (32)
- (32)

CARPORT (33) or BREEZEWAY (34) (Sq. Ft. of Floor Area)

- VN — Supporting Posts & Footings
- (3) — *Floor*
- (3) — *Roof Structure*
- (3) — *Roof Cover*
- ( )
- ( )

FORM RS 4003 REV. 3

APPENDIX C - 3

CALCULATION OF PROJECTED POTENTIAL AND

EFFECTIVE GROSS REVENUE FOR THE HERITAGE

THE HERITAGE
A RETIREMENT LIVING CENTER
CALCULATION OF PROJECTED POTENTIAL AND EFFECTIVE GROSS REVENUE

	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994
POTENTIAL GROSS APARTMENT/SERVICE REVENUE LESS VACANCY LOSS										
Basic Apt. Rent - 1 BR Units (From Previous Year)	311040	311040	311040	326592	342922	360068	378071	396975	416823	437665
* Rate of Change	1.000	1.000	1.050	1.050	1.050	1.050	1.050	1.050	1.050	1.050
= Current Year Potential Gross Revenue	311040	311040	326592	342922	360068	378071	396975	416823	437665	459548
Vacancy Loss (%)	1.000	0.230	0.017	0.017	0.017	0.017	0.017	0.017	0.017	0.017
Effective Gross Revenue	0	239501	321040	337092	353947	371644	390226	409737	430224	451735
Basic Apt. Rent - 2 BR, 1.5 BA Units (From Previous Year)	288000	288000	296640	314438	333305	353303	374501	396971	420790	446037
* Rate of Change	1.000	1.030	1.060	1.060	1.060	1.060	1.060	1.060	1.060	1.060
= Current Year Potential Gross Revenue	288000	296640	314438	333305	353303	374501	396971	420790	446037	472799
Vacancy Loss (%)	1.000	0.100	0.017	0.017	0.017	0.017	0.017	0.017	0.017	0.017
Effective Gross Revenue	0	266976	309093	327639	347297	368135	390223	413636	438454	464762
Basic Apt. Rent - 2 BR, 1.75 BA Units (From Previous Year)	45600	45600	47880	51232	54818	58655	62761	67154	71855	76885
* Rate of Change	1.000	1.050	1.070	1.070	1.070	1.070	1.070	1.070	1.070	1.070
= Current Year Potential Gross Revenue	45600	47880	51232	54818	58655	62761	67154	71855	76885	82267
Vacancy Loss (%)	1.000	0.000	0.010	0.010	0.010	0.010	0.010	0.010	0.010	0.010
Effective Gross Revenue	0	47880	50719	54270	58069	62133	66483	71136	76116	81444
Service Package - 1st Resident (From Previous Year)	491700	491700	521202	552474	585623	620760	658006	697486	739335	783695
* Rate of Change	1.000	1.060	1.060	1.060	1.060	1.060	1.060	1.060	1.060	1.060
= Current Year Potential Gross Revenue	491700	521202	552474	585623	620760	658006	697486	739335	783695	830717
Vacancy Loss (%)	1.000	0.165	0.016	0.016	0.016	0.016	0.016	0.016	0.016	0.016
Effective Gross Revenue	0	435204	543635	576253	610828	647477	686326	727506	771156	817425
Service Package - 2nd Resident (From Previous Year)	77700	77700	82362	87304	92542	98094	103980	110219	116832	123842
* Rate of Change	1.000	1.060	1.060	1.060	1.060	1.060	1.060	1.060	1.060	1.060
= Current Year Potential Gross Revenue	77700	82362	87304	92542	98094	103980	110219	116832	123842	131273
Vacancy Loss (%)	1.000	0.165	0.016	0.016	0.016	0.016	0.016	0.016	0.016	0.016
Effective Gross Revenue	0	68772	85907	91061	96525	102316	108455	114963	121861	129172
SUBTOTAL: EFFECTIVE GROSS APARTMENT/SERVICE REVENUE	0	1058333	1310394	1386314	1466665	1551706	1641713	1736978	1837811	1944539
POTENTIAL GROSS PARKING REVENUE LESS VACANCY LOSS										
Attached Garage Rent (From Previous Year)	20160	20160	20664	21697	22782	23921	25117	26373	27692	29076
* Rate of Change	1.000	1.025	1.050	1.050	1.050	1.050	1.050	1.050	1.050	1.050
= Current Year Potential Gross Revenue	20160	20664	21697	22782	23921	25117	26373	27692	29076	30530
Vacancy Loss (%)	1.000	0.075	0.010	0.010	0.010	0.010	0.010	0.010	0.010	0.010
Effective Gross Revenue	0	19114	21480	22554	23682	24866	26109	27415	28786	30225
Ancillary Garage Rent (From Previous Year)	14400	14400	14400	15120	15876	16670	17503	18378	19297	20262
* Rate of Change	1.000	1.000	1.050	1.050	1.050	1.050	1.050	1.050	1.050	1.050
= Current Year Potential Gross Revenue	14400	14400	15120	15876	16670	17503	18378	19297	20262	21275
Vacancy Loss (%)	1.000	0.350	0.050	0.050	0.050	0.050	0.050	0.050	0.050	0.050
Effective Gross Revenue	0	9360	14364	15082	15836	16628	17460	18333	19249	20212
SUBTOTAL: EFFECTIVE GROSS PARKING REVENUE	0	28474	35844	37636	39518	41494	43569	45747	48035	50436
OTHER POTENTIAL GROSS REVENUE LESS VACANCY LOSS										
Laundry Revenue (From Previous Year)	2000	2000	2050	2153	2260	2373	2492	2616	2747	2885
* Rate of Change	1.000	1.025	1.050	1.050	1.050	1.050	1.050	1.050	1.050	1.050
= Current Year Potential Gross Revenue	2000	2050	2153	2260	2373	2492	2616	2747	2885	3029
Vacancy Loss (%)	1.000	0.165	0.016	0.016	0.016	0.016	0.016	0.016	0.016	0.016
Effective Gross Revenue	0	1712	2118	2224	2335	2452	2575	2703	2838	2980
Other Revenue Sources (From Previous Year)	20230	20230	20230	21646	23161	24783	26517	28374	30360	32485
* Rate of Change	1.000	1.000	1.070	1.070	1.070	1.070	1.070	1.070	1.070	1.070
= Current Year Potential Gross Revenue	20230	20230	21646	23161	24783	26517	28374	30360	32485	34759
Vacancy Loss (%)	1.000	0.165	0.016	0.016	0.016	0.016	0.016	0.016	0.016	0.016
Effective Gross Revenue	0	16892	21300	22791	24386	26093	27920	29874	31965	34203
SUBTOTAL: EFFECTIVE GROSS RENT/SERVICE, PARKING, LAUNDRY & OTHER REVENUE	0	1105411	1369656	1448965	1532904	1621745	1715776	1815303	1920649	2032158
POTENTIAL GROSS INTEREST INCOME										
Interest Earned on Security Deposits	9100	9100	9100	9100	9100	9100	9100	9100	9100	9100
* Rate of Change	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
= Current Year Potential Gross Revenue	9100	9100	9100	9100	9100	9100	9100	9100	9100	9100
Vacancy Loss (%)	1.000	0.165	0.016	0.016	0.016	0.016	0.016	0.016	0.016	0.016
Effective Gross Interest Income	0	7599	8954	8954	8954	8954	8954	8954	8954	8954
Interest Earned on Debt Service Reserve Fund	64400	64400	64400	64400	64400	64400	64400	64400	64400	64400
* Rate of Change	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
= Current Year Potential Gross Revenue	64400	64400	64400	64400	64400	64400	64400	64400	64400	64400
Vacancy Loss (%)	0	0	0	0	0	0	0	0	0	0
Effective Gross Interest Income	64400	64400	64400	64400	64400	64400	64400	64400	64400	64400
SUBTOTAL: EFFECTIVE GROSS INTEREST INCOME	64400	71999	73354	73354	73354	73354	73354	73354	73354	73354
TOTAL EFFECTIVE GROSS REVENUE	64400	1177409	1443010	1522320	1606259	1695099	1789130	1888657	1994004	2105512