An appraisal of the Goodwill Building, 2422 Pennsylvania Avenue, Madison, Wisconsin. May 1, 1985

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

Office copy

AN APPRAISAL OF
THE GOODWILL BUILDING
MADISON, WISCONSIN

Landmark Research Inc.

AN APPRAISAL OF
THE GOODWILL BUILDING
2422 PENNSYLVANIA AVENUE
MADISON, WISCONSIN

AS OF

MAY 1, 1985

PREPARED FOR

MADISON REAL ESTATE INVESTMENT FUND

PREPARED BY

LANDMARK RESEARCH, INC.

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Jean B. Davis, M.S.

June 28, 1985

Messrs. Gordon and Greg Rice
Executive Management, Inc.
6000 Gisholt Drive
P.O. Box 8685
Madison, WI 53708

Gentlemen:

Enclosed is the appraisal of the warehouse/industrial property known as the Goodwill Building and located at 2422 Pennsylvania Avenue in Madison, Wisconsin, in the County of Dane.

We have established Fair Market Value as of May 1, 1985, assuming cash to the seller, and subject to the assumptions and limiting conditions noted throughout the report.

The appraisers have inspected the property on several occasions and have no vested interest, present or future, in the properties owned by the Madison Real Estate Investment Fund (MREIF) except, of the 374,204 total MREIF shares outstanding as of January 10, 1985, James A. Graaskamp owns 60 shares and Jean B. Davis owns 100 shares. This ownership position pre-dates any appraisal assignment by six or more years.

Market Value as of May 1, 1985, in its present condition and sold for cash, is:

THREE HUNDRED THIRTY-FIVE THOUSAND DOLLARS

($335,000)

assuming a buyer can obtain financing at 12.5 percent interest for a 25-year term with a five-year balloon, and in an amount based upon a debt cover ratio of 1.3. This value represents cash to the seller and assumes the buyer will immediately invest $25,000 more to relocate the truck dock to insure continued access within the boundaries of the subject property. This value also assumes a three-month vacancy beyond the May 1, 1985, valuation date.

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

FOR LANDMARK RESEARCH, INC.

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

Jean B. Davis
Real Estate Appraiser/Analyst

Enclosure

jc

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I. INTRODUCTION

The content of an appraisal is determined by the decision for which it will serve as a benchmark and by the limiting assumptions inherent in the property, the data base, or other factors in the decision context.

A. Issue for Which the Appraisal is Required

The issue for which this appraisal is required is the possible sale and liquidation of the portfolio of properties currently owned by the Madison Real Estate Investment Fund (MREIF) of which the subject property is a part. This appraisal has been requested by the current owner of the subject property which is located at 2422 Pennsylvania Avenue, in the City of Madison, Dane County, Wisconsin, in order to determine the most probable selling price of the property as of May 1, 1985, with cash to the seller.

B. Real Estate Interests Appraised

The real estate to be appraised is the fee simple title encumbered only by existing easements. The subject property, known as the Goodwill Building, at 2422 Pennsylvania Avenue, consists of the site and the building and site improvements.

The legal description is

> Lots Four (4), Five (5), Six (6), Seven (7), Eight (8), Forty (40), Forty-One (41), Forty-Two (42), Forty-Three (43), Forty-Four (44), Block Three Hundred Thirty-Six (336) Riley Plat, except the Southerly Fifteen (15) feet of Lots Four (4) and Forty-Four (44) thereof, together with that portion of Outlot A, Riley Plat lying between the Northerly line of Lot Eight (8) extended, and a line parallel to the Southerly line of Lot Four (4), extended, said last line located Fifteen (15) feet Northerly thereof. [1]

The property is located between Pennsylvania Avenue, just north of the merger point of Pennsylvania and Packers Avenue on the east and the property is near, but not contiguous with, the Chicago, Milwaukee, St. Paul and Pacific Railroad tracks on the western boundary of the subject property as shown in Exhibit I-1. Commercial Avenue (before it merges with Highway 30) lies approximately one-half block north of the subject property. The site consists of an assemblage of Lots 4 through 8 and Lots 44 through 48 of Block 336 less 15 feet on the south edge of Lots 4 and 44. Each lot measures 44 feet by 132 feet. The site also includes a 15 foot extension to the west into Outlot A. See Exhibit I-2 for a detailed map of the site which also includes zoning designations.

[1] The legal description was obtained from the September 15, 1967, addendum to the Commercial Building Lease dated August 23, 1967, between Madison Real Estate Investment Fund and Goodwill Industries of Wisconsin, Inc. The lessee terminated possession on or about April 15, 1985 and there are no tenants currently in possession.

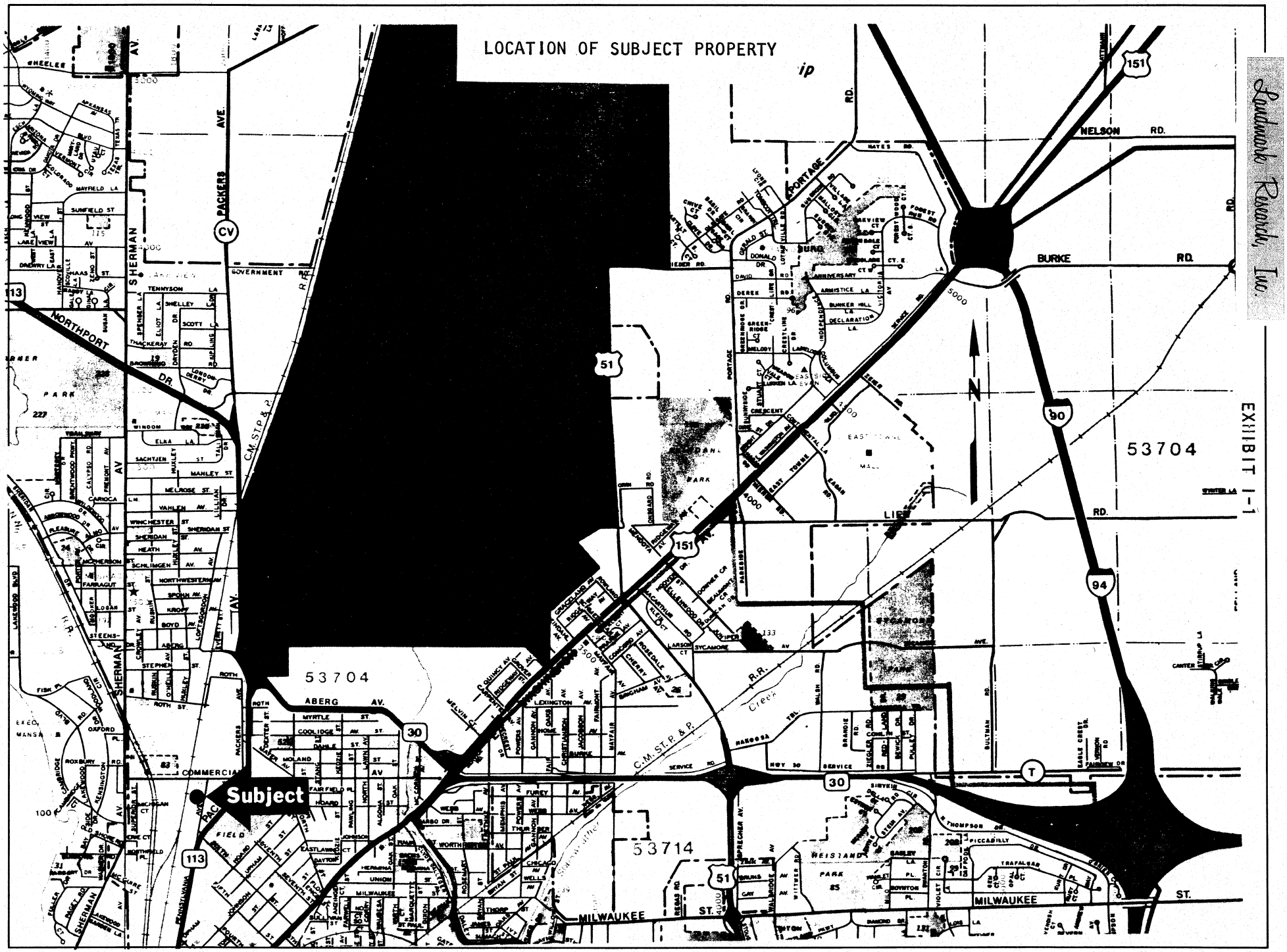

EXHIBIT I-1

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SITE AND ZONING MAP FOR SUBJECT PROPERTY

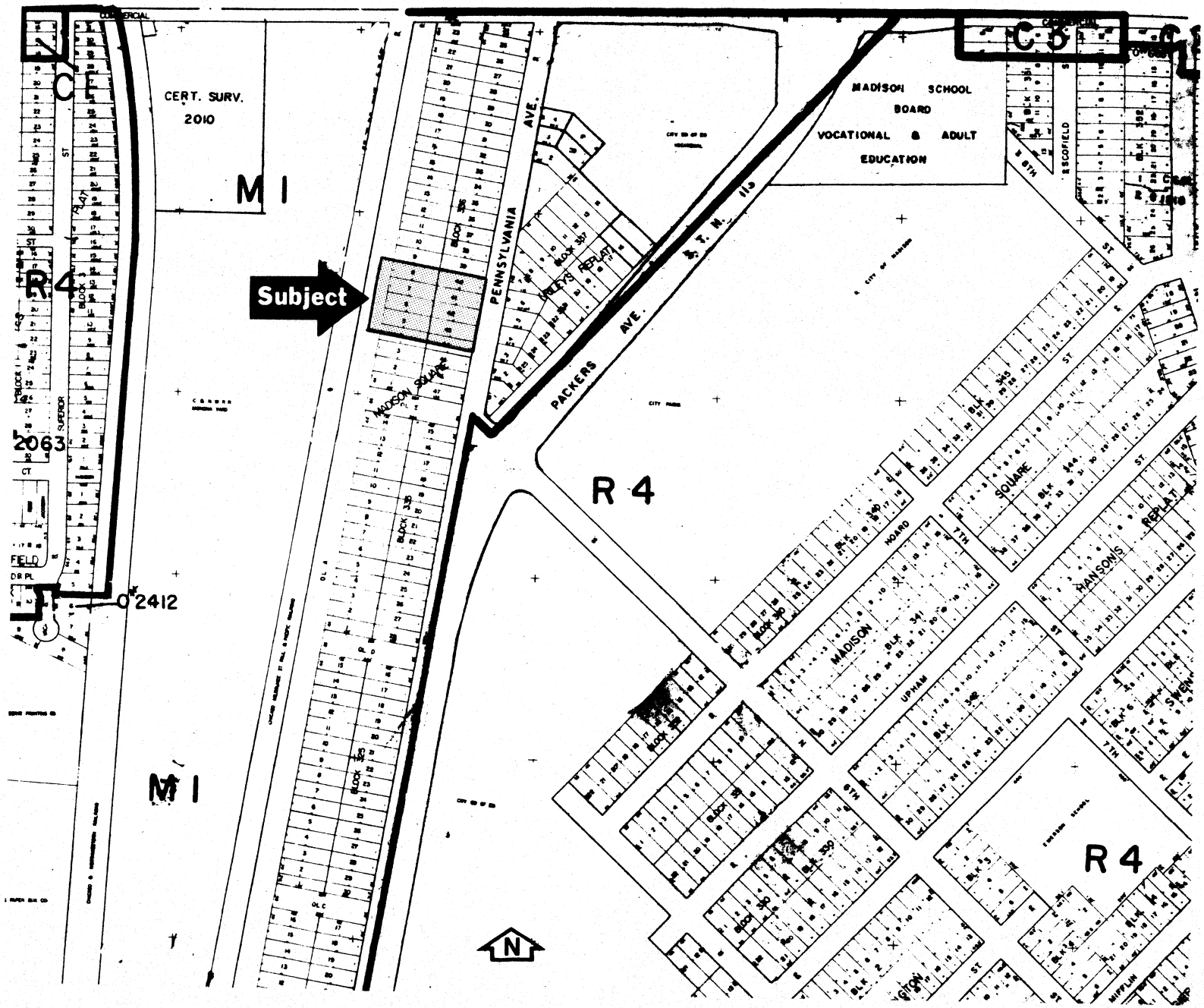

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EXHIBIT I-2

C. Definition of Value and Date of Sale

The appraised value shall be Fair Market Value as defined in Exhibit I-3 as of May 1, 1985. It is assumed the buyer will seek financing from a third party and the seller will receive all cash. The existing 7 percent mortgage from Anchor Savings and Loan Association is not assumable.

D. Most Probable Use

The appraisal process is first dependent on highest and best use, or most probable use as defined in Exhibit I-4. In this case, the most probable use of the subject property, as is, will continue to be for the use of a single tenant who needs a large storage/work area plus a variety of office/classrooms in an insulated and heated building. The lack of an adequate number of overhead doors/truck docks in accessible locations diminishes the conversion to multi-tenant use or for the rapid exchange of incoming and outgoing goods as required in a distribution center.

E. Preferred Appraisal Methodology

Before the advent of unstable money markets, creative financing, and the syndication of real estate, the Market Comparison Approach was the favored method to estimate the most probable selling price of a specific property. It is based upon the assumption that buyers will pay a similar price for comparable properties which offer similar utilities to the

buyers. As sale terms and conditions become more complex and often undisclosed, the direct sales comparison approach has been less reliable, although still a useful indication of a range of values for which the subject property will sell.

The Cost Approach to value is most effective when used to estimate the value of a new, efficient, and well-located structure. The Goodwill Building, built in 1946 with additions in 1967, does not qualify and the cost approach is unsuitable as an appraisal methodology.

The Income Approach, using the discounted cash flow methodology, permits greater sensitivity to the special income and expense characteristics of the subject property which are reflective of any physical, functional, or economic obsolescence inherent in the subject property.

Therefore, both the Market Comparison Approach and the Income Approach to value are used, but with greater reliance placed upon the more sensitive Income Approach.

EXHIBIT I-3

DEFINITION OF MARKET VALUE

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 generally available for the property type in its locale on the effective appraisal date.

5. 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.

Source: American Institute of Real Estate Appraisers, The Appraisal of Real Estate, Eighth Edition, Chicago, IL, 1983, p. 33.

EXHIBIT I-4

DEFINITION OF HIGHEST AND BEST USE

That reasonable and probable use that will support the highest present value, as defined, as of the effective date of the appraisal.

Alternatively, that use, from among reasonably probable and legal alternative uses, found to be physically possible, appropriately supported, financially feasible, and which results in highest land value.

The definition immediately above applies specifically to the highest and best use of land. It is to be recognized that in cases where a site has existing improvements on it, the highest and best use may very well be determined to be different from the existing use. The existing use will continue, however, unless and until land value in its highest and best use exceeds the total value of the property in its existing use.

Implied within these definitions is recognition of the contribution of that specific use to community environment or to community development goals in addition to wealth maximization of individual property owners. Also implied is that the determination of highest and best use results from the appraiser's judgment and analytical skill, i.e., that the use determined from analysis represents an opinion, not a fact to be found. In appraisal practice, the concept of highest and best use represents the premise upon which value is based. In the context of most probable selling price (market value) another appropriate term to reflect highest and best use would be most probable use. In the context of investment value and alternative term would be most profitable use.

Source: Byrl N. Boyce, Real Estate Appraisal Terminology, Revised Edition, AIREA, SREA, Ballinger, Cambridge, Mass., 1981. pp. 126-127.

II. MADISON INDUSTRIAL WAREHOUSE MARKET

A. Comparable Rental Warehouse Properties

The market for wholesale storage and distribution and light industrial warehouses in Madison is clearly subdivided by location and consistently stable in terms of rent/cost relationships. The appraisers used rental comparables (Exhibit II-1) from three areas: the airport zone, the far east side, and the southcentral side of Madison. The location of the rental comparables are shown in Exhibit II-2.

1. The airport zone is an area northeast of First Street and generally flanking the major routes to the airport, Pennsylvania and Packers Avenues on the northwest, and Highway 51 and East Washington Avenue on the southeast. Warehouses in this area serve tenants and owners distributing to the state hinterland via the highway network or the airport. Much of the space is used for agri-industry, specifically bulk storage of seeds, chemicals, processed food products, and other bulk storage. Other uses included light manufacturing and storage of office supplies for a major insurance company. Also, surface freight companies, with a link to air freight handlers, find this a desirable location. Since the subject property is not competitive in this market segment because of design

EXHIBIT II-1

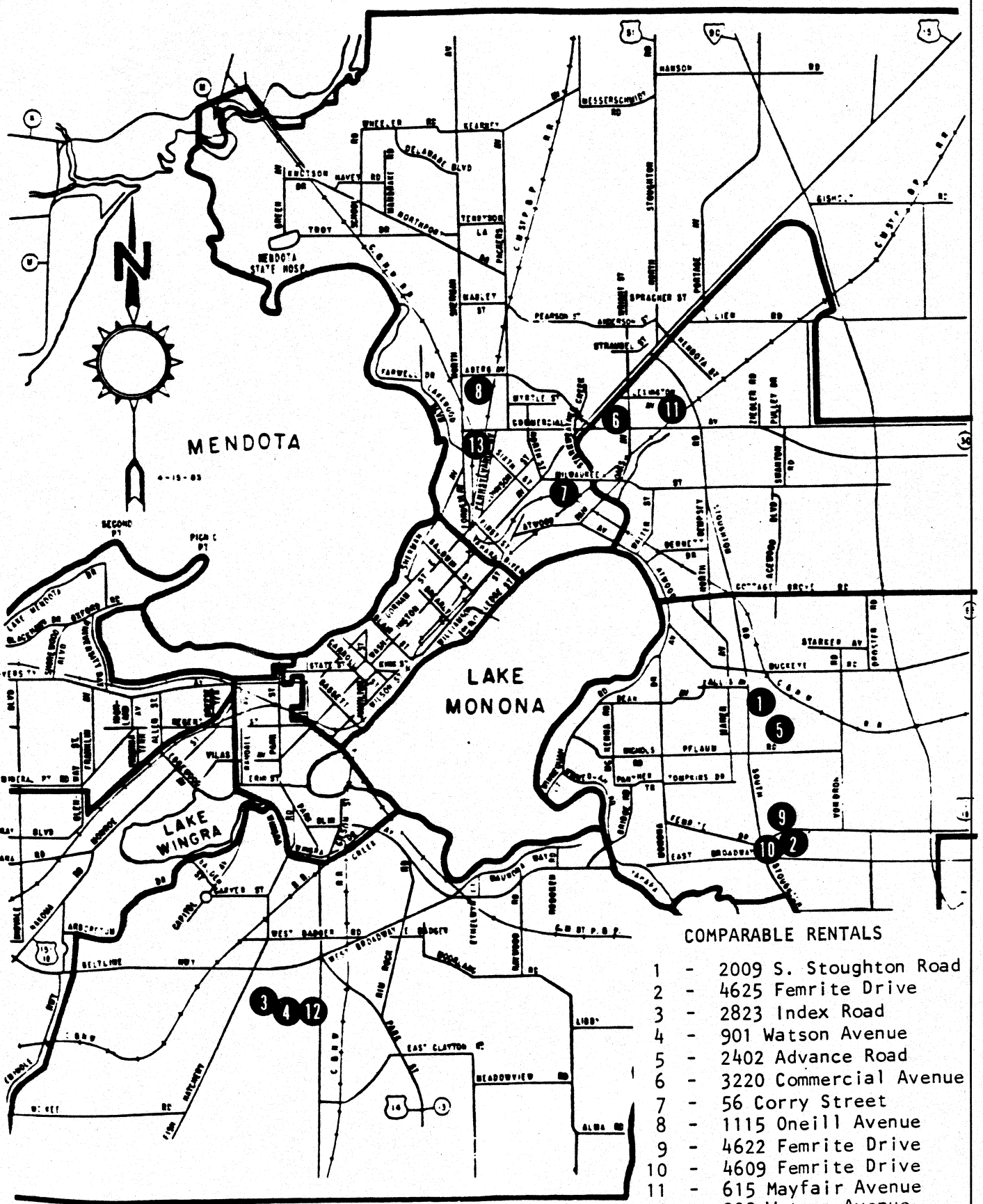
SUMMARY OF MARKET RENT COMPARABLES
FOR INDUSTRIAL WAREHOUSE
PROPERTIES IN THE MADISON AREA

COMP. SALE NO.	LOCATION	TYPE OF CONSTRUCTION	YEAR BUILT	TOTAL SIZE OF LEASED SPACE	OFFICE	WAREHOUSE	NO. AND TYPE OF LOADING DOCKS	ANNUAL RENT	ANNUAL RENTAL RATE/SF/YEAR	MARKET AREA [1]	UTILITIES	RESPONSIBILITY FOR PAYMENT OF R.E. TAXES	PROVISION FOR ANNUAL ADJUSTMENT OF RENT	REMARKS
1	2009 S. Stoughton Rd.	Steel		25000	0	25000	10-ground level	$68,750	$2.75	B	Tenant	Owner	4% with pass through of taxes above base year	Ross Menard, 12/12/84. Has 10 showroom/ office distribution warehouses
2	4625 Pemrite	Steel/ Masonry		16250	0	16250	13-ground level	$40,560	$2.50	B	Tenant	Owner		Mrs. Tom Cramer, owner's wife, 12/12/84
3	2823 Index Rd.	Steel		10800	800	10000	3-ground level 2-dock level	$29,700	$2.75-2.90	C	Tenant	Owner	2.5 to 5-yr. lease, year 2-5 rent increases to $2.90/SF; increase in r.e. tax is passed through over base year	John Pinger, leasing agent, 12/13/84
4	901 Watson	Steel	1966	25000			3-dock level		whse-$2.90/sq.ft./yr. off-$4.00/sq.ft.	C	Tenant/Owner Owner-sewer/water	Tenant/Owner	Most are annual leases, negotiable each year	Vern Miller, leasing agent, 12/12/84
5	2402 Advance Rd.	Steel	1983	10000	0	10000	1-ground level	$24,000	$2.40	B	Owner	Owner	Lease term negotiable	Mrs. Jean Stewart, owner, 12/13/84
6	3220 Commercial Ave	Masonry		7100	1300	5800	4-ground level	$12,000	$1.69-2.03 (asking)	A	Tenant	Owner	Second year increase to $14,400, or $2.03/SF	Delores Warren, Lakewood Realty; Owner is listing bldg. for $135000, 18-24 mo. L.C., will take back a second mtg.; 12/12/84
7	56 Corry St.			9600	200	9400		$14,400	$1.50	A	Tenant	Tenant	Only a two year lease	Robert Keller, leasing agent, 12/13/84; described as "junky"
8	1115 ONeill	Masonry/ Steel	1965	13832	2766	11066	2-ground level	$11,880	$1.19 (for WHSE)	A	Owner	Owner	Month to month lease	Mrs. Jean Stewart, former owner, 12/84. Bldg. now owner-occupied. Prior tenant used warehouse for storage only at low rent level.
9	4622 Pemrite	Brick/ Steel	1964 1970	17312	3000	14312	3-ground level	$62,400	$3.60	B	Tenant	Owner		Al Bachmann, owner, 11/16/84 Owner occupies 2500 SF
10	4609 Pemrite	Steel	1973	6000	1200	4800	1-ground level	$13,800	$2.30	B	Tenant	Tenant	Month to month lease	Robert Keller, former owner, 12/13/84
11	615 Mayfair	Steel	1978	12150	0	12150	2-dock level	$23,085	$1.90	A	Tenant	Tenant		Paul Easton, American Family Ins., tenant (now owner)
12	929 Watson	Brick	1979	14684	1598	13086		$42,526	$2.91	C	Tenant	Tenant	Ten year lease with two 5-yr. options with cost of living increase	John Pinger, leasing agent, 12/17/84
13	2422 Pennsylvania	Masonry/ Steel	1946/1967	30195	6640	23555	1-dock level 1-grade level	$57,708	$1.91	A	Tenant	Owner at 1968 base	One-year extension with CPI escalator. Lease expired 3/31/85.	Tenant, Goodwill Industries, moved to newly constructed facility on Mendota Drive in Spring 1985.

[1] Market Area:
A - Airport area - NE of First Street
West of Hwy 51
East of Sherman Avenue
B - East side area - Flanking Hwy 51
C - Southcentral area - South of Beltline
Industrial Park setting

EXHIBIT II-2

LOCATION OF COMPARABLE RENTAL WAREHOUSE PROPERTIES



COMPARABLE RENTALS

1 - 2009 S. Stoughton Road
2 - 4625 Femrite Drive
3 - 2823 Index Road
4 - 901 Watson Avenue
5 - 2402 Advance Road
6 - 3220 Commercial Avenue
7 - 56 Corry Street
8 - 1115 Oneill Avenue
9 - 4622 Femrite Drive
10 - 4609 Femrite Drive
11 - 615 Mayfair Avenue
12 - 929 Watson Avenue
13 - 2422 Pennsylvania Avenue

deficiencies and low land to building ratio, the rental comparables for this warehouse type are not included.

2. The east side locations serve light manufacturing and distribution of commercial products as opposed to seasonal agriculture warehousing. Many of the industrial warehouses are owner-occupied and combine office with storage use. There is about an even split regarding lessor-lessee responsibility for the payment of real estate taxes which should be reflected in the nominal rental rate.

3. The southcentral district has many more small buildings to house local service companies that require the Beltline Highway to reach residential markets on Madison's west side. Rents tend to be higher because spaces are smaller, tenants bid for alternatives, spaces turn over more frequently requiring greater allowances for vacancy, and many were custom-built for tenants long since departed along Watson Road, Stewart Avenue, and related streets.

The engineered steel building with long, clear span, insulated steel wall and roof panels, space heaters, and small office areas are easily built to suit for $12 to $15 per square foot of GBA, including the cost of land, so that owners with stable needs can build their own facilities if rents rise too quickly on the limited supply of rentable area. Currently, it appears that rents and investment values have lagged construction costs except for long-term agricultural surplus

leases. The classic buy/lease tradeoff analysis constrains over-building. Only the owner-occupied service/distribution warehouse structures tend to offer more decorative masonry, architectural entrances, and fenestration, as well as finished office and display area.

B. Analysis of Madison Warehouse Market

No direct adjustment to price was made for time because the Madison market, while steady, has not experienced significant growth in industrial and wholesale employment since the mid-1970s. County Business Patterns 1982 - Wisconsin [1], page 36, Table 2, indicated total employment in the wholesale trade category in the Spring of 1982 was 6,893 persons as opposed to 6,436 persons in the Fall of 1977 for Dane County [2]. By the same token, County Business Patterns 1982 - Wisconsin, page 34, Table 2, indicated 18,431 persons in manufacturing of all types in March of 1983 as compared to 18,987 persons in September of 1977 as reported by the Dane County Department of Industry in the Dane County Economic Profile. Also, there is no great distinction between the M-1 and C-3 zoning categories. Although C-3L has somewhat more limited permissable uses, it is primarily characteristic of the southcentral market for commercial services. (See Appendix A for permitted uses.)

[1] County Business Patterns 1982 - Wisconsin, United States Department of Commerce, Bureau of the Census, Table 2, page 34, Dane County Economic Profile, 1978.

[2] Dane County Economic Profile, 1978.

Since more than one-third of the County's jobs are in government, expansion in government service has had little impact on the need for supportive warehousing. Completion of the interstate system led to the closing of several chain store distribution facilities in the late 1970s since the Madison market then could be served by semi-truck from Chicago and Milwaukee.

C. Market Rent Assumed for the Goodwill Building

The use of the income approach requires an analysis of market rents for warehouse/office facilities comparable to the subject property so that a schedule of projected revenues and expenses can be developed for this currently vacant property.

The most probable use of the subject property, previously defined, suggests a most probable buyer who also would be the occupant, or an investor-buyer who would lease to a single tenant. While the linkage to the Dane County Airport would not be critical, the access to the major highways would be an important consideration; but the overriding criteria would be price, given the adequacy of the building size and amount of office space, and the quality of the HVAC systems. Therefore the user, as an alternative, could locate in an established industrial park along Stoughton Road or south of the South Beltline in an established industrial park, but the lower to mid market rent levels in the airport area for an older, functional, but somewhat obsolete warehouse/office in a mixed-use area, is a major decision criteria.

The Madison industrial warehouse market can be segmented into three rental ranges: low, mid, and high. The majority of leases are written on the following terms: tenant pays all utilities and interior costs while the owner pays the base year real estate taxes (annual increases may or may not be reimbursed to the owner), insurance premiums (most frequently reimbursed by the tenant), and all structural repairs. For the purpose of developing a market rent for the subject property, it is assumed the single tenant, with a minimum lease term of five years, and the owner would negotiate for a triple net or carefree lease in which the tenant pays all expenses except for owner's public liability insurance and the leasing/management fee. The following typical market rents are used assuming a typical lease and these rents are then adjusted to a carefree lease:

	LOW	MID	HIGH
Base Rent	$1.80/SF	$2.30/SF	$2.80/SF
Less Real Estate Taxes	(.35)	(.35)	(.35)
	$1.45	$1.95	$2.45
Less Structural Repairs	(.10)	(.10)	(.10)
CAREFREE LEASE RENTAL RATE	$1.35/SF	$1.85/SF	$2.35/SF

Since the subject property falls in the low to mid rental range based upon location and building quality, the average of $1.35 per square foot and $1.85 per square foot, or $1.60 per square foot, assuming a carefree lease, is used in the valuation of the subject property.

D. Use of Consumer Price Index as Inflation Proxy

Although space requirements have increased slightly, rents have advanced steadily due to the practice of adjusting base rents with the Consumer Price Index (CPI). Leases advance from 50 to 100 percent of the annual change in the CPI, landlords tend to prefer the CPI for Small Metro Areas in the Northcentral States as presented in Appendix B. The past two years of controlled inflation indicate an average annual change in the CPI of 4 percent, and this 4 percent will be used in estimating revenue increases as well as appreciation in land costs and inflation of nonlabor or utility operating costs. In short, rents can be expected to rise because of inflation adjustments rather than any sudden imbalance of demand in excess of supply.

E. Investor Requirements

Not only demand/supply pressures from the standpoint of the tenant must be considered, but the appraiser must also consider demand on the most probable buyers of warehouse properties. Steel warehouses lack the glamour of office buildings or the traditional appeal of apartment structures where oversupply and undersupply influence property owners. Investors in industrial warehouses have expected steady cash income in terms of 9 to 11 percent on cash investment, conservative loan-to-value ratios, and some tax shelter benefits. At one time, industrial buildings offered shorter, useful lives than apartments and

major buildings so that straight-line depreciation still provided 4 or 5 percent annual depreciation. That investment advantage has been lost since all real properties must use an 18-year useful life at minimum. Moreover, in 1985 to 1986, investors anticipate further loss in tax shelter benefits to real estate so that cash dividends will become more important as the major source of return, pushing cash income requirements to 11 or 12 percent. Knowledgeable investors continue to purchase warehouse properties because the ratio of net income to the cost to acquire still represents a favorable spread relative to available debt service constants. The number of appropriate properties available for investment in Madison is limited for lack of economic growth, the equilibrium of lease/buy factors, and the convertibility of owner-occupied buildings as small businesses expire in times of recession.

III. PHYSICAL DESCRIPTION

The value of the subject property depends on its income investment productivity which can be attributed to the interrelationship of the physical site and its improvements. In analyzing the subject property, it is necessary to review the site attributes, improvement or building attributes, legal constraints, dynamic attributes and linkages.

The subject property consists of a steel and masonry structure, built in several phases, and a paved parking area.

A. Physical Attributes of the Site

1. Site Dimensions and Area

The subject site, located at 2422 Pennsylvania Avenue, is rectangular in shape. It has approximately 205 feet of frontage on Pennsylvania Avenue and the depth of the property is 279 feet. The site is an assemblage of ten lots stacked five on five, each of which measure 44 feet by 132 feet (see Exhibit III-1 for layout of lots), less a 15 foot strip which was sold off the south side length of the site. The site also has been extended by a 15 foot strip on the west side into Outlot A. The total site area is 57,195 square feet. The remainder of Outlot A is owned by Madison Gas and Electric Company, including the high voltage tower to the rear of the subject property.

MAP OF SUBJECT SITE AND MADISON GAS & ELECTRIC COMPANY OUTLOT A

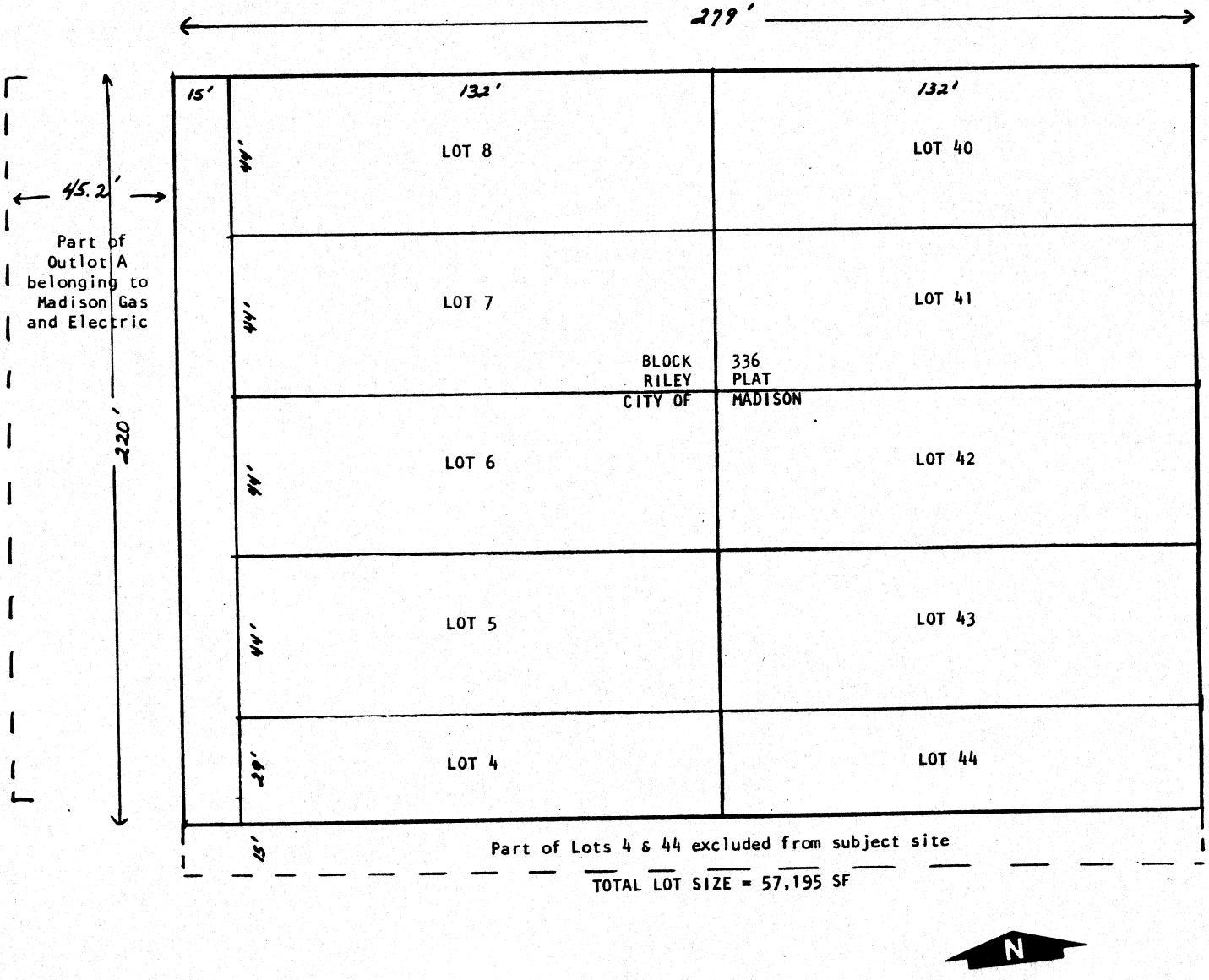
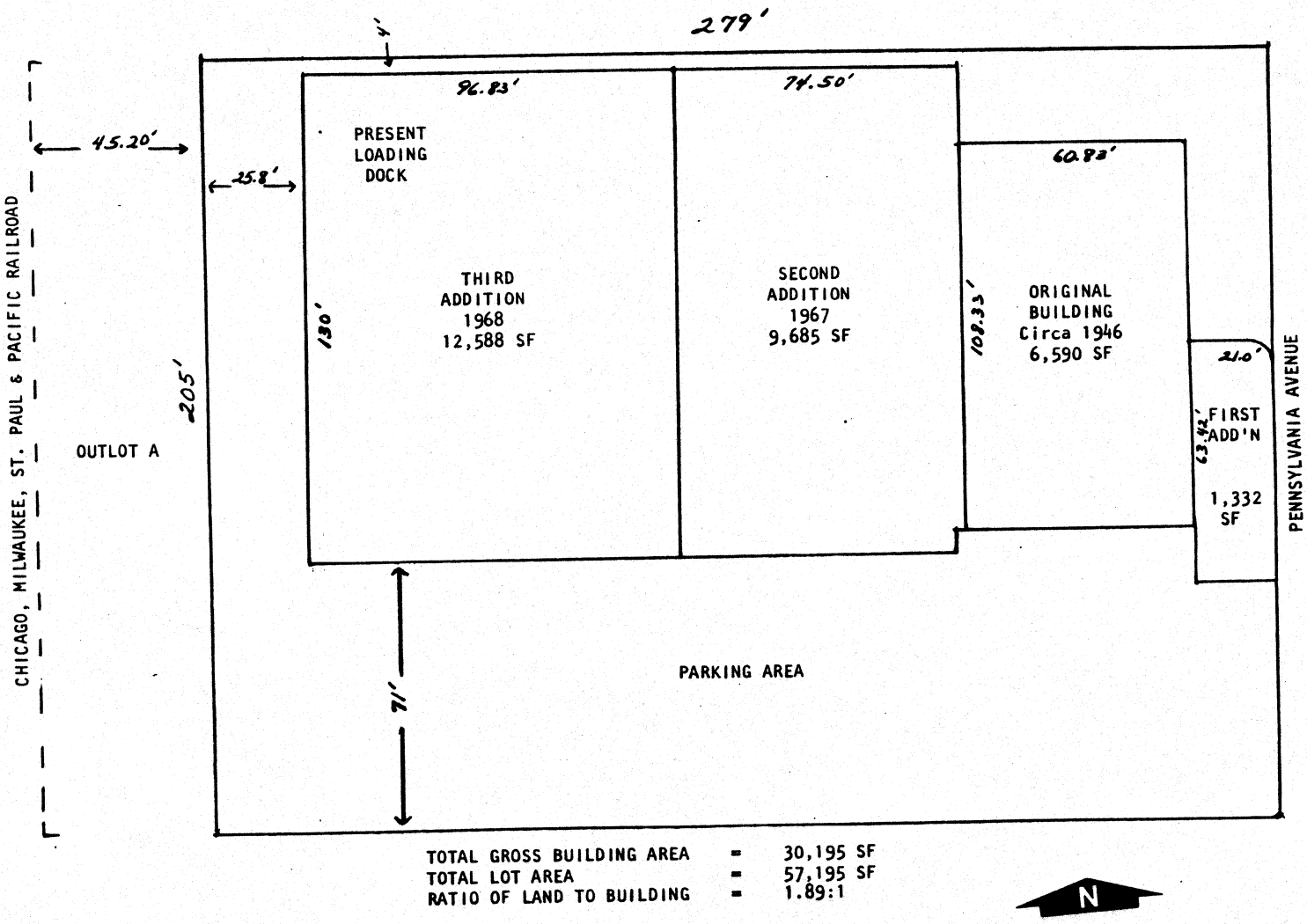


EXHIBIT III-1

The building occupies a total area which measures approximately 144.5 feet wide and 253.2 feet in depth with some cut-out areas. Therefore the subject property site has a rear yard which measures 205 feet in width, but only 25.8 feet in depth. A 25.8 foot swath is inadequate space for a vehicle of any size to ingress/egress the loading dock area. Goodwill Industries, the most recent occupant of the property, gained access to the loading docks by the adverse encroachment of Outlot A owned by Madison Gas and Electric Company. The major part of the 26 foot strip was used for the storage of waste containers and other equipment. See Exhibit III-2 for relationship of the building to the site.

The most probable buyer will need to deduct the cost to cure this deficiency. The purchase of a perpetual easement from Madison Gas and Electric is a possible solution, but for the purposes of the appraisal, only those solutions currently in the control of the property owner are considered. Therefore the appraisers have determined that a buyer would need to construct a new loading dock area which opens to the south side of the building and the parking lot which has approximately 75 feet between the building and the neighbor's fence which marks the southern property line. The area which was designated Building Maintenance Department by Goodwill Industries and shown in Exhibit III-3 is the most likely location for a new dock area. The cost to cure this deficiency will be discussed in greater detail in the physical description of the building.

BUILDING LAYOUT IN RELATIONSHIP TO SUBJECT SITE AT 2422 PENNSYLVANIA AVENUE



TOTAL GROSS BUILDING AREA	=	30,195 SF
TOTAL LOT AREA	=	57,195 SF
RATIO OF LAND TO BUILDING	=	1.89:1

EXHIBIT III-2

LAYOUT OF BUILDING AS IMPROVED FOR GOODWILL INDUSTRIES

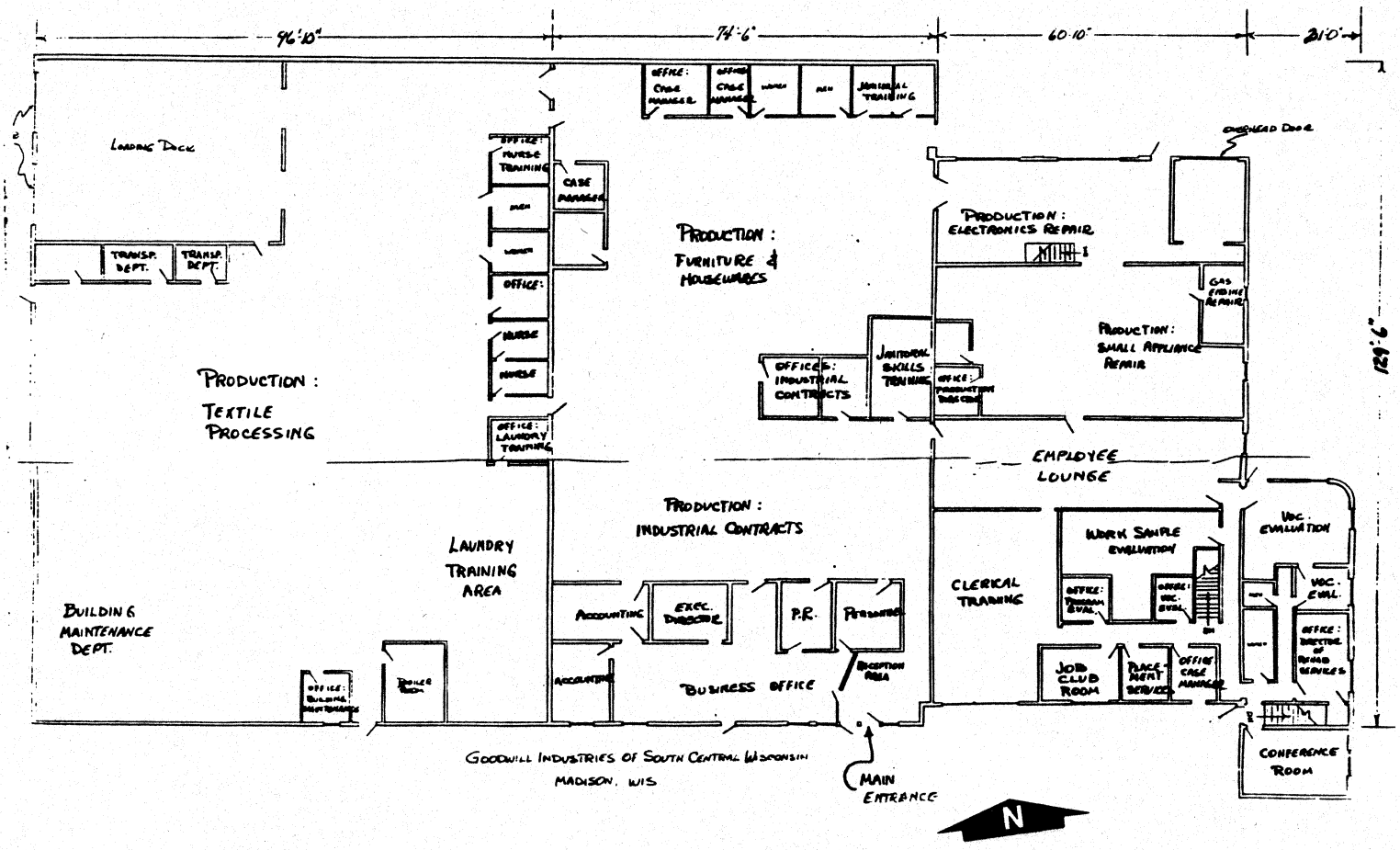


EXHIBIT III-3

2. Topography and Soils

The subject site is flat with no distinguishing features. No specific soil studies were either made nor provided for use in this appraisal. However, a physical inspection of the property indicates no adverse conditions that would influence the value or utility of the site.

According to the 1972 Soil Survey of Dane County, Wisconsin, prepared by the United States Department of Agriculture Soil Conservation Service, the soils in the general area of the subject are basically Colwood silt loam. Colwood silt loam usually has a seasonal high water table of zero to one foot with bedrock at greater than ten feet. This soil is most commonly found on low benches in old lake basins. The main limitation would be on the construction of deep basements. The existing shallow basement was used for storage of goods with no readily observable problems. The boiler room had rusty water on the floor, but the source of the moisture is not known.

3. Legal/Political Attributes

The subject property is currently zoned M-1 where development is limited to certain commercial and industrial uses such as the fabrication of materials, specialized manufacturing and research institutions, all of which are of a non-nuisance type. The intent of the code is to protect nearby residential areas. (See Exhibit I-2 for the zoning map.) A range of retail, service, wholesale, warehouse and distribution, and light manufacturing activities are permitted. Appendix A

contains the text of the City of Madison zoning code which details permitted and conditional uses for both M-1 and C-3L zoning districts.

4. Linkages

The site has ready access to Highway 30 and Interstate Highways 94 or 90 via Commercial Avenue to Milwaukee and Chicago. The site is close to State Highways 113, 51, and 151 leading to the west, north, and south of Madison. The Dane County Airport is within minutes of the site.

Although the site does not have frontage on the more heavily traveled Packers Avenue (Highway 113), the site is visible to northbound traffic on Packers Avenue.

Although the Chicago, Milwaukee, St. Paul, and Pacific Railroad tracks run parallel to the west side and rear of the subject property, there are currently no direct linkages from the property to the railroad. Only the proximity to the railroad is a given, and a potential linkage via a spur track to the subject is speculative.

5. Dynamic Attributes

The subject property is located in an area of generally older buildings used for a wide range of purposes. The following properties located along Pennsylvania Avenue in the vicinity of the subject are listed in Exhibit III-4. Some of the buildings, such as A-Capital City Towing, are run down and some, such as the Humane Society, have been kept in good repair or recently upgraded. There is not a homogeneous look about the

EXHIBIT III - 4

LAND USES IN THE NEIGHBORHOOD OF THE SUBJECT PROPERTY

NAME	ADDRESS	BUSINESS
GTC Auto Parts	2200 Pennsylvania Avenue	Retail and wholesale auto parts
Humane Society	2550 Pennsylvania Avenue	Temporary shelter for animals
Knobe Tool Works, Inc.	2302 Pennsylvania Avenue	Machine shop, sales, and service
Lake City Installation	2310 Pennsylvania Avenue	Building repairs and installation
Used But Nice Office Furniture	2310 Pennsylvania Avenue	Sale of used furniture
Bernsten Brass and Aluminum Foundry Inc.	2334 Pennsylvania Avenue	Machinery and pattern shop
Production Machine and Engineering Corp.	2334 Pennsylvania Avenue	Machine shop and foundry
A-Capital City Towing	2354 Pennsylvania Avenue	Towing service
U.S. Army Reserve Center	2410 Pennsylvania Avenue	Area maintenance service shop
Goodwill Building	2422 Pennsylvania Avenue	Vacant
Roy's Transfer	2430 Pennsylvania Avenue	Moving and storage
Johnson Equipment Co.	2470 Pennsylvania Avenue	Welding truck equipment, gas tanks, and bulk plants
Millvander's Inc.	2530 Pennsylvania Avenue	Cabinet makers
LOCATED ACROSS FROM SUBJECT		
Cooperative Services Offices	2411 Pennsylvania Avenue	
Don's Transmission Service	2413 Pennsylvania Avenue	Auto repair service
Fenske Heating Co., Inc.	2417 Pennsylvania Avenue	Heating contractor
Queen of Hearts	2417 Pennsylvania Avenue	Tavern

neighborhood and it lacks the image of a more modern industrial park.

There is also uncertainty as to future land uses in the area. Madison Gas and Electric Company have acquired several properties which are located just west of the CMSP&P Railroad and which front on Commercial Avenue. A total of 8.74 acres has been acquired since 1980 when the Chicago Northwestern Railroad first sold 4.03 acres in the 1800 block of Commercial Avenue. The fate of the rest of the rail corridor is uncertain. The Madison Area Technical College (MATC) technical center located to the north and east of the subject property may be subject to change as the MATC campus moves to the Truax Field area. Oscar Mayer, located to the north, along Commercial and Packers Avenue, was purchased by General Foods in the early 1980s and since that time rumors have continued about the long-range possibility of the plant closing in Madison.

B. Description and Analysis of the Improvements

The subject property is a combination of three main building phases. According to the City Assessor's records, the original structure was built in 1946 and it appears that a small wing of similar construction was soon added. In 1967 and in 1968 two additional buildings were added to satisfy the space requirements of the then new tenant, Goodwill Industries. A summary description of the improvements is presented in Exhibit III-5. Interior and exterior photographs are shown in Exhibit III-6.

EXHIBIT III-5

SUMMARY DESCRIPTION OF IMPROVEMENTS [1]
GOODWILL BUILDING
2422 PENNSYLVANIA AVENUE

NUMBER OF STORIES:	One-story structure with shallow basement under original building and additional wing
YEAR BUILT:	According to City of Madison Assessor records, original structure circa 1946 plus addition, and in 1967 and 1968, two steel frame additions built for Goodwill Industries.
DIVISION OF SPACE:	Details shown in Exhibits III-1, III-2, and III-3. Office, bathroom, and classrooms occupy approximately 8,110 square feet, or 27 percent of total GBA
EXTERIOR:	Foundation: Poured Concrete Walls: Concrete block in older section; corrugated steel in 1967-68 addition Roof-First Structure: Asphalt paper and tar on light steel barrel truss with wood purlins and deck, and old paper basket batt insulation. Addition: Four-ply built up on steel decking with inside insulation.
INTERIOR:	12 inch concrete block fire walls between 1967 and 1968 additions and between newer additions and original building.
CONSTRUCTION:	Floors: Poured concrete Rafters: Steel Beams: Steel Purlins: Wood
BASEMENT:	Size: 6,590 square feet in original building, 1,332 square feet first addition; balance on slab. Floor: Concrete - One-foot drop from original basement to wing

EXHIBIT III-5 (Continued)

HEATING:	Original building: Ceiling suspended gas-fired, forced air units. Office area in 1967 additon: HVAC unit on roof, gas-fired, forced air. Warehouse areas of 1967-68 addition: Multiple suspended HVAC gas, forced air units
AIR CONDITIONING AND VENTILATING:	Original and wing: old window air conditioner units in each office with exterior window
UTILITIES:	Gas, electricity, sewer and water serve subject property.

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[1] See building layout in relationship to the site in Exhibit III-2 and interior partitioning shown in Exhibit III-3.

EXHIBIT III-6

EXTERIOR AND INTERIOR PHOTOGRAPHS
OF THE SUBJECT PROPERTY

Front entrances to 2422 Pennsylvania Avenue, formerly leased to Goodwill Industries. The original building and wing are in the foreground. The steel additions were built in 1967 and 1968.

Frontage along Pennsylvania Avenue.
Note original building (circa. 1946) and first addition.
Overhead door entry to freight elevator is located at north end of original building.

EXHIBIT III-6 (Continued)

Partial view of west side of third addition. Note two overhead doors for truck dock. Property line extends only 25.8 feet west of steel structure. The remaining lands belong to Madison Gas & Electric and to Chicago, Milwaukee, St. Paul and Pacific Railroad.

Interior view of truck dock located in third building addition; one ramp slopes to three feet below grade to create a truck height dock and the other entry is at grade.

EXHIBIT III-6 (Continued)

Classroom/office in original building
located in front half of structure.

Barrel roof of original building. Note wood purlins
and paper covered batt insulation. Roof is
exposed in this back half of original building section.

EXHIBIT III-6 (Continued)

Space used by Goodwill Industries for corporate offices located in front of second addition with access from parking lot.

Second addition work area located in back of company offices. Note finished floors, ceilings, and walls.

EXHIBIT III-6 (Continued)

Work area of third addition. Many offices line interior walls of this section. Truck dock area is located at left rear of photo.

Exposed roof area of third addition contains suspended mechanicals. Note aluminum clad batt insulation on roof and walls.

1. Original Building and Additional Wing

The original one-story structure contains 6,590 square feet of GBA and is constructed of poured concrete, concrete block walls with a shallow basement, and a full span barrell truss steel frame roof. The one-story wing contains an additional 1,332 square feet of GBA is also of poured concrete construction with concrete block walls, but has a boiler room in the basement that drops approximately one foot below the original basement and has had evidence of water at both inspections in February and June of 1985. The roof on this section is a four-ply built-up flat top roof.

The original building was used by the Goodwill Industries for classrooms and offices, an employee lounge and a production/repair area. A platform elevator and two stairwells to the basement are also located in this section. The wing was used for classrooms and offices with a third stairwell to the basement area.

Heating and ventilating equipment, suspended from the ceiling and distributed through an overhead duct system, plus multiple window air conditioners, provides the heating, cooling, and ventilating for the original building. Acoustical ceiling tiles in the lounge and classroom/office area enclose the mechanicals from view, but in the production area, the equipment is fully exposed. In the production area, artificial lighting is provided from suspended fluorescent tubes and in the lounge and classroom/office area, incandescent recessed lighting is

provided. The concrete flooring is exposed in the production area, but finished with vinyl asphalt tile in the lounge and classroom/office areas.

A relatively new National U.S. gas-fired boiler and two pumps provides hot water to the existing radiator system in the first building wing. The original Kohler coal-fired boiler still remains in place and is disconnected. Old window air conditioners are in each exterior office. Some wood paneling over drywall, vinyl tile flooring, and acoustical tile ceilings provide the finish for this wing.

2. Building Additions - 1967 and 1968

Two steel frame structures built on concrete slabs and finished with corrugated steel panels are separated from each other and from the original building by 12 inch concrete block walls.

The 1967 addition contains 9,685 square feet of gross building area and was used by Goodwill Industries for the general business office and for production and related offices. Heating, ventilating, and air conditioning equipment is located on the roof with ducting suspended above the acoustical tile ceiling. Multiple thermostat controls are visible throughout the area. Batt insulation is finished with drywall, and vinyl asphalt tile covers the concrete slab flooring. The office area utilizes double-pane Therm slider windows for natural lighting which augments the recessed fluorescent lighting. In the windowless production area, bare fluorescent tubes are attached to the tile ceiling. Gas tubes and electric outlets, used by

Goodwill, remain suspended from the ceiling in the production area.

The larger second steel building, which contains 12,588 square feet of GBA constructed in 1968, has less finish than the middle section. Three exposed HVAC units are suspended from the rafters with ducts extending throughout the structure. Bay spaces in both newer sections are 24 feet apart, running east and west and 40, 50, and 40 feet apart in the north to south direction. The interior walls are finished with eight feet high drywall and the aluminum clad batt insulation is exposed on the upper exterior walls.

The truck dock located in the northwest corner of the 1968 addition has concrete block interior walls with batt insulated steel corrugated exterior walls. The insulation is protected with eight feet of corrugated metal on the interior surface and one suspended gas-fired space heater provides the heat for the area. Two 12 foot by 12 foot exterior overhead doors, located on the west side of the structure, are the main truck access points to the entire building. Only an older overhead door in the original building, on the northeast corner, permits direct access to the freight/elevator.

An excavated truck ramp with a three foot high dock is served by the north manual overhead door and leads directly into the production area through a smaller automatic overhead door which measures 8 feet by 10 feet. The other manual 12 foot by 12 foot exterior overhead door is at grade and leads directly to production through a second automatic 8 foot by 10 foot overhead

door. Suspended incandescent spot lights provide lighting for this area.

At the south end of the section a boiler room contains a 1968 Fulton Series E gas-fired steam boiler which is assumed to have been used in Goodwill Industries' operations. Goodwill removed their Bock water heaters used in their laundry training operation. The remainder of the partitioned space is shown in Exhibit III-3. Approximately 1,115 square feet, or 9 percent, of the 1968 addition and approximately 3,260 square feet, or 34 percent, of the 1967 addition is partitioned for office/bathroom/classroom use. This compares with 36 percent of partitioned space in the original structure and 100 percent partitioned space in the wing. Overall, partitioned space is approximately 27 percent of the total GBA.

3. Problem of Location of the Truck Dock

As discussed in Section III, the size of the site owned by MREIF is less than the area which was actually used by the previous tenant, Goodwill Industries. Reference to Exhibit III-2, illustrates the relationship of the building layout to the site. The 25.8 foot strip at the rear of the building is inadequate for truck access to the existing loading dock. Only by adverse encroachment on the Madison Gas and Electric Outlot A contingent to the western edge of the subject site is there adequate access to the truck dock.

A most probable buyer would deduct the cost to cure this access problem from the most probable purchase price, given the current solution of the using of Outlot A. A buyer would want

to have the solution in his control, and therefore the appraisers assume the buyer would deduct $25,000 from the estimated market value to relocate the truck dock to the south side of the building in the area designated as Building Maintenance Department by Goodwill Industries (see Exhibit III-3). The costs include the excavation and consideration of an inclined truck height dock and the construction of one entry at grade with two 12 foot by 12 foot insulated exterior overhead doors and two smaller interior overhead doors. An allowance of $10,000 is estimated to relocate the entry at grade and $15,000 to excavate and relocate the truck height dock. The costs would include the restoration of the existing truck dock area to usable warehouse space. Therefore, any estimate of market value will be reduced by $25,000 to enable an investor to control his own building's access points. Another solution would be the purchase of a perpetual easement over Outlot A, but since this requires the cooperation of an adjacent property owner, the appraisers made an allowance only for that solution completely under the buyer's control.

IV. MARKET COMPARISON APPROACH

The Market Comparison Approach, also known as the Sales Comparison Approach, is a method of estimating market value whereby a subject property is compared with similar properties that have sold recently in the open market. This approach is most reliable when an adequate number of comparable properties have sold recently in the subject property market which, in this case, would be older industrial warehouses used for storage and distribution or light manufacturing.

A. Selection of Comparable Sales

Comparable sales were selected from the larger array of sales listed in Appendix C based upon the following criteria:

1. The improvements were built before 1970. Since industrial steel/masonry warehouses have relatively short physical lives and can become functionally obsolete with changing transportation, storage, and manufacturing technology, the age of the improvement is an important attribute in pricing a property.
2. The comparable sale property is located on the northeast, east, or southcentral side of Madison.

3. The sale site is zoned for light industrial uses and improved with a general purpose industrial steel frame finished with steel/masonry finish.
4. The warehouse/office contains at least 12,000 square feet of GBA.

The comparables selected are shown in Exhibit IV-1. The sale properties selected as comparables for the Goodwill Building are described in greater detail in Exhibits IV-2 through IV-7, and are located on a map shown in Exhibit IV-8.

B. Market Comparison Methodology

Although the comparables were selected on the basis of age, general location, and structure type, each building and each site location has a specific set of attributes to distinguish it from the others. The application of the market comparison approach involves the conversion of the nominal price to cash price per square foot of gross building area and then seeks to explain the price sensitive differences among comparable properties and the subject property by the use of a price per square foot per point formula. Comparable sales numbered 1, 5, and 6 were sold on land contracts at interest rates not available on the open market; the conversion of the nominal price to a cash equivalent price is found in Appendix D.

Each comparable sale and the subject property is scored based upon a scale shown in Exhibit IV-9. As price sensitive attributes, the appraisers selected gross building area, specific location, ratio of land to building size, efficiency of building design for storage and distribution, and the quality of

SUMMARY OF COMPARABLE SALES SELECTED FOR MARKET COMPARISON VALUATION MODEL

COMPARABLE SALE NO.	LOCATION	SALE DATE	NOMINAL SALE PRICE	CASH SALE PRICE	GBA (SF)	CASH PRICE/SF OF GBA	LOT SIZE (SF)	LAND/BUILDING RATIO
1	1115 O'Neill Avenue	06/27/84	$210,000	$200,000	13,832	$14.46	45,920	3.34:1
2	2810 Bryant Street	06/12/83	$212,000	$212,000	19,760	$10.73	36,450	1.84:1
3	901 Watson Avenue	05/05/78	$625,000	$625,000	57,800	$10.81	125,100	2.16:1
4	4401 Cottage Grove Road	06/30/82	$525,000	$525,000	34,517	$15.21	194,190	5.60:1
5	4610-22 Femrite Drive	02/29/84	$325,000	$301,000	17,300	$17.40	52,160	3.02:1
6	3103 Watford Way	06/30/82	$220,000	$209,000	14,000	$14.94	26,942	1.92:1

EXHIBIT IV-1

EXHIBIT IV-2

COMPARABLE SALE NO. 1

LOCATION:	1115 O'Neill Avenue Located just east of the Oscar Mayer plant on an obscure side street in a mixed-use area. No rail siding to the site.
SALE DATE:	June 27, 1984
NOMINAL SALE PRICE:	$210,000
VENDOR:	Jean Stewart
VENDEE:	Owen Keith Decker (Decker Supply Co.)
RECORDED:	Volume 5825, Page 81, Land Contract
FINANCING:	Down payment of $21,000, monthly payments of $1,950.84, 11 percent interest, 20-year amortization, five-year term, balance due 7/14/89.
CASH EQUIVALENT PRICE:	$200,000 with cash flow discounted at 13 percent
ZONING:	M1, City of Madison
LOT SIZE AND SHAPE:	1.05 acres, or 45,920 square feet, rectangular in shape

EXHIBIT IV-2 (Continued)

COMPARABLE SALE NO. 1 (Continued)

BUILDING SIZE (GBA):	13,832 square feet
RATIO OF LAND TO BUILDING (GBA):	3.34:1
OFFICE SPACE:	Approximately 15 percent of GBA, or 2,000 square feet. (Minor remodeling since sale.)
BUILDING USE AT TIME OF SALE:	Used for storage. (Now used for light manufacturing and assembly.)
YEAR BUILT:	1965
BUILDING DESCRIPTION:	Combination of brick, cement block, and corrugated steel finish over steel frame. Concrete floors at grade. Interior height approximately 12 to 14 feet.
OVERHEAD DOORS AND DOCKS:	Two overhead doors with one at grade level and one with a truck height dock excavated four feet below grade.
HVAC:	Gas heat for warehouse and office space plus air conditioning in office.
SPRINKLERED:	No
PARKING:	Approximately six stalls in front of office area and three-quarters of an acre fenced yard area for truck, tools, equipment and product storage.
ASSESSMENT AT TIME OF SALE:	1984 - City of Madison: $200,000 State Fair Market Ratio: 99.46%
CASH SALE PRICE AS % OF ASSESSED VALUE:	100%

EXHIBIT IV-3

COMPARABLE SALE NO. 2

LOCATION:	2810 Bryant Road, Town of Madison Located just south of the South Beltline, west of Fish Hatchery Road and Zimbrick Buick's main location.
SALE DATE:	June 12, 1983
NOMINAL SALE PRICE:	$212,000
GRANTOR:	Robert Ferin
GRANTEE:	Zimbrick, Inc.
RECORDED:	Volume 5417, Page 56, Warranty Deed
FINANCING:	Cash to seller
CASH EQUIVALENT PRICE:	$212,000
ZONING:	C2, Town of Madison
LOT SIZE AND SHAPE:	0.84 acres, or 36,450 square feet, with 275 foot frontage and 135 foot depth, rectangular in shape
BUILDING SIZE (GBA):	19,760 square feet, measuring 95 feet by 208 feet

EXHIBIT IV-3 (Continued)

COMPARABLE SALE NO. 2 (Continued)

RATIO OF LAND TO BUILDING (GBA):	1.84:1
OFFICE SPACE:	Approximately 800 square feet with two bathrooms and one hot water heater.
BUILDING USE AT TIME OF SALE:	Vacant. (Buyer has extensively remodeled exterior and interior for use as body/auto repair shop.)
YEAR BUILT:	1963
BUILDING DESCRIPTION:	Concrete block walls with steel beam support system. Steel columns 14 feet apart about midway in building. Concrete floors at grade with ceiling height at approximately 11 to 15 feet.
OVERHEAD DOORS AND DOCKS:	Two overhead doors at south and two at north end of building. At north end, doors accessed by concrete ramp with a truck dock excavated two feet below grade.
HVAC:	Only two-thirds, or 12,640 square feet, or warehouse and office heated at time of sale. Batt insulation used in heated area. (Buyer has insulated and heated rest of building.)
SPRINKLERED:	No
PARKING:	Twenty spaces along Bryant Road with limited turnaround area for trucks at north and south ends of the building.
ASSESSMENT AT TIME OF SALE:	1983 - Town of Madison: $164,700 - Assessment Roll $298,803 - Fair Market State Fair Market Ratio: 55.12%
CASH SALE PRICE AS % OF ASSESSED VALUE:	70.9%

EXHIBIT IV-4

COMPARABLE SALE NO. 3

LOCATION:	901 Watson Avenue Located in southcentral Madison just south of the Beltline in an industrial park area. No rail siding to the site.
SALE DATE:	May 5, 1978
NOMINAL SALE PRICE:	$625,000
VENDOR:	Industrial Investments (D.L. Evans, et. al.)
VENDEE:	Five Star Investments (Bob Jorgenson/ Mechanical Team Co., Inc.)
RECORDED:	Unrecorded Land Contract
FINANCING:	$50,000 down payment, $575,000 balance at 10 percent annual interest for 10-year term, monthly debt service of $4,882 based on 40-year amortization.
CASH EQUIVALENT PRICE:	$625,000
ZONING:	M1, City of Madison

EXHIBIT IV-4 (Continued)

COMPARABLE SALE NO. 3 (Continued)

LOT SIZE AND SHAPE:	2.87 acres, or 125,100 square feet, with approximately 417 feet of frontage and 300 feet of depth, rectangular in shape
BUILDING SIZE:	57,800 square feet of GBA measuring 240 feet by 240 feet plus small concrete block addition at southwest corner (approximately 200 square feet)
RATIO OF LAND TO BUILDING (GBA):	2.16:1
OFFICE SPACE:	Approximately 20 percent finished office/display space.
BUILDING USE AT TIME OF SALE:	Wolff Kubly wholesale distribution center. (Buyer has subdivided space for use as multiple tenant wholesale distribution, light assembly and warehouse facility with offices.)
YEAR BUILT:	1964
BUILDING DESCRIPTION:	Pre-engineered steel warehouse built into slope with east side concrete slab floor at grade and west side concrete floor elevated to truck door height of 4'2". Interior eave height at 14 feet with 24 feet by 60 foot bay spaces.
OVERHEAD DOORS AND DOCKS:	Four truck height docks (4'2") with overhead doors on west side of warehouse. Three grade level overhead doors with two on west side and one on east side of building.
HVAC:	Minimal number of gas-fired forced air ceiling heaters to maintain 55 degree temperature in warehouse. Central air conditioning for office/display area. Batt insulation throughout building.
SPRINKLERED:	No
PARKING:	Approximately 30 angle parking stalls in front of warehouse with more stalls available on large parking area on west side of building.

EXHIBIT IV-4 (Continued)

COMPARABLE SALE NO. 3 (Continued)

ASSESSMENT AT TIME OF SALE:	1978 - City of Madison: $570,000 State Fair Market Ratio: 184%
CASH SALE PRICE AS % OF ASSESSED VALUE:	110%

EXHIBIT IV-5

COMPARABLE SALE NO. 4

LOCATION:	4401 Cottage Grove Road Just east of Stoughton Road (Highway 51) with frontage on the south side of Cottage Grove Road and west side of Lumberman's Trail. Rail siding serves building on west side.
SALE DATE:	June 30, 1982
NOMINAL SALE PRICE:	$525,000
GRANTOR:	Lindsay Brothers, Inc. (Milwaukee)
GRANTEE:	Radford Co. (Oshkosh)
RECORDED:	Volume 3331, Page 74, Warranty Deed
FINANCING:	Cash to seller
CASH EQUIVALENT PRICE:	$525,000
ZONING:	M1, City of Madison
LOT SIZE AND SHAPE:	4.46 acres, or 194,190 square feet, measuring approximately 665 feet by 305/265 feet.
BUILDING SIZE (GBA):	34,517 square feet

EXHIBIT IV-5 (Continued)

COMPARABLE SALE NO. 4 (Continued)

RATIO OF LAND TO BUILDING (GBA):	5.6:1
OFFICE SPACE:	Approximately 2,000 square feet (6 percent) of office at time of sale (has been remodeled and expanded since sale)
BUILDING USE AT TIME OF SALE:	Used for storage and wholesale distribution center with small retail/display and office space. (Buyer has since attached an approximately 30 foot high steel warehouse to existing building.)
YEAR BUILT:	1955
BUILDING DESCRIPTION:	Exterior is a combination of concrete tilt walls, thick corrugated pressed fiberboard over plywood, and brick facing. Steel frame and raised concrete floor for truck/railcar height docks on east and west sides of building. Interior height approximately 12 to 14 feet to eaves.
OVERHEAD DOORS AND DOCKS:	Four truck height docks on west side with overhead doors. Two rail siding docks on east side with overhead doors (8 feet by 9 feet) and (10 feet by 14 feet). One large (12 foot by 18 foot) overhead door at grade on south side.
HVAC:	Office area heated. Warehouse basically unheated and uninsulated with only a few Modine suspended heaters.
SPRINKLERED:	Not at time of sale according to seller. Buyer has since installed a dry sprinklered system.
PARKING:	Adequate spaces available. (Buyer has recently repaved and expanded parking area.)

EXHIBIT IV-5 (Continued)

COMPARABLE SALE NO. 4 (Continued)

ASSESSMENT AT TIME OF SALE:	1982 - City of Madison:	$563,000
	State Fair Market Ratio:	97.8%
CASH SALE PRICE AS % OF ASSESSED VALUE:	93.25%	

EXHIBIT IV-6

COMPARABLE SALE NO. 5

LOCATION:	4610-4622 Femrite Drive Located in northeast quadrant of the intersection of the South Beltline and Stoughton Road in a mixed-use area. No rail siding to the site.
SALE DATE:	February 29, 1984
NOMINAL SALE PRICE:	$325,000
VENDOR:	Max L. Steele, Luella Steele, and Steele, Inc.
VENDEE:	Bachman Building Partnership
RECORDED:	Volume 5403, Page 17, Land Contract
FINANCING:	Land Contract, five-year term, $39,000 down payment. Amortized monthly payments based on 30 year term at 10 percent interest from 4/1/84 to 3/31/86 and on 28-year term at 10 percent interest from 4/1/86 to 3/31/89. Additional principal payment of $20,000 on 4/1/86. Balance of $256,659.04 due 4/1/89.

EXHIBIT IV-6 (Continued)

COMPARABLE SALE NO. 5 (Continued)

CASH EQUIVALENT PRICE:	$301,000 with stream of payments discounted at 13 percent.
ZONING:	C3L, City of Madison
LOT SIZE AND SHAPE:	1.2 acres, or 52,160 square feet, rectangular in shape
BUILDING SIZE (GBA):	Building No. 1 = 11,400 SF Building No. 2 = 5,900 SF Total 17,300 SF
RATIO OF LAND TO BUILDING (GBA):	3.02:1
OFFICE SPACE:	Building No. 1 = 2,400 SF Building No. 2 = 880 SF Total 3,280 SF, or 19 percent of the total GBA
BUILDING USE AT TIME OF SALE:	Building No. 1 = Subdivided into four office/warehouse units. Building No. 2 = Single tenant warehouse distribution center with office.
YEAR BUILT:	Building No. 1 = 1965 Building No. 2 = 1970
BUILDING DESCRIPTION:	Building No. 1 = Steel frame construction with steel panels at rear (north) of building and a mix of brick facing and concrete panels at front. Building No. 2 = Steel frame with concrete/masonry finish.
OVERHEAD DOORS AND DOCKS:	Building No. 1 = Four overhead doors at grade on rear side (north) and one truck height dock with one overhead door plus three overhead doors at grade on front side (south). Building No. 2 = One truck height dock and one entry at grade each with overhead doors.

EXHIBIT IV-6 (Continued)

COMPARABLE SALE NO. 5 (Continued)

HVAC:	Building No. 1 = Gas-forced air heat with air conditioning in offices. Building No. 2 = Radiant heat in warehouse plus air conditioning in office.
SPRINKLERED:	No
PARKING:	Thirty stalls available, or six per unit.
ASSESSMENT AT TIME OF SALE:	1984 - City of Madison, $295,000 State Fair Market Ratio: 99.5%
CASH SALE PRICE AS % OF ASSESSED VALUE:	102%

EXHIBIT IV-7

COMPARABLE SALE NO. 6

LOCATION:	3103 Watford Way Located in southcentral Madison just south of the Beltline in an established industrial park area. No rail siding to the site.
SALE DATE:	June 30, 1982
NOMINAL SALE PRICE:	$220,000
VENDOR:	Joseph M. Daniels
VENDEE:	Richard W. Rasmussen
RECORDED:	Volume 3675, Page 5, Land Contract
FINANCING:	$30,000 down payment, balance of $190,000 at 12-1/2 percent interest payable monthly in installments of $2,781.16. Balloon at end of 10 years.
CASH EQUIVALENT PRICE:	$209,000 with cash flow discounted at 14 percent
ZONING:	M1, City of Madison
LOT SIZE AND SHAPE:	0.618 acres, or 26,942 square feet, rectangular in shape

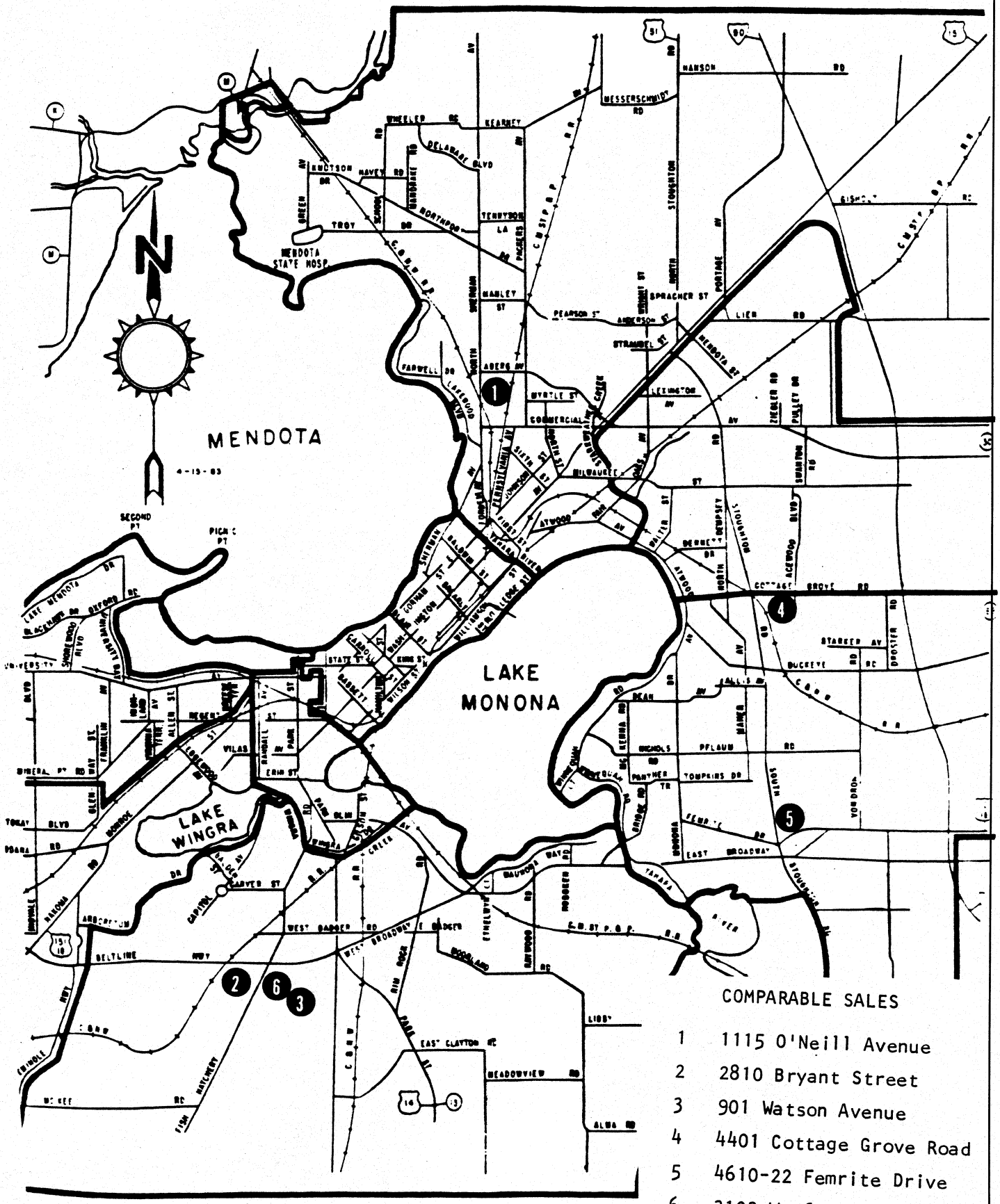
EXHIBIT IV-7 (Continued)

COMPARABLE SALE NO. 6 (Continued)

BUILDING SIZE (GBA):	14,000 square feet
RATIO OF LAND TO BUILDING (GBA):	1.92:1
OFFICE SPACE:	Only one small office and one bathroom in poor condition at time of sale. (Buyer invested $30,000 in remodeling including three offices and new bathroom.)
BUILDING USE AT TIME OF SALE:	Vacant. Previous tenant was American TV.
YEAR BUILT:	1970
BUILDING DESCRIPTION:	Pre-engineered steel frame industrial warehouse built on raised concrete foundation with concrete floors. Interior ceiling height of 18 feet at eaves and 22 feet at center.
OVERHEAD DOORS AND DOCKS:	Two overhead doors with one at grade level and one with truck height dock of 4 feet created by excavated ramp below grade.
HVAC:	Unheated warehouse at time of sale. (Buyer installed infrared heaters plus air conditioning in offices at cost of $20,000.)
SPRINKLERED:	No
PARKING:	Approximately 12 to 14 stalls in front of building. No parking on narrow side or back yards.
ASSESSMENT AT TIME OF SALE:	1982 - City of Madison: $195,000 State Fair Market Ratio: 97.8%
CASH SALE PRICE AS % OF ASSESSED VALUE:	107%

EXHIBIT IV-8

LOCATION OF COMPARABLE SALE PROPERTIES



COMPARABLE SALES

1 1115 O'Neill Avenue
2 2810 Bryant Street
3 901 Watson Avenue
4 4401 Cottage Grove Road
5 4610-22 Femrite Drive
6 3103 Watford Way

EXHIBIT IV-9

SCALE FOR SCORING COMPARABLE SALES
BASED UPON PRICE SENSITIVE ATTRIBUTES

ATTRIBUTE	WEIGHT	SCORE
GROSS BUILDING AREA	30%	5 = Building less than 15,000 SF of GBA 3 = Building between 15,000 SF to 40,000 SF of GBA 1 = Building greater than 40,000 SF of GBA
LOCATION	30%	5 = Located in South Madison Industrial Park area with or without rail siding or along major highway with rail siding 3 = Located along or visible from a major road such as Highways 51, 151, 113, or 30 in a mixed use area without rail siding. 1 = Located in more isolated commercial mixed use area without rail siding
RATIO OF LAND TO GBA	10%	5 = Greater than 4:1 3 = Between 4:1 and 2.5:1 1 = Less than 2.5:1
EFFICIENCY OF BUILDING DESIGN FOR STORAGE AND DISTRIBUTION USES	10%	5 = Efficient layout for accessibility of stored goods with adequate number of overhead doors and truck height loading docks 3 = Adequate layout with limited number of overhead doors and truck height docks 1 = Deep space with inadequate number of overhead doors and truck height doors
QUALITY OF HVAC SYSTEM	20%	5 = Fully insulated with heat in warehouse and office area 3 = Partially heated warehouse space and adequate heated office space 1 = Minimal heat, if any, in warehouse area and small heated office space

the heating, ventilating, and air conditioning (HVAC) system, if any. Since the industrial warehouse market has been relatively flat over the past several years, no adjustment is made for dates of sale which range from 1978 to 1984. (See Section II for analysis of warehouse market.) Each of the sales is ranked relative to the value of these price sensitive attributes. The raw score is then multiplied by the weight assigned each attribute to produce a weighted score for each attribute. The weighted scores for each property are summed to produce a total weighted point score for each comparable sale. The weights assigned the attributes are generated from a nonparametric statistics formula developed by Gene Dilmore [1] which is discussed more fully later in the report. The details of the scoring process and the adjusted selling price, date of sale, gross building area, and cash price per square foot of gross building area are provided in Exhibit IV-10.

The object of the weighted scoring method is to divide the total weighted score into the adjusted price per square foot of gross building area to arrive at the adjusted price per square foot per point. This number would be identical for each comparable if all the differences among the comparables could be correctly recognized and adjusted, an ideal which is not likely to happen. Therefore, the appraisers use the mean or average price per square foot per point as the pricing algorithm for the subject property.

[1] Gene Dilmore is a member of the American Institute of Real Estate Appraisers (MAI) and of the Society of Real Estate Appraisers (SRPA) who has special expertise in statistics.

Since the first objective is to reduce dispersion of the price per square foot per point, a computer program developed by Gene Dilmore is utilized to test the initial weights assigned by the appraisers to each price sensitive qualitative attribute until that combination of weights is found which best predicts the adjusted prices of the comparable property. The average price per square foot of GBA per point is then used to predict the selling price of each comparable sale. The justification of the resulting comparable price formula is provided in Exhibit III-11, and it will be noted that a very close fit is obtained between the predicted price and the actual price, without exception. Therefore, the price per square foot per weighted point score algorithm provides a basis for forecasting the market price of the Goodwill Building in 1985. The computer output of the Dilmore quantitative point weighting program for the Goodwill Building comparable sales is shown in Appendix E.

C. Conclusion

Having determined the pricing algorithm that predicts the price of the comparable sales to a reasonable degree, it is then possible to apply the mean price per point to the subject property as detailed in Exhibit III-12. Note that the average base price per square foot per weighted point score is $4.18 and the standard error of the mean is plus or minus $0.05. Since the gross building area of the subject is 30,195 square feet, and the total weighted point score for the Goodwill Building is 3.0, in the current market when using the same standards applied

to the comparable properties, the market comparison price or cash value can be estimated as:

High Estimate: $4.23 x 3.0 x 30,195 SF = $383,175, or $383,000 ($12.69/SF)

Central Tendency: $4.18 x 3.0 x 30,195 SF = $378,645, or $379,000 ($12.54/SF)

Low Estimate: $4.13 x 3.0 x 30,195 SF = $374,116, or $374,000 ($12.39/SF)

THEREFORE, THE APPRAISERS CONCLUDE THAT THE MARKET COMPARISON APPROACH FAIR MARKET VALUE WITH CASH TO THE SELLER WOULD SUGGEST A PRICE OF $380,000 AS OF MAY 1, 1985.

THEREFORE, THE FAIR MARKET VALUE, AS ESTIMATED BY THE MARKET COMPARISON APPROACH, WOULD SUGGEST A SELLING PRICE OF $380,000 AS OF MAY 1, 1985, BEFORE ANY ADJUSTMENT FOR AN ALLOWANCE WHICH WOULD BE REQUIRED BY THE BUYER TO ASSURE CONTINUED ACCESS TO THE TRUCK DOCK.

WEIGHTED MATRIX FOR COMPARABLE PROPERTIES
SCORE/WEIGHTED SCORE

ATTRIBUTE	WEIGHT	COMPARABLE NO. 1 1115 O'Neill St.	COMPARABLE NO. 2 2810 Bryant St.	COMPARABLE NO. 3 910 Watson Ave.	COMPARABLE NO. 4 4401 Cottage Grove Rd.	COMPARABLE NO. 5 4610 - 4622 Femrite Rd.	COMPARABLE NO. 6 3103 Watford Way	SUBJECT 2422 Pennsylvania
GROSS BUILDING AREA (GBA)	30%	5/1.50	3/0.90	1/0.30	3/0.90	5/1.50	5/1.50	3/0.90
LOCATION	30%	1/0.30	3/0.90	5/1.50	5/1.50	3/0.90	5/1.50	3/0.90
RATIO OF LAND TO GBA	10%	3/0.30	1/0.10	1/0.10	5/0.50	3/0.30	1/0.10	1/0.10
EFFICIENCY OF BUILDING DESIGN	10%	3/0.30	1/0.10	1/0.10	5/0.50	5/0.50	3/0.30	1/0.10
QUALITY OF HVAC SYSTEM	20%	5/1.00	3/0.60	3/0.60	1/0.20	5/1.00	1/0.20	5/1.00
TOTAL WEIGHTED SCORE	100%	3.40	2.60	2.60	3.60	4.20	3.60	3.00
CASH SELLING PRICE		$200,000	$212,000	$625,000	$525,000	$301,000	$209,000	
DATE OF SALE		6/27/84	6/12/83	6/30/83	1/4/82	2/29/84	6/30/82	
GROSS BUILDING AREA (GBA)		13,832 SF	19,760 SF	57,800 SF	34,517 SF	17,300 SF	14,000 SF	30,195 SF
CASH PRICE/ SF OF GBA		$14.46	$10.73	$10.81	$15.21	$17.40	$14.94	
CASH PRICE PER SF/ WEIGHTED POINT SCORE		$4.2529	$4.1269	$4.1577	$4.2250	$4.1429	$4.1500	

JUSTIFICATION OF COMPARABLE PRICE FORMULA FOR THE GOODWILL BUILDING BY MEANS OF ANALYSIS OF VARIANCE OF ACTUAL SALE PRICE VS. PREDICTED PRICE OF COMPARABLES USING MEAN PRICE PER POINT EQUATION METHOD

NO.	COMPARABLE SALE	WEIGHTED POINT SCORE	MEAN PRICE PER POINT SCORE	PREDICTED PRICE PER SF OF GBA	ACTUAL PRICE PER SF OF GBA	VARIANCE	% OF VARIANCE TO ACTUAL PRICES
1	1115 O'Neill Street	3.40	$4.18	14.21	14.46	- 0.25	1.7%
2	2810 Bryant Street	2.60	4.18	10.87	10.73	0.14	1.3%
3	901 Watson Avenue	2.60	4.18	10.87	10.81	0.06	0.6%
4	4401 Cottage Grove Road	3.60	4.18	15.05	15.21	- 0.16	1.1%
5	4610-22 Pemrite Road	4.20	4.18	17.56	17.40	0.16	0.9%
6	3103 Watford Way	3.60	4.18	15.05	14.94	0.11	0.7%
					NET VARIANCE	$ 0.06	

EXHIBIT IV-12

GOODWILL BUILDING

CALCULATION OF MOST PROBABLE PRICE USING
MEAN PRICE PER POINT EQUATION METHOD

COMPARABLE PROPERTY	CASH SELLING PRICE PER SF OF GBA	WEIGHTED POINT SCORE	PRICE PER SF OF GBA/TOTAL WEIGHTED SCORE (x)
1	$14.46	3.40	$4.25
2	10.73	2.60	4.13
3	10.81	2.60	4.16
4	15.21	3.60	4.23
5	17.40	4.20	4.14
6	14.94	3.60	4.15
		TOTAL	$25.06

Total of $\frac{\text{Price per SF of GBA}}{\text{Total Weighted Score}}$ = $25.06

Mean Value (x) = $25.06/6 = $4.18

Standard Deviation = $\sqrt{\frac{\Sigma(x - \bar{x})\backslash 2}{n - 1}}$ = $0.05 where:

x	$\bar{x}$	$(x-\bar{x})$	$(x-\bar{x})\backslash 2$	n	n - 1
4.25	4.18	0.07	0.0049	6	5
4.13	4.18	= - 0.05	0.0025		
4.16	4.18	= - 0.02	0.0004		
4.23	4.18	= 0.05	0.0025		
4.14	4.18	= - 0.04	0.0016		
4.15	4.18	= - 0.03	0.0009		
			0.0128		

$\sqrt{\frac{0.0128}{5}}$ = 0.050596

ESTIMATED RANGE OF MOST PROBABLE SELLING PRICE
OF THE GOODWILL BUILDING

	SCORE FOR SUBJECT	MEAN VALUE +/- $0.05/POINT SCORE	PRICE/SF OF GBA	GBA OF SUBJECT	ESTIMATED VALUE
LOW ESTIMATE	3.00	$4.13	$12.39	30,195 SF	$374,116 or $374,000
CENTRAL TENDENCY	3.00	$4.18	$12.54	30,195 SF	$378,645 or $379,000
HIGH ESTIMATE	3.00	$4.23	$12.69	30,195 SF	$383,175 or $383,000

EXHIBIT IV-12 (Continued)

V. THE INCOME APPROACH

A. Methodology Using Discounted Cash Flow Model

The Income Approach combines a basic mortgage financing model to determine an acceptable mortgage amount justified by the property income with the present value of cash dividends and capital gains to the equity investor. The premise is that investment value is the sum of the present value of benefits to the owner plus the original balance to the loan since a loan is the present value of all of the interest and principal payments due the lender under the contract.

In general, the revenue and expense model requires a simple spreadsheet forecast reflecting contract rents until lease renewals permit realization of market rents and standardized lease terms. In the case of a vacant property, such as the subject property, market rents are used from the beginning of the projection period. The five-year forecast is documented by footnotes detailed in Exhibit V-1.

Net revenues and expenses are then input to an investment valuation model known as After Tax Value (ATV), developed by ValuSoft and Micromatrix, Inc. The model has a detailed revenue, expense, financing, and income tax format which permits it to solve for a value justified by specified constraints of interest rate, amortization term, debt cover, or loan-to-value

SCHEDULE OF REVENUE AND EXPENSES
DATED MAY 1, 1985 THROUGH APRIL 30, 1990

	YEAR 1 [1] 5/1/85-4/30/86	YEAR 2 5/1/86-4/30/87	YEAR 3 5/1/87-4/30/88	YEAR 4 5/1/88-4/30/89	YEAR 5 5/1/89-4/30/90
Most Probable Tenant [2]	$48,312	$50,244	$52,254	$54,344	$56,518
Gross Revenue	$48,312	$50,244	$52,254	$54,344	$56,518
Vacancy [3]	$0	$0	$0	$0	$0
Effective Gross Revenue (EGR)	$48,312	$50,244	$52,254	$54,344	$56,518
Insurance Premium [4]	$1,057	$1,099	$1,143	$1,189	$1,236
Management Fee @ 4% of EGR [5]	$1,932	$2,010	$2,090	$2,174	$2,261
Leasing Fee @ 4% of EGR [6]	$1,932	$2,010	$2,090	$2,174	$2,261
Total Expenses	($4,922)	($5,119)	($5,323)	($5,537)	($5,758)
Net Operating Income before Debt Service and Income Taxes	$43,390	$45,125	$46,931	$48,808	$50,760

EXHIBIT V-1

EXHIBIT V-1 (Continued)

GOODWILL BUILDING
2422 PENNSYLVANIA AVENUE

FOOTNOTES TO SCHEDULE OF REVENUES AND EXPENSES

[1] The appraisal date is as of May 1, 1985; therefore the revenue and expenses given for the first year assume a fiscal year from May 1, 1985, through April 30, 1986, with the five-year holding period ending as of April 30, 1990.

[2] The appraisers assume the building will be occupied by a single tenant who will utilize the large area of partitioned spaces as well as the heated storage/light manufacturing area. The five-year lease will be triple net or "carefree" with the landlord paying the premium for public liability insurance and for management and leasing expenses. The tenant will pay all other expenses including utilities, maintenance and repairs for both the interior and exterior structure, fire insurance, and all real estate taxes and assessments. The triple net rent is assumed to be $1.60 per square foot and is escalated at 4 percent per year, the current rate of increase in the Consumer Price Index (CPI). (See Appendix B.) All expenses will be paid directly by the tenant when due; therefore there will be no reimbursables to the landlord.

[3] The tenant is assumed to sign a five-year lease with an option to renew for another five years. Therefore there will be no vacancy during the projection period and the preliminary value is for the property as if fully rented as of May 1, 1985. In reality, the property was vacant as of May 1, 1985 and the appraisers anticipate vacancy will continue for three months. Therefore, a deduction will be made to the preliminary fully-rented value to account for value lost due to vacancy. (See Section VI for the value conclusion).

[4] The insurance premium for public liability insurance paid by the landlord is assumed to be $0.035 per square foot of GBA and increases at 4 percent per year.

[5] The management fee is 4 percent of effective gross, 1 percent less due to a long-term carefree lease.

[6] The leasing fee is prorated at 4 percent of effective gross over the term of the lease.

ratio, given an acceptable investor after-tax equity yield or discount rate. The valuation model presumes resale value at some specified multiplier of net income at the end of the holding period based upon revenue and expense projections for the forecast period. The financial results of the value computed are then analyzed in terms of key ratios, such as cash breakeven point, equity payback, internal rate of returns, and equity dividend rates.

For purposes of the appraisal, it is assumed that equity investors in 1985-86 will seek cash dividends of a minimum of 9 to 11 percent on cash investments in the first year with the preferred goal of 11 to 12 percent as tax law changes diminish tax shelter benefits and a modest increase in the rate of resale value which would provide a 16 percent internal rate of return (IRR) to the investor over a five-year holding period. See Section II-E for a detailed discussion of investor requirements.

B. Net Operating Income

Future cash flows from any subject property are fixed over some period of time by the current lease contracts. In this case, the building is vacant as of May 1, 1985, so market rents are used for the entire projection period. If the buyer was subject to these existing lease contracts, they would have to be explicitly recognized in the net operating income forecast. Current market rents and operating expenses plus other pertinent

operating assumptions are detailed in the footnotes which follow the five-year net operating income statement (Exhibit V-1). Since the most probable user is a single tenant with a long term triple net or carefree lease, the revenue and expense schedule summarized in Exhibit V-1 is brief. For the purpose of estimating a full investment value, this vacant property is assumed to be fully rented as of May 1, 1985.

C. Capital Budget Assumptions for Discounted Cash Flow Approach to Value

Essential parameters for discounted cash flow valuation beyond revenues, expenses, and financing, are the value assigned to vacant land, equity dividend required by investors, tax depreciation limits, debt cover ratio, and a formula for anticipated resale price at the end of an assumed projection period. The appraisers have chosen to utilize a five-year projection period. The following values have been assigned to these capital budget assumptions:

1. Although land value cannot be considered separate from total value, for purposes of income tax treatment the subject parcel has a market supported value of approximately $1.15 per square foot which, multiplied times its area of 57,195 square feet, suggests a land value of approximately $65,000.
2. The minimum equity dividend rate required in the first year of the investment by the most probable buyer is 9 to 11 percent, equivalent to a tax exempt rate because of available depreciation shelter, but the dividend is anticipated to increase with time. Typically, equity

dividends are about 200 basis points below interest rates because the equity investor enjoys the benefit of loan amortization, tax shelter, and property appreciation in addition to dividends.

3. Tax shelter for property income is based on straight-line depreciation of 100 percent of the value of the building improvements over a term of 18 years, assuming the most probable buyer is in a 40 percent marginal income tax bracket, either as a small corporation or as a sophisticated individual investor already enjoying some degree of tax shelter investment income.

4. The final source of return to the most probable buyer is the increased net worth realized upon sale of the property at the end of a proposed five-year investment period. To estimate that value, the appraiser has chosen to multiply net operating income in the fifth year by a factor of 8.00, a computation comparable to capitalization at a factor of 0.1250, a ratio of income to price for office/warehouse properties that is reasonably constant, unless there are severe upsets to financial markets, and the income tax law in the interim. (See Exhibit V-2 for national average capitalization rates for this type of property.)

5. Each of the above items define the ultimate cash throw-off to the investor from all sources. These must be discounted at a minimum threshold rate of return

from all sources of 16 percent after taxes to justify the business and financial risks incurred. This is the minimum equity rate currently reported as typical of managed real estate funds and used as a purchasing benchmark by Madison investors in a stable investment office/warehouse market. The present value of all benefits to the equity position discounted at 16 percent, if held for five years and sold at the assumed price when added to the original mortgage balance, equals the market value of the subject property using the income approach.

6. Preferably an average debt cover ratio based on the first-year net operating income is used to determine the mortgage amount. Commercial warehouse properties reflect an average ratio of 1.24, which is increased to 1.3 for the subject reflecting the risk of an older building in a neighborhood of changing uses. (See Exhibit V-2 for national average debt cover ratios for this type of property.)

D. Discounted Cash Flow Value Conclusion

The assumptions used in the discounted cash flow model are found in Exhibit V-3 . The discounted after tax value of the subject property if held for five years is $360,197 or $360,000 rounded, using a minimum 16 percent discount factor for all the benefits to the equity position. If the property were purchased

EXHIBIT V-2

SUMMARY OF FINANCING PARAMETERS
FOR COMMERCIAL WAREHOUSE BUILDINGS
BY QUARTERS

YEAR QUARTER	LOAN/VALUE	DEBT COVERAGE	CAPITALIZATION RATE
II 84	63.1	1.48	10.8
I 84	70.4	1.17	10.5
IV 83	70.1	1.22	11.1
III 83	67.9	1.21	10.4
II 83	69.2	1.28	11.2
I 83	70.2	1.20	11.2
IV 82	70.1	1.21	12.0
III 82	N/A	N/A	N/A
II 82	70.2	1.20	12.8
I 82	N/A	N/A	N/A
IV 81	68.8	1.27	12.3
III 81	70.8	1.26	12.3
II 81	57.5	1.33	11.2
I 81	76.6	1.22	12.7
IV 80	71.3	1.23	11.5
III 80	73.6	1.22	11.4
II 80	73.6	1.27	12.7
I 80	68.7	1.25	11.3
IV 79	73.3	1.21	10.0
III 79	73.8	1.21	10.1
II 79	73.7	1.20	9.8
I 79	73.8	1.23	10.0
AVERAGE	70.3	1.24	11.3

Source: American Council of Life Insurance, Investment Bulletin, Table L, Volume 891, October 24, 1984.

at this price, the investor would enjoy a risk position reflected by; (1) a cash breakeven ratio or default point of less than 80 percent; (2) a payback of $69,564, or 66 percent of the initial equity investment of $105,103 by the end of the fifth year prior to resale; and (3) cash dividends before taxes of greater than 11 percent by year two increasing to almost 17 percent by the end of the fifth year. (See Exhibit V-4 for ATV computer output.) These ratios are within the requirements of an investor in industrial warehouses in the Madison market.

THEREFORE, THE FAIR MARKET VALUE, AS ESTIMATED BY THE INCOME APPROACH, WOULD SUGGEST A SELLING PRICE OF $360,000 AS OF MAY 1, 1985, BEFORE ANY ADJUSTMENT FOR AN ALLOWANCE REQUIRED BY THE BUYER TO ASSURE CONTINUED ACCESS TO THE TRUCK DOCK AND BEFORE ANY ADJUSTMENT FOR VACANCY.

EXHIBIT V-3

ASSUMPTIONS USED IN
DISCOUNTED CASH FLOW METHODOLOGY
ATV COMPUTER PROGRAM
FOR THE
GOODWILL BUILDING

1. Appraisal is as of May 1, 1985.

2. Holding period is five years with resale as of April 30, 1990.

3. Debt cover ratio (DCR) is 1.3. The net operating income (NOI), assuming full occupancy as of the valuation date, in Year 1 is used to size the mortgage based upon the DCR of 1.3.

4. Cash on cash required by the equity position is 9 to 11 percent in Year 1 and increases to 11 to 12 percent thereafter.

5. The discount rate used is 16 percent. This represents the minimum threshold rate of return after taxes from all sources to justify the business and financial risks incurred by the investor.

6. The investor income tax marginal rate is 40 percent.

7. The resale price at the end of the holding period is based upon the NOI in Year 5 and a net income multiplier of 8.0 or a capitalization rate of 0.1250.

8. Land is valued at $65,000, or approximately $1.15 per square foot.

9. The computer program solves for justified investment value based upon the amount of debt and equity the property can carry, given the financing parameters and cash on cash requirements. The building, which is 81.9 percent of the value, is depreciated straight line over 18 years as currently allowed by the Internal Revenue Service.

10. The financing parameters include 12.50 percent interest, 25-year loan, and a balloon in five years. Debt service payments are made monthly.

11. All revenue and expense assumptions are found in Exhibit V-1.

EXHIBIT V-4

ATV COMPUTER OUTPUT FOR DISCOUNTED CASH FLOW VALUATION OF THE SUBJECT PROPERTY

GOODWILL BUILDING
2422 PENNSYLVANIA AVENUE
MADISON , WI 53704
By LANDMARK RESEARCH-GRAASKAMP/DAVIS

VALUE	$360,197.
AFTER TAX YIELD	16.00000
OVERALL RATE	0.12046
MORTGAGE CONSTANT	0.13084
MORTGAGE VALUE	$255,093.
BUILDING VALUE	$295,197.
EQUITY VALUE	$105,103.
EQUITY DIVIDEND	0.09527

EQUITY YIELD RATE	16.00000
HOLDING PERIOD	5
LOAN NUMBER	1
INTEREST RATE	0.12500
LOAN TERM	25.00000
PAYMENTS PER YEAR	12
DSCR & LOAN/VALUE RATIOS	1.30000
TAX RATE	0.40000
CAPITAL GAINS TAX RATE	0.16000
RESALE PRICE	$406,000.
LAND VALUE	$65,000.
DEPRECIATION METHOD	SL
COST RECOVERY PERIOD	18
NET OPERATING INCOME	$43,390.
CHANGE IN NOI	0.16986
INCOME ADJUSTMENT FACTOR	YR
SELLING COST	0.04000

C A S H F L O W S U M M A R Y

	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
NOI	$43,390.	$45,126.	$46,931.	$48,808.	$50,760.
DEBT SER#1	-$33,377.	-$33,377.	-$33,377.	-$33,377.	-$33,377.
BTCF	$10,013.	$11,749.	$13,554.	$15,431.	$17,383.
NOI	$43,390.	$45,126.	$46,931.	$48,808.	$50,760.
INTEREST 1	-$31,798.	-$31,589.	-$31,352.	-$31,084.	-$30,781.
DEPREC	-$16,400.	-$16,400.	-$16,400.	-$16,400.	-$16,400.
TAXABLE	-$4,808.	-$2,863.	-$821.	$1,324.	$3,580.
TAXES	-$1,923.	-$1,145.	-$329.	$530.	$1,432.
ATCF	$11,936.	$12,894.	$13,882.	$14,901.	$15,951.

RESALE PRICE	$406,000.
SELLING COST	-$16,240.
LOAN BALANCE # 1	-$244,813.
BEFORE TAX PROCEEDS	$144,947.
TAXES	-$17,850.
AFTER TAX PROCEEDS	$127,097.

RESALE PRICE	$406,000.
SELLING COST	-$16,240.
ADJUSTED BASIS	-$278,198.
TAXABLE GAIN	$111,562.
LONG TERM GAIN	$111,562.
ORDINARY TAXES	$0.
CAPITAL GAINS TAX	$17,850.

EQUITY CASH FLOW SUMMARY

YEAR	CASH FLOW
0	-$105,103.
1	$11,936.
2	$12,894.
3	$13,882.
4	$14,901.
5	$143,048.

VI. VALUE CONCLUSION

The Market Comparison Approach suggests a most probable selling price of $380,000 as of May 1, 1985, with cash to the seller and the Income Approach suggests a most probable selling price of $360,000 as of May 1, 1985, with cash to the seller. Both prices are before the deduction of an allowance to permanently remedy the truck dock access problem which would be required by a buyer.

A. Test of Estimated Values for Investment Yields

VALTEST, a discounted cash flow model developed at Landmark Research, is used to test the reasonableness of the value estimates from the income approach and from the market comparison approach. VALTEST solves for both the modified and regular internal rate of return both before and after taxes and details the equity dividend rate before and after taxes for each year of the projection period. The values tested are before the allowances to cure the truck dock access problem. The market rents and, therefore, value estimates assume no truck access problem. (See Appendix F for computer output of VALTEST for each test of value.)

The market comparison value estimate of $380,000, assuming a mortgage sized by a debt cover ratio of 1.30 with interest at 12.5 percent and monthly payments amortized over a 25-year term, yields the following investment ratios:

Internal Rate of Return Before Taxes	14.84%
Internal Rate of Return After Taxes	13.51%
Modified Internal Rate of Return Before Taxes	14.04%
Modified Internal Rate of Return After Taxes (assuming a 9 percent reinvestment rate)	12.79%

YEAR	EQUITY DIVIDEND RATE CASH THROW OFF/ORIGINAL EQUITY
1	8.02%
2	9.40%
3	10.85%
4	12.35%
5	13.95%

The income approach value estimate of $360,000, assuming a mortgage sized by a 1.30 debt cover ratio, with interest at 12.5 percent and monthly payments amortized over a 25-year term, yields the following investment ratios:

Internal Rate of Return Before Taxes	19.64%
Internal Rate of Return After Taxes	17.76%
Modified Internal Rate of Return Before Taxes	18.09%
Modified Internal Rate of Return After Taxes	16.28%

YEAR	EQUITY DIVIDEND RATE CASH THROW OFF/ORIGINAL EQUITY
1	9.54%
2	11.20%
3	12.92%
4	14.71%
5	16.57%

A review of investor requirements of a minimum after tax internal rate of return of 16 percent and cash returns (equity dividend rate) approaching 11 to 12 percent in the first years of the project suggest greater reliance be placed upon the investment value estimated by the income approach.

Therefore, the fair market value of the subject property as of May 1, 1985, with cash to the seller and financing at 12.5 percent, amortized over a 25-year term and based upon a debt cover ratio of 1.30 is estimated to be $365,000, before an allowance is deducted to cure the truck dock access problem. The debt cover ratio is based upon a net income that assumes full occupancy for each fiscal year. However, the building is currently vacant so the appraisers have provided for an adjustment to income value which anticipates a three month vacany following the date of valuation. See Appendix G for the estimate of income value, using the ATV program and allowing for three months' vacancy in the first year. The original mortgage amount remains the same as if the building is fully occupied as of May 1, 1985.

B. Adjustments to the Preliminary Fair Market Value Estimate

As discussed in Section III, the truck dock is presently located approximately 25.8 feet from the westerly property line of the subject property which is contiguous to Outlot A owned by Madison Gas and Electric Company as shown in Exhibit III-1. Although previous tenants have adversely encroached upon the part of Outlot A west of the subject property, a buyer would want to assure the continued accessibility of the truck dock from the subject property without dependency upon the goodwill of an adjacent property owner.

A knowledgeable buyer will set aside an allowance of $25,000 to change the location of the truck dock so that an adequate access is located entirely on the subject property. (See Section III for relocation plans.)

The modification of the income to include the vacancy loss, as shown in Appendix G, produced a value decrease of ($6,000) for the income approach value estimate. The appraisers have rounded the downward adjustment to ($5,000) to be consistent with the practice of rounding to the nearest $5,000.

C. Value Conclusion

The most probable selling price of the subject property, in its present condition, as of May 1, 1985, after the deduction of an allowance of $25,000 to cure the truck dock access and is $340,000. A further reduction of $5,000 is made for existing vacancy.

THEREFORE THE APPRAISERS CONCLUDE THAT THE MOST PROBABLE SELLING PRICE OF THE SUBJECT PROPERTY IN ITS PRESENT CONDITION AND AS OF MAY 1, 1985, IS:

THREE HUNDRED THIRTY-FIVE THOUSAND DOLLARS

($335,000)

ASSUMING INSTITUTIONAL FINANCING WITH A DEBT COVER RATIO OF 1.30, INTEREST AT 12.5 PERCENT, AMORTIZED OVER A 25-YEAR TERM, AND A FIVE-YEAR BALLOON.

CERTIFICATE OF APPRAISAL

We hereby certify that we have no interest, present or contemplated, in the property owned by the Madison Real Estate Investment Fund (MREIF) except, of the 374,204 total MREIF shares outstanding as of January, 10, 1985, James A. Graaskamp owns 60 shares and Jean B. Davis owns 100 shares. This ownership predates any appraisal assignment by six or more years. We also certify 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 value, as defined herein, for the property known as the Goodwill Building, sold individually in its present condition as of May 1, 1985, is as follows:

The Fair Market Value of the fee simple title of the Goodwill Building, based primarily on the Income Approach and supported by the Market Comparison Approach is:

THREE HUNDRED THIRTY-FIVE THOUSAND DOLLARS

($335,000)

as is and assuming cash to the seller. The buyer will also invest $25,000 to relocate the truck dock to insure permanent access within the boundaries of the subject property. This value also assumes a three month vacancy beyond the May 1, 1985, valuation date.

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

Jean B. Davis

Jean B. Davis, Real Estate Appraiser/Analyst

July 1, 1985

Date

JAMES A. GRAASKAMP

PROFESSIONAL DESIGNATIONS

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

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

CPCU, Certified Property Casualty Underwriter, College of Property Underwriters

EDUCATION

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

ACADEMIC AND PROFESSIONAL HONORS

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

PROFESSIONAL EXPERIENCE

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

J E A N B. D A V I S

EDUCATION

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

Master of Arts - Elementary Education, Stanford University

Bachelor of Arts - Stanford University (with distinctions)

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

PROFESSIONAL EDUCATION

Society of Real Estate Appraisers

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

American Institute of Real Estate Appraisers

Residential Valuation (formerly Course VIII)

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

PROFESSIONAL EXPERIENCE

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

APPENDIX A

PERMITTED USES FOR
M1 AND C3L ZONING

28.10 MANUFACTURING DISTRICTS.

(1) General Requirements.

(a) Permitted Uses. Permitted uses of land or buildings, as herein listed, shall be restricted to the districts indicated and under the conditions specified. No building or tract of land shall be devoted to any use other than a use permitted herein in the zoning district in which such building or tract of land shall be located, with the following exceptions:

1. Uses lawfully established on the effective date of this ordinance; and
2. Conditional uses allowed in accordance with the provisions of (b) hereunder.

Uses lawfully established on the effective date of this ordinance and rendered nonconforming by the provisions thereof, shall be subject to those regulations of Section 28.05 governing nonconforming uses. Activities other than those specifically prohibited in Sections 25.03 and 25.04 of the Madison General Ordinances, involving the storage, utilization or manufacture of materials or products which decompose by detonation, are permitted only in the M2 district, and then only when specifically licensed by the Common Council. Further, such materials or products shall not be stored, utilized or manufactured within three hundred (300) feet of any boundary of a special, residence, commercial or M1 district. Such materials shall include but shall not be limited to: all primary explosives such as lead azide, lead styphnate, fulminates and tetrocene; all high explosives such as TNT, RDX, HMN, PETN and picric acid; propellants and components thereof such as nitrocellulose, black powder, boron hydrides, hydrazine and its derivatives; pyrotechnics and fireworks such as magnesium powder, potassium chlorate and potassium nitrate; blasting explosives such as dynamite and nitroglycerine; unstable organic compounds such as acetylides, tetrazoles and ozonides; strong oxidizing agents such as perchloric acid, perchlorates, chlorates and hydrogen peroxide in concentrations greater than thirty-five percent (35%); and nuclear fuels, fissionable materials and products, and reactor elements such as Uranium 235 and Plutonium 239. (Am. by Ord. 7085, 9-6-80)

(b) Conditional Uses. Conditional uses, as herein listed, may be allowed in the districts indicated, subject to the issuance of conditional use permits in accordance with the provisions of Section 28.12(10).

(c) Floor Area Ratio. Maximum floor area ratio as set forth in the M1 and M2 districts shall apply to all buildings or structures in such districts.

(d) Yard Requirements. Yards shall be provided in accordance with the regulations herein indicated and shall be unobstructed from the ground level to the sky, except as allowed in Section 28.04(6)(e). All additions to a principal building, such as attached garages, shall comply with the yard requirements of the principal building.

(e) Regulations Along Residence District Boundaries. In the M1 or M2 district, if any point on the exterior surface of any building or structure located adjacent to a side or rear property line in a residence district or directly across a street from a residence district is a greater height than thirty-five (35) feet above curb level, such point projected vertically upon the ground shall in no case be nearer to the lot line of the property on which said building or structure is located than a horizontal distance equal to the height of such point above curb level. However, stacks, tanks, bulkheads or ventilating equipment, including towers enclosing same, shall be exempt from such limitations if not exceeding in the aggregate twenty-five (25) feet in lineal dimension parallel to the street for each one hundred (100) feet of street frontage. Parapets not exceeding three (3) feet in height shall also be exempt from such limitation.

(f) (R. by Ord. 5831, 5-6-77)

(g) Off-Street Parking And Loading. In the M1 and M2 districts, off-street parking and loading facilities shall be provided in accordance with applicable regulations as herein set forth in Section 28.11.

(2) M1 Limited Manufacturing District.

(a) Statement Of Purpose. The M1 limited manufacturing district is established to accommodate existing non-nuisance type industrial uses presently located in relative proximity to residential areas, and to preserve and protect lands designated on the comprehensive plan for industrial development and use from the intrusion of certain incompatible uses which might impede the development and use of lands for industrial purposes. Development in the M1 limited manufacturing district is limited primarily to certain commercial uses and certain industrial uses, such as the fabrication of materials and specialized manufacturing and research institutions, all of a non-nuisance type.

(b) General Regulations. Uses permitted in the M1 district are subject to the following conditions:

1. All business, servicing or processing, except for off-street parking, off-street loading, display of merchandise for sale to the public, establishments of the drive-in type and outdoor eating areas of restaurants approved as a conditional use by the Plan Commission, shall be conducted within completely enclosed buildings unless otherwise indicated hereinafter. (Am. by Ord. 4305, 8-29-73)
2. All storage within one hundred (100) feet of a residence district, arterial or collector street, except for motor vehicles in operable condition, shall be within completely enclosed buildings or effectively screened with screening not less than six (6) feet nor more than eight (8) feet in height, provided no storage located within fifty (50) feet of such screening shall exceed the maximum height of such screening; further provided, however, the Zoning Administrator may approve alternate landscaping/screening plans meeting the general intent, purpose and guidelines of the revised "New Approach to Parking Lot Landscaping" adopted by Substitute Resolution No. 37,915. (Am. by Ord. 8300, 4-16-84)

(c) Permitted Uses. The following uses are permitted in the M1 district:

1. Accessory uses, including but not limited to the following:
   a. Signs as regulated in this section.
   b. Temporary buildings for construction purposes, for a period not to exceed the duration of such construction.
   c. Approved nursery schools or day care centers for children of employees during the hours of operation. (Cr. by Ord. 5923, 7-29-77)
2. Agricultural uses, provided that commercial feeding of garbage or offal to swine or other animals shall be prohibited.
3. Amusement establishments, including archery ranges, bowling alleys, dance halls, golf driving ranges, gymnasiums, pool halls, swimming pools, skating rinks and other similar indoor amusement facilities.
4. Animal hospitals and kennels including outdoor dog runs or exercise pens when located less than two hundred (200) feet from the residence district.
5. Any production, processing, cleaning, servicing, testing or repair of materials, goods or products, limited to the following uses or products:
   a. Advertising products, such as signs and billboards.
   b. Awnings, venetian blinds and window shades.
   c. Bakery, candy, dairy and other food products but not including fish and meat products other than poultry and rabbit.
   d. Boatbuilding of small crafts.
   e. Bottling or distribution plants, milk or soft drinks.
   f. Breweries.
   g. Cameras and other photographic equipment.
   h. Ceramic products, such as pottery, figurines and small glazed tiles.
   i. Cooperage works.
   j. Cosmetics and toiletries, drugs, perfumes and perfumed soaps and pharmaceutical products.
   k. Electrical appliances, such as lighting fixtures, irons, fans and toasters.
   l. Electrical equipment assembly, such as home radio and television receivers and home movie equipment, but not including electrical machinery.
   m. Electrical supplies, manufacturing and assembly, such as wire and cable assembly, switches, lamps, insulation and dry cell batteries.
   n. Electronic instruments.
   o. Feed mixing and grinding plants.
   p. Film developing and processing.
   q. Foundries and machine shops, but not including forging operations.
   r. Furniture refinishing.
   s. Insecticide and pesticide, packaging only.
   t. Iron, steel or other metal fabrication, but not including forging operations.
   u. Jewelry.
   v. Machine shops and fabrication of metal.
   w. Medical, dental and optical supplies.

x. Metal finishing, plating, grinding, sharpening, polishing, cleaning, rustproofing and heat treatment.
y. Metal stamping and extrusion of small products, such as costume jewelry, pins and needles, razor blades, bottle caps, buttons and kitchen utensils.
z. Milk and ice cream processing.
aa. Monument works.
bb. Musical instruments.
cc. Orthopedic and medical appliances, such as artificial limbs, brace supports and stretchers.
dd. Paint, oil (including linseed), shellac, turpentine, lacquer or varnish manufacture.
ee. Poultry and rabbits, slaughtering and processing.
ff. Products from the following previously prepared materials: bone, canvas, cellophane, cloth, cork, feathers, felt, fiber, fur, glass, hair, horn, leather, paper, plastic, precious or semiprecious stones, rubber, shell, wood (but not including a planing mill) and yarn.
gg. Repair of farm, household or office machinery or equipment.
hh. Scientific and precision instruments.
ii. Sheet metal shops.
jj. Shell egg business, candling, cartoning and distributing.
kk. Silverware, plate and sterling.
ll. Soap and detergents, packaging only.
mm. Soldering and welding.
nn. Sporting goods andathletic equipment.
oo. Textiles, spinning, weaving, manufacturing, dyeing, printing, knit goods, yard, thread and cordage, but not including textile bleaching.
pp. Tools and hardware, such as bolts, nuts and screws, doorknobs, drills, hand tools and cutlery, hinges, house hardware, locks, nonferrous metal castings and plumbing appliances.
qq. Toys, novelties and watches.
rr. Upholstering, including mattress manufacturing, rebuilding and renovating.

6. Automobile service stations for the retail sale and dispensing of fuel, lubricants, tires, batteries, accessories and supplies, including installation and minor services customarily incidental thereto, and facilities for chassis and gear lubrication and for washing of motor vehicles, only if enclosed in a building.
7. Banks and financial institutions.
8. Building material sales establishments.
9. Bus terminals and bus turnaround areas.
10. Contractor or construction offices and shops, and yards, such as building, cement, electrical, heating, ventilating and air conditioning, masonry, painting, plumbing, refrigeration and roofing.
11. Drugstores.
12. Dry cleaning and laundry establishments with no limitation on number of employees.
13. Dwelling units for watchmen and their families located on the premises where they are employed.
14. Express and parcel delivery establishments.
15. Fire stations.
16. Fuel and ice sales establishments.

17. Furniture and floor covering storage and sales. (Am. by Ord. 6908, 2-29-80)
18. Garages for repair and servicing of motor vehicles, including body repair, painting or motor rebuilding.
19. Greenhouses.
20. Highway maintenance shops and yards.
21. Laboratories--research, development and testing.
22. Machinery and equipment sales and service establishments.
23. Mail order houses.
24. Meeting halls, convention halls and exhibition halls.
25. Mobile home sales and service establishments.
26. Model homes or garage displays.
27. Offices, business and professional.
28. Packing and crating establishments.
29. Parks and playgrounds.
30. Printing, publishing and bookbinding establishments.
31. Public utility and public service uses as follows:
    a. Bus stations, bus terminals, bus turnarounds (off-street), bus garages and bus lots.
    b. Electric power production.
    c. Electric substations.
    d. Gas regulator stations, mixing stations and gate stations.
    e. Radio and television towers.
    f. Railroad passenger stations.
    g. Railroad rights-of-way.
    h. Sewerage system lift stations.
    i. Telephone exchanges, microwave relay towers, telephone transmission equipment buildings and service yards, and telephone booths (outside).
    j. Water pumping stations and water reservoirs.
32. Radar installations and towers.
33. Radio and television studios and stations.
34. Restaurants.
35. Schools, trade.
36. Stadiums, auditoriums and arenas, open or enclosed.
37. Storage and warehousing establishments.
38. Storage yards, but not including junkyards.
39. Taverns.
40. Trailer sales and rental, for use with private passenger motor vehicles.
41. Weighing stations.
42. Wholesaling establishments.
43. Nursery schools. (Cr. by Ord. 5887, 6-10-77)
44. Truck sales and rental. (Cr. by Ord. 6127, 2-7-78)
45. Taxicab business. (Cr. by Ord. 7871, 11-29-82)
46. Retail nursery sales incidental to wholesale nursery sales. (Cr. by Ord. 8221, 1-13-84)
47. Motor vehicle salvage business conducted entirely within an enclosed building. All vehicles on premises for the purpose of repair or dismantling and all parts from vehicles shall be stored inside an enclosed building. (Cr. by Ord. 8385, 7-25-84)

(d) Conditional Uses. The following conditional uses may be allowed in the MI district subject to the provisions of Section 28.12(10):

1. Airports or aircraft landing fields and heliports.
2. Amusement establishments, including fairgrounds, permanent carnivals, kiddie parks and other similar outdoor amusement facilities.
3. Asphalt and concrete batching or ready-mix plants.
4. Automobile laundries.
5. Cartage establishments.
6. Concrete products casting.
7. Junkyards and automobile storage yards located a minimum of five hundred (500) feet from any residence district, except that the Plan Commission may reduce the "five hundred (500) feet" requirement only if such residential zoned land is not developed for residential use and upon the express recorded condition that the use shall only continue to operate until such time as the nearby residential land is developed at which time the operator's license will be suspended and the use discontinued. (Am. by Ord. 8384, 7-25-84)
8. Motor freight terminals.
9. Outdoor eating areas of restaurants and/or outdoor areas of cabarets. (Am. by Ord. 8289, 3-16-84)
10. Parking facilities, open and accessory, for the storage of private passenger automobiles only, when located elsewhere than on the same zoning lot as the principal use served, subject to the applicable provisions of Section 28.11.
11. Parking facilities, subject to the applicable provisions of Section 28.11: Accessory off-street parking facilities for any building where the proposed total number of spaces will exceed that required by this ordinance for such use or for an equivalent new use by more than one hundred percent (100%) or fifteen (15) spaces, whichever number is greater.
12. Parking lots, garages and structures for the storage of private passenger automobiles only, subject to the applicable provisions of Section 28.11.
13. Railroad freight terminals, railroad switching and classification yards, repair shops and roundhouses.
14. Secondhand stores and rummage shops.
15. Sewage treatment plants.
16. Wholesaling establishments including incidental retailing in case lots. (Cr. by Ord. 8092, 8-12-83)
17. Temporary parking lots for a total period not to exceed three (3) years, provided such lot complies with the provisions of Section 10.08(6)(c) (driveway and parking facility ordinance). (Am. by Ord. 7809, 8-27-82)
18. Theaters, automobile drive-in.

19. Adult entertainment establishments, subject to the following conditions:
    a. All exterior windows in any premises occupied by such establishment shall be blackened to the extent necessary to make them opaque.
    b. No such establishment shall be located within five hundred (500) lineal feet of a church, or a private or public elementary, secondary or vocational school, or a public park, or within five hundred (500) lineal feet of any residence district.
    c. Such establishment may have only one (1) nonflashing business sign, which sign may only indicate the name of the business and identify it as an adult entertainment establishment.

    (Sec. 28.10(2)(d)19. Cr. by Ord. 5712, 12-28-76)

20. Motor vehicle sales establishments. (Cr. by Ord. 6685, 7-26-79)
21. Adult entertainment taverns, subject to the following conditions:
    a. No such establishment shall be located within five hundred (500) lineal feet of a church, or any private or public day care center, preschool center, or school, or a public park; or any library, or any Residential District, or any Planned Developments, or any tavern, or any other adult entertainment tavern or adult entertainment establishment. (Am. by Ord. 8069, 6-30-83)
    b. The establishment shall acquire and maintain an adult entertainment tavern permit pursuant to Section 9.10(17) or 9.11(19) of these ordinances prior to issuance of an occupancy permit.

    (Sec. 28.10(2)(d)21. Cr. by Ord. 6101, 1-6-78)

22. Automobile accessory stores including installation. (Cr. by Ord. 8174, 12-15-83)

(e) Floor Area Ratio. In the M1 district, the floor area ratio shall not exceed 2.0.

(f) Yard Requirements. In the M1 district, minimum yards shall be provided as follows:

1. A yard shall be provided where the extension of a front or side lot line abutting a street coincides with a front lot line of an adjacent lot located in a residence district. Such yard shall be equal in depth to the minimum front yard required by this ordinance on such adjacent residential lot. Such yard shall be provided along such front or side lot line abutting a street for a distance of at least twenty-five (25) feet, including the width of any intervening alley, from such residential lot.

2. A yard shall be provided where a side lot line coincides with an alley right-of-way line or a side or rear lot line in an adjacent residence district. Such yard along such side lot line shall be equal in dimension to the minimum side yard which would be required under this ordinance for a residential use opposite such alley right-of-way line or on the adjacent residential lot.
3. A yard shall be provided where a rear lot line coincides with an alley right-of-way line or a side lot line or rear lot line in an adjacent district. Such yard along such rear lot line shall be ten (10) feet in depth for buildings not exceeding one story in height, and thirty (30) feet for buildings exceeding one story in height. However, where a rear lot line coincides with a railroad right-of-way line, a yard shall not be required along such rear lot line.

(6) C3L Commercial Service And Distribution District (Nonresidential).

(a) Statement Of Purpose. The C3L commercial service and distribution district is established to furnish a wide variety of goods, services and distribution activities. Within this district, residential development is prohibited because most of the permitted uses are not compatible with nontransient residential development. A full range of retail, service, wholesale, warehouse and distribution activities is permitted.

(b) General Regulations. Uses permitted in the C3L district are subject to the following conditions:

1. All business, servicing or processing, except for offstreet parking, off-street loading, display of merchandise for sale to the public, establishments of the drive-in type and outdoor eating areas of restaurants approved as a conditional use by the Plan Commission, shall be conducted within completely enclosed buildings unless otherwise indicated hereinafter. (Am. by Ord. 4306, 8-29-73)
2. Parking of trucks as an accessory use, when used in the conduct of a permitted business listed hereinafter, shall be limited to vehicles of not over one and one-half (1 1/2) tons capacity when located within one hundred fifty (150) feet of a residence district boundary line.
3. All storage within one hundred (100) feet of a residence district, arterial or collector street, except for motor vehicles in operable condition, shall be within completely enclosed buildings or effectively screened with screening not less than six (6) feet nor more than eight (8) feet in height, provided no storage located within fifty (50) feet of such screening shall exceed the maximum height of such screening; further provided, however, the Zoning Administrator may approve alternate landscaping/screening plans meeting the general intent, purpose and guidelines of the revised "New Approach to Parking Lot Landscaping" adopted by Substitute Resolution No. 37,915. (Am. by Ord. 8300, 4-16-84)

(c) Permitted Uses. The following uses are permitted in the C3L district:
1. Any use permitted in the C3 district excepting dwelling units and lodging rooms located above the ground floor.
2. Dwelling units for watchmen and their families located on the premises where they are employed.

(d) Conditional Uses. Any use allowed as a conditional use in the C3 district, excepting dwelling units and lodging rooms located on the ground floor, may be allowed in the C3L district, subject to the provisions of Section 28.12(10).

(e) Floor Area Ratio. In the C3L district, the floor area ratio shall not exceed 3.0.

(f) Yard Requirements. In the C3L district, the yard requirements of the C3 district shall apply.

(g) (R. by Ord. 5831, 5-6-77)

CHANGE IN CONSUMER PRICE INDEX (CPI)
PAST FIVE YEARS

SMALL METRO AREAS
NORTH CENTRAL STATES
FOR ALL URBAN CONSUMERS
DECEMBER 1977 = 100

AS OF FEB	INDEX	PERCENT CHANGE IN INDEX	AS OF JUNE	INDEX	PERCENT CHANGE IN INDEX	AS OF OCT	INDEX	IN INDEX
1979	111.8	N/A	1979	116.8	N/A	1979	121.9	N/A
1980	126.4	13.1%	1980	131.9	12.9%	1980	135.1	10.8%
1981	139.7	10.5	1981	142.3	7.9	1981	145.9	8.0
1982	149.1	6.7	1982	155.2	9.1	1982	155.9	6.9
1983	155.8	4.5	1983	158.3	2.0	1983	161.1	3.3
1984	162.5	4.3	1984	164.7	4.0	1984	167.2	3.8

CHANGE FROM OCTOBER OF PRECEDING YEAR TO DECEMBER OF FOLLOWING YEAR

	OCT		DEC	% CHANGE
1979	121.9	1980	136.6	12%
1980	135.1	1981	147.4	9
1981	145.9	1982	156.2	7
1982	155.9	1983	161.6	3.7
1983	161.1	1984	~ 168.0	~ 4.2
1984	167.2	1985		

POTENTIAL COMPARABLE SALES OF INDUSTRIAL WAREHOUSES IN THE MADISON AREA 1979 - 1984

ADDRESS	ZONING	BLDG. TYPE	YEAR BUILT	GROSS BLDG. AREA (SF)	STRUCTURE TYPE	LAND AREA SQUARE FEET	SALE DATE	CONVEYANCE	SALE PRICE	NOMINAL PRICE/SF	CASH PRICE/SF
WASHINGTON, 3165 E.	C2C3	WHSE/STORE	1953	4600	STEEL FRAME	19315	840629	LC	99000	21.52	
ONEILL, 1115	M1	WHSE/OFFICE	1965	13832	EXT. MASONRY/STEEL	45920	840627	LC	210000	15.18	14.46
NAKOOSA, 4317	M1	WAREHOUSE	1970	3187	EXT. MASONRY/STEEL	44869	840608	WD	77000	24.16	24.16
MAIN, 924 E.	M1	WAREHOUSE	1929	7063	EXT. MASONRY/WOOD	10890	840518	LC	80000	11.33	
FEMRITE, 4610-4622	C3L	WHSE/OFFICE	1965-70	17300	STEEL FRAME	52160	840229	LC	325000	18.79	17.40
BROADWAY, 4806 E.	C3C3L	WHSE/OFFICE	1971	10000	EXT. MASONRY/STEEL	44820	840223	WD	250000	25.00	25.00
SEIFERTH, 2606	M1	WAREHOUSE	1975	5000	EXT. MASONRY/STEEL	15797	831222	WD	120000	24.00	24.00
FEMRITE, 4607	C3L	WHSE/OFFICE	1973	6000	PREENGINEERED STEEL	20211	830909	LC	125500	20.92	20.00
WATSON, 925	M1	WHSE/OFFICE	1983	10464	EXT. MASONRY/STEEL	50085	830902	WD	480000	45.87	45.87
MAYFAIR, 615	M1	WAREHOUSE	1978	12150	PREENGINEERED STEEL	59377	830831	WD	198000	16.30	16.30
STOUGHTON, 2314 S.	C3L	WHSE/SHOP	1964	6672	EXT. MASONRY/WOOD	36591	830103	WD	200000	29.98	29.98
INTERNATIONAL, 3521	M1	WAREHOUSE	1975	43500	PREENGINEERED STEEL	266509 [1]	830101	OTHER	1325000	30.46	
PFLAUM, 4605	M1	WHSE/OFFICE	1971	6640	PREENGINEERED STEEL	123293	821029	WD	110000	16.57	16.57
WASHINGTON, 3501 E.	C2	WHSE/STORE	1963	23820	EXT. MASONRY/STEEL	50827	821001	LC	450000	18.89	
STOUGHTON, 2627 S.	M1	WHSE/OFFICE	1971	8051	EXT. MASONRY/STEEL	40551	820729	WD	192000	23.85	23.85
WATFORD WAY, 3103	M1	WAREHOUSE	1970	14000	STEEL FRAME	26942	820630	LC	220000	15.71	14.94
COMMERCIAL, 1741	M1	WAREHOUSE	1916	22958	EXT. MASONRY/STEEL	205254	820511	WD	198000	8.62	8.62
WINGRA, 820 W.	C3L	WHSE/OFFICE	1964	39189	EXT. MASONRY/STEEL	78624	820211	OTHER	655000	16.71	
STOUGHTON, 1302 N.	C3	WHSE/SHOP	1971	3780	EXT. MASONRY/STEEL	13000	820128	WD	87000	23.02	23.02
STEWART, 1002	M1	WAREHOUSE	1979	18091	STEEL FRAME	51902	810807	WD	320000	17.69	17.69
ATLAS, 701	M1	WAREHOUSE	1971	14000	STEEL FRAME	43800	801107	WD	251000	17.93	17.93
JONATHON, 1109	C3L	WHSE/OFFICE	1964	17134	EXT. MASONRY/STEEL	101565	800808	LC	340000	19.84	
STOUGHTON, 2117 N.				25600			800201		466500	18.22	
COTTAGE GROVE, 4401	M1	WHSE/OFFICE	1955	34517	EXT. MASONRY/STEEL	194190	820630	WD	525000	15.21	15.21
WATSON, 929	M1	WHSE/OFFICE	1979	14684	EXT. MASONRY/STEEL	57935	790719	WD	345000	23.49	23.49
WATSON, 901	M1	WHSE/OFFICE	1964	57800	STEEL FRAME	125100	780505	LC	625000	10.81	10.81
BRYANT, 2810	C2	WHSE/OFFICE	1963	19760	EXT. MASONRY/STEEL	36450	830612	WD	212000	10.73	10.73

[1] Leased from Dane County.

APPENDIX D

CASH EQUIVALENT CALCULATIONS FOR COMPARABLE SALES

Comparable Sale No. 1

Sale Date: June 27, 1984

Nominal Sale Price:	$210,000	
Down Payment	21,000	(10%)
Land Contract Balance	$189,000	@ 11%, 20-year term, balloon in five years

Market Interest Rate: 6/84 = 13%

Discount Rate = 13%

Present value of $1,950.84 per month for 60 months:	$ 85,740	
Present value at end of five years of balance due of $171,038:	93,158	
Present value of down payment:	$21,000	
Total	$199.898	
CASH EQUIVALENT PRICE	$200,000	(rounded)

Comparable Sale No. 3

Sale Date: May 5, 1978

Nominal Sale Price:	$625,000	
Down Payment:	50,000	
Land Contract Balance:	$575,000	@ 10%, 40-year term, balloon in 10 years

Market Interest Rate: 5/78 = 10%, therefore no adjustment.

CASH EQUIVALENT PRICE: $625,000

Comparable Sale No. 5

Sale Date: February 29, 1984

Nominal Sale Price:	$325,000	
Down Payment:	39,000	
Land Contract Balance:	$286,000	@ 10%, 30-year term, balloon in five years

Market Interest Rate: 2/84 = 13%

Discount Rate = 13%

1984-1986 Present value of $2,509.85 per month for 24 months:	$ 52,792
Present value at end of two years of principal payment of $20,000 (4/86) (remaining balance = $262,653.90)	15,663
1985-1986 Present value of $2,332.25 per month for 36 months:	54,209
Present value at end of five years of balance due of $256,659.04:	139,304
Present value of down payment:	39,000
TOTAL	$300,968
CASH EQUIVALENT PRICE:	$301,000 (rounded)

Comparable Sale No. 6

Sale Date: June 30, 1982

Nominal Sale Price:	$220,000	
Down Payment:	30,000	
Land Contract Balance	$190,000	@ 12.5% for a 10-year term

Market Interest Rate: 6/82 = 14%

Discount Rate 14%

Present value of $2,781.16 per month for 120 months:	$179,121.78
Present value of down payment:	30,000.00
TOTAL	$209,121.78
CASH EQUIVALENT PRICE:	$209,000 (rounded)

APPENDIX E

COMPUTER OUTPUT OF DILMORE QUANTITATIVE POINT WEIGHTING PROGRAM

**** GOODWILL 3 ****

Attributes = 5

Attribute Names, Prelim. Weights ← Preliminary weights selected by the appraisers
GROSS BUILDING AREA (GBA) 20
LOCATION 20
RATIO OF LAND TO GBA 20
EFFICIENCY OF BUILDING DESIGN FOR STORAGE AND DISTRIBUTION 20
QUALITY OF HVAC SYSTEM 20

# of Observations = 6 ← Comparable sales with score for each comparable

Observ. # 1 1115 O'NEILL ST Price 14.46
GROSS BUILDING AREA (GBA) 5
LOCATION 1
RATIO OF LAND TO GBA 3
EFFICIENCY OF BUILDING DESIGN FOR STORAGE AND DISTRIBUTION 3
QUALITY OF HVAC SYSTEM 5
Observ. # 2 2810 BRYANT ST Price 10.73
GROSS BUILDING AREA (GBA) 3
LOCATION 3
RATIO OF LAND TO GBA 1
EFFICIENCY OF BUILDING DESIGN FOR STORAGE AND DISTRIBUTION 1
QUALITY OF HVAC SYSTEM 3
Observ. # 3 901 WATSON AVE Price 10.81
GROSS BUILDING AREA (GBA) 1
LOCATION 5
RATIO OF LAND TO GBA 1
EFFICIENCY OF BUILDING DESIGN FOR STORAGE AND DISTRIBUTION 1
QUALITY OF HVAC SYSTEM 3
Observ. # 4 4401 COTTAGE GROVE RD Price 15.21
GROSS BUILDING AREA (GBA) 3
LOCATION 5
RATIO OF LAND TO GBA 5
EFFICIENCY OF BUILDING DESIGN FOR STORAGE AND DISTRIBUTION 5
QUALITY OF HVAC SYSTEM 1
Observ. # 5 4610-22 FERMITE RD Price 17.4
GROSS BUILDING AREA (GBA) 5
LOCATION 3
RATIO OF LAND TO GBA 3
EFFICIENCY OF BUILDING DESIGN FOR STORAGE AND DISTRIBUTION 5
QUALITY OF HVAC SYSTEM 5
Observ. # 6 3103 WATFORD WAY Price 14.94
GROSS BUILDING AREA (GBA) 5
LOCATION 5
RATIO OF LAND TO GBA 1
EFFICIENCY OF BUILDING DESIGN FOR STORAGE AND DISTRIBUTION 3
QUALITY OF HVAC SYSTEM 1

The Matrix: ← Test matrix to select optimal combination of weights

20	20	20	20	20
10	10	10	10	10
15	15	15	15	15
25	25	25	25	25
30	30	30	30	30

Median = 4.565106 ← Initial results using appraiser's weights
Mean = 4.528223
Standard Deviation = .441591

Weights: ← Appraiser's initial weights
GROSS BUILDING AREA (GBA = 20
LOCATION = 20
RATIO OF LAND TO GBA = 20
EFFICIENCY OF BUILDING D = 20
QUALITY OF HVAC SYSTEM = 20

Final Results: ← Iterations to select optimal weight
Number of Combinations = 3125
Number of Combinations Adding to 100% = 381

Median = 4.153846 ← Final results using optimal weights
Mean = 4.175902
Standard Deviation = 5.067353E-02

Weights: ← Optimal weights
GROSS BUILDING AREA (GBA = 30
LOCATION = 30
RATIO OF LAND TO GBA = 10
EFFICIENCY OF BUILDING D = 10
QUALITY OF HVAC SYSTEM = 20

APPENDIX F

VALTEST OUTPUT TO TEST

INVESTMENT YIELDS OF VALUE ESTIMATES

TEST OF $360,000 INCOME APPROACH VALUE ESTIMATE

INPUT ASSUMPTIONS FOR--GOODWILL

BASIC DATA

Project Name	GOODWILL
Projection Period	5
Acquisition Cost	360,000
Is Property Subsidized Housing ? Y Or N	N
Is Property Residential? Y Or N	N
Is Owner A Taxable Corporation? Y Or N	N
Effective Ordinary Tax Rate	40.000
Effective Tax Rate In Year Of Sale	40.000
Cap Rate for NOI to Determine Resale Price	12.500
Owner's Reinvestment Rate in %	9.000
Owner's Discount Rate in %	9.000

MORTGAGE DATA

Do You Want To Use Standard Financing? Y Or N	Y
Mortgage Ratio Or Amount	70.859
Interest Rate	12.500
Mortgage Term	25
Payments Per Year	12
Points to be paid	0.000
Prepayment penalty	0.000
Is There Lender Participation? Y Or N	N
Income Cash Throw-Off To Lender In %	0.000
Resale Proceeds To Lender Before Taxes In %	0.000

COMPONENT DATA

Value or Ratio Of Improvement #1/Total Value	81.999
Depreciable Life Of Improvement #1	18
Depreciation Method, Improvement #1	1
Is There a Second Improvement	N
Value or Ratio of Component #2/Total Value	0.000
Depreciable Life of Component #2	0
Depreciation Method, Improvement #2	0
Rehabilitation Tax Credit for Improvement #2	0.000
Is Structure a Historic Landmark	N

INCOME AND EXPENSE SUMMARY

Year	Net Inc
1	43,390
2	45,126
3	46,931
4	48,808
5	50,760

SUMMARY OF FINAL SALE OF PROPERTY FOR--GOODWILL

Original Cost	360,000
Original Net Mortgage	255,093
Original Equity	104,907
Resale Price	406,081
Less Mortgage Balance	244,813
Proceeds Before Taxes	161,269
Less Lender's %	0
Prepayment Penalty	0
Net Sales Proceeds Before Taxes	161,269

Resale Price	406,081
Less Lender's %	0
Prepayment Penalty	0
Net Resale Price	406,081
Less Basis	278,001
Total Gain	128,080
Excess Depreciation	0
Excess Dep. Forgiven	0
Capital Gain	128,080
Ordinary Gain	0

Net Sales Proceeds	161,269
Tax On Capital Gain	20,493
Tax On Ordinary Gain	0
Total Taxes on Sale	20,493
Net Sales Proceeds After Tax	140,776

Net Income to Market Value Ratio in Year 1	0.1205
Net Income to Market Value Ratio in Year of Sale	0.1250
The IRR for the project before taxes is	19.64 %
The IRR for the project after taxes is	17.76 %
Assumes cash flows and tax losses at end of year and a reinvestment rate equal to the calculated IRR.	
The Modified IRR for the project before taxes	18.09 %
The Modified IRR for the project after taxes	16.28 %
Assumes cash flows and tax losses at end of year and a reinvestment rate of 9.00 %.	
The Net Present Value of the Project Before Taxes Using 9.00% as the Discount Rate is	51,677
The Net Present Value of the Project After Taxes Using 9.00% as the Discount Rate is	40,038

CASH FLOW REPORT FOR--GOODWILL

Year	Net Operating Income	Less Interest	Less Depreciation	Taxable Income	Less Principal Paid	Plus Depreciation
1	43,390	31,798	16,400	-4,809	1,579	16,400
2	45,126	31,589	16,400	-2,864	1,788	16,400
3	46,931	31,352	16,400	-823	2,025	16,400
4	48,808	31,084	16,400	1,324	2,293	16,400
5	50,760	30,781	16,400	3,580	2,596	16,400
	235,014	156,605	81,999	-3,592	10,280	81,999

Year	Cash Throw-Off	Income Taxes	Spendable Cash After Taxes	Equity Return Before Taxes	Equity Return After Taxes
1	10,012	-1,925	11,937	9.54%	11.38%
2	11,748	-1,147	12,895	11.20%	12.29%
3	13,552	-330	13,882	12.92%	13.23%
4	15,431	530	14,901	14.71%	14.20%
5	17,384	1,432	15,952	16.57%	15.21%
	68,127	-1,440	69,567	12.99%	13.26%

MORTGAGE ANALYSIS FOR--GOODWILL

Net Mortgage Amount	255,093	Mortgage Term	25
Mortgage Interest Rate	12.500	Mortgage Constant	13.084
Points on Mortgage	0.000	Prepayment Penalty	0.000
Lender Participation	0.000	Reversion	0.000

Year	Interest Paid	Principal Paid	Loan Participation	Debt Service	Mortgage Balance	Debt Coverage Ratio
1	31,798	1,579	0	33,377	253,514	1.3000
2	31,589	1,788	0	33,377	251,726	1.3520
3	31,352	2,025	0	33,377	249,702	1.4061
4	31,084	2,293	0	33,377	247,409	1.4623
5	30,781	2,596	0	33,377	244,813	1.5208
Avg:						1.4082

Lenders Participation in Sales Proceeds 0
Lenders Prepayment Penalty is 0

Lenders Internal Rate of Return is 12.50 %
assumes payments are made 12 times a year
at the end of the period and participation
is paid at the end of the year.

DEPRECIATION SCHEDULE FOR--GOODWILL
IMPROVEMENT # 1
Straight Line

Year	Depreciation For Tax Purposes	Straight Line Depreciation	Excess Depreciation	Balance
1	16,400	16,400	0	278,797
2	16,400	16,400	0	262,397
3	16,400	16,400	0	245,998
4	16,400	16,400	0	229,598
5	16,400	16,400	0	213,198
TOTAL	81,999	81,999	0	

TEST OF $380,000 MARKET COMPARISON APPROACH VALUE ESTIMATE

INPUT ASSUMPTIONS FOR--GOODWILL

BASIC DATA

	GOODWILL
Project Name	
Projection Period	5
Acquisition Cost	380,000
Is Property Subsidized Housing ? Y Or N	N
Is Property Residential? Y Or N	N
Is Owner A Taxable Corporation? Y Or N	N
Effective Ordinary Tax Rate	40.000
Effective Tax Rate In Year Of Sale	40.000
Cap Rate for NOI to Determine Resale Price	12.500
Owner's Reinvestment Rate in %	9.000
Owner's Discount Rate in %	9.000

MORTGAGE DATA

Do You Want To Use Standard Financing? Y Or N	Y
Mortgage Ratio Or Amount	67.130
Interest Rate	12.500
Mortgage Term	25
Payments Per Year	12
Points to be paid	0.000
Prepayment penalty	0.000
Is There Lender Participation? Y Or N	N
Income Cash Throw-Off To Lender In %	0.000
Resale Proceeds To Lender Before Taxes In %	0.000

COMPONENT DATA

Value or Ratio Of Improvement #1/Total Value	82.895
Depreciable Life Of Improvement #1	18
Depreciation Method, Improvement #1	1
Is There a Second Improvement	N
Value or Ratio of Component #2/Total Value	0.000
Depreciable Life of Component #2	0
Depreciation Method, Improvement #2	0
Rehabilitation Tax Credit for Improvement #2	0.000
Is Structure a Historic Landmark	N

INCOME AND EXPENSE SUMMARY

Year	Net Inc
1	43,390
2	45,126
3	46,931
4	48,808
5	50,760

SUMMARY OF FINAL SALE OF PROPERTY FOR--GOODWILL

Original Cost	380,000
Original Net Mortgage	255,093
Original Equity	124,907
Resale Price	406,081
Less Mortgage Balance	244,813
Proceeds Before Taxes	161,269
Less Lender's %	0
Prepayment Penalty	0
Net Sales Proceeds Before Taxes	161,269

Resale Price	406,081
Less Lender's %	0
Prepayment Penalty	0
Net Resale Price	406,081
Less Basis	292,500
Total Gain	113,581
Excess Depreciation	0
Excess Dep. Forgiven	0
Capital Gain	113,581
Ordinary Gain	0

Net Sales Proceeds	161,269
Tax On Capital Gain	18,173
Tax On Ordinary Gain	0
Total Taxes on Sale	18,173
Net Sales Proceeds After Tax	143,096

Net Income to Market Value Ratio in Year 1	0.1142
Net Income to Market Value Ratio in Year of Sale	0.1250
The IRR for the project before taxes is	14.84 %
The IRR for the project after taxes is	13.51 %
Assumes cash flows and tax losses at end of year and a reinvestment rate equal to the calculated IRR.	
The Modified IRR for the project before taxes	14.04 %
The Modified IRR for the project after taxes	12.79 %
Assumes cash flows and tax losses at end of year and a reinvestment rate of 9.00 %.	
The Net Present Value of the Project Before Taxes Using 9.00% as the Discount Rate is	31,677
The Net Present Value of the Project After Taxes Using 9.00% as the Discount Rate is	23,257

CASH FLOW REPORT FOR--GOODWILL

Year	Net Operating Income	Less Interest	Less Depreciation	Taxable Income	Less Principal Paid	Plus Depreciation
1	43,390	31,798	17,500	-5,909	1,579	17,500
2	45,126	31,589	17,500	-3,965	1,788	17,500
3	46,931	31,352	17,500	-1,923	2,025	17,500
4	48,808	31,084	17,500	224	2,293	17,500
5	50,760	30,781	17,500	2,479	2,596	17,500
	235,014	156,605	87,500	-9,094	10,280	87,500

Year	Cash Throw-Off	Income Taxes	Spendable Cash After Taxes	Equity Return Before Taxes	Equity Return After Taxes
1	10,012	-2,365	12,377	8.02%	9.91%
2	11,747	-1,587	13,334	9.40%	10.68%
3	13,552	-770	14,322	10.85%	11.47%
4	15,431	90	15,341	12.35%	12.28%
5	17,383	992	16,391	13.92%	13.12%
	68,126	-3,640	71,766	10.91%	11.49%

MORTGAGE ANALYSIS FOR--GOODWILL

Net Mortgage Amount	255,093	Mortgage Term	25
Mortgage Interest Rate	12.500	Mortgage Constant	13.084
Points on Mortgage	0.000	Prepayment Penalty	0.000
Lender Participation	0.000	Reversion	0.000

Year	Interest Paid	Principal Paid	Loan Participation	Debt Service	Mortgage Balance	Debt Coverage Ratio
1	31,798	1,579	0	33,377	253,514	1.3000
2	31,589	1,788	0	33,377	251,726	1.3520
3	31,352	2,025	0	33,377	249,702	1.4061
4	31,084	2,293	0	33,377	247,409	1.4623
5	30,781	2,596	0	33,377	244,813	1.5208
Avg:						1.4082

Lenders Participation in Sales Proceeds 0
Lenders Prepayment Penalty is 0

Lenders Internal Rate of Return is 12.50 %
assumes payments are made 12 times a year
at the end of the period and participation
is paid at the end of the year.

DEPRECIATION SCHEDULE FOR--GOODWILL
IMPROVEMENT # 1
Straight Line

Year	Depreciation For Tax Purposes	Straight Line Depreciation	Excess Depreciation	Balance
1	17,500	17,500	0	297,500
2	17,500	17,500	0	280,000
3	17,500	17,500	0	262,500
4	17,500	17,500	0	245,000
5	17,500	17,500	0	227,500
TOTAL	87,500	87,500	0	

APPENDIX G

ATV COMPUTER FOR DISCOUNTED CASH FLOW
VALUATION OF SUBJECT PROPERTY ASSUMING
THREE MONTHS' REVENUE LOSS DUE TO VACANCY

GOODWILL BUILDING
2422 PENNSYLVANIA AVENUE
MADISON , WI 53704
By LANDMARK RESEARCH-GRAASKAMP/DAVIS

VALUE	$353,607.
AFTER TAX YIELD	16.00000
OVERALL RATE	0.09128
MORTGAGE CONSTANT	0.13084
MORTGAGE VALUE	$255,093.
BUILDING VALUE	$288,607.
EQUITY VALUE	$98,514.
EQUITY DIVIDEND	-0.01115

EQUITY YIELD RATE	16.00000
HOLDING PERIOD	5
LOAN NUMBER	1
INTEREST RATE	0.00000
LOAN TERM	5.00000
PAYMENTS PER YEAR	1
LOAN AMOUNT	255,093
TAX RATE	0.40000
CAPITAL GAINS TAX RATE	0.16000
RESALE PRICE	$406,000.
LAND VALUE	$65,000.
DEPRECIATION METHOD	SL
COST RECOVERY PERIOD	18
NET OPERATING INCOME	$32,278.
CHANGE IN NOI	0.57258
INCOME ADJUSTMENT FACTOR	YR
SELLING COST	0.04000

C A S H F L O W S U M M A R Y

	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
NOI	$32,278.	$45,126.	$46,931.	$48,808.	$50,760.
DEBT SER#1	-$33,377.	-$33,377.	-$33,377.	-$33,377.	-$33,377.
BTCF	-$1,099.	$11,749.	$13,554.	$15,431.	$17,383.
NOI	$32,278.	$45,126.	$46,931.	$48,808.	$50,760.
INTEREST 1	-$31,798.	-$31,589.	-$31,352.	-$31,084.	-$30,781.
DEPREC	-$16,034.	-$16,034.	-$16,034.	-$16,034.	-$16,034.
TAXABLE	-$15,553.	-$2,497.	-$455.	$1,690.	$3,946.
TAXES	-$6,221.	-$999.	-$182.	$676.	$1,578.
ATCF	$5,123.	$12,748.	$13,736.	$14,755.	$15,805.

RESALE PRICE	$406,000.
SELLING COST	-$16,240.
LOAN BALANCE # 1	-$244,812.
BEFORE TAX PROCEEDS	$144,948.
TAXES	-$18,611.
AFTER TAX PROCEEDS	$126,337.

RESALE PRICE	$406,000.
SELLING COST	-$16,240.
ADJUSTED BASIS	-$273,439.
TAXABLE GAIN	$116,321.
LONG TERM GAIN	$116,321.
ORDINARY TAXES	$0.
CAPITAL GAINS TAX	$18,611.

EQUITY CASH FLOW SUMMARY

YEAR	CASH FLOW
0	-$98,514.
1	$5,123.
2	$12,748.
3	$13,736.
4	$14,755.
5	$142,142.