An appraisal of the Tenney Building located in the city of Madison at 110 East Main Street. April 30, 1980

Landmark Research, Inc.
[s.l.]: [s.n.], April 30, 1980

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THE TENNEY BUILDING

AT 110 EAST MAIN STREET

MADISON, WISCONSIN

PREPARED FOR

THE ESTATE OF GEORGE J. MALOOF

Landmark Research Inc.

AN APPRAISAL

OF

THE TENNEY BUILDING

LOCATED IN

THE CITY OF MADISON

AT

110 EAST MAIN STREET

AS OF

APRIL 30, 1980

PREPARED FOR

THE ESTATE OF GEORGE J. MALOOF

PREPARED BY

LANDMARK RESEARCH, INC.

JAMES A. GRAASKAMP

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Tim Warner, MS, MAI, SREA
Jean B. Davis, MS

December 23, 1980

R. Christian Davis
Trust Account Manager
First Wisconsin National Bank of Madison
One South Pinckney Street
Madison, Wisconsin 53703

Dear Mr. Davis:

With this letter we are delivering to you the appraisal of the Tenney Building at 110 East Main Street, Madison, Wisconsin, requested as a measure of fair market value as of April 30, 1980, for the purposes of settling the estate of George J. Maloof.

My associate, Jean B. Davis, real estate appraiser and analyst, and I have inspected the building and she has talked on several occasions with the building manager, Pat Maloof; with the building engineer, Jack Stone; and with representatives of the former building owners, the First Wisconsin Development Corporation. We were provided a monthly accounting history, but it was necessary to reconstruct these records from the general journal and from assumptions in accordance with appraisal methods. We were provided with information regarding lease terms, rental rates, and occupancy data since October 1, 1976, when the building was purchased by the Tenney Building Company. Adjustments to revenue were made for space rented for lower than market rates to value the fee unencumbered by leasehold interests. Rents were imputed to areas occupied by the owner. Standard office management practices were incorporated in the projection of expenses.

The present use of the site is assumed to be its most probable use. The inefficient size and shape of the Tenney site would limit a new office building to that of investment for income, rather than to corporate or institutional headquarters.

Our estimate is based upon the market comparison approach to value, substantiated by the income approach, using the discounted cash flow methodology, with somewhat optimistic cash revenue and cash outlay forecasts (specific details provided within the report). As further explained in the report, the cost approach to value was inapplicable to this building as of April 30, 1980.

R. Christian Davis
Page Two
December 23, 1980

Based upon the assumptions and limiting conditions presented in the attached report, it is the opinion of the appraiser that the highest probable price in dollars and fair market value of the subject property which might be obtained as of April 30, 1980, is the amount of:

ONE MILLION ONE HUNDRED FIFTY THOUSAND DOLLARS
($1,150,000)

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

Sincerely yours,

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

Jean B. Davis

Jean B. Davis, MS
Landmark Research, Inc.

deb

TENNEY BUILDING
110 East Main Street
Madison, Wisconsin

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SUMMARY OF IMPORTANT FACTS, ASSUMPTIONS AND CONCLUSIONS

Address of Property:	110 East Main Street Madison, Wisconsin		
Date of Valuation:	April 30, 1980		
Type of Estate:	Fee simple subject to zoning and building restrictions		
Site Dimensions:	Lot 7	66 ft. x 132 ft.	8,712 SF
	Lot 8	66 ft. x 132 ft.	8,712 SF
	Lot 6	42 ft. x 132 ft.	5,544 SF
		Total	22,968 SF
Improvements	Fifty-two year old, ten-story concrete structure finished in cut limestone with approximately 6,950 square feet of net leaseable retail first floor area and a total of 74,000 square feet of net leaseable area with 24 rentable parking spaces		
Legal Constraints:	Zoning C-4 Capitol Preservation District Capitol Fire Zone District Capitol Concourse Assessment District--Phase II		
Most Probable Use:	Continued use as an office building for rental income		
Most Probable Buyer:	Professional developer capable of instituting a refurbishing and moderization program together with an updated leasing program		
Probable Terms of Sale:	Cash to the seller with financing determined by a debt cover ratio of 1.3, interest at 12 percent for a term of 20 years		
Value Estimated:	Market Data Approach		$1,150,000
	Income Approach		$1,150,000
Current Assessed Value (1980):	Land		$608,300
	Improvements		591,700
(100% of market)	Total		$1,200,000
Real Estate Taxes (1979):	Property Tax		$25,341.40
	Special		2,456.93
			$27,798.33

I. PROBLEM ASSIGNMENT

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

This appraisal is requested as a measure of Fair Market Value as of April 30, 1980, of the Tenney Building located at 110 East Main Street in the City of Madison, Dane County, Wisconsin, for the purpose of settling the estate of George J. Maloof.

A. Legal Interest to be Appraised

1. Property Identification

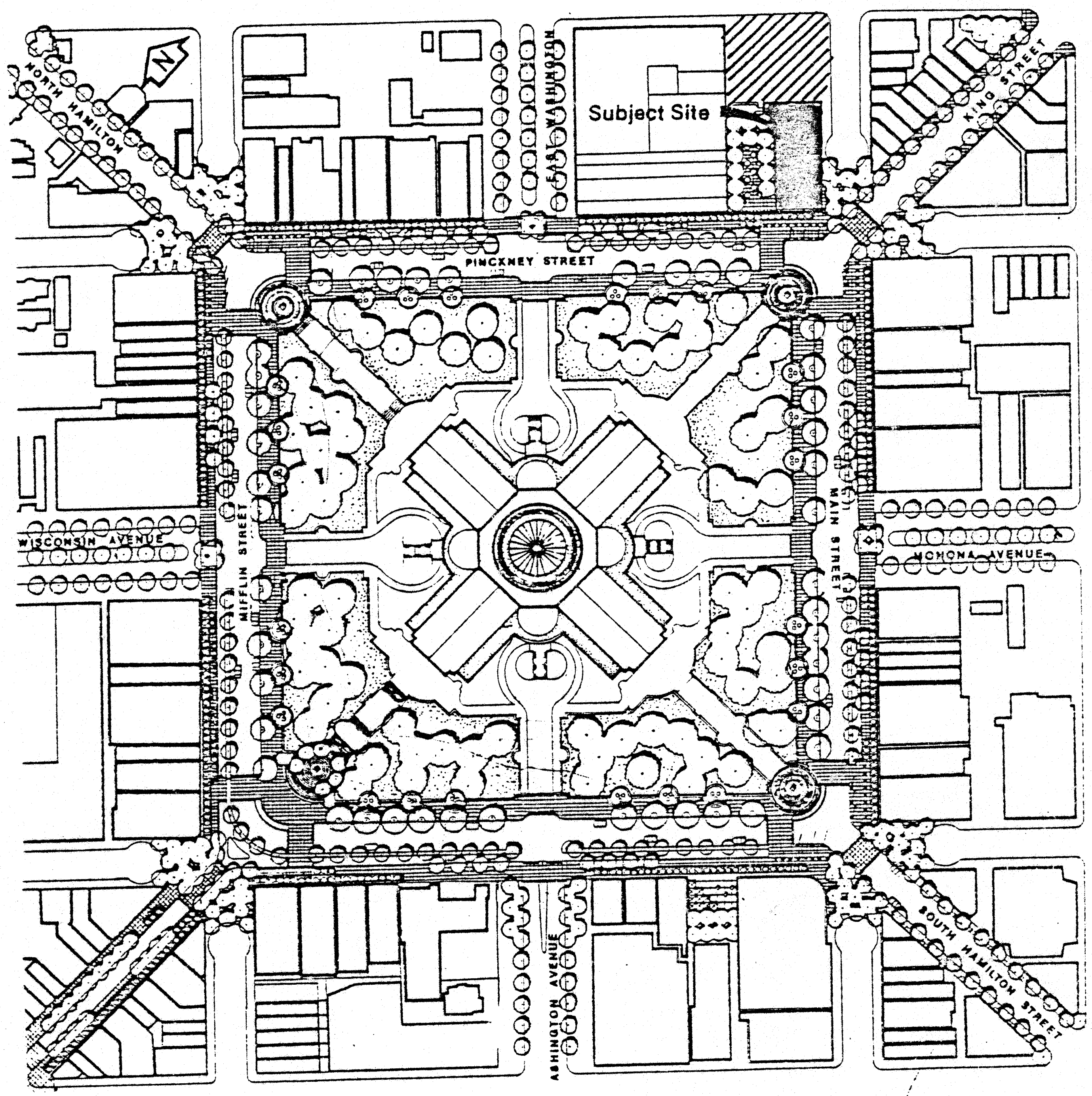
The subject property of this appraisal is the TENNEY BUILDING in downtown Madison, Wisconsin, identified as 110 East Main Street (see Exhibit 1 for location on Madison Square), and more specifically identified for tax purposes as tax parcel number 0709-133-2901-1.

2. Legal Description

The legal description of the subject property as of October 1, 1979, taken from the Warranty Deed, Document Number 1489472, Vol. 731, p. 356, in the Dane County Register of Deeds Office, in which title of the subject property was transferred from First Wisconsin Development Corporation to the Tenney Building Company, is as follows:

EXHIBIT 1

LOCATION OF SUBJECT SITE RELATIVE TO CAPITOL SQUARE



Lot Seven (7) and Eight (8) and the Southeast forty-two (42) feet of Lot Six (6), Block One Hundred Two (102) in the City of Madison, Dane County, Wisconsin. (See Exhibit 2.)

3. Qualification of Property Interests

The appraisal is to include only the real estate interests at the above location, and will therefore exclude the value of all personalty subject to the personal property tax, whether utilized in general building operations or specialized for tenant leasehold improvements.

B. Selection of Fair Market Value Appraisal Methodology

1. Value Definition

For the purpose of this appraisal, the most appropriate definition of Fair Market Value is:

> The most probable price in terms of money which a property is expected to bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller, each acting prudently, knowledgeably and assuming the price is not affected by undue stimulus.
>
> Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:
>
> 1. Buyer and seller are typically motivated.
> 2. Both parties are well informed or well advised, and each acting in what he considers his own best interest.
> 3. A reasonable time is allowed for exposure in the open market.
> 4. Payment is made in cash or its equivalent, if market conditions indicate that cash sales prevail.

5. Financing, if any, is on terms generally available in the community at the specified date and typical for the property type in its locale.

6. The price represents a normal consideration for the property sold unaffected by special financing amounts and/or terms, services, fees, costs, or credits incurred in the transaction.[1]

For the purposes of this appraisal, fair market value is synonymous with most probable selling price. The value estimate assumes cash to the seller with conventional financing.

2. Appraisal Method

The appraisal process would prefer to base valuation estimates on actual current sales of comparable property where buyer and seller were under no special duress and where no special financing, not obtainable in the marketplace, was provided by the seller. If market sales are inappropriate, the income approach is preferred.

a. Market Comparable Sales Approach

Seven sales of properties on or adjacent to the Capitol Square between July of 1977 and July of 1978, which were purchased by investors for use as multi-tenant office space, are used to provide a benchmark of fair market value (see Section III). Because the sales are dated and there is variance in the comparability of these sales to the subject, the income approach,

---

[1]THE REAL ESTATE APPRAISER, Nov. - Dec. 1977, p. 18.

using the discounted cash flow methodology, is used to substantiate the value estimated by the market comparable approach to valuation.

b. Relevance of the Income Approach

An office building is a vehicle for purchase of investment income and appreciation, not unlike any other cash cycle investment with a series of returns. The relationship of outlays and receipts in time and quantity determines investor rate of return. Conversely, if the investment return desired is assumed and net receipts can be estimated, the relationship can be reversed to determine the maximum outlay, i.e., probable purchase price, which could be justified by the investor (see Section IV).

c. Legality of the Income Approach

The Supreme Court of Wisconsin has stated:

> If income be considered and the capitalization of income formula applied, net income, not gross income, should be considered.

The use of an income approach to valuation in arriving at the market value of property has been approved by the Wisconsin Supreme Court in the following cases: State ex rel. Garton Toy Company vs. Mosel, supra, 259; State ex rel. IBM Corporation 311-313; Rahr Malting Company vs. Manitowoc, (1973) 225 Wisconsin 401, 405; State ex rel. Northwestern Mutual Life Insurance Co. vs. Weiher, supra, 450.

d. Limitations of the Cost Approach

The cost approach to value is limited to those situations where improvements are new and represent the optimum use of the site in question. The subject property was built in 1928; its equipment is obsolete and its layout does not lend itself to efficient modernization. It violates the basic conditions required for the cost approach.

II. PHYSICAL ANALYSIS OF SUBJECT PROPERTY

The market value of the property depends on its comparability to substitute investments or its income investment productivity which can be attributed to the interrelationship of the physical site and the improvements.

In analyzing the subject property, it is useful to review the physical attributes and improvements, the legal attributes constraining use of the parcel, the linkages of the property location to generators of office and retail demand which will determine its revenue potential, and the dynamic attributes of the site, that is, how people perceive and behave relative to the property.

A. Physical Attributes of the Site

The subject property is located on the northeast corner of East Main and South Pinckney Streets, extending through to Webster Street on the east as identified on the general area map of Exhibit 1, and dimensioned on the parcel map of Exhibit 2.

1. Area

The Tenney Building parcel includes corner Lot 8 (66 x 132 feet) fronting on South Pinckney Street and East Main Street; corner Lot 7 (66 x 132 feet) fronting on Webster Street and East Main Street; and Lot 6 (42 x 132 feet) fronting on Webster Street. This site area totals 22,968 square feet. In addition, the Tenney Building site enjoys the privilege of certain vaulted spaces below

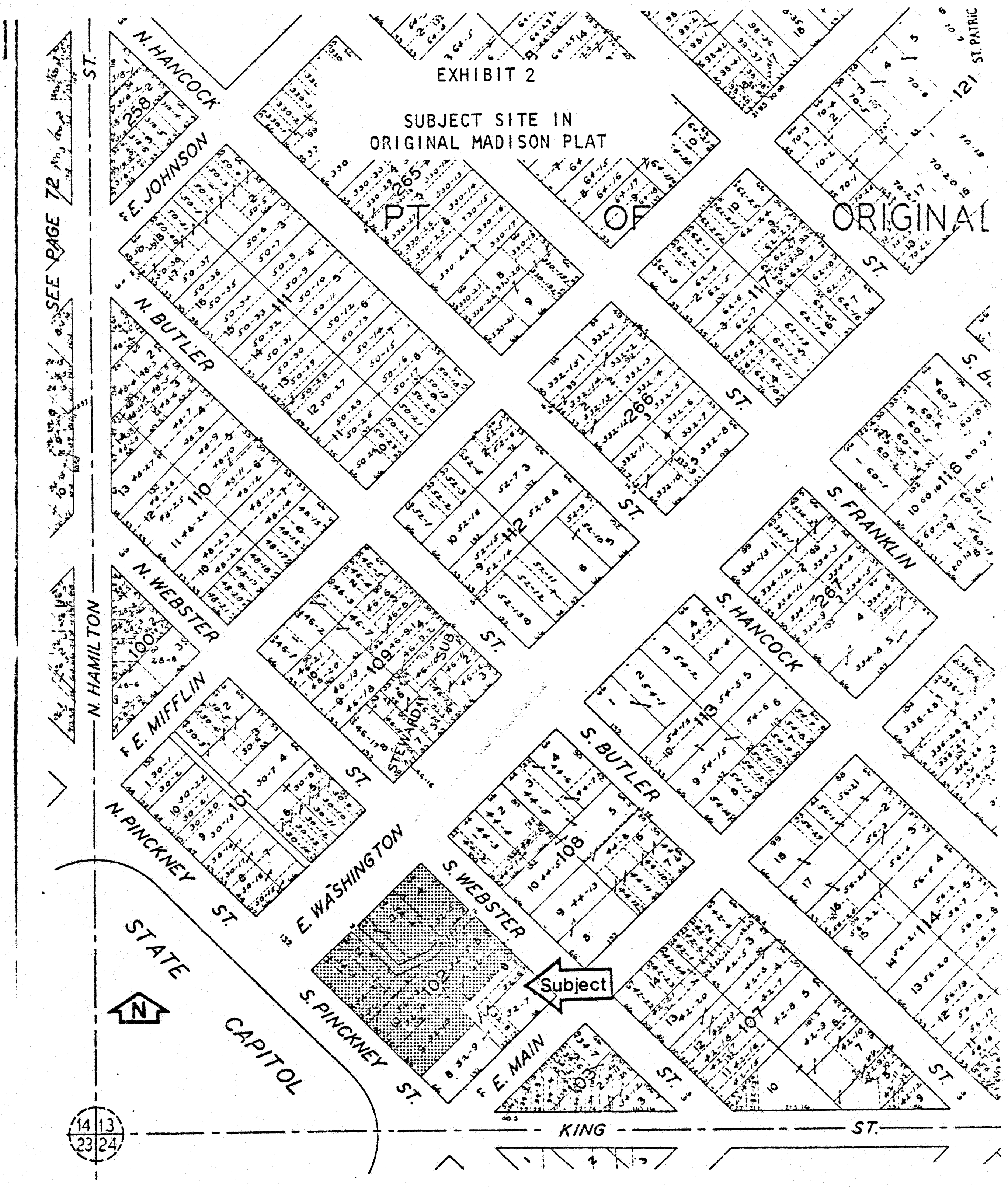


EXHIBIT 2
SUBJECT SITE IN
ORIGINAL MADISON PLAT
PT OF ORIGINAL
SEE PAGE 72
N. HAMILTON ST.
N. HANCOCK
E. JOHNSON
N. BUTLER
N. WEBSTER
E. MIFFLIN
N. PINCKNEY ST.
E. WASHINGTON
STEWARD SUB
S. WEBSTER
S. PINCKNEY ST.
E. MAIN ST.
S. BUTLER
S. HANCOCK
S. FRANKLIN
ST. PATRIC
STATE CAPITOL
KING ST.
Subject
N
258
265
121
111
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112
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14 13
23 24

the sidewalk of East Main Street (transformer vaults and storage) and on the South Pinckney Street frontage (boiler room and related storage), totaling approximately 1,600 square feet.

2. Topography

The Capitol Square area is a hill between Lake Mendota to the north and Lake Monona to the south. The hill drops sharply to almost lake level within three blocks of the Square, giving prominence to the Capitol and major business buildings at the City's center. Accent on this elevation is strengthened by controls on building height within a mile of the Capitol. (See Section B-1 on Legal Attributes of Site).

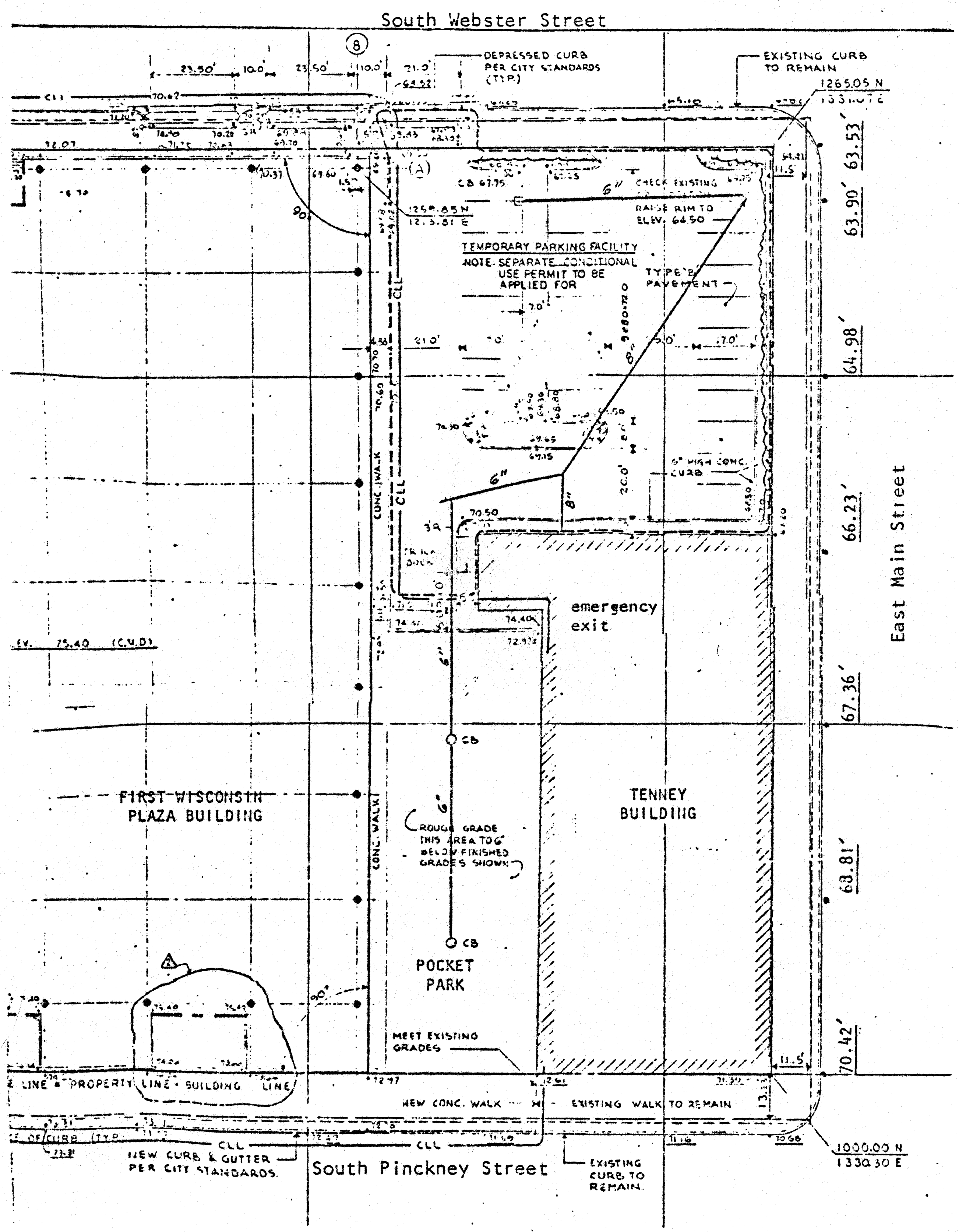
The subject site (see Exhibit 3) slopes from Pinckney to Webster Streets approximately eight feet so that the main lobby on the East Main Street side is approximately three feet below the main floor level opening on Pinckney Street, and there is no at-grade entrance to the parking lot at the rear of the site. Indeed, the original designers of the building were unable to provide an adequate loading dock to the former alley so that all materials for building operations must arrive through the front lobby or through a sharply pitched ramp and stairs dropping some 18 feet to the second sub-basement. This second entrance can be reached by truck from a parking lot opening on Webster.

3. Soils

Soil conditons are essentially sandy loam and very suitable for high rise construction.

EXHIBIT 3

SITE PLAN OF SUBJECT PROPERTY



4. Sewer Service

There is an eight inch sewer main on East Main Street and a new six inch lateral to the subject property to replace sewer and storm water lines that were in an alley easement vacated to permit construction of the First Wisconsin Plaza. There is a single four inch water line serving the subject property from East Main Street.

5. Storm Water Access

Reference to Exhibit 3 will indicate storm water lines and catch basins serving the pocket park, existing building, and temporary parking facility with eight inch lines to a catch basin at the southeast corner of the parcel and connected to a storm water collector on South Webster Street.

6. Other City Services

The tax parcel receives City of Madison fire and police protection and city maintenance and plowing of sidewalks 11.5 feet wide on East Main Street and 13 feet wide on South Pinckney Street. Unfortunately, angle parking is available only on the opposite side of East Main Street. No parking or stopping is permitted at the entrance to the subject property.

7. Special Site Improvements

In addition to the Tenney Building, which occupies ground area of 65.6 x 155 feet, plus a service area of 22 x 18 feet, or a total of 10,564 square feet, there is a temporary parking lot for 24 cars, which is approximately 110 x 99 feet or 10,890 square feet. In May 1977 an automatic parking gate was installed at an approximate cost of $10,000. Approximately 176.5 square feet are part of a paved walkway serving a fire exit as noted in Exhibit 3. The parking lot is screened with a hedge of honeysuckle shrubs and honey locust trees within a six inch concrete curb. The parking lot is temporary according to terms of conditional use permit discussed under legal attributes.

The vest pocket park adjoining the Tenney Building is part of the First Wisconsin Plaza. There is no access to this mall from the Tenney Building except for the emergency exit fire door at the rear of the mall.

There is an electrical transformer vault below the sidewalk on East Main Street at the rear of the building and additional storage vaults below the sidewalk for a width of 10 feet and a distance of 132 feet to the corner of the building at East Main and Pinckney Streets (see basement floor diagram, Appendix A). These vaults encroach on the City of Madison right-of-way by privilege of the City Council, and no rents are paid. The City Engineering Office required the present owner to waterproof the vault roofs and to rebuild and reinforce the sidewalks over them in 1977. Extra concrete was poured along the vault walls between South Pinckney Street and the office entrance to stem some water leaks. The cost to the property owner was approximately $6,500.

8. Adaptability as Office Building Site

The shape and size of the Tenney site is relatively inefficient for a prestigious, institutional home office building with adequate underground parking. Moreover, any new building on the site would be dominated by the glass overstatement made by the First Wisconsin Plaza adjoining the subject property. Even a new office building on the site would be of investment grade, rather than an institutional tour de force.

B. <u>Legal-Political Attributes of Site</u>

The subject property is zoned C-4, Central Commercial District. This district is intended to accommodate uses which are of city-wide, regional, or governmental significance. In addition, retailing and specialized commercial activity such as restaurants are appropriate. All new construction and any major alteration of an exterior building face must be approved because of the community's objective to develop and maintain this district as a community and state-wide center for business, service, and government. However, broad zoning or permissible uses under C-4 will be modified by a variety of statutory and administrative factors peculiar to downtown Madison at this time.

1. Capitol View Preservation

According to Section 28.04 (14) (B) of the Madison General Ordinance:

> All buildings or structures erected, altered or enlarged shall be subject to the following regulation:
>
> No portion of any building or structure located within one mile of the center of the State Capitol Building shall exceed the elevation of the base of the columns of said Capitol Building or one hundred

> eighty-seven and two-tenths (187.2) feet, City datum. Provided, however, this prohibition shall not apply to any flagpoles, communication towers, church spires, elevator penthouses and chimneys exceeding such elevation, when approved as conditional uses. For the purpose of this subsection, City datum zero (0.00) feet shall be established as eight hundred forty-five and six-tenths (845.6) feet above sea level as established by the United States Coast and Geodetic Survey.

This subsection was established to preserve as well as to promote and enhance the view of the State Capitol Building. The Tenney Building roof is just within the elevation limit, but elevator housings encroach on the Capitol view zone by approximately 17 feet.

2. Madison Planning Commission

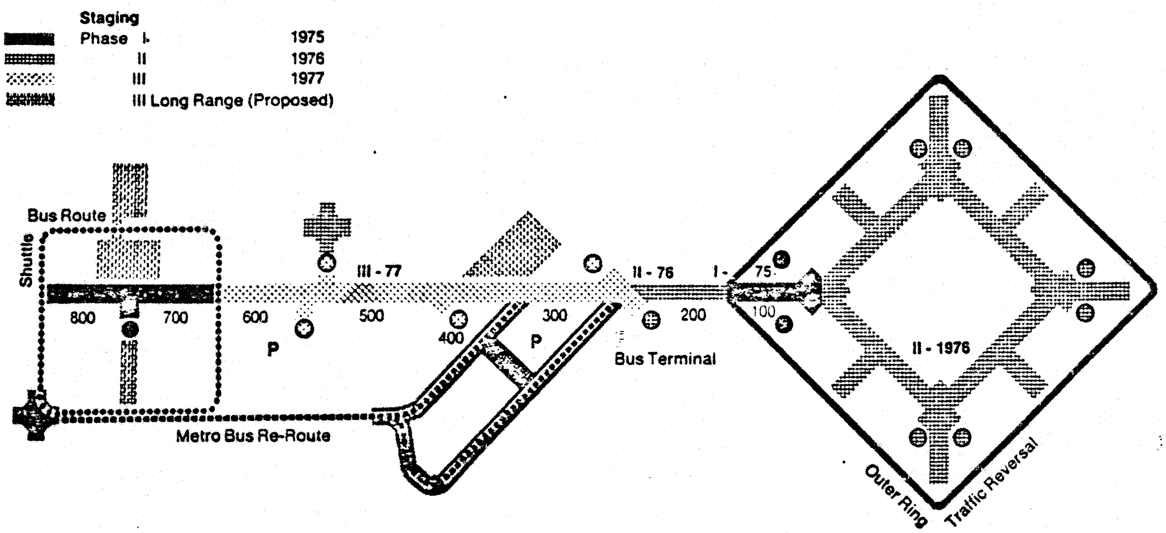
Any new construction or any major alterations of the exterior face of the buildings located downtown shall be permitted only when approved by the Madison Planning Commission.

3. Capitol Concourse Project

The City of Madison has completed two phases of the Capitol Concourse--State Street Mall Project designed to refurbish the retail core area of the Central Business District (CBD). The original plans, which were made in the early 1970s, are detailed in Exhibits 4 and 5. Phase III, originally scheduled to begin in 1977, was started during the Spring of 1980; city construction activity in 1978-79 has concentrated on the completion of the Madison Civic Center just northeast of the proposed (but now discarded) location of the bus terminal shown in Exhibit 5. This latter site has been cleared for the proposed Federal Courthouse.

EXHIBIT 4

PROPOSED CAPITOL CONCOURSE PLAN



Long range proposals which cannot be assigned a time frame at this time include: 1. Performance plaza with its parking ramp, low-rise residence and shopping arcade, 2. Library Mall and a one story parking deck below grade and, 3. Eventual "back door" service provision for the north frontages of the 500 and 600 blocks of State Street.

Construction costs were determined by estimating 1974 figures for Phase I, adding escalation, and extrapolating these costs to the Phase II and III areas. The schedule shows $550,000 for the 700-800 block, and $320,000 for the 100 block, totalling $870,000 for Phase I, $5,400,000 for Phase II, and $2,200,000 for Phase III, totalling $8,470,000. The overall costs break down to $10.50 per square foot and $740.00 per linear foot. These unit costs compare well with other malls of this type with partial or full canopies. In view of the present monthly escalation of construction costs of 1.5% it is critical that the schedule be maintained to achieve the budget goals.

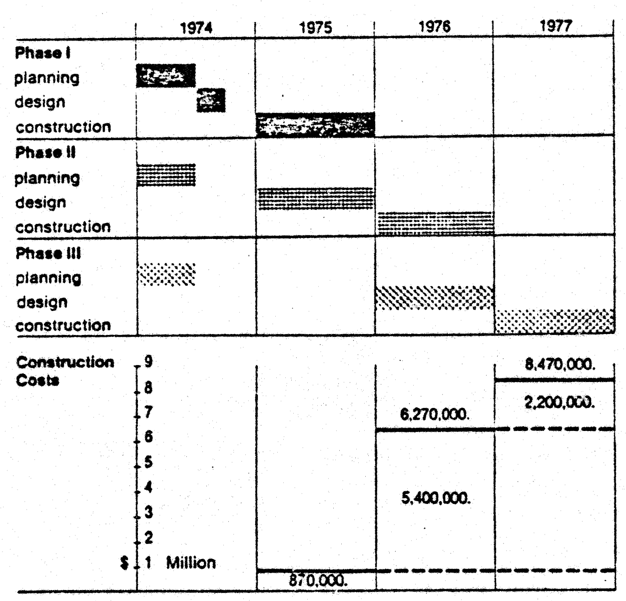
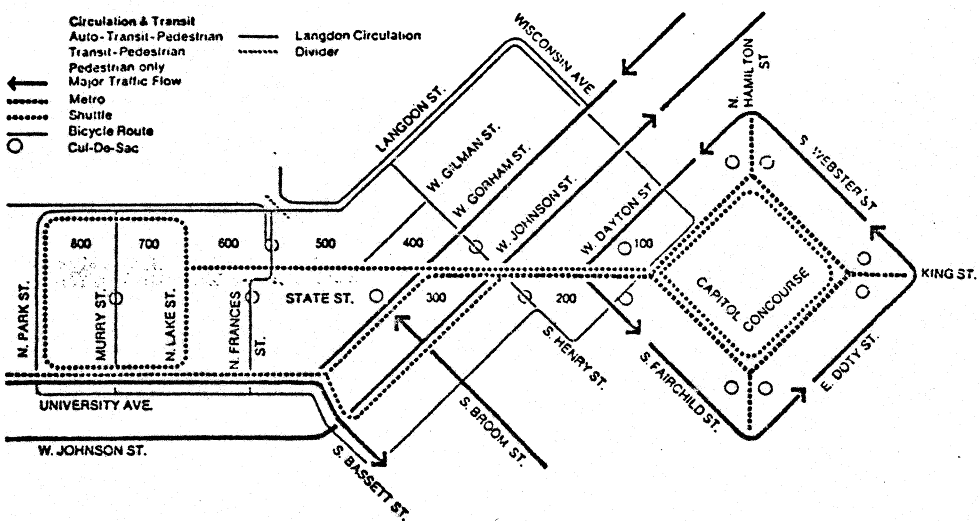


EXHIBIT 5

PROPOSED PARKING FOR CONCOURSE PLAN



Parking

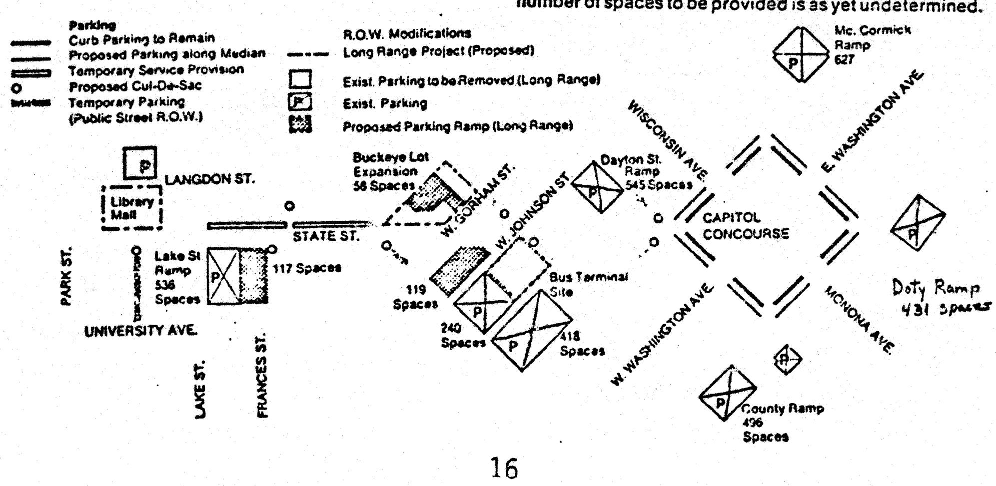
The plan's recommendations for parking are to be viewed as a strategy for attaining a comprehensive off-street parking program. Proposed is one approach — a program of enlargement of the existing public parking space pool. Surface lots would be expanded in the following locations: Buckeye Lot — 58 cars; Madison Motor's property — 119 cars; Lake Street ramp extension — 117 cars. Total space to be provided will be 294 cars, which represents 211 additional parking spaces for the downtown when the existing 83 State Street curb spaces are removed. Acquisition and site improvement costs for the Madison Motor property and that adjacent to the Buckeye Lot is $850,000. Money presently is budgeted by the parking utility for purchase of the Lake Street expansion site. Therefore, no charge will accrue to the project for this improvement.

Temporary parking would be provided in the cul-de-sac streets, with the exception of Frances Street, during the initial phases of the project. A total of 150 such spaces can be provided at virtually no cost. They will minimize disruption, assist in the transition period when on-street parking is removed, and later revert back to a pedestrian and service function.

An alternate approach would be the coordinated development of the many small surface lots in private ownership. This would require commitments and cooperation among businesses and owners to share parking use of the lots and action by the city to acquire public easements for access and provide public services. The organization of these parcels by the Central Madison Committee or other business groups represents one opportunity to contribute to the project by defraying its total cost. Public and private sector partnership is critical to the success of this approach.

Long-range recommendations for a parking ramp to be constructed in conjunction with the future University Library Mall will accommodate 165 cars, or about 50 more than those to be removed from Murray Street and the Student Union Lot. The deck proposal in the 400 block area will hold 135 cars and serve the new shops, housing, and performance plaza, as well as that section of State Street where present parking is least adequate. Estimated cost is $4,000 per space or $540,000.

A future bus terminal site at West Dayton and South Henry Streets is now under consideration by the City. Parking provided at the terminal also will serve the Art Center and Auditorium during off-peak hours. The number of spaces to be provided is as yet undetermined.



Originally, Concourse planners proposed the closing of the Capitol Square to private automobiles (Exhibit 5), but because downtown property owners were expected to finance the project through special assessments, many compromises were made; the final traffic pattern is detailed in Exhibit 6. The lack of parking in the CBD is the most serious and most frequently stated complaint about the downtown area. This deficiency has continued to plague investors in Class B office buildings such as the subject property.

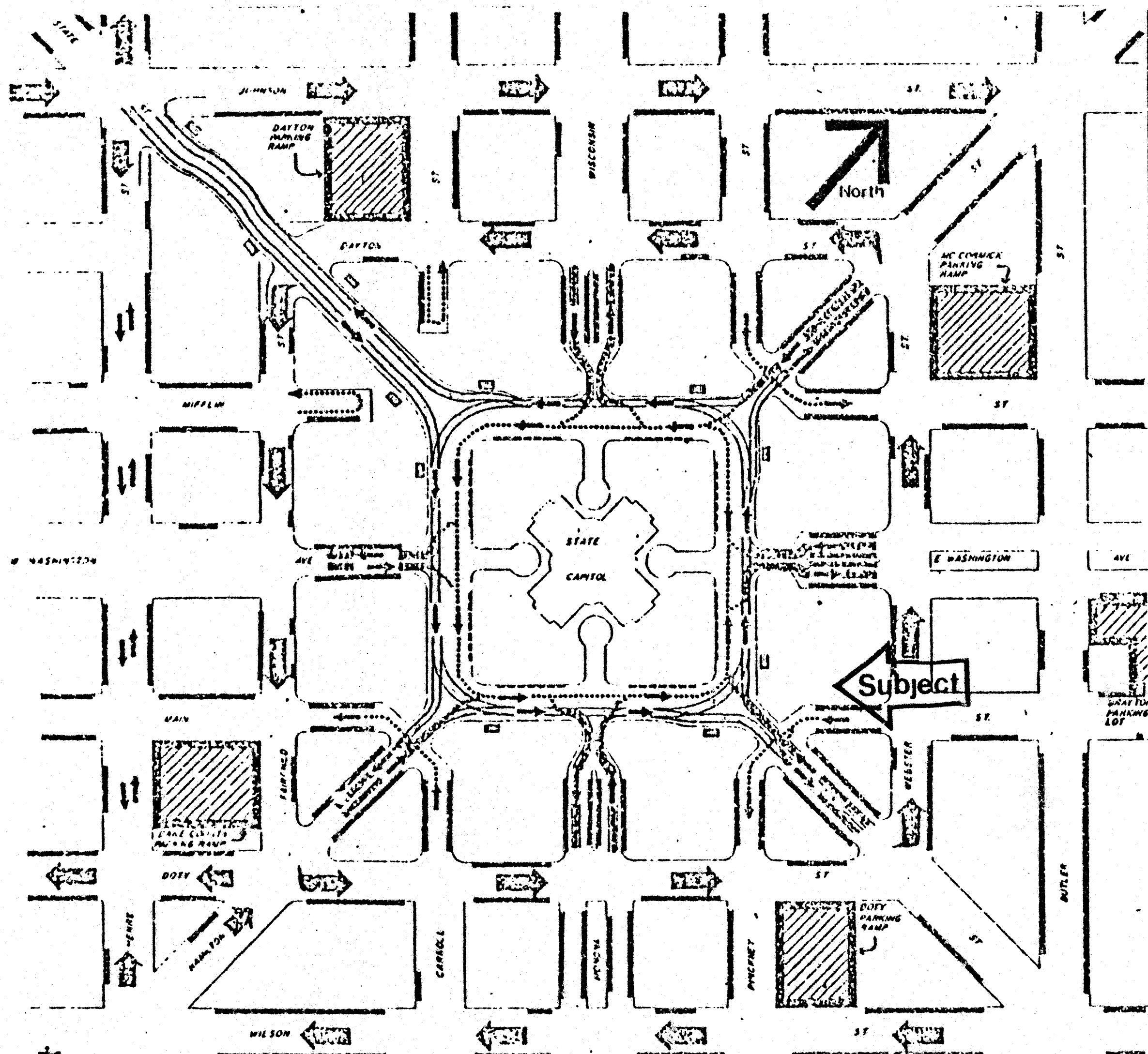
During construction, prior to the reopening of the Concourse in November 1977, many retail stores closed; as of April 30, 1980, only the Jackson Building and the Dartmouth Direct-King Shoe Store Buildings (the latter two buildings must be sold as one parcel) are still vacant. Though Centre Seven still has vacancies, it is gradually renting up. The Wolff-Kubly building was sold July 1980 to the State Historical Society and is being readied for occupancy.

The Capitol Concourse project is being financed by a special assessment prorated by land area and its proximity to the Capitol Square. The subject property was given a final assessment of $15,954.02 on September 12, 1978. The principal amount is amortized over a 10-year period at 6 percent with the first annual payment of $2,167.04 due on January 1, 1979.

To encourage pedestrian activity and movement on the completed Concourse, John Urich of the City of Madison Department of Planning and Development had in the past indicated his department would

EXHIBIT 6

TRAFFIC PATTERNS AND PUBLIC PARKING
UPON COMPLETION OF CAPITOL CONCOURSE



CAPITOL CONCOURSE
STATE STREET MALL

TRAFFIC PATTERNS AND AREA PUBLIC PARKING

Legend

- PERMITTED BICYCLE AND BUS MOVEMENT
- PERMITTED AUTO MOVEMENT
- ON-STREET PARKING
- LEGISLATIVE-PARKING ONLY
- BUS STOP SHELTER

Explanation

With the reopening of the Capitol Square Wednesday, motorists will discover several changes in the traffic pattern, as shown on the map.

First, the streets around the Square have been reduced in width, resulting in a single lane for auto traffic. On the store side a wide traffic lane has been provided for buses and bicycles. Autos are not allowed in the lane except to pick up or drop off passengers or to make a right turn onto one of the avenue intersections.

Autos can enter the Square from any of the three diagonal streets — King, S. Hamilton and N. Hamilton — and from the four avenues — E. Washington, W. Washington, Monona and Wisconsin.

Autos can leave the Square only at one of the avenues by weaving into the bike-bus lane on the right side a half block before reaching the avenue exit.

State St. cannot be used for entering or leaving the Square.

The only parking on the Square will be on the Capitol side of the street and is reserved for legislators.

However, on street parking is available on all streets just off the Square and in the four public ramps one block from each corner of the Square.

Motorists traveling through central Madison are urged not to use the Square, they are advised to use the outer ring of streets which have been the "detour" streets for several months.

attempt to discourage by administrative review, and if possible, by new ordinances, the use of the ground floor space for private office facilities. Restaurants, banking tellers, retail stores, theaters, and the like would create the desired pedestrian activity over broader spans of day and night than office space. The Madison Department of Planning and Development has not been exercising this administrative review potential and as a result, offices have been established on the first floor of the Churchill Building and in the Centre Seven Building. Space has been rented in the Centre Seven Building to an employment agency with no interference from the Madison Department of Planning and Development.

4. Conditional Use Permit for Parking

The surface parking for 24 cars presently provided on the East Main and South Webster Streets corner is based on a conditional use permit which would expire should it not be used for parking for a period of six months. It was issued as part of the construction permit requirements relative to the First Wisconsin Plaza and goes with the property. City planners would prefer enclosed parking on the approaches to the Concourse.

5. Tenant Lease Encumbrances

Of the 87 rental space units in the Tenney Building, only eight have leases that extend beyond May 1, 1982, or two years from the valuation date. Twenty-five space units have no leases and are either vacant or are rented on a month-to-month basis. The remaining 54 rental units have leases than can be terminated in 1980, 1981, or 1982. A possible buyer could be a developer who would like the freedom to move tenants around as remodeling progressed, or a government agency which would evict those tenants and convert the building to government offices.

The price of these short term leases will be higher tenant turnover and unstable income estimates which would suggest a higher capitalization rate and lower investment values. On the other hand, the relative freedom to alter occupancy and rate would make the building more marketable to its most probable buyers. It is unusual to have an office building of this size with such a short average unexpired lease term, providing both a highly unstable rent roll and a speculative marketing opportunity.

6. Constraints on Future Uses and Disposition

An agreement between the First Wisconsin Development Corporation and the Tenney Building Company, the present owner of the subject property, dated September 13, 1976, includes: (1) a first right of refusal by the First Wisconsin Development Corporation should the present owner receive a bona fide offer to purchase the subject property; (2) uses are limited to substantially the current uses of the premises as an office building, with a retail or food operation in the first level of the building; and (3) the need for present and future owners to obtain the approval of the First Wisconsin Development Corporation to construct a parking structure on the lot adjacent to the existing office building. The latter two constraints were agreed to by the Tenney Building Company for itself, its successors, and its assigns.

The constraints set forth in this agreement would decrease the flexibility a most probable buyer would have for options to alter the subject property to maximize its marketability, thus depressing its value.

C. Linkage Attributes of Site

The subject site has strong linkages to government centers: it is directly across the street from the State Capitol Building, a long two blocks to the old Federal Post Office Building and the City-County Building, a block east of the new Federal Center Building, and just to the southeast of a State Office Building complex known as General Executive Facility (GEF)-I, GEF-II, and GEF-III. However, access by auto is circuitous (see Exhibit 6). The driver unfamiliar with Madison will circle the Square on the outer one-way link rather than turning at the stop sign at Webster Street and then turning left on Main Street to reach the main entrance of the subject property.

The Tenney Building enjoys the positive influence of the dramatic First Wisconsin Plaza and a contiguous vest pocket plaza on the same block. Across the street is the handsome Capitol Building and heavily wooded park. Unfortunately, the East Main Street facade faces an area of seedy bars and poorly maintained low rise buildings from the turn-of-the-century (Exhibit 7). The first block on East Main Street is anchored by Penney's and Kresge's and is a moderately

EXHIBIT 7

VIEW FROM THE EAST MAIN OFFICE
ENTRANCE OF THE SUBJECT PROPERTY

viable area. Nevertheless, the retail trend is to gravitate toward the opposite side of the Square on the State Street access, while most new office space is on the West Washington Avenue side of the Square. Its strongest linkage is to the First Wisconsin Plaza, but this natural tie is completely frustrated by the physical layout of the Tenney Building, which lacks a cross-access corridor to the bank building which would permit people to move between the buildings while remaining inside.

D. Dynamic Site Attributes

The subject property is at the foot of a long two-block run of East Main Street on the Square, so the building is in direct view of drivers for some time. Surveys have shown that most Madison residents can identify the corner and the Tenney Building from recollection. It is located in an area of the Capitol Square and perimeter street which is flat, so that the pedestrian on foot does not face an uphill grade, but the entrance to the office building is on East Main Street and is hidden from the Square, three to four feet below grade (Exhibit 3).

Because the First Wisconsin Plaza slopes back from the street and is only four stories high opposite the Tenney Building, the latter is fully visible to the pedestrian anywhere on Pinckney Street. Fortunately, these facades were constructed of glazed brick above the fourth story level so the appearance of the Tenney Building is clean, even if out of date.

E. <u>Physical Attributes of the Structure</u> (See Exhibit 8)

The Tenney Building was constructed in two sections in 1926-1928 and 1929-1931 with the Findorff Company acting as general contractors. The concrete structure for the rear portion was constructed for all ten floors and then the front two-thirds was built of reinforced concrete. The result is a structure 65 feet wide and 154 feet long, plus a small wing ten floors high measuring 22 x 18 feet. The exterior is cut limestone on the Main and Pinckney Street facades, with green glazed terra cotta spandrels below the windows. Parapet walls are highlighted with triangular light brackets in what might be termed the Art Deco style of commercial building design in the late '20s. Rear facades are done with glazed yellow brick. Complete floor plan sketches are provided in Appendix A, and general mechanical details are described in this section of the appraisal.

1. Fenestration

During the fall of 1980, the Tenney Building manager plans to install aluminium screen and glass storm windows throughout the building. Washing the exterior windows from within will be more awkward, but tenants will have the distinct advantage of utilizing fresh outside air for cooling, thus reducing their electrical expenses.

2. Interior Partitioning

Most interior office partitions are of Pyro-Bar gypsum block or terra cotta block with plaster finish. Most doors and trim are of dark stained and varnished walnut and oak. Only recent partitioning is of drywall with modern hollow core doors.

EXHIBIT 8

PHOTOGRAPHS OF SUBJECT PROPERTY

Front facade facing southwest from Pinckney St. and E. Main St. intersection

Rear facade facing northeast from Webster St. and E. Main St.

Rear facade facing northeast from
Webster St. and E. Main St.
Note automatic parking gate.

Side facade facing south
from E. Main St.
Note main entrances to
offices on this side.

3. Floors

Most floors are terrazzo in public areas; some basement storage space has composition tile, while tenants have generally chosen carpet.

4. Heating System

The heating system depends upon steam radiators, each of which has its own thermostat. Most are manual, but a few deluxe tenant layouts have added individual automatic thermostats to their radiators. Much of the mill work at windowsill level has been expertly joined to provide access to radiators behind finished grillwork. The oil-fired boilers (soon to be converted to gas) can be described as:

a. Two Kewanee boilers, 2-55 horsepower, low pressure steam, 5-1/2 to 6 lbs., approximate age 50 years - FE143.

b. Three Ray oil burners - one for standby.

c. Boilers were completely overhauled approximately 13 years ago.

d. Fire pots and burners were overhauled seven years ago and plans have been made for another complete overhaul in the summer of 1980.

e. A natural gas conversion unit, an Iron Fireman Whirl Power Model C240 GOB, will be installed in the summer of 1980 so one boiler can operate on either gas or oil. The boiler with a gas converter will be the primary boiler and the other will be the backup. Only when the temperature drops to a certain point will the second boiler, fueled by No. 2 oil, become operative.

Related heating equipment:

a. A Bock 200-gallon hot water heater, which provides hot water for washrooms, is approximately 20 years old and is presently oil fired. It will be converted to gas during the summer of 1980.

b. There are two antique but usable 150-gallon water softeners of a brand unknown even to the building engineer. Each alternates to deliver soft water while the other is in the recycling process. Only hot water and the new cold water supply to the furnace are softened.

5. Air Conditioning

There is no central air conditioning. The summer heat is modified and controlled by water cooled air conditioners located either in each suite of offices or distributed by ducts from larger areas to smaller areas; some are controlled by thermostats and others are controlled by timers. There are seventy units in the Tenney Building, which were installed approximately ten years ago. Only five rental units have no access to air cooling units.

The lack of modern central air conditioning is a competitive disadvantage relative to renovated structures of similar age, such as the Hovde Building. The National Mutual Benefit Insurance Building has installed a window air conditioning system as part of a window frame replacement unit for better energy conservation.

6. Elevators

Two 2,500-lb. capacity automatic Westinghouse passenger elevators were installed in the latter part of 1977; each is a Zonamatic overhead gearless machine, with a speed of 500 feet per minute. The cost of the elevators was approximately $118,000. The Industrial Commission permitted the retention of the ornate bronze elevator doors on the first floor, but required replacement and reconstruction of obsolete glass doors on all other floors. It was anticipated that the installation of the automatic passenger elevators would achieve significant payroll economies; but the need to hire security guards in the evenings and on weekends minimized the savings. (See Notes to Exhibit 27).

The freight elevator, a 2,500 lb. capacity Montgomery, is manually operated, with front and rear access in order to reach the basement floor maintenance area, a sub-basement storage area, and the boiler room area. These sub-basements are at various levels requiring three additional stops for the freight/service elevator.

7. Fire Exits

Appendix A indicates that on the second floor, one of the fire stairs terminates in a long fire tunnel and stairway to rear fire exits in order to preserve all of the front portion of the first floor for unobstructed retail use. From the third to tenth floor, the pattern of corridor and fire exit is more consistent with office layout efficiency.

8. Restrooms

The building has a well maintained set of restrooms. The basement floor has one set for maintenance personnel and another for employees of the large retail area on the first floor of the building. There is a third for the public on the basement elevator lobby level to serve those using basement office rental space or those entering the main floor lobby. There are no restroom facilities for the two small shops facing Main Street. Each floor from second through tenth has a single washroom with three water closets and two sinks plus two urinals in each men's room; the washrooms for men and women are on alternate floors. All restrooms above grade have window ventilation. In addition, on each floor, except the first floor, there is a large maintenance room with a sink.

9. Special Features

The second through the tenth floors do offer sufficient head room to permit modern ceilings, lighting, and air distribution systems on a floor-by-floor basis, together with adequate service space to contain air conditioning equipment. All retail shops open at grade at the cost of variable ceiling heights for basement areas in the southeast corner of the building. The straight-lined limestone exterior blends well with government architecture on the Square, although it is a sharp counterpoint to the adjacent Bank Plaza. The building has been well maintained over the years, but the division of space is outdated. Elevator lobbies are spacious and corridors are relatively bright due to design preference for opaque glass panels and doors used for office layouts in the 1930s. Many corridor walls feature marble wainscoating. The wide corridors are a negative feature today due to wasted potential rental space and higher energy and maintenance costs. To remain competitive in the private market, especially, refurbishing and remodeling will be necessary in the near future.

F. <u>Market Demand for Tenney Building Location and Facilities</u>

The retail vacancies on the Square as of January 1, 1980, are noted in Exhibits 9 and 10. The larger retail spaces, vacated during the construction of the Capitol Concourse, have been subdivided and remodeled and are now occupied; this is especially evident on the Mifflin Street side of the Square.

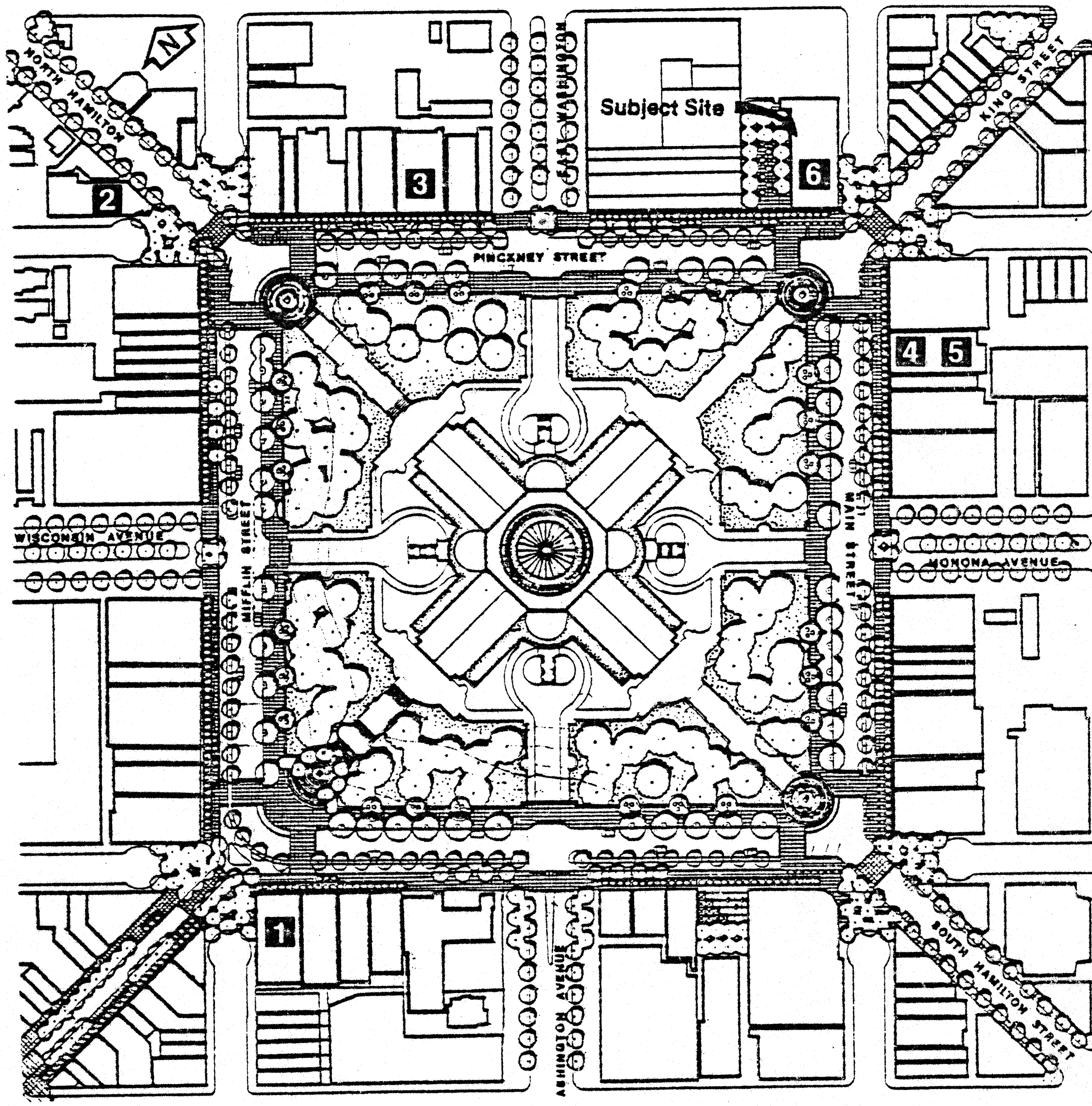
The first floor retail space in the Tenney Building has been subdivided into two smaller units consisting of 3,500 square feet and 2,000 square feet. The larger space was leased as of January 1, 1980, for use as a restaurant catering to the breakfast and luncheon needs of its customers. The Tenney Building Company contributed approximately $10,000 for the leasehold improvements. The simultaneous opening of several competitive restaurants, poor interior design and inefficient management have contributed to its demise; its doors closed early in October of 1980. Another restaurant tenant negotiated for this space soon thereafter, but decided against signing the lease.

The 2,000 square foot space was leased to a savings and loan institution as of October 1, 1980; leasehold improvements were done at the tenant's expense.

The retail space is comparatively clean and modern in terms of ceiling, floors, and window area (which would not require special displays), and it is highly visible to automobile and pedestrian traffic approaching on East Main Street and waiting for the stoplight

EXHIBIT 9

LOCATION OF FIRST FLOOR
RETAIL VACANCIES ON
THE CAPITOL SQUARE



1	Wolff Kubly	- 20 N. Carroll	6 Tenney	- 110 E. Main
2	Jackson	- 102 N. Carroll		
3	Baskin O and V	- 7 N. Pinckney		
4	Dartmouth Direct	- 17 E. Main		
5	King Shoe Store	- 21 E. Main		

EXHIBIT 10

FIRST FLOOR RETAIL VACANCIES ON THE SQUARE
EXISTING OR KNOWN TO BE AVAILABLE
AS OF JANUARY 1, 1980

Building	Address	Approximate Square Footage	Period of Vacancy
Wolff Kubly	20 N. Carroll St.	6,000	60 months
Jackson	102 N. Hamilton St.	6,000	52 months
Centre Seven (formerly Baskin O & V)	7 N. Pinckney St.	4,870	26 months (since Baskin O & V vacated)
Tenney	110 E. Main St.	5,500	7 months
Dartmouth Direct	17 E. Main St.	5,630	30 months
King Shoe Store	21 E. Main St.	2,550	32 months
		30,550	

at the intersection of Main and Pinckney Streets. The two small retail areas east of the entrance are of marketable size, with 1,000 square feet for the larger and 454 square feet for the smaller unit, but they lack visibility.

According to the office space survey done by the City Planning Department each year, the vacancy rate for full service downtown office space in Class B buildings in the Capitol Square area of Madison as of January 1, 1980, remains at approximately 20 percent whereas Class A space with adequate on-site parking is approximately 1 percent. The Jackson Building, with 20,000 square feet of unremodeled, vacant office space, accounts for a large percentage of the supply. (See Exhibit 11.) As of April 30, 1980, the Tenney Building is experiencing a 17 percent vacancy rate. By the end of June 1980, many more offices formerly rented to the State were vacated. The first year's vacancy projection beyond the valuation date is 24.5 percent with 12 percent of that rate attributable to the actual loss of State tenants.

By April 30, 1980, the Churchill Building was advertising some vacant office space and Centre Seven had reduced vacancy to 16,000 square feet. The Tenney Building's vacant space had increased to 12,590 square feet. With the opening of GEF II and III early in 1980, the State will vacate almost 9,000 square feet of space in the Tenney Building during 1980, but will still occupy almost 18,900 square feet or 35 percent of the building's total net leasable area.

EXHIBIT 11

MADISON DOWNTOWN OFFICE SPACE[1]
As of January 1, 1980

Building	Location	Total Square Feet Rentable	Vacant Space	Annual Rental Rate Per Square Foot	Services Provided
Class A					
United Bank	222 W. Washington Ave.	160,000	0	$9.50-10.00	Full Services
First Wisconsin Plaza	1 S. Pinckney St.	289,800	0	10.00-12.00	Full Services
Anchor Savings & Loan	25 W. Main St.	90,000	0	7.25	Full Services
				8.50 new bldg.	Full Services
James Wilson Plaza	131 W. Wilson St.	105,000	6,000	9.75	Full Services
Verex	150 E. Gilman St.	106,200	3,000	10.00-11.50	Full Services
National Guardian Life[2]	2 E. Gilman St.	66,400	0	9.50	Tenant pays Electricity
Total		817,400	9,000 (1.1%)		
Class B & C					
Churchill	16 N. Carroll St.	40,000	0	6.25	Tenant Pays Electricity
Tenney	110 E. Main St.	76,000	9,000	7.00-8.00	Tenant Pays Electricity
National Mutual Benefit	119 Monona Ave.	41,800	750	6.00-7.00	Full Services
30 on the Square	30 W. Mifflin St.	65,000	6,000	8.75	Full Services
Jackson	102 N. Hamilton St.	20,000	20,000	Negotiable	Some Services
Atrium	23 N. Pinckney St.	15,000	270	6.00-9.00	Includes Utilities
Centre Seven	7 N. Pinckney St.	21,000	18,000	7.25-8.75	Tenant Pays Electricity
14 West	14 W. Mifflin St.	30,000	1,850	8.00	Full Services
Jackman	111 S. Hamilton St.	12,000	3,000	6.00 and up	Full Services Except Air Conditioning
Emporium	44 E. Mifflin St.	25,000	10,000	10.00-10.50	Full Services
Total		345,800	68,870 (20%)		

[1] As reported to Joel Peterson, City Planning Department, City-County Building, Madison, and published in Office Space, as of January 1, 1980. For some buildings such as Churchill, Tenney, Centre Seven, Atrium, retail area has been included in the number of square feet rentable.

[2] Building not listed in Office Space; information gathered from interviews with lessors or from other sources.

Early in 1980 the State had made no further budget allocations for the acquisition of office space, but the threat of the loss of the State's tenancy is ever present. When the City of Madison seemed to be wavering on the renovation of the Post Office Building on Monona Avenue, the State expressed an interest in its purchase as described in Exhibit 12.

The State requires Class B or C space that is accessible to the handicapped, and prefers space that is competitive in rental rates and is neither ostentatious nor in need of extensive renovation. With a supply of $9 to $10 a square foot Class B office space coming on line due to rehabilitation of older buildings, there will be a larger supply of $6.25 to $8.00 space available for the State; the market for Class B space occupied by the State, such as the Tenney Building, will become more competitive.

Thus, the Tenney Building will need to lessen its dependency upon the State as a source of revenue and compete more effectively in the private sector through active refurbishing and remodeling, and an improved marketing plan.

G. Most Probable Use of Site and Structure

Review of the market for Class B office and retail space, inspection of the existing Tenney facilities and analysis of its suitabilitly for modernization, and study of subject property site characteristics leads to the conclusion that the most probable use of the property as of April 30, 1980, is its continued use

EXHIBIT 12

EXPRESSION OF STATE'S
INTEREST IN POST OFFICE
BUILDING--WISCONSIN
STATE JOURNAL ARTICLE

8/18/79

State expresses interest in buying old post office

By Thomas W. Still
Of The State Journal

The state is interested in buying the downtown post office if the city of Madison opts against remodeling the building, State Sen. Fred Risser, D-Madison, said Friday.

Risser, vice-chairman of the state Building Commission, told Mayor Joel Skornicka the state would like to consolidate its scattered judicial offices in the four-story building.

"I personally approve of the city remodeling the post office, because I think it's ideal for city purposes," Risser said. "But if there's any possibility of the city changing its mind — and that's always a possibility — I want the state to be in first in line."

In a letter to Skornicka, Risser reminded city officials that $2 million in state bonding authority to buy the post office was set aside last year. Since the city paid $1.75 million for the building, he said, enough state money is available to make sure the city breaks even.

Risser made a similar offer to former Mayor Paul Soglin a year ago, but city council support for remodeling the building was stronger at the time. Skornicka and a new council were elected in April, and attempts to scuttle the project intensified.

When remodeling bids came in last week 10 percent under budget, however, Skornicka said he saw no alternatives to going ahead with the project.

The council will vote Sept. 4 on proceeding with the first of two remodeling stages intended to consolidate city offices across from the City-County Building on Monona Avenue. Renovation will cost an extra $4 million.

"We keep hearing noises out the city council that they might not go along with the remodeling plans," Risser said. "I would like them to remember the state is standing by."

The state's judical operations — the Supreme Court and its administrative agencies; the Court of Appeals; the state law library and the Attorney General's office — currently are scattered around downtown Madison.

Much of the space is rented, Risser said, and many offices are overcrowded.

"The courts are split . . . and I think it would be a good idea to consolidate them," he said. "We could save the money we're now spending on leases and provide facilities that are convenient to the public, as well as the courts."

The Supreme Court is "busting at the seams," Risser said, and the Attorney General's office — which is split between the State Capitol and the Lorraine Building on West Washington Avenue — "is overflowing."

According to figures supplied by Risser's office, the state pays $103,681 annually to rent judicial office space in Madison.

The Court of Appeals rents 4,270 square feet of space in the Verex Corporation Building, at a cost of $30,744 per year; the Supreme Court administrator rents 7,721 square feet in the Tenney Building at a cost of $51,731 annually; the Board of Professional Responsibility and Competance rents 2,147 square feet in the Tenney Building for $14,492 per year; the Judicial Commission rents 355 square feet in the Tenney Building for $2,308 annually; and the Judicial Council rents 731 square feet from Anchor Savings & Loan for $4,466 per year.

as an office building for rental income.

The most probable buyer of the building in its April 30, 1980, condition would be a professional developer capable of instituting a refurbishing and modernization program together with a leasing program which would extend the average term significantly and bring the rental rates in line with the market where necessary. The buyer might serve as a general partner for a small partnership group of five or less.

III. MARKET COMPARISON APPROACH TO VALUE

The preferred method of appraisal in the Wisconsin system is inference of value of the subject property from actual sales of comparable property where neither buyer nor seller were under duress, and both parties were knowledgeable as to future uses of the property.

There have been several sales of buildings on or near the Capitol Square in recent years, but there is some variance in their comparability to the Tenney Building and in the terms of sale. The descriptive data for each comparable is given, and the significant characteristics of each property are scored relative to the quality of the Tenney Building. Each characteristic is given a weight, according to its significance to the professional investor in Madison. The resulting analysis brackets the most probable price an investor will pay for the subject property.

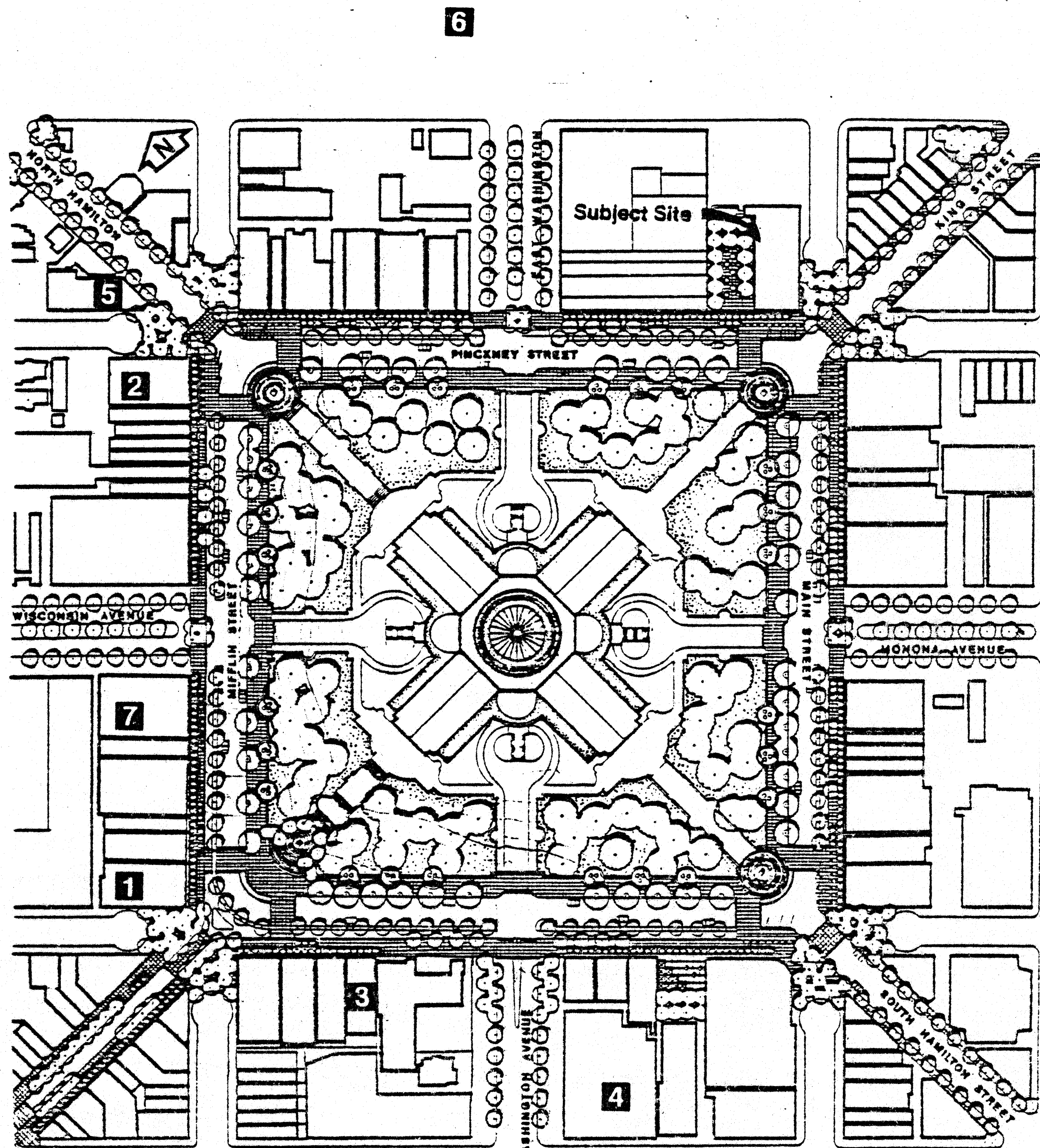
A. Significant Characteristics of Comparable Sales

1. Thirty on the Square - 30 West Mifflin (See Exhibits 13 and 14)

Thirty on the Square is a modern ten-story office building, built on a 66 x 132 foot corner site, adjacent to the State Street Mall. Ninety percent interest in the property was sold on December 30, 1977, to the partnership, Mifflin Associates. Terms included a sale price of $2,300,000 for the undivided interest subject

EXHIBIT 13

LOCATION OF COMPARABLE SALES
ON OR NEAR CAPITOL SQUARE



1 30 on the Square - 30 W. Mifflin

2 Emporium - 50 E. Mifflin

3 Churchill - 16 N. Carroll

4 Lorraine - 123 W. Washington

5 Jackson - 102 & 110 N. Hamilton

6 Federal Center - 212 E. Washington

7 Woolworth - 2 W. Mifflin

EXHIBIT 14

COMPARABLE PROPERTY #1

30 WEST MIFFLIN

Date of Sale: 12/30/77
Sale Price: $2,555,500
Recorded: Vol. 900, p. 468, Land Contract
Terms of Sale: 8% interest, 30 year term
Use at Time of Sale: Office, with first floor retail
Grantor: Thirty-On-the-Square Associates
Grantee: Mifflin Associates
Tax Parcel Number: 0709-144-2504-0
Assessed Value at Time of Sale: Total $1,505,000; land $305,000, improvements $1,200,000.
Sales Price as % of Assessed Value: 170%
Frontage: West Mifflin St. 61 ft, North Carroll St. 110 ft.
Zoning: C-4
Gross Building Area: 71,844 sq. ft.
First Floor Gross Area: 6,000 sq. ft.
Net Rentable Area: 65,720 sq. ft.
Building Description: Ten-story, fire resistant, reinforced concrete and masonry building; two automatic elevators.
Present Uses: Retail on first and below grade; offices above.
Locational Factors: Just off State Street Mall, 4 blocks from GEF-I, 4 blocks from City-County Building.
Available Rental Information: Average $6.00-6.50, with full services; CPI escalators; Rennebohm lease until 1981, with 10-20 year option for 11,044 gross square feet at $2.72/square feet + 3% gross sales over $1,000,000 base year for real estate taxes 1966.

to both favorable existing financing and a 30-year land contract at 8 percent interest. This building is comparable to the subject property, but is a newer, more efficient structure built in 1965. It is still encumbered by some leases at below market rental rates, and the lobby area has been subject to some security problems in the past. The site provides no parking, but tenants can obtain contract underground parking at the adjacent Concourse Hotel.

2. The Emporium - 50 East Mifflin (See Exhibits 13 and 15)

The Emporium is a four-story building on a 70 x 122 foot site. At the time of sale the building was only partially occupied; the upper two floors were vacant with a department store on the first two floors. The building is on a corner site, as is the subject.

The buyers purchased the property with the intent of converting the three upper floors to office space with intensive renovation; they have also retained the option of adding six floors of condominium residential space as a future bonus. The sellers have leased back the first floor and basement to continue their retailing operation.

There is no on-site parking presently, but the owners also purchased the Senate Bar site at 118 North Pinckney just north of the Emporium to assure the availability of some surface parking for the office tenants. The City has expressed interest in providing a public parking ramp adjacent to the Emporium through tax incremental financing to encourage the construction of residential space in the CBD.

EXHIBIT 15

COMPARABLE PROPERTY #2

50 EAST MIFFLIN STREET

Date of Sale: 4/30/78
Sale Price: $850,000
Recorded: Vol. 942, p. 115 - Warranty Deed
Terms of Sale: Cash sale; leaseback to Emporium Department Store
Use at Time of Sale: Department store
Grantor: J. Jesse Hyman, Jr. and Alan R. Hyman, copartners
d.b.a. Emporium Co.
Grantee: Carley Capital Group
Tax Parcel No.: 0709-144-2411-7
Assessed Value at Time of Sale: Total $850,000 - land $258,700 - Improvements $591,300
Sale Price as % of Assessed Value: 100%
Lot Size: 132 ft. x 70 ft.
Frontage: 70 ft. on W. Mifflin
Zoning: C-4
Gross Building Area: 42,500 sq. ft.
First Floor Gross Area: 8,500 sq. ft.
Net Rentable Area: 38,500 sq. ft.
Building Description: Four-story masonry and concrete building; two elevators; freight facilities in rear parking lot; structure can carry more floors.
Present uses: Retail 1st floor; extensive remodeling of three upper floors for office space.
Locational factors: Two blocks from State Street Mall; four blocks from City-County Building; three blocks from GEF-I; four blocks from GEF- II and III.

3. The Churchill Building - 16 North Carroll (See Exhibits 13 and 16)

The Churchill Building is comparable to the subject in terms of rent structure, image as an established office address on the Square, and absence of adequate parking. It is also of a similar age. At the time of purchase the rental space at grade was vacant.

The property was purchased in two distinct transactions separated in time by three years. The purchase of the improvements on a leasehold occurred in 1974; financing involved an installment sales contract at 7 percent interest and an exchange as a partial down payment. In 1977 the fee underlying the leasehold was purchased to merge land and building into a single interest.

The Churchill Building's common areas were refurbished by the buyer with carpeting, indirect lighting, and wallpaper. Occupancy as of January 1, 1979, was 100 percent, with vacancies less than 10 percent in the previous few years.

4. The Lorraine Building - 123 West Washington (See Exhibits 13 and 17)

The building was originally built as a hotel in the 1920s by the Schroeder Hotel chain; a two-story ballroom and vaulted marble lobbies and mezzanine were characteristic of its grand style. It was sold in 1968 by the administrators of the Schroeder estate to a Madison group of investors for the conversion to office

EXHIBIT 16

COMPARABLE PROPERTY #3

16 NORTH CARROLL

Date of Sale: 9/13/74 improvements; 10/77 land
Sale Price: $560,270 improvements; $55,000 land
Recorded: Vol. 533, p. 847, Agreement acknowledges installment sales contract for improvements and leasehold.
Vol. 873 pp. 47, 50, 52, 54 Warranty Deeds
Fee underlying leasehold was purchased.
Terms of Sale: improvements: installment sale $7,963 down, $150,000 traded in equity in unidentified project, with balance of $402,307 payable in 10 years at 7% interest, with 20-25 years amortization schedule.
Use at Time of Sale: Office, retail space on first floor vacant.
Grantor: Gay Building Company
Grantee: Hovde Realty, Inc.
Tax parcel no.: 0709-231-0902-3
Assessed value at time of sale: 1974 total $328,308; land $139,385; improvements $188,923; 1977 total $888,000; land $145,300 improvements $742,700
Sale Price as % of assessed value; 1974 improvements only: 297%
1977 land only: 38%
Lot Size: 44 ft. x 132 ft.
Frontage: 44 ft. on N. Carroll
Zoning: C-4
Gross Building Area: 42,250 sq. ft.
Net Rentable Area: 35,725 sq. ft.
Building Description: Masonry and concrete structure, two automatic elevators
Rental Information: At time of sale of improvements $4.75-5.00 sq. ft, with janitorial service, heat and light included; 1,000 sq. ft. vacant. At time of land sale $6.25 sq. ft. with same services included; fully occupied.

EXHIBIT 17

COMPARABLE PROPERTY #4

123 WEST WASHINGTON

Date of Sale: 4/3/78
Sale Price: $2,896,000
Recorded: Vol. 929, p. 51, Land Contract
Terms of Sale: $689,526 down, balance in 5 year installments @ 4.4% tax-exempt interest; annual principal payment $441,294.0, annual interest payment $19,416.97
Use at Time of Sale: Office space with limited retail use at grade level.
Grantor: Lorraine Associates
Grantee: State of Wisconsin
Tax Parcel No. 0709-231-1006-2
Assessment at Time of Sale: Total $2,652,700; land $483,400; improvements $2,169,300; now tax exempt.
Sales Price as % Assessed Value: 134%
Lot Size: Approximately 132 ft. x 198 ft.; 24,132 sq. ft.
Frontage: West Washington 132 ft., and South Fairchild 198 ft.
Zoning: C-4
Gross Building Area: 186,000 sq. ft.
Net Rentable Area: 138,000 sq. ft.
Building Description: Ten-story masonry, steel, and concrete structure, two automatic elevators.
Locational Factors: 3 1/2 blocks from City-County Building; 4 1/2 blocks from GEF-1; 1 1/2 blocks from State Street Mall
Rental Information: $6.00-6.50/sq. ft., with full service; fully occupied.

space. The hotel operation was gradually phased out, and by 1975 the entire space, completely renovated, was leased to the State of Wisconsin for offices.

In 1978 the State, by then the building's only tenant, purchased the property for $2,896,000; a land contract was engineered to provide an installment sale which produced certain income tax benefit to the sellers. The land contract is payable in five annual installments, with interest at 4.4 percent, tax exempt. This would be equivalent to an 8.8 percent interest rate to a seller in the 50 percent tax bracket.

The Lorraine has twice as much main street frontage as the subject, but both are located on corner sites. The site lacks parking, and none is available at the nearby Inn on the Park. The property's location near other large office complexes is equivalent to that of the Tenney Building.

5. The Jackson Building - 102 and 110 North Hamilton (See Exhibits 13 and 18)

The Jackson Building purchase included three separate parcels; the building, a restaurant, and a parking lot. The three-story structure was formerly a Montgomery Ward department store which was converted to office space for a banking operation. It was vacant at the time of purchase in 1977, as it is now, and requires extensive renovation to be competitive. The concrete and steel structure is capable of carrying more floors. The restaurant, which occupied the first floor of an adjacent two-story structure

EXHIBIT 18

COMPARABLE PROPERTY #5

102 NORTH HAMILTON, 110 NORTH HAMILTON STREET, PARKING LOT

Date of Sale: 7/29/77
Sale Price: $330,000 for three parcels
Recorded: Vol. 846, p. 371, Warranty Deed
Terms of Sale: 5 year balloon mortgage @ 8 1/2% interest
Use at time of sale: 102 N. Hamilton vacant, 110 N. Hamilton restaurant
Grantor: Jackson Realty Corp.
Grantee: Gary J. DiVall
Tax Parcel No.: 0709-144-1504-1
Assessed Value at Time of Sale: Total $360,000; land $153,900, improvements $206,500
Sale Price as % Assessed Value: 92%
Lot Size: Approximately 11,000 sq. ft.
Frontage: East Mifflin 15 ft, N. Hamilton 46 ft., N. Pinckney 132 ft. for 102 N. Hamilton Building
Zoning: C-4
Description: 102 N. Hamilton, gross building area 28,000 sq. ft., first floor gross area 6,700 sq. ft.
Description: 110 N. Hamilton, gross building area 1,100 sq. ft., one story above grade
Total Gross Building Area: 27,000 sq. ft.
Estimated Net Rentable Area: 28,000 sq. ft.
Building Description of 102 N. Hamilton: Concrete and steel structure, 3 stories, plus basement at grade entrance on N. Pinckney, 1st floor plus mezzanine; structure can carry more floors, automatic elevators.
Locational Factors: 2 blocks from State Street Mall, 4 blocks from City-County Building, 2 blocks from GEF-1, 1 1/2 blocks to First Wisconsin Plaza and Tenney Building
Rental Information: Adjacent property, one of three parcels, has 1,000 sq. ft. @ $600/mo. net for restaurant use.

was leased at the time of purchase.

The buildings are set back from the main streets of the Square, are less visible, and have weaker linkages to government centers than does the subject property. The available surface parking, though smaller in area, is similar to the Tenney Building.

6. The Federal Center (formerly Ray-O-Vac) - 212 East Washington (See Exhibits 13 and 19)

The old Ray-O-Vac Building had been vacant for several years at the time of sale. The seller, a Madison investor, was committed to other projects, while the buyer had a line on various Federal agencies seeking to relocate from the post office and other structures. The building had to be totally renovated before it was suitable for tenants. The property has surface parking space similar to the subject, and both are across the street from the new state offices.

7. The Woolworth Building - 2 West Mifflin (See Exhibits 13 and 20)

The Woolworth Building is a relatively modern structure built and owned by Northwestern Mutual Life Insurance Company. Like other retailers on the Square, Woolworth had retrenched by closing its basement cafeteria and related services; it also reduced its office requirements to 50 percent of the second floor for which there is an elevator. Northwestern Mutual was determined to reduce its investment on the Madison Square, and the purchaser was involved in an assemblage of what he perceived as the 100 percent retailing

EXHIBIT 19

COMPARABLE PROPERTY #6

212 EAST WASHINGTON

Date of Sale: 12/13/77
Sale Price: $472,000
Recorded: Vol. 894, p. 695, Warranty Deed
Terms of Sale: Seller took a $140,000 second mortgage; property also subject, at time of sale, to $190,000 mortgage with Wisconsin Alumni Research Foundation and $175,000 mortgage with Affiliated Bank. Grantee agreed to assume and pay latter two mortgages.
Use at Time of Sale: Offices for Ray-o-Vac Co.
Grantor: Carol M. and Jerome J. Mullins
Grantee: Washington Associates
Tax Parcel No.: 0709-133-3103-2
Assessed Value: Total $670,100; land $334,000, improvements $335,700
Sale Price as % of Assessed: 70%
Lot Size: 22,680 sq. ft.
Frontage: 189 ft. on E. Washington Ave.; 120 ft. on N. Butler
Zoning: C-4
Gross Building Area: 48,000 sq. ft.
First Floor Gross Area: 12,000 sq. ft.
Net Rentable Area: 38,000 sq. ft.
Building Description: Four-story, fire resistant concrete and masonry structure, elevator
Present Use: Office space; adjacent parking lot
Locational Factors: 1 block from Square, 4 1/2 blocks from City-County Building, directly across street from GEF-1, 4 1/2 blocks from State Street Mall.
Rental Information: None available

EXHIBIT 20

COMPARABLE PROPERTY #7

2 WEST MIFFLIN

Date of Sale: 7/31/78
Sale Price: $596,200
Recorded: Vol. 980, p. 318, Warranty Deed
Terms of Sale: Subject to 7/15/77 mortgage, undivided; 90% interest in and to partnership
Use at Time of Sale: Retail and office
Grantor: Thirty-on-the-Square Associates
Grantee: Mifflin Associates
Tax Parcel No.: 0709-144-2509-0
Assessed Value at Time of Sale: Total $635,000, land $371,300, improvements $263,700
Sales Price as % of Assessed Value: 94%
Lot Size: 12,376 sq. ft.
Frontage: West Mifflin St. 91 ft., Wisconsin Avenue 136 ft.
Zoning: C-4
Gross Building Area: 38,640 sq. ft.
First Floor and Mezzanine Gross Area: 13,880 sq. ft.
Net Rentable Area: Approximately 24,000 sq. ft.
Building Description: Two floors, masonry bearing walls; concrete slab flooring, in excellent condition; elevator.
Present Uses: Retail, 1st, mezzanine, and basement; office, 2nd floor.
Locational Factors: 5 blocks from City-County Building, 3 blocks from GEF-I.
Rental Information: $60,500/yr. triple net for whole building; lessee sublets office space @ 4.20 sq. ft.

block on the Square. The property's corner site, with 99 feet of frontage on Mifflin Street, is superior in pedestrian count and exposure to the subject property. There is no on-site parking, but contract parking is available in the same block at the Concourse Hotel. The lease to the Woolworth Company was retained by the purchaser; the rent is triple net at $60,500 per year, and the lessee sublets office space at $4.20 per square foot, a below-market rental rate.

While the Tenney Building is perceived primarily as an office building, the image of the Woolworth Building is that of a retail store. The second floor was originally built as office space for the sole tenant to use in its retailing operation. Therefore, this sale is not included in the determination of the most probable price of the subject property.

B. Most Probable Buyer

Except for the Lorraine, the other five comparable properties were purchased by local investors and/or developers. Three required extensive renovation, two were built within the last 25 years, and the other required refurbishing only. Three were purchased on land contract, and the others were cash sales. All were purchased as investments; none were purchased exclusively for personal use.

THEREFORE, THE MOST PROBABLE BUYER WILL BE A LOCAL INVESTOR/DEVELOPER WHO EXPECTS TO REMODEL AND REDIRECT THE MARKETING OF THE SUBJECT PROPERTY.

C. Most Probable Price

Although the comparable sale properties are predominantly office buildings on or near the Square, there are significant differences among them. It is necessary to select those characteristics that are price sensitive, such as the availability of parking, location, strength of the first floor retail lease, need for renovation, visual quality of the office entrance and existing office vacancies at time of purchase (Exhibit 21). From the sales data there is no evidence of appreciation or depreciation of office building values in the Madison CBD between 1977 and 1978. The differences among the comparables are then reduced to a common denominator by deriving a weighted point score for each property (Exhibit 22).

Office buildings constructed in the 1920s and '30s are often less efficient in use of space than more modern structures with wider corridors, thicker walls, and more spacious lobbies, so there is less rentable area in relationship to the gross building area. To account for this difference, the purchase price of each comparable property is reduced to a price per net rentable area. The price per net rentable area is then divided by the weighted point score to find the price per point score. The average price per point score is used to determine the central tendency of the sales price for the subject property. The standard deviation from the average

EXHIBIT 21

SCALE FOR SCORING COMPARABLES ON IMPORTANT INVESTOR CONSIDERATIONS FOR OFFICE/RETAIL SPACE IN MADISON C-4 ZONE

Parking 25%	5 = Ample private parking on site or available on contract within the same block. 3 = Limited parking on premises 0 = Little or no surface parking on premises.
Location 20%	5 = In the blocks of East and West Mifflin St. or North and South Carroll St., across from the Capitol Square 3 = In the blocks of North and South Pinckney St., across from the Capitol Square, or in the 100 block of West Washington, or adjacent to General Executive Facilities. 1 = Off of the Capitol Square
First Floor Retail Lease in Place at Time of PUrchase 15%	5 = Strong lease in place. 3 = Strong lease in place for part of first floor. 0 = Lease expires in less than 6 months or vacant.
Need for Renovation of Office Space at Time of Purchase 15%	5 = No renovation required. 3 = Modest renovation required. 1 = Intensive renovation required.
Visual Quality of Office Entrance 10%	5 = Excellent design and location. 3 = Indifferent design and/or location. 1 = Poorly defined and/or adjacent to incompatible uses.
Vacancies in Existing Office Space at Time of Purchase 15%	5 = Less than 10% of net rentable area (NRA). 3 = More than 10% of NRA. 0 = Vacant

EXHIBIT 22

WEIGHTED MATRIX FOR COMPARABLE PROPERTIES

FEATURE/ WEIGHT	Rating/Weighted Rating #1 30 W. Mifflin	#2 50 E. Mifflin	#3 16 N. Carroll	#4 123 W. Washington	#5 102 N. Hamilton	#6 212 E. Washington	Subject 110 E. Main
Parking 25%	5/1.25	3/.75	0/0	0/0	3/.75	3/.75	3/.75
Location 20%	5/1.00	5/1.00	5/1.00	3/.60	1/.20	3/.60	3/.60
First Floor Retail Lease In Place 15%	5/.75	5/.75	0/0	3/.45	3/.45	0/0	1/.15
Need for Renovation 15%	5/.75	1/.15	3/.45	5/.75	1/.15	1/.15	3/.45
Visual Quality of Office Entrance 10%	5/.50	3/.30	3/.30	5/.50	3/.30	3/.30	1/.10
Vacancies In Existing Office Space 15%	5/.75	0/0	5/.75	5/.75	0/0	0/0	1/.15
Total Weighted Score	5.00	2.95	2.50	3.05	1.85	1.80	2.20
Selling Price	$2,555,500	$850,000	$615,270	$2,896,000	$330,000	$472,000	X
Total Net Rentable Area (NRA)	65,000 sq. ft.	38,500 sq. ft.	35,725 sq. ft.	138,000 sq. ft.	28,000 sq. ft.	38,000 sq. ft.	74,000 sq. ft.
Price Per Square Foot (NRA)	$39.30	$22.10	$17.20	$21.00	$11.80	$12.40	
Price Per Square Foot of NRA / Total Weighted Score	7.86	7.49	6.88	6.89	6.38	6.89	

price per point is then calculated to determine the range of possible prices. The calculation of the most probable price, using the mean price per point score equation, is presented in Exhibit 23.

The market comparison price estimate for the subject property is $1,150,000. The suggested transaction zone from the market comparison approach is from $1,120,000 to $1,200,000. The Tenney Building, though in need of some remodeling to improve marketability, is an ongoing entity with proven revenue potential in a market that has been extremely competitive and unpredictable, due to rapid changes in the CBD. The cost of remodeling can be fairly accurately estimated to lessen the risk to the investor. The appraiser has determined that the most probable price is represented by the central tendency of $1,150,000.

THEREFORE THE MARKET APPROACH INDICATES THE FAIR
MARKET VALUE AS OF APRIL 30, 1980 IS:
ONE MILLION ONE HUNDRED FIFTY THOUSAND DOLLARS
($1,150,000)

Since actual market sales were used for the valuation approach, it is useful to test the most probable price based upon market sales for compatibility with investment valuation. The income approach to valuation using the discounted cash flow methodology is discussed in the following section.

EXHIBIT 23

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

Comparable Property	Selling Price/ per NRA	Point Score	Price per NRA per Total Weighted Score (x)
1	$39.30	5.00	7.86
2	22.10	3.45	7.49
3	17.20	2.50	6.88
4	21.00	3.05	6.89
5	11.80	1.85	6.38
6	12.40	1.80	6.89
		TOTAL	42.39

Mean Value $(\bar{x})$ = 42.39 ÷ 6 = 7.07

Error of Mean

Standard Deviation = $\dfrac{\sqrt{\dfrac{\Sigma(x-\bar{x})^2}{n-1}}}{\sqrt{n}}$ = .214 where:

x		$\bar{x}$		$(x-\bar{x})$	$\Sigma(x-\bar{x})^2$	n	$n-1$
7.86	-	7.07	=	.79	.62	6	5
7.49	-	7.07	=	.42	.18		
6.88	-	7.07	=	.19	.04		
6.89	-	7.07	=	.18	.03		
6.38	-	7.07	=	.69	.48		
6.89	-	7.07	=	.18	.03		
					1.38		

Value Range: 7.07 ± .21

High Estimate: 7.28 = (X/74,000[1] sq. ft.) ÷ 2.2[2], ∴ X = 1,185,184 or $1,200,000

Central Tendency: 7.07 = (X/74,000 sq. ft.) ÷ 2.2, ∴ X = 1,150,996 or $1,150,000

Low Estimate: 6.86 = (X/74,000 sq. ft.) ÷ 2.2, ∴ X = 1,116,808 or $1,120,000

[1] 74,000 sq. ft. = NRA of subject property
[2] 2.2 = Weighted point score for subject property

IV. THE DISCOUNTED CASH INCOME APPROACH TO VALUE

Since an office building is a vehicle for the purchase of investment income and appreciation, the quality of the cash flow is a determining factor in the purchase price decision. Therefore, the income approach using discounted cash flow methodology is used to substantiate the reasonableness of the most probable price estimated by the market comparison approach.

A. The Selection of the Income Approach Methodology

The income approach selected assumes the fair market value of the property is the most probable price the subject will bring if offered in the marketplace as an investment property for a reasonable period of time and sold subject to financing terms typically available for such an investor at the time of sale. Both buyer and seller are assumed to have full knowledge of the property and neither is under duress.

1. Cash Flow Characteristics

The investor will purchase the project for cash income as a return on his own cash invested and for a deferred cash return to be realized upon sale from equity accumulation, which is attributed to amortization of mortgage debt, to an increase in cash earnings from the building due to effective management and marketing, and possibly, to general inflationary price increases. Cash returns are, therefore, not level but will vary from year to year, hopefully increasing as certain current problems in building management and marketing are corrected. A variety of assumptions will need to be made for revenues and expenses, as well as future resale values.

2. Income Parameters Required by Institutional Lenders

Sophisticated lenders place more emphasis on a property's net income-producing ability than its resale potential; therefore, the debt cover ratio is the primary determinant of the amount of debt a property can successfully carry, rather then the loan-to-value ratio.

Not only is the subject property an older-styled building subject to mechanical upset, but also unusual variance in revenues can occur because the majority of the leases are short term, a large percentage of the tenants are government agencies, the leases lack escalators, the cost of energy is increasing at unpredictable rates, and the market for Class B office space is highly competitive. A debt cover ratio of 1.3 is assumed to be the minimum a lender will allow for a property such as the Tenney Building. Thus, a larger equity contribution will be required than for a newer property.

3. Impact of Income Tax and Equity Requirements Upon Purchase Price

A private investor is influenced by his income tax status, but not to the degree supposed by the layman. For office buildings such as the subject property the Internal Revenue Service (IRS) code limits second owners to a straight-line depreciation method only; moreover, there is full recapture of depreciation shelters in excess of straight line for new capital improvements made by the second owner.

Though an owner wants some annual cash return on the equity contribution, this type of owner is more interested in the long-term capital gain from the investment. Thus, the owner is assumed to be willing to accept a minimum of 6 percent before tax cash-on-cash. The lender's requirement of a debt cover ratio of 1.3 will have a greater impact upon value than will the cash-on-cash requirement or the income tax consequences.

The after tax present value of the project at the end of the five-year holding period is determined by the discount factor (the overall rate of return to equity) and is the cumulative sum of the present value of each year's spendable cash after taxes, the present value of the net worth of the property less taxes due at the time of sale, and the original amount of any outstanding mortgages.

4. Computerized Appraisal System Selected

To discount the cash flows from earnings and resale to either a tax exempt or a taxable purchaser, a computerized system has been selected called MRCAP. The MRCAP system is an advanced discounted cash flow program designed to provide for the simulation of a wide array of investment strategies associated with real estate ownership; in this case the program solves for justified project value. This system is available in the library of the National EDUCARE Network, a computer timesharing service operated for and under the control of the three leading appraisal organizations, The American Institute of Real Estate Appraisers, The International Society of Real Estate Appraisers, and The American Society of Real Estate Counselors.

MRCAP utilizes a discounted cash flow system which will reflect the proportionate interests of those financing the purchase, the municipality seeking its prorata share of economic productivity, and the cash and reversion returns to the ownership position after prior claims of real estate taxes and mortgage lenders have been met. The systems provide values on both a before- and after-tax basis to the ownership position.

B. Implementation of Discounted Cash Flow Methodology

To determine the present value of a series of possible negative and positive cash flows before income tax to an investor/purchaser of the Tenney Building as of April 30, 1980, a projection is made of the revenues and expenses.

1. Identification of Revenue Producing Units

All spaces in the Tenney Building are identified floor by floor as to square footage and use to determine net assignable and, hence, rentable areas (Exhibit 24). In addition, the records of lease terms and rental rates were reviewed to estimate revenue lost to future vacancies. A schedule of existing vacancies as

TENNEY BUILDING

Schedule of Rental Revenues[1] for the Period of April 30, 1980 Through April 29, 1985

Occupancy as of April 30, 1980	Space Sq. Ft.	Annual Rent per Sq. Ft.[2]	Lease Terms as of 4/30/80[3]	Annualized Gross Rental Revenues 4/30/80-4/29/81	4/30/81-4/29/82	4/30/82-4/29/83	4/30/83-4/29/84	4/30/84-4/29/85
Lower Level & Roof								
B Level Vault-Vacant	700	3.00	--	$ 2,100	$ 2,100	$ 2,270	$ 2,270	$ 2,450
B Level-Showroom & Office	4000	3.00	--	12,000	12,000	12,960	12,960	14,000
A Level-Storage	400	4.00	6/30/80	1,600	2,400	2,600	2,800	3,000
Honeywell Phone Box	--	--	--	600	600	600	650	650
Total-Lower Level	5100			$16,300	$17,100	$18,430	$18,680	$20,100
First Floor								
Chez Vous-112	454	4.80	10/1/76 - 9/30/81	$ 2,180	$ 2,290	$ 2,360	$ 2,360	$ 2,360
Chez Vous-114	1000	4.80	10/1/76 - 9/30/81	4,810	5,030	5,200	5,200	5,200
North Entry	2000	9.00	--	18,090	19,500	21,000	22,500	24,000
South Entry-Leaf & Ladle[4]	3500 -2880	9.00	1/1/80 - 12/30/84	31,500	33,130	33,950	36,670	39,600
Total-First Floor	6954 6334 72054 11434			$56,490	$59,950	$62,510	$66,730	$71,160
Second Floor								
201 Vacant	150	6.50	--	$ 970	$ 970	$ 1,050	$ 1,050	$ 1,140
202 State[5]	600 759	6.70	7/1/79 - 6/30/80	4,020	4,320	4,320	4,670	4,670
203-4 Vacant[5] state	543	6.20	9/1/78 - 8/31/79	3,370	3,640	3,640	3,640	3,930
205-6 State	506	7.00	3/1/78 - 5/31/80	3,540	3,820	3,820	4,120	4,120
207-8 Homecrafts	386	7.20	1/1/79 - 12/31/81	2,780	2,850	3,000	3,000	3,080
209-10 State[5]	451	6.25	11/1/79 - 5/31/80	2,820	3,040	3,040	3,280	3,280
211 Dr. Regez	219	7.00	--	1,600	1,730	1,730	1,870	1,870
212-14 Dr. Wierwill	700	6.50	4/1/78 - 3/31/81	4,570	4,900	4,900	4,900	5,210
215 Vacant	415	6.75	7/1/78 - 6/30/79	2,800	3,020	3,020	3,270	3,270
216 UPI	500 400	7.50	5/1/80 - 4/30/81	3,750	4,050	4,050	4,370	4,370
218-19 Rape Crisis Center	816	7.00	1/1/80 - 12/31/81	5,840	6,120	6,260	6,530	6,690
220-21 State[5]	1400	6.25	12/1/79 - 5/31/80	8,750	9,450	9,450	10,200	10,200
Total-Second Floor	6686 6745			$44,810	$47,910	$48,280	$50,900	$51,830

565 vacant
3659 State
2521 Other
6745

73124
-11434
61690 office NRA

TENNEY BUILDING

Schedule of Rental Revenues[1] for the Period of April 30, 1980 Through April 29, 1985

EXHIBIT 24 -- Continued

Occupancy as of April 30, 1980		Space Sq. Ft.	Annual Rent per Sq. Ft.[2]	Lease Terms as of 4/30/80[3]	Annualized Gross Rental Revenues 4/30/80-4/29/81	4/30/81-4/29/82	4/30/82-4/29/83	4/30/83-4/29/84	4/30/84-4/29/85
Third Floor									
301	Vacant	150	5.75	--	$ 860	$ 860	$ 930	$ 930	$ 1,000
302-3	State[5]	1179 1011	5.75	--	6,780	7,320	7,320	7,900	7,900
304	State[5]	230	6.70	--	1,540	1,660	1,660	1,800	1,800
305-8	State[5]	942	6.70	--	6,300	6,800	6,800	7,360	7,360
309	The Journal Co.	232	7.20	9/1/79 - 8/31/80	1,810	1,880	1,970	2,030	2,120
310-11	State[5]	456	6.70	--	3,050	3,300	3,300	3,560	3,560
312	Vacant	234	5.75	--	1,340	1,450	1,450	1,570	1,570
313-14	Dr. R. Meng	482	7.20	6/1/79 - 5/31/80	3,490	3,730	3,750	4,000	4,030
315	Vacant	731	6.70	10/1/79 - 9/30/80	5,000	5,080	5,310	5,480	5,630
316-19	Wisc. Builders Assoc.	1091	7.00	1/1/80 - 12/31/80	7,810	8,180	8,360	8,730	8,940
320-24	Vacant	1363	7.00		9,540	10,300	10,300	11,130	11,130
Total-Third Floor		7090 6922			$47,520	$50,560	$51,150	$54,490	$55,040
Fourth Floor									
401	Vacant	150	6.40		$ 960	$ 960	$ 1,040	$ 1,040	$ 1,120
402	Furst, Carlson Inc.	648	6.40	5/1/79 - 4/30/80	4,350	4,370	4,700	4,730	5,090
403-11	State	2147	6.75	1/1/80 - 12/31/81	14,500	14,880	15,670	16,100	16,960
412	Vacant	202	6.40	--	1,290	1,290	1,400	1,400	1,500
413-14	Wisconsin Alliance of Cities	679	6.80	--	4,980	5,020	5,420	5,420	5,850
415	State	259	7.00	3/1/79 - 2/28/81	1,830	1,940	1,970	2,100	2,130
416-19	State[5]	1370	6.00	vacated 6/30/80	8,220	8,880	8,880	9,590	9,590
420-20a	State[5]	560	6.70	vacated 6/30/80	3,750	3,750	4,050	4,050	4,370
421-22	State	300	6.70	vacated 6/30/80	2,010	2,010	2,170	2,170	2,340
423-24	Ed Konkol	340	6.60	9/1/79 - 8/31/80	2,240	2,240	2,420	2,420	2,620
Total-Fourth Floor		6655			$44,130	$45,340	$47,720	$49,020	$51,570

State 2639
Other 1805
Vacant 2478
6922

State = 4636
Other = 1667
Vacant = 352

TENNEY BUILDING

Schedule of Rental Revenues[1] for the Period of April 30, 1980 Through April 29, 1985

Occupancy as of April 30, 1980	Space Sq. Ft.	Annual Rent per Sq. Ft.[2]	Lease Terms as of 4/30/80[3]	Annualized Gross Rental Revenues 4/30/80-4/29/81	4/30/81-4/29/82	4/30/82-4/29/83	4/30/83-4/29/84	4/30/84-4/29/85
Fifth Floor								
501 E. C. Barton	150	7.60	--	$ 1,240	$ 1,270	$ 1,270	$ 1,380	$ 1,380
502 Vacant	842	7.50	--	6,310	6,820	6,820	7,360	7,360
503-5 Vacant	810	7.50	--	6,070	6,070	6,440	6,800	6,800
506-19 State	3922	6.25	11/1/79 - 10/31/83	24,500	24,500	24,500	30,590	31,770
520 State-Bd. of Aging	555	6.70	7/1/79 - 6/30/81	3,950	4,000	4,270	4,330	4,940
521-22 Dr. Coryell	339	7.20	7/1/79 - 6/30/80	2,440	2,690	2,740	2,920	2,950
523-24 Green Bay Press Gazette	337	7.60	9/1/79 - 8/31/82	2,560	2,690	2,760	2,760	2,760
Total-Fifth Floor	6955		State 4477 Other 826 Vacant 1652 6955	$47,070	$48,040	$48,800	$56,140	$57,960
Sixth Floor								
601 Vacant	150	6.70		$ 1,000	$ 1,000	$ 1,080	$ 1,080	$ 1,170
602-4 State[5]	1473 1272	6.00	vacated 6/30/80	8,840	9,540	9,540	10,300	10,300
605 Vacant	204	6.40	--	1,300	1,300	1,410	1,410	1,520
606-10 State	1000	6.70	to 6/30/80 then mo. - mo.	7,370	7,500	7,500	8,100	8,100
611 The Evjue Foundation	286	7.00	vacated 11/30/80	2,000	2,000	2,160	2,160	2,330
612-14 State	647	7.50	11/1/79 - 10/31/83	4,850	4,850	4,850	5,080	5,240
615 Tenney Bldg.	344	7.00	--	2,400	2,400	2,600	2,600	2,800
616 John Barsness	850	6.00	3/1/79 - 2/28/81	5,170	5,520	5,590	5,950	6,020
617 Bill Ward	250	6.70	vacated 5/31/80	1,940	2,120	2,120	2,300	2,300
618-19 State	494	8.00	vacated 5/31/79	3,950	3,950	4,270	4,270	4,610
620-24 Vacant	1262	6.70	--	8.450	9,130	9,130	9,860	9,860
Total-Sixth Floor	6960 6759			$47,270	$49,310	$50,250	$53,110	$54,250
Seventh Floor								
701 Lawton & Cates	150	5.75	6/1/79 - 5/31/83	$ 930	$ 970	$ 1,100	$ 1,050	$ 1,090
702-19 Lawton & Cates	5417	5.75	6/1/79 - 5/31/83	33,600	35,100	36,450	37,850	39,160
720-24 Vacant	1106	7.00	--	7,740	7,740	8,360	8,360	9,030
Total-Seventh Floor	6673			$42,270	$43,810	$45,910	$47,260	$49,280

EXHIBIT 24 -- Continued

EXHIBIT 24 -- Continued

TENNEY BUILDING

Schedule of Rental Revenues[1] for the Period of April 30, 1980 Through April 29, 1985

Occupancy as of April 30, 1980	Space Sq. Ft.	Annual Rent per Sq. Ft.[2]	Lease Terms as of 4/30/80[3]	Annualized Gross Rental Revenues 4/30/80-4/29/81	4/30/81-4/29/82	4/30/82-4/29/83	4/30/83-4/29/84	4/30/84-4/29/85
Eighth Floor								
801 Wisconsin Radio News	150	7.00	to 6/30/80	$ 1,050	$ 1,050	$ 1,130	$ 1,130	$ 1,220
802-5 State	1536	7.55	to 10/31/83	11,600	11,600	11,600	12,060	12,520
806-7 Dr. Mannis	470	7.50	9/1/79 - 8/31/80	3,840	4,000	4,000	4,210	4,320
808-22 State	4580	6.00	7/1/79 - 6/30/80	27,480	36,620	37,100	37,100	39,580
823-24 Dr. Boyle	339	7.60	9/1/79 - 8/31/80	2,780	2,880	3,040	3,120	3,120
Total-Eighth Floor	7075			$46,750	$56,150	$56,870	$57,620	$60,760
Ninth Floor								
901 Millman & Robertson	150	8.00	1/1/80 - 12/31/80	$ 1,230	$ 1,300	$ 1,340	$ 1,400	$ 1,400
902 Wisc. Ins. Alliance	864	7.00	6/1/79 - 5/31/80	6,400	6,480	6,910	7,000	7,000
903-6 Mulcahy & Wherry	980	8.00	1/1/79 - 12/31/81	8,070	8,530	8,750	9,210	9,210
907 Robert Uehling	225	8.00	4/1/80 - 3/31/81	1,810	1,960	1,980	2,110	2,110
909-10 Larry Hall	700	6.00	6/1/79 - 5/31/80	4,520	4,550	4,870	4,900	4,900
911 Dr. Schmitz	248	7.75	1/1/79 - 12/31/80	1,920	1,970	2,060	2,140	2,230
912-19 Devine Insurance	2580	7.00	4/1/80 - 3/31/83	18,060	18,060	18,180	19,350	19,350
921 State	575	7.00	vacated 7/1/80	4,020	4,350	4,350	4,700	4,700
922-23 Judicial Commission	355	6.50	5/1/79 - 4/30/81	2,300	2,500	2,500	2,700	2,700
924-25 Dr. Rundell	339	7.20	6/1/79 - 5/31/80	2,650	2,680	2,860	2,880	2,880
Total-Ninth Floor	7016			$50,980	$52,380	$53,800	$56,390	$56,480
Tenth Floor								
1001 Victor Lind	150	6.80	11/1/79 - 10/31/80	$ 1,050	$ 1,200	$ 1,250	$ 1,300	$ 1,350
1002 Wisc. Assoc. of Indep. Colleges	864	6.50	1/1/80 - 12/31/80	5,760	6,050	6,190	6,480	6,650
1003-4 Wisc. Canners & Freezers	756	8.00	5/1/79 - 4/30/80	6,050	6,050	6,530	6,530	7,050
1005-8 Boelter Co.	911	6.80	12/1/79 - 11/30/80	6,370	6,650	6,880	7,200	7,400
1009-10 Vacant	455	6.50	--	2,950	3,190	3,190	3,450	3,450
1011-13 Dr. Doll	727	6.65	6/1/79 - 5/31/80	5,230	5,270	5,640	5,670	6,100
1014 Vacant	229	6.25	--	1,430	1,430	1,540	1,540	1,670
1015-18 State	1616	7.50	11/1/79 - 10/31/83	12,120	12,120	12,120	12,600	13,090
1019-21 Vacant	680	6.70	vacated 2/29/80	5,380	5,440	5,870	5,910	6,350
1022 Herb Walsh	171	8.00	12/1/79 - 11/30/80	1,420	1,490	1,490	1,540	1,600
1023-24 Dane Co. Advocate for Battered Women	331	7.20	8/1/79 - 7/31/80	2,610	2,680	2,840	2,900	3,070
Total-Tenth Floor	6890			$50,370	$51,570	$53,540	$55,120	$57,780
Annual Totals for Tenney Bldg.	74,054 sq. ft.			$493,960	$522,120	$537,260	$565,460	$586,210

Total Vacant (1979) = 9833
Office = 9133

TENNEY BUILDING

Notes to Schedule of Rental Revenues for the
Period of April 30, 1980 Through April 29, 1985

[1]The annualized gross rental revenue for the period from April 30, 1980 through April 29, 1981 is consistent with the actual lease terms, if at market rents, as of April 30, 1980. Increases in rents are assumed to take place according to lease terms and conditions; an increase of 8 percent is used at lease renewal dates. This factor was taken from a survey of office rent increases in Class B buildings on and near the Capitol Square in Madison and is the current rate used by the Tenney Building manager.

[2]The annual rental market rate is given as of April 30, 1980. Only one tenant in Rooms 909-10 is considered to be below market rent at $4.73/square foot; therefore the rent for this space is calculated at a market rate of $6.00/square foot. Market rents are also imputed to spaces used by the building owner.

[3]Of the 87 rental space units in the Tenney Building as of April 30, 1980, there are 62 leases in place, but 54 of those terminate between 1980 and 1982. Only eight have leases that extend beyond April 30, 1982.

[4]The Leaf and Ladle Restaurant began its lease of 3500 sq. ft. of the first floor retail space on January 1, 1980. The restaurant had closed its door by October 1, 1980, and the remodeled space is once again on the market. The rental rate of $9.00 with an annual escalator of 8% per year commencing in the second year is considered comparable for the area. A most probable investor might consider an escalator based upon a percentage of gross sales to encourage rental of this space if restaurant use is most likely; the projected revenues probably would not increase as rapidly as forecast.

[5]The state has given notice that it will vacate these spaces by June 30, 1980.

of April 30, 1980, altered by projected additional rentals and/or vacancies from April 30, 1980, through April 29, 1985, are provided in Exhibit 25.

2. Projection of Revenues and Expenses

Assignable areas, market rental rates set by existing leases, and market rents for space leased below market or vacant are then combined to produce a schedule of revenues with supporting footnotes in Exhibit 24. It should be noted that rental increases are projected at 8 percent per annum compounded. A comparison of the change in rental rates for Class B office buildings from 1977 to 1980 as reported in the Madison City Planning Department publication Office Space indicated a central tendency of an 8 percent increase a year. The manager of the Tenney Building is currently using 8 percent as the factor to increase rents when leases are negotiated or renegotiated. The average rate of increase in the All Items Consumer Price Index for the five years preceding the date of valuation is found in Exhibit 26. Operating expense increases are detailed in the Notes to Exhibit 27.

3. Pro Forma Income Statement

The projection of potential gross revenues for five fiscal years and projected vacancy losses are then combined with operating expenses to produce Exhibit 27, a Schedule of Projected Revenues and Expenses for the Five Fiscal Years Starting April 30, 1980, Through April 29, 1985. The pro forma income statement provides a forecast of net cash income before payment of real estate taxes,

EXHIBIT 25

TENNEY BUILDING

Schedule of Vacancies by Floor and by Lease Terms for the Period of April 30, 1980 Through April 29, 1985

	Space Sq. Ft.[2]	% Vacant	Annual Rental Rate Per. Sq. Ft.	# of Months Vacant	Projection Period 4/30/80-4/29/81	4/30/81-4/29/82	4/30/82-4/29/83	4/30/83-4/29/84	4/30/84-4/29/85
Lower Level & Roof[1]									
B Level - Vault	700	100	3.00	12	$ 2,100				
	700	100	3.00	12		$ 2,100			
	700	100	3.25	12			$ 2,270		
	700	50	3.25	6				$ 1,140	
	700	50	3.50	6					$ 1,140
B Level									
Showroom and Office	4,000	100	3.00	12	12,000				
	4,000	100	3.00	6		6,000			
	4,000	50	3.25	6			3,250		
	4,000	50	3.25	6				3,250	
	4,000	50	3.50	3					1,750
A Level - Storage	400	100	7.00	6				1,400	
	400	100	7.50	9					2,250
Total - Lower Level					$14,100	$ 8,100	$ 5,520	$ 5,790	$ 5,140
First Floor									
112 East Main	454	100	5.20	8		$ 1,570			
	454	100	5.20	12			$ 2,360		
	454	100	5.20	4				$ 780	
114 East Main	1,000	100	5.20	8		3,480			
	1,000	50	5.20	12			2,600		
	1,000	50	5.20	4				860	
Leaf & Ladle	3,500	100	9.00	7	18,370				
	3,500	100	9.50	3		8,310			
	3,500	100	10.50	3				9,190	
	3,500	100	11.30	3					$ 9,890
North Entry	2,000	100	9.00	9	13,500				
Total - First Floor					$31,870	$13,360	$ 4,960	$10,830	$ 9,890

EXHIBIT 25 -- Continued

TENNEY BUILDING

Schedule of Vacancies by Floor and by Lease Terms for the Period of April 30, 1980 Through April 29, 1985

	Space Sq. Ft.[2]	% Vacant	Annual Rental Rate Per Sq. Ft.	# of Months Vacant	Projection Period 4/30/80-4/29/81	4/30/81-4/29/82	4/30/82-4/29/83	4/30/83-4/29/84	4/30/84-4/29/85
Second Floor[3]									
201	150	100	6.50	12	$ 900				
	150	100	6.50	12		$ 900			
	150	100	7.00	12			$ 1,050		
	150	100	7.00	12				$ 1,050	
	150	100	7.60	12					$ 1,140
202	600	100	6.70	6	2,010				
	600	50	7.20	12		2,160			
	600	50	7.20	12			2,160		
	600	50	7.80	6				1,170	
	600	50	7.80	3					580
203-4	543	100	6.20	12	3,370				
	543	50	6.70	12		1,820			
	543	50	6.70	12			1,820		
	543	50	6.70	9				1,360	
205-6	506	100	7.00	6	1,770				
	506	50	7.50	12		1,900			
	506	50	7.50	12			1,900		
	506	50	8.15	9				1,550	
	506	50	8.15	6					1,030
209-10	451	100	6.25	6	1,410				
	451	50	6.75	12		1,520			
	451	50	6.75	12			1,520		
	451	50	7.30	9				1,230	
215	415	100	6.75	12	2,800				
	415	100	7.30	6		1,510			
	415	100	7.30	3			760		
218-19	816	100	8.00	8				4,370	
	816	100	8.20	12					6,690
220-21	1,400	100	6.25	6	4,370				
	1,400	50	6.75	12		4,720			
	1,400	50	6.75	6			2,360		
	1,400	50	7.30	6				2,560	
Total - Second Floor					$16,630	$14,530	$11,570	$13,290	$ 9,440

TENNEY BUILDING

Schedule of Vacancies by Floor and by Lease Terms for the Period of April 30, 1980 Through April 29, 1985

EXHIBIT 25 -- Continued

	Space Sq. Ft.[2]	% Vacant	Annual Rental Rate Per Sq. Ft.	# of Months Vacant	Projection Period 4/30/80-4/29/81	4/30/81-4/29/82	4/30/82-4/29/83	4/30/83-4/29/84	4/30/84-4/29/85
Third Floor[3]									
301	150	100	5.75	12	$ 860				
	150	100	5.75	12		$ 860			
	150	100	6.20	12			$ 930		
	150	100	6.20	12				$ 930	
	150	100	6.70	12					$ 1,000
302-3	1,179	100	5.75	6	3,390				
	1,179	50	6.20	12		3,650			
	1,179	50	6.20	12			3,650		
	1,179	50	6.70	6				3,950	
304	230	100	6.70	6	770				
	230	100	7.20	12		1,660			
	230	100	7.80	6					900
305-8	942	100	6.70	6	3,150				
	942	50	7.20	12		3,390			
	942	50	7.20	12			3,390		
	942	50	7.80	3					1,830
310-11	456	100	6.70	6	1,530				
	456	50	7.20	12		1,640			
	456	50	7.20	12			1,640		
312	234	100	5.75	12	1,340				
	234	100	6.20	12		1,450			
	234	100	6.20	12			1,450		
	234	100	6.70	12				1,570	
	234	100	6.70	12					1,570
315	731	100	6.70	4	1,610				
320-24	1,363	100	7.00	12	9,540				
	1,363	100	7.60	6		5,150			
Total - Third Floor					$22,190	$17,800	$11,060	$ 6,450	$ 5,300

TENNEY BUILDING

Schedule of Vacancies by Floor and by Lease Terms for the Period of April 30, 1980 Through April 29, 1985

					Projection Period				
	Space Sq. Ft.[2]	% Vacant	Annual Rental Rate Per Sq. Ft.	# of Months Vacant	4/30/80-4/29/81	4/30/81-4/29/82	4/30/82-4/29/83	4/30/83-4/29/84	4/30/84-4/29/85
Fourth Floor									
401	150	100	6.40	12	$ 960				
	150	100	6.40	12		$ 960			
	150	100	6.90	12			$ 1,040		
	150	100	6.90	12				$ 1,040	
	150	100	7.45	12					$ 1,120
412	202	100	6.40	12	1,290				
	202	100	6.40	12		1,290			
	202	100	6.90	12			1,400		
	202	100	6.90	12				1,400	
	202	100	7.40	12					1,500
416-19	1,370	100	6.00	6	4,110				
	1,370	50	6.50	12		4,450			
	1,370	50	6.50	12			4,450		
	1,370	50	7.00	12				4,800	
	1,370	50	7.00	6					2,400
420-20a	560	100	6.70	6	1,880				
	560	50	6.70	12		1,870			
	560	50	7.20	9			1,520		
Total - Fourth Floor					$ 8,240	$ 8,570	$ 8,410	$ 7,240	$ 5,020
Fifth Floor									
502	842	100	7.50	12	$ 6,310				
	842	50	8.00	12		$ 3,410			
	842	50	8.00	12			$ 3,410		
	842	50	8.75	6				$ 3,410	
520	555	100	7.70	6			2,130		
	555	50	7.80	12				2,160	
	555	50	8.90	9					$ 1,850
Total - Fifth Floor					$ 6,310	$ 3,410	$ 5,540	$ 5,570	$ 1,850

TENNEY BUILDING

Schedule of Vacancies by Floor and by Lease Terms for the Period of April 30, 1980 Through April 29, 1985

EXHIBIT 25 -- Continued

	Space Sq. Ft.[2]	% Vacant	Annual Rental Rate Per Sq. Ft.	# of Months Vacant	Projection Period 4/30/80-4/29/81	4/30/81-4/29/82	4/30/82-4/29/83	4/30/83-4/29/84	4/30/84-4/29/85
Sixth Floor									
601	150	100	6.70	12	$ 1,000				
	150	100	6.70	12		$ 1,000			
	150	100	7.20	9			$ 810		
602-4	1,473	100	6.00	6	4,420				
	1,473	50	6.50	12		4,770			
	1,473	50	6.50	12			4,770		
	1,473	50	7.00	9				$ 3,870	
	1,473	50	7.00	6					$ 2,580
605	204	100	6.40	12	1,300				
	204	100	6.40	12		1,300			
	204	100	6.90	12			1,410		
	204	100	6.90	9				1,060	
617	250	100	7.75	4	640				
620-24	1,262	100	6.70	12	8,450				
	1,262	100	7.20	6		4,540			
	1,262	100	7.20	6			4,540		
	1,262	50	7.80	9				3,690	
Total - Sixth Floor					$15,810	$11,610	$11,530	$ 8,620	$ 2,580
Seventh Floor									
No Vacancies Projected									
Eighth Floor									
801	150	100	7.00	10	$ 880				
	150	100	7.00	12		$ 1,050			
	150	100	7.50	6			$ 560		
Total - Eighth Floor					$ 880	$ 1,050	$ 560	0	0

EXHIBIT 25 -- Continued

TENNEY BUILDING

Schedule of Vacancies by Floor and by Lease Terms for the Period of April 30, 1980 Through April 29, 1985

	Space Sq. Ft.[2]	% Vacant	Annual Rental Rate Per Sq. Ft.	# of Months Vacant	Projection Period 4/30/80-4/29/81	4/30/81-4/29/82	4/30/82-4/29/83	4/30/83-4/29/84	4/30/84-4/29/85
Ninth Floor									
909-10	700	100	6.50	6		$ 2,280			
	700	100	7.00	6			$ 2,440		
922-23	355	100	7.00	12			2,500		
	355	100	7.60	6				$ 1,350	
Total - Ninth Floor					0	$ 2,280	$ 4,940	$ 1,350	0
Tenth Floor									
1009-10	455	100	6.50	12	$ 2,950				
	455	100	7.00	12		$ 3,190			
	455	100	7.00	9			$ 2,390		
1014	229	100	6.25	12	1,430				
	229	100	6.25	12		1,430			
	229	100	6.70	6				770	
1019-20	680	100	6.70	1	380				
Total - Tenth Floor					$ 4,760	$ 4,620	$ 2,390	$ 770	0
TENNEY BUILDING TOTALS[4]					$120,790	$85,330	$66,480	$59,910	$39,220

TENNEY BUILDING

Notes to Schedule of Vacancies by Floor and by Lease Terms
For the Period of April 30, 1980 Through April 29, 1985

[1] The lower level space has a continued record of vacancy; it is assumed that until the space is made more marketable by remodeling, rents will not keep pace with the market. Uses other than a showroom for the 4000 sq. ft. will need to be explored; subdividing the larger space for office space and/or storage space are possibilities.

[2] It is assumed that the smaller office spaces from 200-500 square feet will experience less overall vacancy than the larger spaces. There appears to be a trend toward several small independent businessmen sharing a common secretarial staff; some of the larger vacant suites could be remodeled for this type of use.

[3] The second and third floors have the greatest amount of vacancy due to the exodus of State tenants. By the end of June, 1980, the State's move alone will cause 44% of the second floor vacancies; the third floor will experience a vacancy rate of 39.5% due to loss of State tenants; the State related vacancy rates on the fourth and sixth floors will be 29% and 21% respectively. A most probable buyer will have to anticipate a large capital investment in 1980 to remodel and refurbish the Tenney Building to make it competitive in the Class B office market that already has a large supply of space available on and near the Square.

[4] Vacancies are assumed to gradually decrease between 1981 and 1983; a most probable buyer will institute a vigorous marketing program which will involve research of space needs in the area and remodeling which will be targeted to those needs.

EXHIBIT 26

AVERAGE RATE OF INCREASE IN CONSUMER PRICE INDEX ALL ITEMS MAY 1975 THROUGH APRIL 1980

A 50 BUSINESS ACTIVITY; CONSTRUCTION ▫ AUGUST 1975[1]

SELECTED BUSINESS INDEXES

(1967 = 100, except as noted)

Period	Industrial production: Total	Market: Products: Total	Market: Products: Final: Total	Market: Products: Final: Consumer goods	Market: Products: Final: Equipment	Market: Products: Intermediate	Market: Materials	Industry: Manufacturing	Capacity utilization in mfg. (1967 output = 100)	Construction contracts	Nonagricultural employment—Total[1]	Manufacturing[2]: Employment	Manufacturing[2]: Payrolls	Total retail sales[3]	Prices[4]: Consumer	Prices[4]: Wholesale commodity
1955	58.5	56.6	54.9	59.5	48.9	62.6	61.5	58.2	90.0	....	76.9	92.9	61.1	59	80.2	87.8
1956	61.1	59.7	58.2	61.7	53.7	65.3	63.1	60.5	88.2	....	79.6	93.9	64.6	61	81.4	90.7
1957	61.9	61.1	59.9	63.2	55.9	65.3	63.1	61.2	84.5	....	80.3	92.2	65.4	64	84.3	93.3
1958	57.9	58.6	57.1	62.6	50.0	63.9	56.8	56.9	75.1	....	78.0	83.9	60.3	64	86.6	94.6
1959	64.8	64.4	62.7	68.7	54.9	70.5	65.5	64.1	81.4	....	81.0	88.1	67.8	69	87.3	94.8
1960	66.2	66.2	64.8	71.3	56.4	71.0	66.4	65.4	80.1	....	82.4	88.0	68.8	70	88.7	94.9
1961	66.7	66.9	65.3	72.8	55.6	72.4	66.4	65.6	77.6	....	82.1	84.5	68.0	70	89.6	94.5
1962	72.2	72.1	70.8	77.7	61.9	76.9	72.4	71.4	81.4	....	84.4	87.3	73.3	75	90.6	94.8
1963	76.5	76.2	74.9	82.0	65.6	81.1	77.0	75.8	83.0	86.1	86.1	87.8	76.0	79	91.7	94.5
1964	81.7	81.2	79.6	86.8	70.1	87.3	82.6	81.2	85.5	89.4	88.6	89.3	80.1	83	92.9	94.7
1965	89.2	88.1	86.8	93.0	78.7	93.0	91.0	89.1	89.0	93.2	92.3	93.9	88.1	91	94.5	96.6
1966	97.9	96.8	96.1	98.6	93.0	99.2	99.8	98.3	91.9	94.8	97.1	99.9	97.8	97	97.2	99.8
1967	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	87.9	100.0	100.0	100.0	100.0	100	100.0	100.0
1968	105.7	105.8	105.8	106.6	104.7	105.7	105.7	105.7	87.7	113.2	103.2	101.4	108.3	109	104.2	102.5
1969	110.7	109.7	109.0	111.1	106.1	112.0	112.4	110.5	86.5	123.7	106.9	103.2	116.6	114	109.8	106.5
1970	106.6	106.0	104.5	110.3	96.3	111.7	107.7	105.2	78.3	123.1	107.7	98.1	114.1	120	116.3	110.4
1971	106.8	106.4	104.7	115.7	89.4	112.6	107.4	105.2	75.0	145.4	108.1	94.2	116.7	122	121.2	113.9
1972	115.2	113.8	111.9	123.6	95.5	121.1	117.4	114.0	78.6	165.3	111.9	97.6	131.5	142	125.3	119.8
1973	125.6	123.4	121.3	131.7	106.7	131.1	129.3	125.2	83.0	181.3	116.7	103.1	148.9	....	133.1	134.7
1974	124.8	123.1	121.7	128.8	111.7	128.3	127.4	124.4	78.9	168.6	118.9	102.1	156.6	....	147.7	160.1
1974—June	125.8	124.0	122.6	130.2	112.0	128.9	128.8	125.6	[5]80.1	166.0	119.1	103.2	157.9	170	146.9	155.7
July	125.5	124.0	122.8	130.0	113.0	127.8	128.0	125.2		177.0	119.2	103.0	159.5	177	148.0	161.7
Aug.	125.2	123.5	122.1	129.8	111.4	128.6	128.5	125.2	79.4	170.0	119.4	102.6	161.5	180	149.9	167.4
Sept.	125.6	123.6	122.6	128.8	113.8	127.6	129.3	125.5		187.0	119.7	102.5	162.0	176	151.7	167.2
Oct.	124.8	122.9	122.3	128.2	114.0	125.3	128.1	124.6		148.0	119.8	101.7	162.1	175	153.0	170.2
Nov.	121.7	121.4	120.9	126.3	113.2	123.0	122.1	120.9	75.7	154.0	119.1	99.4	157.0	170	154.3	171.9
Dec.	117.3	118.7	118.2	123.4	110.7	120.5	114.8	116.1		176.0	118.0	96.3	152.6	171	155.4	171.5
1975—Jan.	113.7	115.4	114.9	120.1	107.8	117.6	110.5	111.7		135.0	117.3	93.6	148.9	176	156.1	171.8
Feb.	111.2	113.7	113.3	118.8	105.3	115.2	107.4	109.2	r68.2	135.0	116.5	90.8	143.0	179	157.2	171.3
Mar.	110.0	112.4	112.2	118.2	103.9	112.7	105.9	107.7		153.0	116.0	89.9	142.8	176	157.8	170.4
Apr.	109.9	112.9	112.6	119.6	103.0	113.4	105.2	107.9		189.0	115.9	89.6	144.1	179	158.6	172.1
May	109.8	113.0	113.2	120.6	102.8	112.4	104.6	107.8		182.0	116.1	89.9	144.1	183	159.3	173.2
June	110.3	113.5	113.8	122.0	102.4	112.4	105.1	108.5	66.5	174.0	115.8	89.8	145.6	185	160.6	173.7
July	110.8	113.9	114.3	123.4	101.6	112.6	105.6	108.9		....	115.9	89.6	147.8	....	....	175.7

1 Employees only: excludes personnel in the Armed Forces.
2 Production workers only. Revised back to 1968.
3 F.R. index based on Census Bureau figures.
4 Prices are not seasonally adjusted. Latest figure is final.
5 Figure is for second quarter 1974.

NOTE.—*All series:* Data are seasonally adjusted unless otherwise noted.

Capacity utilization: Based on data from Federal Reserve, McGraw-Hill Economics Department, and Dept. of Commerce.

Construction contracts: McGraw-Hill Informations Systems Company F.W. Dodge Division, monthly index of dollar value of total construction contracts, including residential, nonresidential, and heavy engineering.

Employment and payrolls: Based on Bureau of Labor Statistics data; includes data for Alaska and Hawaii beginning with 1959.

Prices: Bureau of Labor Statistics data.

[1] Federal Reserve Bulletin, August 1975, page A50.

EXHIBIT 26 -- Continued

A46 Domestic Nonfinancial Statistics □ August 1980 [1]

2.10 NONFINANCIAL BUSINESS ACTIVITY Selected Measures

1967 = 100; monthly and quarterly data are seasonally adjusted. Exceptions noted.

Measure	1977	1978	1979	1979	1980						
				Dec.	Jan.	Feb.	Mar.	Apr.	May	June[p]	July[e]
1 **Industrial production**[1]	**138.2**	**146.1**	**152.2**	**152.2**	**152.6**	**152.3**	**151.7**	**148.2**	**144.3**	**141.0**	**138.8**
Market groupings											
2 Products, total	137.9	144.8	149.7	149.7	150.0	149.9	149.3	146.4	143.8	141.7	140.0
3 Final, total	135.9	142.2	147.0	147.0	147.0	147.4	147.1	145.1	143.1	141.2	139.6
4 Consumer goods	145.3	149.1	150.5	148.5	148.2	148.5	147.8	144.8	142.4	141.0	139.4
5 Equipment	123.0	132.8	142.2	145.0	145.4	146.0	146.1	145.4	143.9	141.5	139.9
6 Intermediate	145.1	154.1	160.0	159.9	160.8	159.3	157.7	151.4	146.7	143.4	141.7
7 Materials	138.6	148.3	156.0	156.2	156.7	155.9	155.4	151.1	145.0	139.9	137.0
Industry groupings											
8 Manufacturing	138.4	146.8	153.2	152.8	153.4	152.7	151.9	147.9	143.5	139.8	137.2
Capacity utilization (percent)[1,2]											
9 Manufacturing	81.9	84.4	85.7	84.3	84.4	83.8	83.1	80.7	78.1	75.8	74.2
10 Industrial materials industries	82.7	85.6	87.2	87.2	86.0	85.4	84.9	82.3	78.7	75.7	74.6
11 Construction contracts[3]	160.5	174.3	183.0	183.0	190.0	171.0	155.0	130.0	125.0	145.0	n.a.
12 Nonagricultural employment, total[4]	125.3	131.4	136.0	137.8	138.3	138.6	138.5	138.2	137.5r	136.7r	136.4
13 Goods-producing, total	104.5	109.8	114.0	114.1	114.6	114.2	113.6	112.1	110.5r	109.0r	107.6
14 Manufacturing, total	101.2	105.3	107.9	107.9	107.8	107.8	107.7	106.1	104.3r	102.8r	101.5
15 Manufacturing, production-worker	98.8	102.8	104.9	104.5	104.2	103.9	103.8	101.7	99.1r	97.3r	95.9
16 Service-producing	136.7	143.2	148.1	150.8	151.3	151.9	152.2	152.6	152.3r	152.0r	152.2
17 Personal income, total[5]	244.4	274.1	307.1	323.7	326.6	328.1	330.4	330.6r	331.6r	332.9	n.a.
18 Wages and salary disbursements	230.2	258.1	287.2	300.1	302.5	305.1	307.4	306.2r	306.2r	306.4	n.a.
19 Manufacturing	198.3	222.4	246.8	254.7	256.7	259.2	260.8	257.8r	254.4r	251.6	n.a.
20 Disposable personal income	194.8	217.7	242.5	.....	.....	259.4	.....	.....	261.9	.....	.....
21 Retail sales[6]	229.8	253.8	280.9	294.8	303.6	301.8	292.4	286.6	285.0	288.9	294.7
Prices[7]											
22 Consumer	181.5	195.4	217.4	229.9	233.2	236.4	239.8	242.5	244.9	247.6	n.a.
23 Producer finished goods	180.6	194.6	216.1	228.1	232.4	235.7	238.2	240.0	241.0	242.6	246.6

1. The industrial production and capacity utilization series have been revised. For a description of the changes see the August 1979 BULLETIN, pp. 603–07.
2. Ratios of indexes of production to indexes of capacity. Based on data from Federal Reserve, McGraw-Hill Economics Department, and Department of Commerce.
3. Index of dollar value of total construction contracts, including residential, nonresidential, and heavy engineering, from McGraw-Hill Information Systems Company, F. W. Dodge Division.
4. Based on data in *Employment and Earnings* (U.S. Department of Labor). Series covers employees only, excluding personnel in the Armed Forces.
Monthly data for lines 12 throuth 16 reflect March 1979 benchmarks; only seasonally adjusted data are presently available.
5. Based on data in *Survey of Current Business* (U.S. Department of Commerce) Series for disposable income is quarterly.
6. Based on Bureau of Census data published in *Survey of Current Business*
7. Data without seasonal adjustment, as published in *Monthly Labor Review*. Seasonally adjusted data for changes in the price indexes may be obtained from the Bureau of Labor Statistics, U.S. Department of Labor.

NOTE: Basic data (not index numbers) for series mentioned in notes 4, 5, and 6, and indexes for series mentioned in notes 3 and 7 may also be found in the *Survey of Current Business*.
Figures for industrial production for the last two months are preliminary and estimated, respectively.

where:

April 1980 CPI = 242.5
May 1975 CPI = 159.3

then:

$$\frac{\frac{242.5 - 159.3}{159.3}}{5 \text{ years}} = \frac{.5222}{5} = .1044$$

or: 10.4% Annual Rate of Price Increase 1975-80

[1] Federal Reserve Bulletin, August 1980, page A46.

EXHIBIT 27

TENNEY BUILDING

Schedule of Projected Revenues and Expenses From April 30, 1980 Through April 29, 1985

	4/30/80-4/29/81		4/30/81-4/29/82	4/30/82-4/29/83		4/30/83-4/29/84	4/30/84-4/29/85
Revenues:							
Gross Income	$493,960		$522,120	$537,260		$565,460	$586,210
Less: Vacancies	(120,790) (24.5%)		(85,330) (16.3%)	(66,480) (12.4%)		(59,910) (10.6%)	(39,220) (6.7%)
Effective Gross	373,170		436,790	470,780		505,550	546,990
Parking Rentals	12,960		12,960	12,960		14,000	14,000
Total Revenues	$386,130		$449,750	$483,740		$519,550	$560,990
Expenses:[1]							
Accounting & Legal	4,200	.011	4,640	5,120	.01	5,650	6,240
Building Security[2]	21,840	.057	24,100	26,620	.055	29,390	32,440
Insurance	7,000	.018	7,730	8,530	.018	9,420	10,400
Maintenance[3]	28,850	.075	31,850	35,160	.073	38,820	42,860
Wage & Salaries	60,000	.155	66,240	73,130	.151	80,730	89,130
Payroll Taxes	11,500	.03	12,700	14,020	0.3	15,470	17,080
Repairs	14,880	.039	16,430	18,130	.037	20,020	22,100
Telephone[4]	1,600	.004	1,770	1,950	.004	2,150	2,380
Utilities	90,600	.235	101,470	107,560	.222	114,380	122,020
Office Expenses[5]	7,040	.018	7,520	8,250	.017	8,840	9,690
Management[6]	22,390	.058	26,320	27,540	.057	30,280	32,570
Concourse Special Assessment	2,360	.006	2,410	2,630	.005	2,550	2,480
Total Operating Expenses Before R.E. Taxes[7]	($272,260)	.705	($303,180)	($328,640)	.679	($357,700)	($389,390)
Net Operating Income Before R.E. Taxes	$113,870		$146,570	$155,100		$161,850	$171,600
Real Estate Taxes[8]	(26,680)	.069	(28,000)	(29,400)	.061	(30,880)	(32,420)
Net Operating Income	$ 87,190		$118,570	$125,700	.26	$130,970	$139,180

TENNEY BUILDING

Notes to Schedule of Projected Revenues and Expenses
From April 30, 1980 Through April 29, 1985

[1] Expenses

In general, expenses are projected to increase according to the average annual change of 10.4% in the All Item Consumer Price Index over the past five years. (See amended Exhibit 27).

[2] Building Security

Security personnel is hired from 10 P.M. to 6 A.M. on weekdays with 24 hour coverage on the weekends. The building is open to the public from 6 A.M. to 6 P.M. each weekday. The continuing problems created by the presence of bars and adult entertainment places across the street make this security protection mandatory.

[3] Maintenance

This account includes an elevator maintenance contract at $9,060 a year.

[4] Utilities

At present the Tenney Building consumes approximately 55,000 to 70,000 gallons of No. 2 fuel oil per year depending upon the weather. The cost of fuel has increased as follows:

January 12, 1979	.43/gallon
October 1, 1979	.77/gallon
February 1, 1980	.95/gallon

In thirteen months the cost has risen 121%. Though the Tenney Building is converting to natural gas on its primary boiler, the cost of natural gas is also volatile. Over the past five years natural gas has had an average annual increase of 17.6% for the commercial time-of-use consumer, according to Milton Spiros, Madison Gas & Electric Co.

The installation of combination storm windows throughout the building should help to conserve fuel costs. To stabilize utility costs it is assumed management will place energy cost escalators in renewed leases; therefore in the pro forma income statement utility costs are escalated at 12 percent annually with 50 percent of the increase passed through to the tenant after year 2.

[5] Office expenses include rental of space in the Tenney Building for management operations.

[6] Management costs are computed as 6% of effective gross office revenue with 4% allowed for management and 2% for leasing commissions for space turnover.

TENNEY BUILDING

Notes to Schedule of Projected Revenues and Expenses
From April 30, 1980 Through April 29, 1985

[7] Total operating expenses are calculated before including real estate taxes for ease in using the MRCAP discounted cash flow program.

[8] Real estate taxes are calculated as 5.4% of gross revenues in the first year and increased at 5% per annum thereafter. These calculations are based on the following fact and assumptions:

1. The assessed value as of 1/1/80 is $1,200,000.
2. The mill rate is assumed to increase slightly (approximately 1%) after several years of decrease.
3. Taxes will continue to increase due to inflated city budgets and decreasing state aids.

debt service, income taxes, and the yield on investment plus recovery of equity capital necessary to justify the capital investment of the buyer.

With the completion of GEF II and III in 1979-80, there were shifts in many State offices. The Tenney Building was affected by the loss of State tenants; vacancy increased by almost 9,000 square feet from State shifts alone. The smaller first floor retail space of 2,000 square feet was vacant until October 1, 1980; the larger space rented for use as a restaurant as of January 1, 1980, was in trouble by early summer and vacated its 3,500 square feet by October 1, 1980. These known vacancies, plus the anticipated termination of other leases, lead to the assumption a purchaser will refurbish and remodel to increase marketability. It is estimated a minimal loan of $104,000 for eight years at 13 percent interest will be required to make the Tenney Building viable in an increasingly competitive market for Class B office space in the CBD of Madison.

The remodeling and refurbishing investment, together with the projected gradual increase in occupancy by 1982 through 1985, will have a pronounced impact upon effective gross income. The increase will be greatly tempered by rapidly increasing utility and heat expenses which are expected to escalate at no less than 12 percent per year (See Notes to Exhibit 27), but prudent management will pass through to the tenants 50 percent of each year's increase in utility expenses; the pass through becomes operative at the end of the second year when the leases have been renegotiated.

4. Conversion of Net Income to Present Value

The MRCAP program from the National EDUCARE library of programs, previously described, is used to convert net income to a present value after taxes as of April 30, 1980, for the Tenney Building at the end of a five-year holding period.

C. Assumptions Used in MRCAP

The MRCAP discounted cash flow program can solve for a justified project value by specifying the ratio of net income to debt service acceptable to an institutional mortgage lender. Given the interest rate and term available as of April 30, 1980, the program will solve for the justified amount of mortgage and for justified cash equity, assuming typical before-tax cash-on-cash investor requirements for office buildings, with potential for inflation sensitive rents. Exhibit 28 is a simplified flow chart depicting the steps in solving for the justified project budget.

On April 30, 1980, prudent lenders will require a minimum debt cover ratio of 1.3 and equity investors expect no less than 6 percent cash-on-cash.

1. Inputs into MRCAP Program

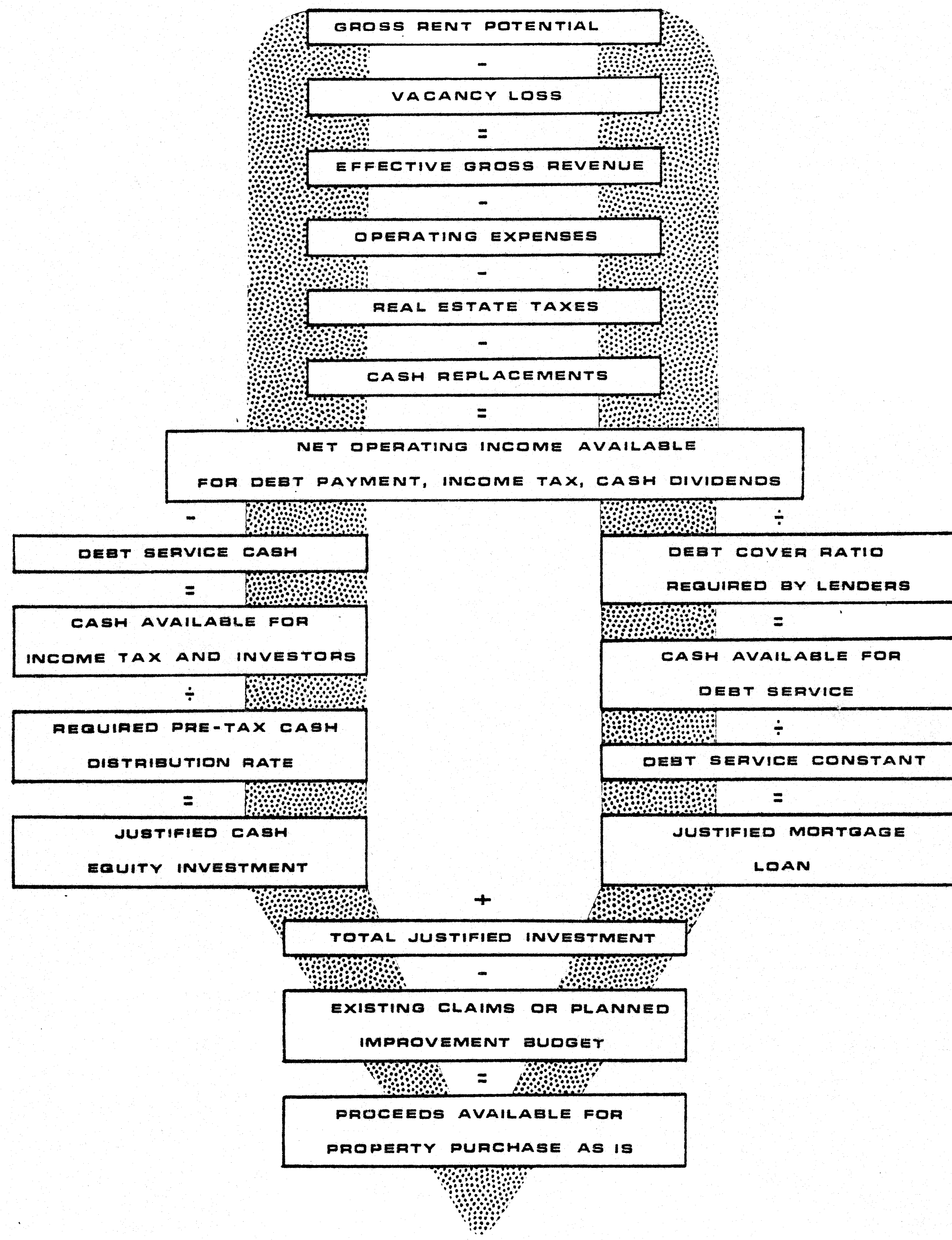
   a. Debt cover ratio = 1.3

   b. Before tax cash-on-cash requirements = 6%

   c. Project holding period = 5 years

EXHIBIT 28

REVENUE JUSTIFIED CAPITAL BUDGET
DEBT COVER RATIO APPROACH



d. Real estate taxes = historical pattern suggests real estate taxes at 5.4 percent of first year's gross with an annual inflation factor of 5% (see assumptions discussed below)

e. Discount rate = 13% (present value factor used to discount cash flow)

f. Reinvestment rate = 6% after tax rate applied to after tax cash flow

g. Resale price = 10 times net operating income in year of sale

h. Resale cost rate = 4%

i. Working capital reserves from equity to cover one month's expenses = $30,000

j. Investor marginal income tax rate = 50%

k. Land = $340,000, as of most recent appraisal for IRS

l. Buildings = 60% of total improvement value

m. Mechanicals and site improvements = 40% of total improvement value

n. Elevators = remaining book value of $73,000

o. Improvements for Energy Conservation = a total of $54,000 which includes $43,000 for storm windows and $11,000 for natural gas conversion unit.

p. Tenant Improvements = $50,000 for carpeting and partitions as needed to upgrade vacant office space

q. Investment Credit Dummy = to allow for tax benefit of investment credit in first year for capital improvement for energy conservation

r. Mortgage = principal amount determined by debt cover ratio; interest rate a minimum of 12% with a 20-year term, paid monthly, on the first mortgage and 13% interest and an 8-year term for the second mortgage

2. Real Estate Tax Assumptions

Real estate taxes are a function of assessed value (or fair market value when assessed value is 100 percent of market value) and the net mill rate; therefore, real estate taxes are estimated as a function of gross rental income. During the past two years, real estate taxes have been between 5 percent and 6 percent of the Tenney Building's potential gross rental income. As a result of tests of several values between 5 percent and 6 percent, it is determined that 5.4 percent of gross rental revenues best represents the historical pattern of the Tenney Building's real estate taxes. MRCAP is programmed to use 5.4 percent of the first year's gross rental income to compute the first year's real estate taxes and then provides for a growth factor of 5 percent to increase the taxes each year thereafter.

D. Analysis of Test Results

Four runs of the MRCAP program were done using different assumptions about the amount of real estate taxes that would be paid on the subject property. Taxes and net mill rates for the past three years on the subject property have been:

Year	1977	1978	1979
Real Estate Taxes	$33,118.75	$29,951.95	$25,340.93
Net Mill Rate	.026495	.024153	.022036

Real estate taxes estimated at various percentages of the first year's projected gross and inflated 5 percent a year gave these results in the MRCAP runs:

Percentage of First Year's Gross Rental Revenue	Real Estate Taxes 1980	1981	1982	1983	1984
5.0	$24,698	$25,933	$27,230	$28,591	$30,021
5.4	$26,674	$28,008	$29,408	$30,878	$32,422
5.8	$28,650	$30,082	$31,586	$33,166	$34,824
6.0	$29,638	$31,119	$32,675	$34,309	$36,025

The real estate taxes estimated at 5.4 percent of the first year's gross rent best approximates the shift from a decreasing to an increasing net mill rate that can now be expected due to an anticipated decrease in state aids to cities. Rising costs of local government can be expected to be borne by the local taxpayer.

The input and output for the MRCAP program using real estate taxes estimated at 5.4 percent of gross rental revenue are found in Exhibit 29.

If taxes are a conservative 5.4 percent of gross rental revenue, MRCAP substantiates the fair market value of $1,150,000 estimated by the market comparison approach to value.

EXHIBIT 29

MRCAP INPUT AND OUTPUT--
JUSTIFIED CAPITAL BUDGET WITH
REAL ESTATE TAXES AT 5.4% OF
FIRST YEAR'S GROSS RENT

```
MRCAP        09:49CST     12/20/80

ENTER INPUT FILE NAME?TENNEY


THE PROGRAM MRCAP IS THE PROPERTY OF
MICHAEL L. ROBBINS
C/O REAL ESTATE DYNAMICS INC.
4701 WINNEQUAH RD.
MONONA, WISC.

USER NO. 66

(608)-221-1120


NO REPRESENTATION IS MADE THAT THE ASSUMPTIONS OR
COMPUTATIONAL FORMAT USED IN THIS PROJECTION WILL
BE ACCEPTABLE TO TAXING AUTHORITIES.

*$10.00 LIB CHG APPLIED

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

* GROSS RENT     $ 554378.  * RATE OF GROWTH OF GROSS RENT  0.0432
* EXPENSES       $ 330234.  * RATE OF GROWTH OF EXPENSES    0.0936
* R E TAXES      $  29478.  * RATE OF GROWTH OF R E TAXES   0.0500
  INCOME TAX RATE  0.5000     PROJECT VALUE GROWTH OF       2.0000
* VACANCY RATE     0.1375     WORKING CAPITAL LOAN RATE     0.1400
  EQUITY DISCOUNT  0.1300     EXTRAORDINARY EXPENSES    $       0.
  RESALE COST      0.0400     REINVESTMENT RATE             0.0600
  WKG CAPITAL RS $  30000.    CAPITAL RESER INTEREST RATE   0.
  INITIAL COST $  1091502.    INITIAL EQUITY REQUIRED   $  486009.

  ALL '*' VALUES ARE AVERAGE AMOUNTS FOR HOLDING PERIOD. OF  5 YRS.


  INITIAL COST DERIVED THROUGH BACKDOOR TYPE 3 USING 2 MORTGAGES
```

EXHIBIT 29 -- Continued

P R O F O R M A

INVESTMENT ANALYSIS OF

TENNEY BUILDING

FOR

DAVIS

R E P O R T S E C T I O N N U M B E R 2 PAGE 1

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

TITLE	PCT. DEPR	BEGIN USE	USEFUL LIFE	DEPR METHOD		COST	SCH
1LAND	0.	1	25.	0	$	340000.	0
BUILDING	0.80	1	29.	2	$	338221.	0
HVAC	0.90	1	9.	2	$	225481.	0
ELEVATORS	0.90	1	4.	2	$	73000.	0
ENERGY CONSERVATION	0.90	1	5.	2	$	54000.	0
TENANT IMPROVEMENTS	0.90	1	10.	4	$	50000.	0
INVESTMENT CREDIT DU	1.00	1	1.	2	$	10800.	0

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

TITLE	INTR RATE	BEGIN YR.	END YR.	TERM		ORIG BALC	PCT VALUE
FIRST MORTGAGE	0.1200	1	20	20	$	531493.	0.487
SECOND MORTGAGE	0.1300	1	8	8	$	104000.	0.095

EXHIBIT 29 -- Continued

P R O F O R M A

INVESTMENT ANALYSIS OF

TENNEY BUILDING

FOR

DAVIS

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

CASH FLOW ANALYSIS

		1980	1981	1982	1983	1984
1	GROSS INCOME	506920.	535080.	550220.	579460.	600210.
2	LESS VACANCY	120790.	85330.	66480.	59910.	39220.
3	LESS REAL ESTATE TAXES	26674.	28008.	29408.	30878.	32422.
4	LESS EXPENSES	272260.	303180.	328640.	357700.	389390.
5	NET INCOME	87196.	118562.	125692.	130972.	139178.
6	LESS DEPRECIATION	76323.	64398.	63442.	62629.	45513.
7	LESS INTEREST	76472.	74515.	72298.	69785.	66938.
8	TAXABLE INCOME	-65599.	-20351.	-10048.	-1443.	26726.
9	PLUS DEPRECIATION	76323.	64398.	63442.	62629.	45513.
10	LESS PRINCIPAL PAYMENTS	14730.	16687.	18904.	21417.	24263.
11	CASH THROW-OFF	-4006.	27361.	34490.	39770.	47976.
12	LESS TAXES	0.	0.	0.	0.	13363.
13	LESS RESERVES	0.	0.	0.	0.	0.
14	CASH FROM OPERATIONS	0.	27361.	34490.	39770.	34613.
15	WORKING CAPITAL LOAN	0.	0.	0.	0.	0.
16	DISTRIBUTABLE CASH AFR TAX	0.	27361.	34490.	39770.	34613.
17	TAX SAVING ON OTHER INCOME	32799.	10175.	5024.	721.	0.
18	SPENDABLE CASH AFTER TAX	32799.	37536.	39514.	40491.	34613.

EXHIBIT 29 -- Continued

MARKET VALUE & REVERSION
========================

CASH FLOW ANALYSIS
==================

		1980	1981	1982	1983	1984
19	END OF YEAR MARKET VALUE	871962.	1185625.	1256921.	1309717.	1391778.
20	LESS RESALE COST	34878.	47425.	50277.	52389.	55671.
21	LESS LOAN BALANCES	620764.	604077.	585173.	563756.	539493.
22	PLUS CUM. CASH RESERVES	25994.	25994.	25994.	25994.	25994.
23	BEFORE TAX NET WORTH	242314.	560117.	647466.	719566.	822608.
24	CAPITAL GAIN (IF SOLD)	-181096.	182544.	313511.	426719.	551596.
25	CAPITAL GAINS TAX	-36219.	36509.	62702.	85344.	110319.
26	MINIMUM PREF. TAX	0.	0.	0.	0.	0.
27	INCOME TAX ON EXCESS DEP.	1500.	2438.	2897.	2950.	2657.
28	TOTAL TAX ON SALE	-16610.	38946.	65599.	88294.	112977.
29	AFTER TAX NET WORTH	258924.	521171.	581867.	631273.	709632.

BEFORE TAX RATIO ANALYSIS
=========================

CASH FLOW ANALYSIS
==================

		1980	1981	1982	1983	1984
30	RETURN ON NET WORTH B/4 TAX	-0.5014	1.4245	0.2175	0.1728	0.2099
31	CHANGE IN NET WORTH B/4 TAX	-243696.	317803.	87349.	72100.	103042.
32	ORIG EQUITY CASH RTNB/4 TAX	-0.0082	0.0563	0.0710	0.0818	0.0987
33	ORIG EQUITY PAYBACK B/4 TAX	0.0000	0.0563	0.1273	0.2091	0.2803
34	B/4 TAX PRESENT VALUE	846386.	1092030.	1126006.	1142995.	1174189.

AFTER TAX RATIO ANALYSIS
========================

CASH FLOW ANALYSIS
==================

		1980	1981	1982	1983	1984
35	RETURN ON NET WORTH AFR TAX	-0.3998	1.1578	0.1923	0.1545	0.1790
36	CHANGE IN NET WORTH AFR TAX	-227086.	262248.	60696.	49406.	78359.
37	ORIG EQUITY CASH RTNAFR TAX	0.0675	0.0772	0.0813	0.0833	0.0712
38	ORIG EQUITY PAYBACK AFR TAX	0.0675	0.1447	0.2260	0.3093	0.3806
39	AFTER TAX PRESENT VALUE	893655.	1102069.	1124564.	1133307.	1150082.

CASH FLOW ANALYSIS
==================

		1980	1981	1982	1983	1984
40	NET INCOME-MARKET VALUE RTO	0.1000	0.1000	0.1000	0.1000	0.1000
41	LENDER BONUS INTEREST RATE	0.0000	0.0000	0.0000	0.0000	0.0000
42	DEFAULT RATIO	0.7696	0.7894	0.8165	0.8280	0.8547

EXHIBIT 29 -- Continued

INPUT FILE

```
TENNEY       09:48CST    12/20/80

110 1,TENNEY BUILDING.          DAVIS
120 10.1980.0,1.1.0.5.74000
130 20.3,2,1.3,.06.2,2
140 40,493960,522120.537260.565460,586210
150 50,12960,12960,12960,14000,14000
160 60.120790,85330.66480,59910.39220
170 70,.054,.05,*
180 80,272260.303180.328640.357700,389390
190 100,.13..50,.06
200 101,0,10,2
210 102,.14,1,.04.0
220 103.0.30000.0.0
230 200,1,1LAND
240 201.1,340000.0,0
250 202,1.1,25.0
260 200.2,BUILDING
270 201,2,.60,.80,2
280 202,2,1,29,0
290 200,3,HVAC
300 201,3,.40,.90,2
310 202,3,1,9,0
320 200,4,ELEVATORS
330 201,4,73000,.90,2
340 202,4,1,4,0
350 200,5,ENERGY CONSERVATION
360 201,5,54000,.90,2
370 202,5,1,5,0
380 200,6,TENANT IMPROVEMENTS
390 201,6,50000,.90,4
400 202,6,1,10,0
410 200,7,INVESTMENT CREDIT DUMMY
420 201,7,10800,1.0,2
430 202,7,1,1,0
440 300,1,FIRST MORTGAGE
450 301,1,1.0,.12,0,20
460 302,1,12,1,20,0
470 303,1,0,0,0,0
480 300,2,SECOND MORTGAGE
490 301,2,104000,.13,0,8
500 302,2,12,1,8,0
510 303,2,0,0,0,0
520 400,9
530 403,99,1,2,3,4,5
540 999,99
```

EXHIBIT 29 -- Continued

INPUT FORM

1.	TENNEY BUILDING	DAVIS				
	Project Title	User Name				
10.	1980	0	1	1.0	5	74000
	Starting Year	Data Sets	Classification	% Owned Yr. 1	Holding Period	Units/Yr.
20.	3	2	1.3	.06	2	2
	Back-Door	Back-Door Loans	Investment Default	B/4 Tax	Beginning Year	End Year
30.						
	Default Ratio	Cash-On-Cash	Year	% Change	Equity B/4 Tax	Reserve B/4 Tax
40.	493960	522120	537260	565460	586210	
	Fixed Income	2	3	4	5	
50.	12960	12960	12960	14000	14000	
	Variable Income	2	3	4	5	
60.	120790	85330	66480	59910	39220	
	Vacancy Rate	2	3	4	5	
70.	.054	.05	*			
	Real Estate Tax	2	3	4	5	
80.	272260	303180	328640	357700	389390	
	Fixed Expenses	2	3	4	5	
100.	.13	.50	.06			
	Discount Rate	Income Tax Rate	Reinvestment Rate			
101.	0	10	2			
	Extraordinary Exp.	Project Growth Rate	Project Growth Type			
102.	.14	1	.04	0		
	Working Cap. Loan	Ownership	Resale Cost Rate	Charge New Capital		
103.	0	30000	0	0		
	Reserves Withheld	Equity Reserves	Equity Reserve Rate	Reserve Maximum		

COMPONENT ENTRIES

200.	1.	LAND		
		Title (20 character maximum)		
201.	1.	340000	0	0
		Original Cost	% Depreciable	Depreciation Method
202.	1.	1	25	0
		Starting Year	Useful Life	Switching
200.	2.	BUILDING		
		Title		
201.	2.	.60	.80	2
		Original Cost	% Depreciable	Depreciation Method
202.	2.	1	29	0
		Starting Year	Useful Life	Switching
200.	3.	HVAC		
		Title		
201.	3.	.40	.90	2
		Original Cost	% Depreciable	Depreciation Method
202.	3.	1	9	0
		Starting Year	Useful Life	Switching
200.	4.	ELEVATORS		
		Title		
201.	4.	73000	.90	2
		Original Cost	% Depreciable	Depreciation Method
202.	4.	1	4	0
		Starting Year	Useful Life	Switching
200.	5.	ENERGY CONSERVATION		
		Title		
201.	5.	54000	.90	2
		Original Cost	% Depreciable	Depreciation Method
202.	5.	1	5	0
		Starting Year	Useful Life	Switching

EXHIBIT 29 -- Continued

INPUT FORM

200.	6.	TENANT IMPROVEMENTS			
		Title			
201.	6.	50000	.90	4	
		Original Cost	% Depreciable	Depreciation Method	
202.	6.	1	10	0	
		Starting Year	Useful Life	Switching	
200.	7.	INVESTMENT CREDIT DUMMY			
		Title			
201.	7.	10800	1.0	2	
		Original Cost	% Depreciable	Depreciation Method	
202.	7.	1	1	0	
		Starting Year	Useful Life	Switching	
200.	8.				
		Title			
201.	8.				
		Original Cost	% Depreciable	Depreciation Method	
202.	8.				
		Starting Year	Useful Life	Switching	
		MORTGAGE ENTRIES			
300.	1.	FIRST MORTGAGE			
		Title (20 character maximum)			
301.	1.	1.0	.12	0	20
		Principal Amount	Annual Interest	Payment Period	Term
302.	1.	12	1	20	0
		Payments/Year	Year Began	Year End	Refinanced by #
303.	1.	0	0	0	0
		Bonus Interest	Base Amount	Base Type	Mortgage Factor
300.	2.	SECOND MORTGAGE			
		Title			
301.	2.	104000	.13	0	8
		Principal Amount	Annual Interest	Payment Period	Term
302.	2.	12	1	8	0
		Payments/Year	Year Began	Year End	Refinanced by #
303.	2.	0	0	0	0
		Bonus Interest	Base Amount	Base Type	Mortgage Factor
300.	3.				
		Title			
301.	3.				
		Principal Amount	Annual Interest	Payment Period	Term
302.	3.				
		Payments/Year	Year Began	Year End	Refinanced by #
303.	3.				
		Bonus Interest	Base Amount	Base Type	Mortgage Factor
300.	4.				
		Title			
301.	4.				
		Principal Amount	Annual Interest	Payment Period	Term
302.	4.				
		Payments/Year	Year Began	Year End	Refinanced by #
303.	4.				
		Bonus Interest	Base Amount	Base Type	Mortgage Factor

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

999,99

E. Land Valuation

The absence of comparable land sales on and adjacent to the Capitol Square in the past few years for investment grade multitenant office buildings necessitates the use of other valuation techniques to determine the most probable price an investor seeking such a use would pay for the land. (See Exhibit 30.)

1. Selection Criteria for Comparables

The assumptions used in the selection of comparable sites are:

a. The comparable is now used or is to be used for a multitenant office building.

b. Only the total purchase price of all the parcels in an assemblage is considered; separate parcels for an assemblage are not used.

c. The office site is within three blocks of the Capitol Square or is in an office zone with rents competitive to Class B office buildings on the Square.

2. Downtown Class A Office Sites

Between 1974 and 1978, the United States Government, with the assistance of the City of Madison, assembled parcels of land as a site for the Federal Courthouse. As shown in Exhibit 32, the total cost per square foot of the site was $21.88.

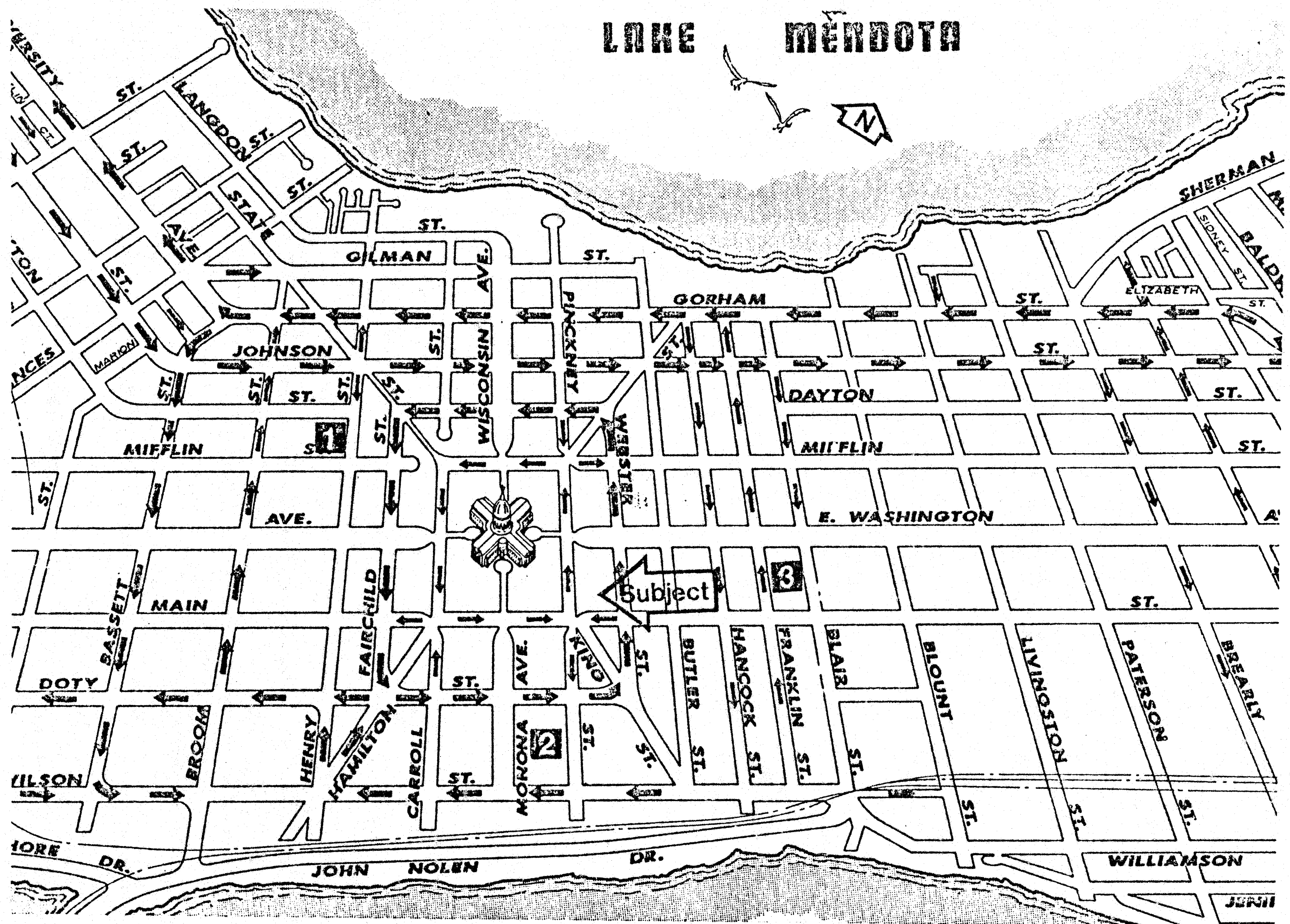
EXHIBIT 30

SOURCES OF COMPARABLE LAND SALES FROM 1973-1980 IN MADISON, WISCONSIN

Identification of Parcel	Date of Purchase	Description of Improvements Demolished	Grantor	Grantee	Site Size Sq. Ft.	Purchase Price	Demolition Costs	Net Rentable Area of Office Bldg.	Instrument of Sale	Volume and Page
FEDERAL COURTHOUSE										
Parcel 1-305 W. Dayton	2/28/74	Warehouse	Edsal W. Gustafson, et.al.	City of Madison	8,313	$ 98,800	$ 13,000[1]	--	Warranty Deed	Vol. 499 p. 359
Parcel 2-120 N. Henry	11/14/77	Bus depot	Badger Coaches	U.S. of America	8,052	120,000	2,778[2]	--	Warranty Deed	Vol. 898 p. 436
Parcel 3-116 N. Henry	2/21/78	Apartments	Ida Repka	U.S. of America	3,327	65,000	5,375[2]	--	Warranty Deed	Vol. 936 p. 70
Parcel 4-110 N. Henry	2/1/74	Bar & Lounge	110 N. Henry, Trust	City of Madison	6,600	344,000	12,845[2]	--	Warranty Deed	Vol. 495 p. 738
Parcel 5-308-312 W. Mifflin	6/29/74	Retail Space	Albert J. Endres, Dec.	City of Madison	8,157	86,000	6,000[2]	--	Warranty Deed	Vol. 522 p. 442
U.S. POST OFFICE 215 Monona Ave.	12/28/78	Post Office	U.S. of America	City of Madison	87,411	1,750,000	140,000[3]	--	Warranty Deed	--
AFFILIATED UNIVERSITY PHYSICIANS 6602 Grand Teton Plaza	7/21/77	None	Park Towne Development Corp.	Synapse Associates	55,839	92,200	--	18,675 sq. ft.	Warranty Deed	Vol. 836 p. 199
PYRAMID BUILDING 6402 Odana Rd.	1/30/73	None	Park Towne Development Corp.	Terry Monson	28,000	47,500	--	10,700 sq. ft.	Warranty Deed	Vol. 416 p. 233
KENSINGTON WEST 6314 Odana Rd.	6/10/75	None	Park Towne Development Corp.	Gary W. Stolen	38,000	42,500	--	14,700 sq. ft.	Land Contract 7/15/76 Warranty Deed 6/10/75	Unrecorded Vol. 585 p. 441
SWEENEY SITE Block 116, Original Plat (except 502 E. Main & 521 E. Washington)	12/3/77	Six single and multifamily residential units	Robert J. Sweeney	Wayne J. Sweeney and Richard L. Danner	75,912	520,000	15,000[4]	--	Land Contract 12/3/77	Vol. 1093 pp. 361-3
OLDE TOWNE OFFICE PARK 6325, 6333, 6401 6409, 6417, 6425 Odana Rd.	1/18/77	None	Park Towne Development Corp.	Gary W. Stolen	277,040	228,559	--	108,000 sq. ft.	Land Contract 1/18/77 Warranty Deed 5/4/77	Vol. 766 p. 455 Vol. 801 p. 533

[1]Estimated - 130,000 cu. ft. @ .10 cu. ft.
[2]Actual cost to City of Madison
[3]Estimated - 1,400,000 cu. ft. @ .10 cu. ft.
[4]Estimated - $2,500 per dwelling unit

LOCATION OF DOWNTOWN LAND COMPARABLES



1 Federal Courthouse

2 U.S. Post Office

3 Sweeney Site

EXHIBIT 31

LOCATION OF COMPARABLE CLASS B OFFICE SITES
IN ODANA AREA

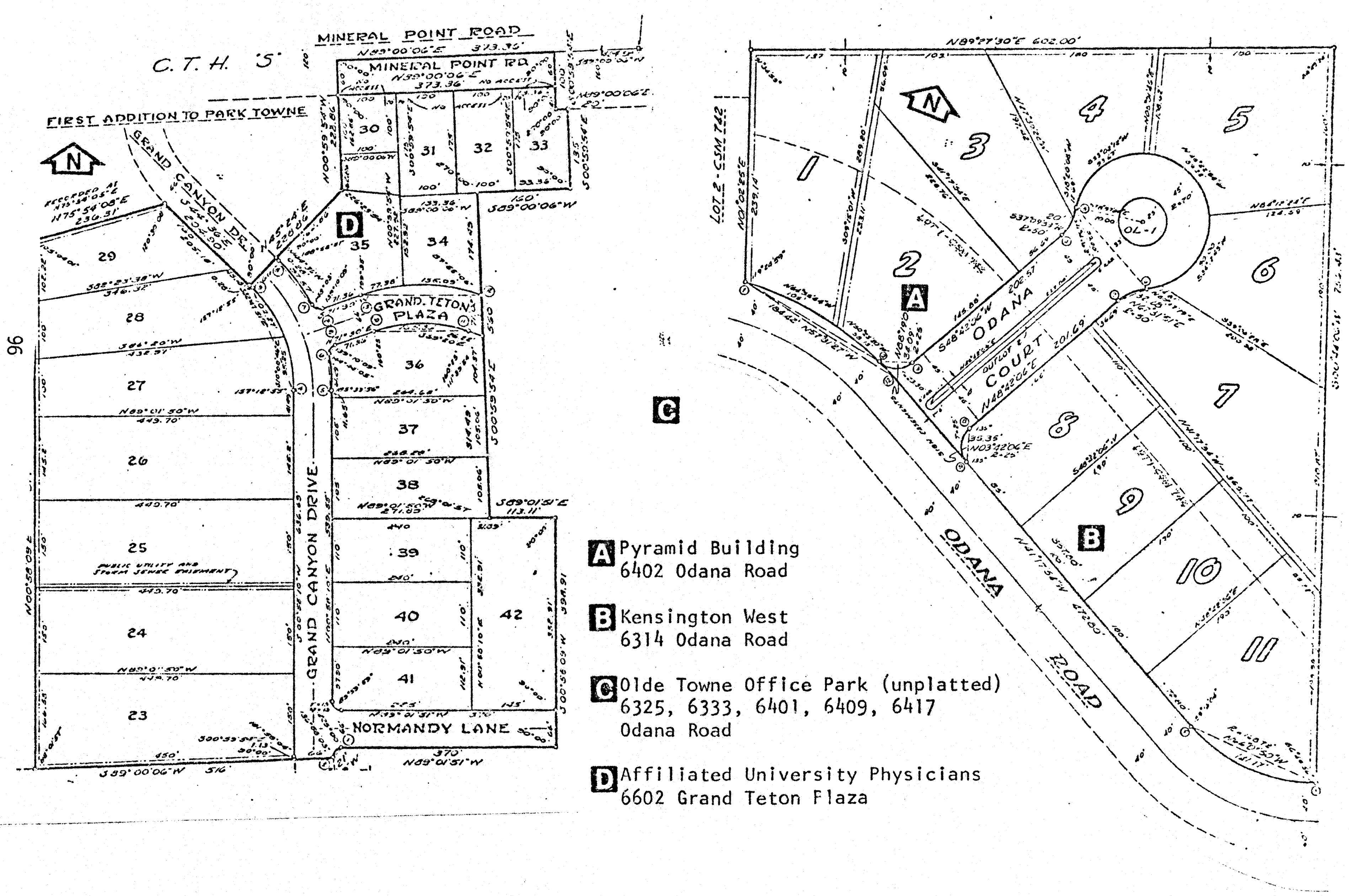


EXHIBIT 32

ANALYSIS OF COMPARABLE LAND SALES

Land Valued as Vacant for Investment Grade Multitenant Buildings Compared to Government Institution Quality Office Buildings - Madison, Wisconsin

Name and Location of Project	Date of Land Purchase	Condition of Site on Date of Purchase	Improvements Demolished or Valued At 0	Size of Site in Sq. Ft.	Purchase Price	Purchase Price Per Sq. Ft.	Adjustment Per Sq. Ft. for Demolition[2]	Total Price Per Sq. Ft.	Land Cost Per Sq. Ft. Of Net Rentable Area of Building[3]	Equivalent Land Cost Per Sq. Ft. For Tenney Site[4]	Remarks
FEDERAL COURT HOUSE W. Dayton, N. Henry and W. Mifflin	1974-78	Platted with obsolete improvements	Yes	34,452	$ 713,800	$20.72[1]	$1.16	$21.88[1]	-	$21.88	Site for Class A Court House Office Building for U.S. Government
U.S. POST OFFICE Doty, Monona Pinckney and Main	1978	Platted with obsolete improvements	Yes	87,411	1,750,000	20.02[1]	1.60	21.62[1]	-	21.62	Valued as site only for public office space
AFFILIATED UNIVERSITY PHYSICIANS Grand Teton Plaza	1977	Platted and vacant	-	55,839	92,200	1.65	-	1.65	$4.94	15.92	Primarily built to suit tenant, but also multitenant office space
PYRAMID BLDG. Odana Road	1973	Platted and vacant	-	28,000	47,500	1.70	-	1.70	4.44	14.31	
KENSINGTON WEST Odana Road	1975	Platted and vacant	-	38,000	42,500	1.12	-	1.12	2.89	9.32	
SWEENEY SITE S. Blair, E. Main E. Washington, S. Franklin	1977	Platted with obsolete improvements	Yes	75,912	520,000	6.85	.20	7.05	-	7.05	Investor intent to build large corporate office building in site
OLDE TOWNE OFFICE PARK Odana Road	1977	Unplatted and vacant	-	277,040	228,559	.83	-	.83	2.12	6.83	Cost of site improvements to bring up to platted condition not included in land costs

[1]Total average price of assemblage
[2]See Exhibit 30 for demolition costs
[3]See Exhibit 30 for land costs and net rentable area
[4]Formula to equate multitenant office land cost with equivalent value of Tenney site:

$$\frac{\text{Known Land Costs of Project A}}{\text{Net Rentable Area of Project A}} = \frac{X}{\text{Net Rentable Area of Project B (74,034 sq. ft.)}}$$

where X = Equivalent Land Costs for Project B (Tenney Building)

then $$\frac{X}{\text{Land Area Project B (22,968 sq. ft.)}} = \text{Equivalent Cost per sq. ft. for Tenney site}$$

Note that the Post Office site is a unique full square block facing the City County Building, a view of Lake Monona, the Madison Club, and a city parking ramp. The Courthouse site is flanked by the new Madison Civic Center and a two block urban renewal project called Capitol Center within which parking will be provided. These linkages are unique and the scale of each site provides optimum building envelopes and layouts. In comparison, the Tenney site is overshadowed by the First Wisconsin Plaza, lacks the shape for efficient underground parking, and faces the combat zone of Madison.

Since the United States and City of Madison governments are not known to be controlled by a reasonable return on investment and solvency, public institutions can pay more for an institutional office building site suitable for a monumental government building than can a private investor expecting a reasonable return on capital. Thus, $21 to $22 a square foot represents a land cost outside the upper limit of justified land values for investment grade office buildings. (See Section IV, E.4.)

An assemblage of land occurred several blocks from the Square in December 1977 when some confidence had been restored to the downtown real estate market. The grantees have previously stated that their intent is to build a large corporate multitenant office building on the site. The Sweeney site (Exhibit 32) has a purchase price of $7.05 per square foot. The site is two blocks from the

Tenney Building and three blocks from the Capitol Square; it slopes downward in a northeasterly direction from the Square. Corner values of the site are lost to a gas station at Blair and East Washington, and a small office building at the corner of East Main and Franklin so that this sale must represent the bottom of the range for downtown investment sites.

3. Suburban Class B Office Zone Sites

When the cost of land increases there must be a more intensive use of land for an investment grade project. Thus, when the ratio of land costs per square foot of net rentable area is known for economically justified projects, the ratio can be used to solve for economically justified land costs for an investment grade multitenant office building of a known net leaseable area.

The relationship can be stated as:

$$\frac{\text{Known Land Costs of Project A}}{\text{Net Rentable Area of a Project}} = \frac{X}{\text{Net Rentable Area of Project B}}$$

X = Equivalent Land Costs for Project B (Tenney Building)

Between 1973 and 1977 land was purchased to build a number of investment grade multitenant office buildings on the west side of Madison on Odana Road. New Class B buildings with rental rates similar to the Tenney Building, adjusted for free parking space provided on suburban sites, are used as comparables. (Exhibit 31.)

The Odana office buildings, with adjusted rents, are as follows:

Building	Location	Average Rental Rate	Rental Rate Adjusted for Parking Provision[1]
Pyramid Building	6402 Odana Rd.	$7.30	$5.70
Kensington West	6314 Odana Rd.	7.85	6.00
Olde Town Office Park	6325 Odana Rd.	7.85	6.35
	6333 Odana Rd.	7.85	6.35
	6401 Odana Rd.	7.85	6.35
	6409 Odana Rd.	7.85	6.35
	6417 Odana Rd.	7.85	6.35
Affiliated University Physicians	6602 Grand Teton Plaza	8.75	7.30

Early 1980 office rental rates in the Tenney Building ranged from $5.75 to $8.00 with the majority between $6.00 and $7.00 per square foot of net rentable area. Thus, there is comparability between the Odana multitenant office buildings and the Tenney Building.

As shown in Exhibit 32, the comparable land cost per square foot for the Tenney site, developed with 74,054 square foot of net rentable area, ranged from an equivalent $6.83 to $15.92 per

---

[1]The formula to adjust for the provision of parking is:

$$\frac{\text{SF of Gross Building Area}}{\text{300 SF}} = \text{Spaces required}$$

Spaces required x $35/month x 12 = Revenue allocated to parking

$$\frac{\text{Revenue allocated to parking}}{\text{Net rental area}} = \text{Cost per SF of NRA for parking}$$

Rental rate per SF of NRA - Cost per SF of NRA for parking = Adjusted rental rate for building with no parking provision square foot. The $6.83 represents the purchase price per square foot of an unplatted site of unusually large size and should be disregarded.

4. Land Value Conclusion

The range of values of platted land for an investment grade multitenant office building such as the Tenney Building which has a net rentable area of 74,054 square feet built on a site of 22,968 square feet lies between $9.32 and $15.92 per square feet when compared with multitenant office buildings with similar rental rates. The inclusion of the Sweeney site three blocks from the Square and considered the low end of the value range expands the range from $7.05 to $15.92 per square foot. The $21 to $22 per square foot paid by governments for sites to be used for institutional office buildings is outside the upper limit of justified land values for investment grade office buildings.

WE THEREFORE CONCLUDE THE MARKET VALUE OF THE TENNEY BUILDING SITE IF VACANT ON APRIL 30, 1980, WOULD BE NO HIGHER THAN $15.00 PER SQUARE FOOT FOR A TOTAL OF THREE HUNDRED FORTY THOUSAND DOLLARS ($340,000)

5. Investment Test of Justified Land Cost

To demonstrate the highest price an investor could pay if he could acquire the 22,968 square foot Tenney Building site as vacant and construct a new multitenant office building, a computerized feasibility test using the BFCF[1] EDUCARE program has been applied. The following specifications and assumptions are incorporated into the data file:

a. The building is 3 stories high and has a maximum of 60,000 square feet of gross building area to avoid higher costs of construction required of larger structures (sprinklers, fire resistant construction materials and techniques, etc.) as detailed in the Wisconsin Administrative Code. There are two floors of parking below grade to accommodate 100 cars.

b. Total construction costs for masonry bearing walls and concrete supporting structures are $39.50[2] per square foot of gross building area and $4,500 per parking stall for a total of $2,820,000 as of April 30, 1980.

c. The building is 80 percent efficient; there are 48,000 square feet of net rentable area. Rents for new office space

---

[1]BFCF, the Ben Frederick Cash Flow program, is a discounted cash flow computer program found in the EDUCARE Library previously described.

[2]Dodge Construction Systems Costs 1980, McGraw-Hill, p. 46 suggest a range of building costs for office buildings from $44 to $59 per square foot; $39.50 per square foot is therefore an optimistic estimate of current building costs.

with parking on the Square in 1980 could reach $11.50 per square foot with three (3) year leases with escalators and $12.50 per square foot base rent when the leases are renewed in 1983. Parking stalls are rented for $45 per month the first three years and $50 a month thereafter. Expenses are a conservative 50 percent of the effective gross office revenue, assumed constant with lease escalators.

d. The pro forma income statement is as follows:

NEW BUILDING
SCHEDULE OF PROJECTED EXPENSES AND REVENUES
FROM APRIL 30, 1980 THROUGH APRIL 29, 1985

Revenues	1980-81	1981-82	1982-83	1983-84	1984-85
Gross Office Rent	$552,000	$552,000	$552,000	$600,000	$600,000
Less: Vacancies	55,200(.10)	27,600(.05)	11,000(.02)	6,000(.01)	6,000(.01)
Effective Office Rent	496,800	524,400	541,000	594,000	594,000
Parking Rent	54,000	54,000	54,000	60,000	60,000
Total Revenue	550,800	578,400	595,000	654,000	654,000
Expenses	248,400	262,200	270,500	297,000	297,000
Net Operating Income before Debt Service and Income Taxes (See Exhibit 33, BFCF Output)	$302,400	$316,200	$324,500	$357,000	$357,000

e. A 13 percent equity yield rate is the minimum required before income taxes for a non-corporate investor with a 50 percent marginal federal tax rate, even in a new building, since the absorption rate assumed in the pro forma is Pollyannaish, at best, and the rental rates assumed are at the upper limits of the first half of the 1980 market. It is assumed the resale value will be ten times the net operating income at the end of the fifth year.

f. Financing includes a debt cover ratio of 1.25 based on the average five year projected NOI with interest at 12 percent over a 30 year term. The 150 percent declining balance depreciation method over a 30 year life is used for all improvements with full recapture.

BFCF solves for equity yield before and after taxes assuming a resale at the end of the five year holding period. With land estimated at $340,000, the total project has an estimated value of $3,160,000. A 13 percent equity yield is the minimum required; BFCF is used to test the feasibility of the estimated land value, given the construction costs of the improvements, and the projected revenues and expenses based upon an optimistic forecast. The BFCF results are found in Exhibit 33. The equity yield of 13.18 percent before taxes just meets the minium investor requirement; if any more value is allocated to land, the project would not be feasible.

EXHIBIT 33

BFCF TEST OF JUSTIFIED LAND COST

EQUITY ANALYSIS
FEASIBILITY TEST OF NEW STRUCTURE
****

YR	N.O.I.	YR END EQUITY	EQUITY DIVIDEND AMOUNT	YIELD ON ORG EQ	YIELD ON CUR EQ
1	$302.400	*$1.018.998	$37.166	.0368	.0365
2	316.200	1.027.785	50.966	.0504	.0496
3	324.500	1.037.686	59.266	.0586	.0571
4	357.000	1.048.843	91.766	.0907	.0875
5	357.000	1.061.415	91.766	.0907	.0865

ORGINIAL EQUITY $ 1011200

RUN BFCF

BFCF 09:48CST 12/29/80

VER 12/9/80
BFCF IS THE PROPERTY OF BENEDICT J. FREDERICK. JR. MAI

LATEST CHANGES & ADDITIONS:
1.) 1979 CAP GAINS LAW-60% INDIVIDUAL EXCLUSION: 28% MAX ON CORP.
2.) MTG INT MAY BE SELECTED IN PLACE OF AMORTZ IN PRINT OUT.
3.) EQUITY DIVIDEND FOR EACH YR ON ORG & CURRENT EQUITY-MODE E

1. ENTER PROJECT NAME? FEASIBILITY TEST OF NEW STRUCTURE
2. PROJECTION PERIOD:? 5
   TO REPEAT PREV YRS NOI FOR BAL OF PROJ ENTER 0
3. ENTER N.O.I.:
? 302400.316200.324500.357000.357000
4. VALUE:? 3160000
5. MTG. RATIO. INT.. TERM & NO. PAY/YR:
? .68..12.30.12
6. IMP./TOTAL VALUE RATIO & IMP. LIFE:? .88.30
7. DEPRECIATION METHOD? 3
   IS PROPERTY LOW INCOME HOUSING? Y OR N? N
   IS OWNER A TAXABLE CORPORATION. Y OR N? N
8. ORDINARY INCOME TAX BRACKET & BRACKET IN YR OF SALE:? .50..50
9. RESALE PRICE:? 3570000

I.R.R. BEFORE TAXES IS 13.1784 %.

AFTER TAX I.R.R. IS 11.58 %.

AVERAGE DEBT SERVICE RATIO IS 1.24954
MODE:? P
PRINT MTG INTEREST IN PLACE OF AMTZ? Y OR N:? Y

EXHIBIT 33 -- Continued

AFTER TAX CASH FLOW PROJECTION
FEASIBILITY TEST OF NEW STRUCTURE
12/29/80

DATA SUMMARY
****

VALUE:	$ 3160000	MTG. AMT.:	$ 2148800
NOI 1ST YR:	$ 302400	MTG. INT.:	12. %
ORG. EQUITY:	$ 1011200	MTG. TERM:	30 YRS
IMP.VALUE:	$ 2780800	MTG. CONST.:	0.123434
INC. TAX RATE:	50 %	IMP. LIFE:	30 YRS
SALE YR RATE:	50 %	OWNER:	INDIVIDUAL

YEAR	CASH FLOW	MTG. INT.	BOOK DEP	TAXABLE INCOME	INCOME TAX	AFTER TAX CASH FLOW
1	37166	257436	139040	-94077	-47039	84205
2	50966	256447	132088	-72336	-36169	87135
3	59266	255333	125484	-56318	-28160	87426
4	91766	254077	119210	-16288	-8145	99911
5	91766	252662	113250	-8913	-4457	96223
	--------	--------	--------	--------	--------	--------
	$ 330930	$1275955	$ 629072	$-247932	$-123970	$ 454900

DEP. METHOD: 150% D.B. 1ST YR EQ. DIV: 3.67544 %

AVG DEBT SERV RATIO: 1.25

SALE PRICE	$3,570,000
BASIS	2,530,928
CAPITAL GAINS	1,039,072
CAP GAINS TAX	207,814
EXCESS DEP TAX	82,803
MORTGAGE BALANCE	2,098,584

AFTER TAX EQ REV	$1,180,798

IF PURCHASED AS ABOVE, HELD 5 YEARS & SOLD FOR $ 3570000 THEN
I.R.R. IS 13.1784 % BEFORE TAXES: 11.58 % AFTER TAXES.

NO REPRESENTATION IS MADE THAT THE ASSUMPTIONS RELATIVE TO
CURRENT TAX PROVISIONS USED IN THIS PROJECTION WILL BE ACCEPTABLE
TO TAXING AUTHORITIES. ALTERNATE MINIMUM TAXES ARE NOT INCLUDED.

The results of the valuation techniques used and the investment test for justified land value for the Tenney site suggest a range of land values from $7 to $16 per square foot; the $21 to $22 paid by governments for institutional office building sites is outside the upper limits a private investor could afford. Based upon the assumptions and limiting conditions as presented, it is the opinion of the appraiser that the highest price in dollars and fair market value of the subject property site described herein as of April 30, 1980, is:

THREE HUNDRED FORTY THOUSAND DOLLARS

($340,000)

F. The Income Approach Value Allocation

The income approach to value using the mortgage-equity technique as programmed in the MRCAP program leads to the conclusion that the highest price an investor would be willing to pay for the Tenney Building as described herein would be $1,150,000 as of April 30, 1980, under the assumptions put forward and supported in this report.

Therefore, we would recommend allocation of income value to be:

	Market Value
Land	$ 340,000
Building	810,000
Total	$1,150,000

V. VALUE CONCLUSION

Both the market approach and the income approach suggest a value of $1,150,000.

The cost approach is inappropriate to the subject property, since the majority of the improvements are obsolete, and there is a less than optimum fit of the improvements to the site.

Based upon the assumptions, limiting conditions, and property tax estimates as presented, it is the opinion of the appraiser that the highest probable price in dollars and fair market value of the subject property described herein as of April 30, 1980, is:

ONE MILLION ONE HUNDRED FIFTY THOUSAND DOLLARS

($1,150,000)

assuming cash to the seller, with financing based on a debt cover ratio of 1.3 at 12 percent interest for a 20-year term.

STATEMENT OF LIMITING CONDITIONS

This appraisal has been made subject to certain conditions, caveats and stipulations, either expressed or implied in the prose, as well as the following:

1. Contributions of Other Professionals

- Because the budget did not provide for a consulting engineer or architect, the appraiser applied limited structural analysis to the problem, and cost estimates must be considered nonprofessional.

- The appraiser did not conduct any engineering analysis of the structural components or of the site, of costs to replace, or of other related factors. Monthly operating and construction accounting data were provided, but all income and expense estimates were reconstructed to include imputed rents to areas occupied by the owner and expenses deemed to be appropriate for skillful management of the property.

- Sketches in this report are included to assist the reader in visualizing the property. These drawings are for illustrative purposes only and do not represent an actual survey of the property.

- The appraiser assumes no responsibility for matters which are legal in nature nor is any attempt made to render an opinion on the title. The property has been appraised as if title to the subject property were in fee simple, legal ownership with no regard for mortgage loans or other liens or encumbrances.

2. Facts and Forecasts Under Conditions of Uncertainty

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

(e) - All information furnished regarding property for sale or rent, financing, or projections of income and expense is from sources deemed reliable. No warranty or representation is made regarding the accuracy thereof, and it is submitted subject to errors, omissions, change of price, rental or other conditions, prior sale, lease, financing, or withdrawal without notice.

(f) - Forecasts of effective demand of retail and office space are based on the best available data concerning the downtown Madison market, but are projected under uncertainty. The impacts ~~of the completion of GEF II and III,~~ of the continuing parking shortage and of unpredictable increases in automobile use upon the viability of the Capitol Concourse are all uncertain.

(g) - The comparable sales data relied upon in this appraisal is assumed to be from reliable sources. Though all the comparables were examined, it was not possible to inspect them all in detail. The value conclusions are subject to the accuracy of said data.

3. Controls on Use of Appraisal

(h) - Values for various components of the subject parcel and improvements as contained within the report are valid only when making a summation and are not to be used independently for any purpose and must be considered invalid if so used.

(i) - Possession of this report or any copy thereof does not carry with it the right of publication, nor may the same be used for any other purpose by anyone without the previous written consent of the appraiser or the applicant, and in any event, only in its entirety.

(j) - Neither all nor any part of the contents of this report shall be conveyed to the public through advertising, public relations, news, sales or other media without the written consent and approval of the author, particularly as to the valuation conclusions, the identity of the appraiser or the firm with which he is connected, or the identity of any of his associates.

(k) - The authors will not be required to give testimony or to appear in court by reason of this report, with reference to the property in question, unless timely arrangements have been previously made with fees set at prevailing per diem rates.

(l) - Landmark Research, Inc., will expect to be held harmless from any and all claims that might be brought by third parties which might relate in any way to claims for injury or damage suffered as the result of the implementation of any advice we may have given or services we may have rendered in this connection.

CERTIFICATE OF APPRAISAL

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

Based upon the information and subject to the limiting conditions contained in this report, it is our opinion that the Fair Market Value, as defined herein, of this property as of April 30, 1980, is:

ONE MILLION ONE HUNDRED FIFTY THOUSAND DOLLARS

($1,150,000)

James A. Graaskamp

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

Jean B. Davis

Jean B. Davis, MS

December 30, 1980

Date

J A M E S A. G R A A S K A M P

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 Managment - University of Wisconsin
Master of Business Administration - Marquette University
Bachelor of Arts - Rollins College

ACADEMIC 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)

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, and land development company and a farm investment corporation. He is 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 Colombia Teachers College and the University of Wisconsin.

PROFESSIONAL EDUCATION AND MEMBERSHIPS

Society of Real Estate Appraisers

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

American Institute of Real Estate Appraisers

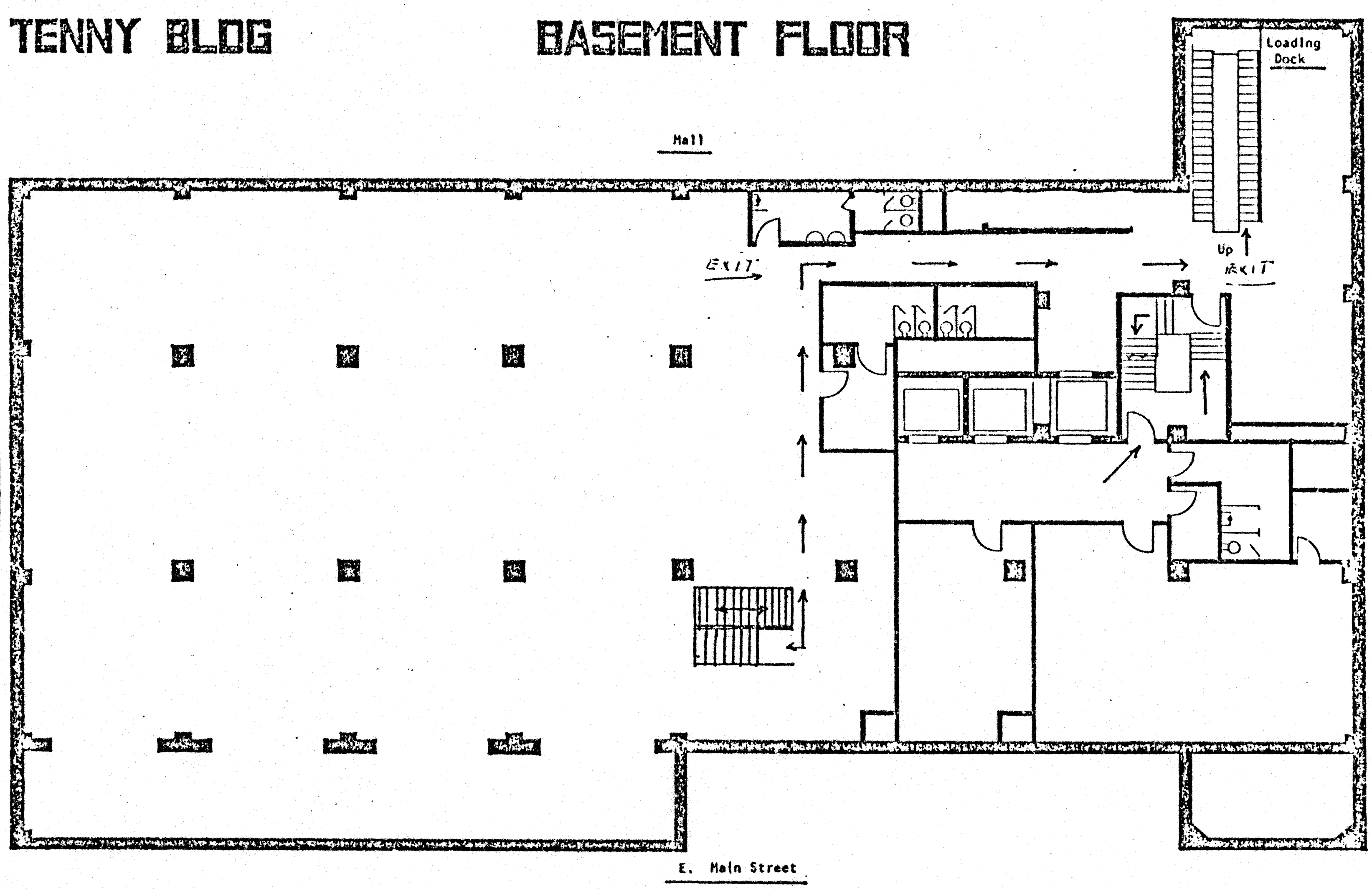
Residential Valuation (formerly Course VIII)

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

PROFESSIONAL EXPERIENCE

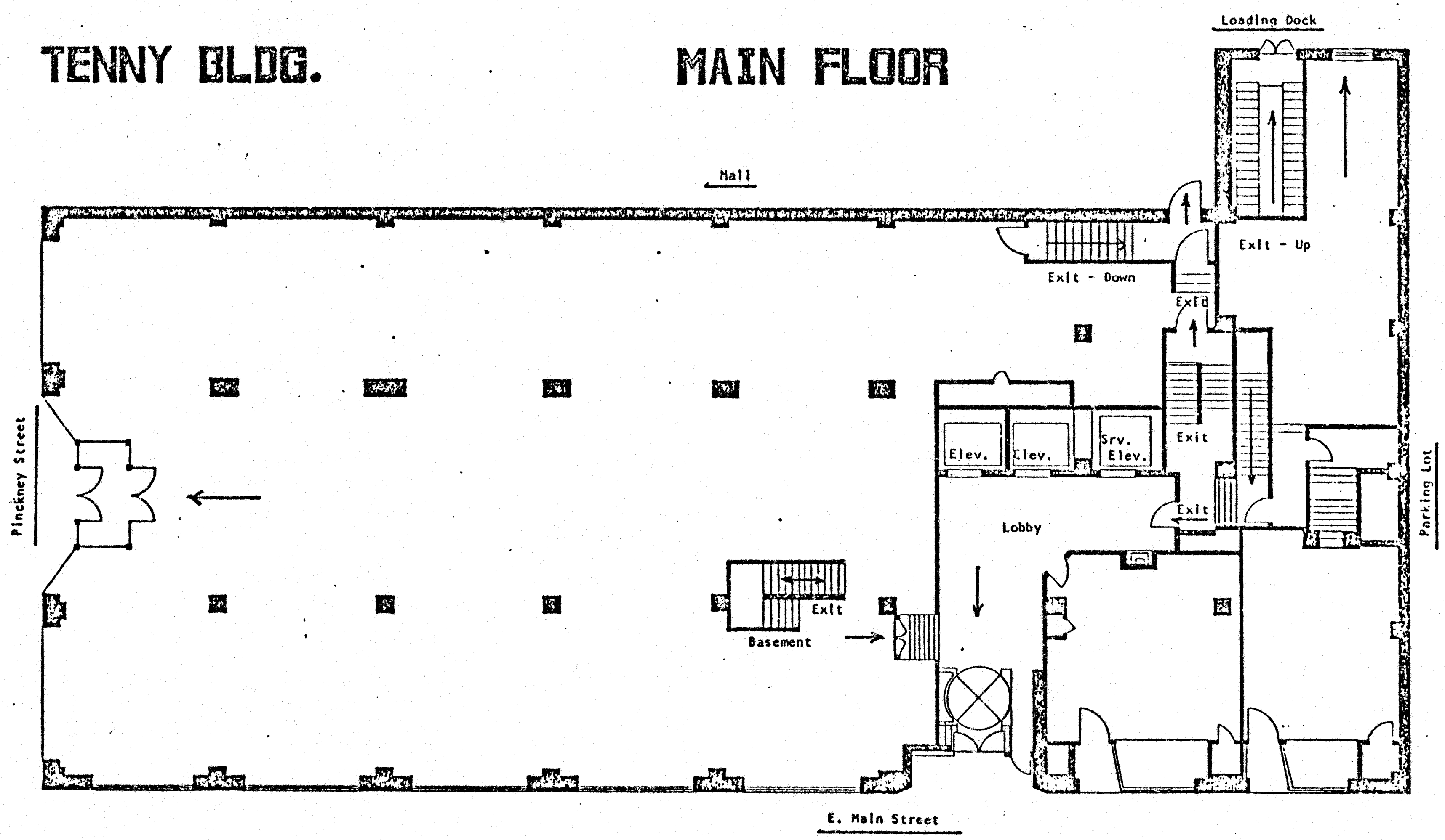
With a significant background in education, practiced in California, Hawaii and Wisconsin, Ms. Davis is currently associated with Landmark Research, Inc. Her experience includes the appraisal and analysis of commercial and residential properties, significant involvement in municipal assessment practices,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

APPENDIX A


TENNY BLDG
BASEMENT FLOOR
Hall
Loading Dock
Up
EXIT
EXIT
Pinckney Street
Parking Lot
E. Main Street

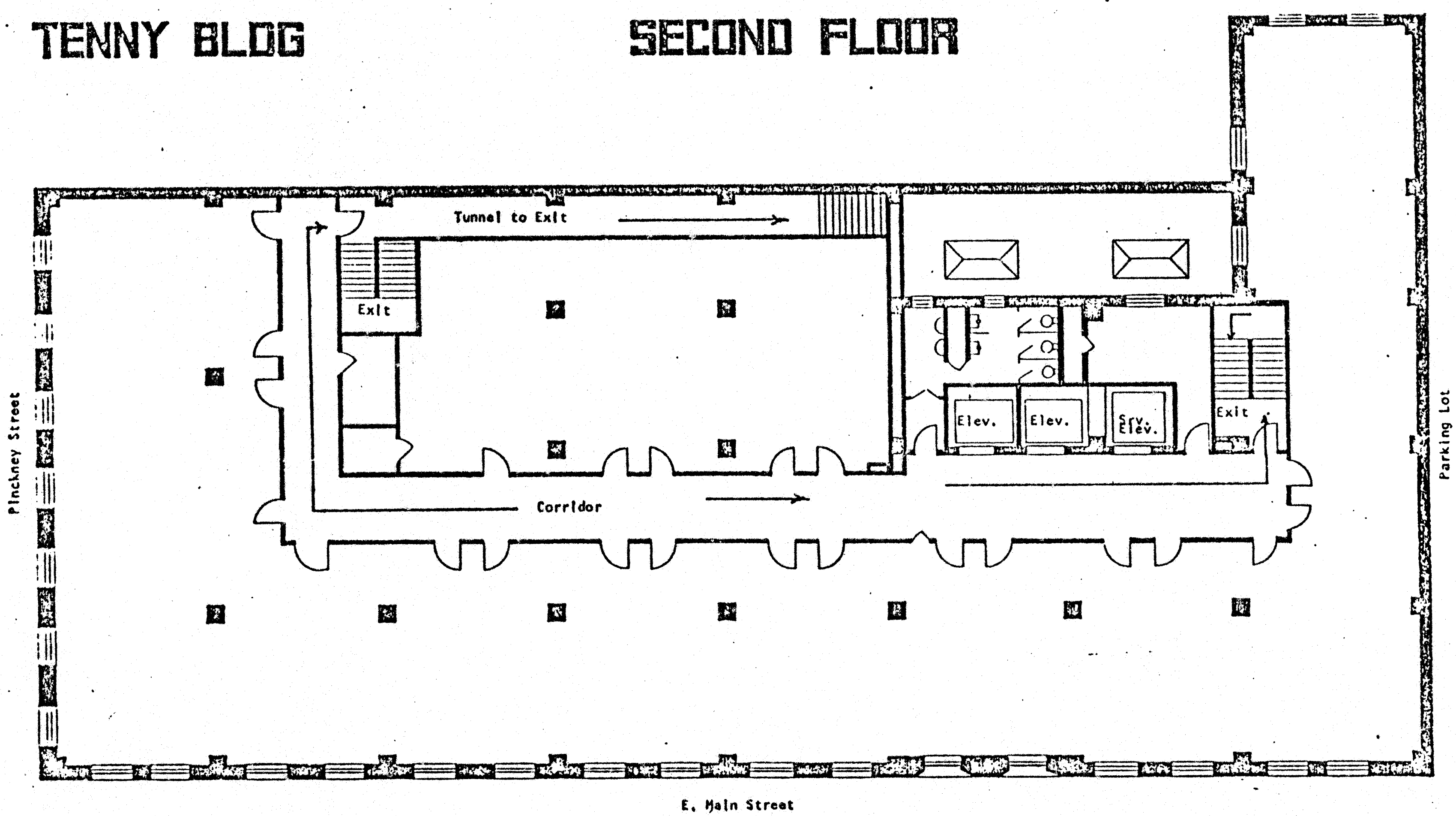
APPENDIX A

TENNY BLDG. MAIN FLOOR

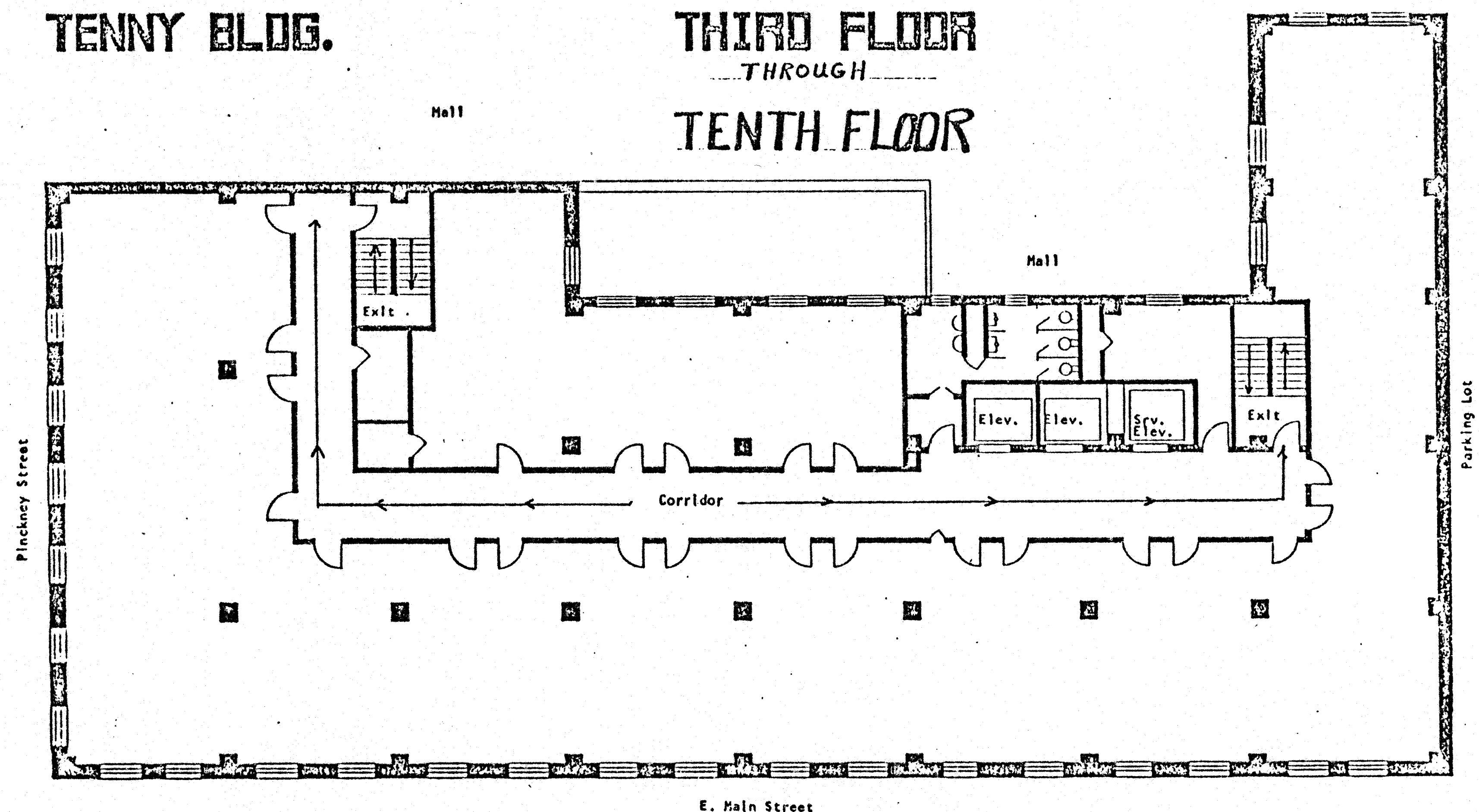


APPENDIX A - Continued

TENNY BLDG SECOND FLOOR



APPENDIX A - Continued



APPENDIX A - Continued