



304 S FRANKLIN ST  
 DECATUR, ILLINOIS

SUMMARY OF COMPARABLE SALES							
Sale	Date	Effective Price	Lot Size [SF]	Building Size [SF]	*Lot Cov Ratio	Year Built	Price/Bldg SF
Subj	Dec-04	-----	36,660	14,608	24%	1927 & 67	-----
1	Nov-04	\$3,000,000	121,968	22,117	18%	1998	\$135.64
2	Aug-04	\$ 275,000	22,650	5,000	22%	1971	\$ 55.00
3	Mar-03	\$ 140,000	2,240	4,480	100%	1964	\$ 31.25
4	Jan-03	\$ 750,000	116,624	20,570	18%	1982	\$ 36.46
5	Jan-01	\$ 235,000	22,225	7,418	33%	1920 & 50	\$ 31.68

\*Lot coverage ratio refers to the percentage of the lot covered by the building/s and is calculated by dividing the main level building area by the lot size. The lower the percentage the more area that is available for parking and lot storage.

These sales range in price from \$31.25 to \$135.64 per building SF. More buyers are financially able to purchase smaller properties; thus, generally as the size increases the unit value decreases.

Comparable Sale Adjustment to Subject					
Sale	1	2	3	4	5
Address	4829-36	Grand	Main	3655-36	Oak & Wd
Location	Better	Poorer	Similar	Poorer	Poorer
Land Area/Parking	Better	Similar	Poorer	Better	Poorer
Age	Better	Better	Similar	Better	Poorer
Condition	Better	Similar	Similar	Similar	Poorer
Construction Quality	Better	Similar	Similar	Similar	Similar
Size/layout	Better	Better	Similar	Similar	Better
Basement	No	No	Full	No	Main
Unit Adjustment	Down	Down	Up	Similar	Up

Sale 1 is a much newer property in a stronger developing commercial location with better lot coverage ration and better income flow. Unit price would be adjusted down.

Sale 2 is generally not as well located but newer, much smaller, and all on one level. Unit price would be adjusted down.

Sale 3 is a small multi-tenant downtown building but does not have on-site parking. Unit price would be adjusted up.

Sale 4 is a multi-tenant building with somewhat poorer location but newer and better lot coverage ratio. Overall unit price would be similar.

Sale 5 is a smaller neighborhood shopping center adjacent to the Millikin Campus. Older, poorer exposure, lot coverage ratio, and condition. Unit price would be adjusted up.

I have appraised all of the comparable sales. After analysis, a merged unit price of \$40 per building SF above grade would be in line. Applying this:

14,608 SF x \$40 or

Indicated value by the sales comparison approach [rounded] .....\$585,000

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**INCOME APPROACH**

The subjects current rent schedule is as follows:

Suite	Tenant	SF	Monthly Rent	Yrly Rent Per SF	Lease Expire
1	Wells Fargo	832	\$ 610	\$ 8.80	Mo-Mo
2	Joan Winters	280	\$ 268	\$11.49	Oct-06
3	Joanies	143	\$ 224	\$18.80	Oct-06
4	Beauty & the Beast	455	\$ 300	\$ 7.91	Mo-Mo
5	Joan Winters	280	\$ 531	\$22.76	Oct-06
5	Joan Winters	300	----	----	Oct-06
6	Joan Winters	784	\$ 625	\$ 9.57	Oct-06
7	Gabriela's	751	----	----	Mo-Mo
7	Gabriela's Coffee	680	\$ 441	\$ 7.78	Mo-Mo
8	Franklin Travel	3,760	\$ 5,200	\$16.60	May-07
9	Available	288	\$ 375	\$15.63	Mo-Mo
10	Winters Gallery	288	\$ 303	\$12.63	Mo-Mo
11	Joan Winters	408	\$ 460	\$13.53	Mo-Mo
12	The Magic Touch	680	\$ 315	\$ 5.56	Mo-Mo
13	Common Area	315	N/A	N/A	Mo-Mo
13	Gorgeous Styling	1,400	\$ 550	\$ 4.71	Mo-Mo
14	Tita's Café	2,175	\$ 2,500	\$13.79	Oct-09
15	Available	492	\$ 475	\$11.59	Mo-Mo
0	Storage-Avail	100	\$ 50	\$ 6.00	Mo-Mo
18	Total	14,411	\$13,227	\$11.01	

In order to consider an income approach, it is necessary to estimate an economic rent—what the property would typically rent for in the market. The following rentals are considered pertinent:

DECATUR SHOPPING CENTERS					
No.	Center	Township Location	Yr. Built	Gross SF	Rent Range
1	Airport Plaza	Long Creek	1997	22,117	\$12.00-\$14.50
2	Big Oak Plaza	Decatur	1995-97	14,400	\$ 8.00
3	Brettwood Village	Hickory Pt	1963	205,000	\$ 8.00-\$10.00
4	Colonial Mall	Decatur	1967-69	48,562	\$ 4.70-\$ 8.68
5	Decatur Plaza	Long Creek	1982	20,570	\$ 4.50-\$ 8.50
6	Fairview Plaza	Decatur	1956-92	187,398	\$7.15
7	French Quarter West	Decatur	1973	56,000	----
8	Hickory Point Mall	Hickory Pt	1977	590,000	----
9	Northgate Mall	Decatur	1970	211,602	----
10	Northland Shopping	Decatur	1959	33,878	\$ 7.24
11	Pines	Decatur	1955	40,625	\$ 3.82-\$ 7.85
12	South Shores	Decatur	1963	34,807	\$ 3.00-\$20.00
13	Southeast Plaza	Long Creek	1975-76	87,073	\$ 3.72-\$ 9.00
14	Southtowne Plaza	Decatur	1976	57,246	\$ 6.43
15	Spring Creek Plaza	Decatur	1978	57,260	\$ 4.56-\$13.48
16	Wal-Mart Plaza	Hickory Pt	1992	40,575	\$ 9.87
17	Woodmound Plaza	Hickory Pt	1979-81	31,112	\$ 9.00
	TOTAL			1,738,225	

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### **Rental Contract**

The tenant would be responsible for their individual unit remodeling and interior maintenance with the owner responsible for all other expenses.

### **Income**

Taking into consideration the size of the spaces and with the owner paying all utilities the current rent level of \$11 per SF is in line with the market. Note that total monthly rent on units 2, 3, 5, 6, 7, 10 and 11 currently total \$2,852 and will increase 11/1/05 to \$2,994 or almost 5%.

Allowing two parking spots for each suite plus two additional spots for customers would take a total of 60 spaces. This would leave 19 spaces available for monthly rental. Currently the subject is charging \$24 for day parking; the City of Decatur has lowered their rate to \$12 for open garage parking and \$30 for covered parking. A rent of \$24 per month would be in line.

Operating expenses are based on the actual experience of the subject and similar properties in the market.

### **Vacancy and Collection Loss**

Vacancy and collection loss is estimated at 10% per year. This is slightly more than one months rent loss per year. Vacancy is currently at 6%.

### **Real Estate Taxes**

Real estate taxes are included, as part of the capitalization rate to take into consideration that with an arms length sale of the property the assessment will be adjusted to reflect the purchase price.

### **Insurance**

Property and casualty insurance cost is estimated at \$ .20 per SF of building area above grade or \$2,900 per year.

### **Management**

Management expense is estimated at 8% of effective gross income.

### **Utilities**

Utility expense is running at approximately \$22,000 per year.

### **Garbage**

Trash removal is estimated at \$75 per month or \$900 per year.

### **Janitor**

Janitor expense is estimated at \$500 per month or \$6,000 per year.

### **Miscellaneous**

Miscellaneous expense items including office expense, supplies, security, landscaping, and snow removal are estimated at \$ 600 per month or \$ 7,200 per year.

### **Repairs**

Repairs are estimated at \$ .35 per SF of building area above grade or \$5,000 per year.

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**Reserves for Replacement**

Reserves for replacement cover the periodic replacement of items that wear out more quickly than the building itself such as floor and roof coverings, mechanical items, and parking lot repair. In order to accumulate an account of \$73,000 at the end of ten years, or based on \$5 per SF of building area, it would be necessary to put \$5,900 per year in an account yielding 4.5%.

This is calculated as follows:

14,608 SF x \$5 = \$73,000 total reserve [rounded]  
 \$73,000 reserve x .081 [4.5% factor for 10 years] =  
 \$5,900 yearly reserve [rounded]

**Projected Income and Expense Statement for 12 Months:**

<b>Gross Income:</b>	<b>Rental</b>		
<b>Building</b>	<b>SF/Space</b>	<b>Monthly Income</b>	<b>Yearly Income</b>
Tenant Units	14,411	\$13,227	\$158,724
Parking	19	\$456	\$ 5,472
<b>Total Potential Yearly Income</b>			<b>\$164,196</b>
<b>Less Vacancy &amp; Collection Loss</b>		10%	<b>\$ 16,420</b>
<b>Effective Gross Income</b>			<b>\$147,776</b>
<b>Operating Expenses</b>		<b>Cost Bldg SF</b>	
		14,608	
<b>Real Estate Tax</b>	<b>[In capitalization rate]</b>		
Insurance		\$0.25	\$ 3,650
Management	8%	\$0.82	\$ 12,000
Utilities		\$1.51	\$ 22,000
Garbage		\$0.06	\$ 900
Janitor		\$0.41	\$ 6,000
Snow, Yard, Misc		\$0.49	\$ 7,200
Repairs		\$0.40	\$ 5,850
Reserves for Replace		\$0.40	\$ 5,900
<b>Total Expenses</b>		43%	<b>\$ 63,500</b>
<b>Net Operating Income</b>			<b>\$ 84,276</b>

**CAPITALIZATION PROCESS**

The best method of ascertaining the overall capitalization rate is to use the Mortgage Equity Technique for it considers the actual financing and market conditions. An investor is interested in the net income remaining after debt service; thus, mortgage interest rates are a major influence in determining a property's estimated value and feasibility.

Commercial mortgages are currently made at 200-300 basis points over 3-5 year treasury rates with 15-20 year amortization periods and rates fixed for 3-5 years. Local buyers with strong credit are often able to negotiate better terms. Typical interest rate for the subject is 6.5% with 20-year amortization and 8.95% mortgage constant.

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In today's market, investors are accepting a return on equity of 12% or less due to the advantage of tax write off and a hedge against inflation. Due to the age of the subject, multi-tenant design a return on equity of 12% would be in line. Current rates on long-term government bonds are around 5.0%.

Taxes are not part of the expense statement but are calculated at the level of valuation [which is one third of value] times the local rate of \$8.6818.

Then

Mortgage	.75	x	.0895	=	.0671
Equity	.25	x	.12	=	.0300
Capitalization Rate					.0971
Add Taxes	.333	x	.0868	=	.0289
Weighted Average-Overall Rate				=	.1260

Applying this rate to net income:

\$84,276 ÷ .1260 or

Indicated Value by the Income Approach [rounded].....\$669,000

**RECONCILIATION AND FINAL VALUE ESTIMATE**

The results shown by these approaches are as follows:

Cost	Omitted
Sales Comparison	\$585,000
Income	\$669,000

**Cost Approach**

The cost approach is most effective when estimating value of new or recently constructed property. However, it is difficult to apply due to the problems in estimating such factors as accrued physical depreciation, functional and external obsolescence, as well as estimating the remaining economic life of the improvements. The cost to replace this property is greater than what it would sell for in the market. This approach is omitted.

**Sales Comparison Approach**

The sales included in the sales comparison approach give an indication of what similar properties have been selling for in the Decatur market. These transactions have been analyzed and a unit of comparison arrived at based on a merged price per SF of building area above grade.

**Income Approach**

The income approach estimates the property value based upon a net income generated from the land and improvements. This method is actually a comparison of available investments in the market; therefore, it is given the most weight by the investor. The typical purchaser would be an investor primarily interested in the properties ability to produce net income. The sales comparison approach is also given some weight.

**Final Value Estimate**

After analysis, it is my opinion that the market value of the involved property is:

\$650,000

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### **CONTINGENT AND LIMITING CONDITIONS**

The certification of the Appraiser appearing in the appraisal report is subject to the following conditions and to such other specific and limiting conditions as are set by the Appraiser in the report.

1. The Appraiser has not considered and assume responsibility for the legal description or for legal matters. The title to the property is assumed to be good and marketable and the property is appraised free and clear of any or all liens or encumbrances unless stated otherwise.
2. Any sketch in the report may show approximate dimensions and is included to assist the reader in visualizing the property. The Appraiser has made no survey of the property.
3. The Appraiser is not required to give testimony or appear in court because of having made the appraisal with reference to the property in question, unless arrangements have been previously made therefor.
4. Any distribution of the valuation in the report between land and improvements applies only under the existing program of utilization. The separate valuations for land and building must not be used in conjunction with any other appraisal and are invalid if so used.
5. The Appraiser assumes that there are no hidden or unapparent conditions of the property, subsoil, or structures, which would render it more or less valuable. The Appraiser assumes no responsibility for such conditions, or for engineering that might be required to discover such factors. This includes the working condition of mechanicals and compliance with the Americans with Disabilities Act.
6. Information, estimates, and opinions furnished to the Appraiser, and contained in the report, were obtained from sources considered reliable and believed to be true and correct. However, no responsibility for accuracy of such items furnished the Appraiser can be assumed by the Appraiser.
7. Disclosure of the contents of the appraisal report is governed by the Bylaws and Regulations of the Appraisal Institute, with which the Appraiser is affiliated.
8. On all appraisals, subject to satisfactory completion, repairs, or alterations, the appraisal report and value conclusion are contingent upon completion of the improvements in a workmanlike manner.

**ENVIRONMENTAL DISCLAIMER:** The value estimated is based on the assumption that the property is not negatively affected by the existence of hazardous substances or detrimental environmental conditions unless otherwise stated in this report. The Appraiser is not an expert in the identification of hazardous substances or detrimental environmental conditions. The Appraiser's routine inspection of and inquiries about the subject property did not develop any information that indicated any apparent significant hazardous substances or detrimental environmental conditions that would affect the property negatively unless otherwise stated in this report. It is possible that tests and inspections made by a qualified hazardous substance and environmental expert would reveal the existence of hazardous substances or detrimental environmental conditions on or around the property that would negatively affect its value.

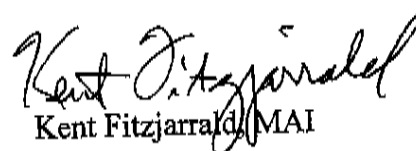
**RESTRICTION UPON DISCLOSURE AND USE:** Neither all, nor any part of the content of the report, or copy thereof (including conclusions as to the property value, the identity of the Appraiser, professional designations, reference to any professional appraisal organizations, or the firm with which the Appraiser is connected), shall be used for any purposes by anyone but the client specified in the report, the borrower if appraisal fee paid by same, the mortgagee or its successors and assigns, mortgage insurers, consultants, professional appraisal organizations, any state or federally approved financial institution, any department, agency, or instrumentality of the United States or any state or the District of Columbia, without the previous written consent of the Appraiser; nor shall it be conveyed by anyone to the public through advertising, public relations, news, sales, or other media, without the written consent and approval of the Appraiser.

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**CERTIFICATION:**

The Appraiser certifies that, except as otherwise noted in the appraisal report.

1. The Appraiser has no present or contemplated future interest in the property appraised; and neither the employment to make the appraisal, nor the compensation for it, is contingent upon the appraised value of the property.
2. The Appraiser has no personal interest in or bias with respect to the subject matter of this appraisal report or the participants to the sale. The "Estimate of Market Value" in the appraisal report is not based in whole or in part upon the race, color, or national origin of the prospective owners or occupants of the property appraised, or upon the race, color or national origin of the present owners or occupants of the properties in the vicinity of the property appraised.
3. The Appraiser has personally inspected both the inside and outside of properties that have been fully constructed. To the best of the Appraiser's knowledge and belief, all statements and information in this report are true and correct, and the Appraiser has not knowingly withheld any significant information.
4. All contingent and limiting conditions are contained herein (imposed by the terms of the assignment or by the undersigned affecting the analyses, opinions, and conclusions contained in the report).
5. This appraisal report has been made in conformity with and is subject to the requirements of the Code of Professional Ethics and Standards of Professional Conduct of the Appraisal Institute with which the Appraiser is affiliated, as well as the standards of the Financial Institutions Reform, Recovery and Enforcement Act (FIRREA).
6. All conclusions and opinions concerning the real estate that are set forth in the appraisal report were prepared by the Appraiser whose signature appears on the appraisal report, unless indicated as "Review Appraiser". No change of any item in the appraisal report shall be made by anyone other than the Appraiser, and the Appraiser shall have no responsibility for any such unauthorized change.

  
Kent Fitzjarrald, MAI

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**QUALIFICATIONS OF KENT FITZJARRALD**

**EDUCATION:**

BS - Illinois Wesleyan University, 1974, major Business Administration  
MS - University of Illinois, 1976, major Finance and Real Estate  
Currently student in Millikin University Executive MBA Program

Appraisal Courses given by American Institute of Real Estate Appraisers:  
Basic Principles 1A, Capitalization Techniques 1B, Case Studies 2-1, Report Writing 2-2, Standards of Professional Practice 2-3, Litigation 4, and Single Family 8.

Appraisal courses given by Society of Real Estate Appraisers:  
Basic Principles 101, Income Properties 201, Case Studies 202 and Single Family R-2

**ORGANIZATIONS:**

MAI - Member of Appraisal Institute [Received 1984]  
Affiliate Member - Decatur Board of Realtors

**CERTIFICATION:**

As of the date of this report I, Kent Fitzjarrald, MAI have completed the requirements under the continuing education program of the Appraisal Institute through December 31, 2006.

State of Illinois Certified General Real Estate Appraiser  
license 153-000124. Expires 9/30/05

**EXPERIENCE:**

Market value appraisals since 1974 on dwellings, apartments, commercial, industrial and agricultural property.

Past instructor of Real Estate Finance, Richland Community College, Decatur, Illinois.

Testified in court: Macon, Coles, DeWitt, Champaign, McLean, Moultrie, Piatt, Sangamon and Shelby Counties, and Illinois State Board of Tax Appeals.

**PARTIAL LIST OF CLIENTS:**

Ameren IP and CIPS  
City of Decatur  
Eastern Illinois University  
Federal Deposit Insurance Corporation  
First Mid-Illinois Bank  
Hickory Point Bank & Trust  
Main Street Bank & Trust  
Millikin University  
National City Bank

Norfolk-Southern Railroad  
Prairie State Bank  
Soy Capital Bank & Trust Company  
Supervisor of Assessments, Coles  
Macon, and Moultrie Counties  
Town & Country Bank  
Union Planters Bank  
United State Postal Service  
University of Illinois