INCOME ANALYSIS:

The Income Approach is a method of estimating the Market Value of a property based upon its income producing capabilities over its estimated remaining economic life, with consideration given to current investment requirements.

The Income Approach is given emphasis in the appraisal of leased fee properties such as the subject since potential purchasers are primarily concerned with the income the property will produce. The Income Approach in appraising these properties is similar to that in appraising any type of commercial, income producing property. A stabilized gross income is established from which are deducted all operating expenses to arrive at net income. The net income is then capitalized at an appropriate rate to arrive at an estimate of value.

When properties are encumbered with long-term leases, an income stream is established for a typical holding period and a present value of that income stream is calculated. The last year of the income stream includes the sale of the property itself. This is generally referred to as the Discounted Cash Flow Analysis.

The subject properties are being appraised subject to hypothetical long-term leases. Accordingly, the second method of valuation was utilized.

They are being appraised subject to a hypothetical lease for the following reason. It is not uncommon for fast food restaurants to be sold to investors. The investors own and lease the property to franchisees. In fact, there is a national market for this type of transaction and I have done numerous appraisals across the country for exactly this purpose. Since the purpose of this appraisal is to estimate the value of the real estate, it is reasonable to construct a scenario that is common in the marketplace. Typically the prices set in these transactions are based upon the rental that the property generates and the rental rates are based upon gross sales. The percentage of sales that is used varies by franchise – typically from about 4% of gross sales to 8½ % Burger King, Wendy's and McDonald's tend to fall at the upper end of the range. The subjects of this report being Burger King franchises would therefore fall at this upper end – 8½.

Another of the aspects of the Discounted Cash Flow Analysis is the value of the property at the reversion…that is at the end of the lease term. Since it is impossible to estimate future values at some date distant, I have estimated the present value of the property as though unencumbered with a lease and have assumed that with all other factors being similar to today, the property will appreciate at the marginal rate of about 1%. This is slightly below the prevailing rate of inflation and therefore reflects "real" depreciation. I have assumed that the hypothetical lease will call for the property to be maintained and I assume it will be in condition similar, at the future date, to the condition today. The property in xxxx will still have 40 years remaining on its ground lease – a period of time that should not significantly diminish the attractiveness of the site.

A resume' of some of the sales I considered follows. This market data is not offered as independent evidence of the value of the subject property, but rather as some of the transactions I have taken into consideration in arriving at an opinion of value.

SALE NO. 1

LOCATION:	1906 Lincoln xxxxxxx, xxxxx
SALES PRICE:	$600,000.00
DATE OF SALE:	August 1998
PRICE/SQ.FT:	$187.50
BUILDING AREA:	3,200 square feet
LAND AREA:	1.06 acres
LAND/BUILDING RATIO:	14.4:1
DESCRIPTION:	This is the sale of the Kentucky fried chicken restaurant. The transaction included personal property

SALE NO. 2

LOCATION:	2501 N Vermilion xxx, xxxxx
SALES PRICE:	$855,000.00
DATE OF SALE:	April 1998
PRICE/SQ.FT:	$323.99 per/sq. ft.
BUILDING AREA:	2,639 sq. ft.
COMMENT:	This is the sale of a Wendy's for continued use as a Wendy's

SALE NO. 3

LOCATION:	601 W. Kilgore Avenue xxxxx, xxxx

SALES PRICE:	$45,000.00
DATE OF SALE:	January 1996
PRICE/SQ.FT:	$20.77/ sq. ft.
BUILDING AREA:	2,166 sq. ft.
LAND AREA:	21,083 acres.
LAND/BUILDING RATIO:	9.73:1
DESCRIPTION:	A former Burger Chef, then Hardee's restaurant building of frame and masonry construction. The purchaser owns property adjacent to it.

SALE NO. 4

LOCATION:	4118 Columbus Avenue xxxxxx, xxxxxx.
SALES PRICE:	$125,000.00
DATE OF SALE:	January 1996
PRICE/SQ.FT:	$41.67/sq. ft.
BUILDING AREA:	3,000 sq. ft.
LAND AREA:	43,560 sq. ft.
LAND/BUILDING RATIO:	14.52:1
DESCRIPTION:	Built in 1979, this is a former Noble Roman's restaurant. The masonry and frame building was purchased by a local American Legion group.

SALE NO. 5

LOCATION:	5815 Broadway xxxxxx, xxxxxx

SALES PRICE:	$445,000.00
DATE OF SALE:	August 1999
PRICE/SQ.FT:	$164.81/sq. ft.
BUILDING AREA:	2,700 sq. ft.
LAND AREA:	28,800 square feet
LAND/BUILDING RATIO:	10.67:1
DESCRIPTION:	This is a sale of a Popeye's Chicken. The building was built in 1974 and remodeled into the Popeye's Chicken in 1994.

SALE NO. 6

LOCATION:	1620 E. Commercial Avenue xxxxxx, xxxxxx
SALES PRICE:	$700,000.00
DATE OF SALE:	November 1999
PRICE/SQ.FT:	$170.23 sq. ft.
BUILDING AREA:	4,112 sq. ft.
LAND AREA:	24,263 sq. ft.
LAND/BUILDING RATIO:	5.90:1
DESCRIPTION:	This is a sale of a Burger King Fast Food Restaurant. This building was in good condition at the time of sale.

SALE NO. 7

LOCATION:	1710 Main Avenue xxxxxx, xxxxx
DATE OF SALE:	April 1996

PRICE:	$571,429.00
PRICE/SF:	$193.70
LOT SIZE:	A mildly trapezoidal shaped parcel, the site has approximately 233 feet of frontage along DeKalb and contains a total of about 46,750 square feet.
BUILDING SIZE:	2,950 Square Feet (via field measurements).
LAND TO BLDG. RATIO:	15.8:1
INGRESS/EGRESS:	Good
PARKING:	Apx. 75 cars
OVERALL:	The subject is a free standing Burger King on a commercial street nearby commercial development. The subject improvements consist of a Burger King restaurant circa mid to late 1980's. It is of average quality improvements and is typical of this vintage Burger King. Typical Burger King finishings with acoustical tiled ceilings, paneled and drywall walls and quarry tile floors. This building has atrium seating. Overall seating apx. 75. One drive-thru - good condition

Summary of Analysis of Improved Sales

Location	Price	Date	Size	$/SF
xxxx, xx	$600,000.00	Aug-98	3,200	$ 187.50
xxxx, xx	$855,000.00	Apr-98	2,639	$ 323.99
xxxx, xx	$ 45,000.00	Jan-96	2,166	$ 20.77
xxxx, xx	$125,000.00	Jan-96	3,000	$ 41.67
xxxx, xx	$445,000.00	Aug-99	2,700	$ 164.81
xxxx, xx	$700,000.00	Nov-99	4,112	$ 170.23
xxxx, xx	$571,429.00	Apr-96	2,950	$ 193.70

General: There are more current sales. Those newer sales are, however, located in major metropolitan areas, e.g., Chicago, Indianapolis, St. Louis, & Columbus and are not as representative of value as those that have small town characteristics. The prices cover a very wide range with the higher prices being sales of restaurants sold for continuing use as the same franchise with the lesser prices being those to sold to a different user.

The major value influencing factors for this property type include location, overall site configuration, population trends, topography, and commercial amenities such as access to major highways, expressways and shopping.

Size: Variations in size tend to be influenced by economies of scale, with smaller properties selling at higher unit prices than larger properties, assuming all other factors are equal. Following this line of reasoning, the unit sale prices of the sales, which are larger than the subject, should sell for a lower unit price while the unit prices of the smaller properties should be higher.

Topography: Properties with highly irregular terrain characteristics are likely to require extensive site preparation and tend to sell at lower unit prices than properties at street grade and level.

Location: In general, the locational characteristics of a property influence value to a significant degree. Accessibility, visibility, and high traffic counts are qualities that typically enhance a property's value when present. Sales possessing superior locations result in higher sale prices while sales with inferior locations sell for a lower unit price, all other factors being equal.

Date of Sale: Typically, an adjustment for a property's date of sale attempts to account for changes in the marketplace, which could potentially impact property values from the date of sale to the date of value.

Consideration as to the time of sale, size, location, age, degree of modernization, and utility, as well as other factors that affected value was given to each sale. All of the sales listed herein, as well as numerous others, were given consideration in the appraisal of each of the subject properties.

Over the years the Gorman Group has had the opportunity to study and appraise numerous fast food restaurants, both as individual sites and grouped in networks. We have developed a developed a rating guide to help in our analysis of locations and values. The rating guide follows.

It should be expressly noted that this estimate of the reversion value is of real estate only and that if the business value were considered, the ranking may have been somewhat different.

Top Tier Locations

The “top tier” (or excellent) locations all have very positive shopping center influences. They are generally located on "out-lots" or on the periphery of major shopping centers, e.g., regional malls, power centers or very large community shopping centers. In addition to significant retail activity, these areas also tend to have several nationally recognized hotels/motels nearby as well as most other fast food concepts. Traffic counts are generally very high. Usually population densities are high, as is disposable income. Without doubt, another nationally recognized fast food concept would pay a premium for these locations. Many of the otherwise specific site requirements franchises require will be ignored to get these locations.

Second Tier Locations

The “second tier” (good) locations are all located on very major roadways and are all in high retail density, important local shopping areas - often on the outlot of a successful community shopping center of moderate size or a large neighborhood shopping center. Many other fast food facilities are nearby and population densities are high. A hotel/motel may also be nearby. The sites generally have good ingress/egress and adequate area for parking. Traffic counts are high.

Third Tier Locations

This third level (average) of locations are all located on busy streets, but not as busy as those previously noted. These streets are local thoroughfares. Surrounding uses tend to be local types of business — although in many cases other franchise restaurants can be found nearby. Many “Interstate interchange” locations fall into this category. In fact, generally speaking, most fast food facilities fall into this category.

Fourth Tier Locations

This fourth level (fair) of locations are located on busy streets, but for differing reasons, are not as valuable as the previously described facilities. Retail uses in these areas are not as dense as in better locations and the local businesses are typically small and in many cases older. Many times the site is only minimally adequate, perhaps not even allowing for drive-up facilities. These are locations that have very limited appeal to the franchise market in general.

Fifth Tier Locations

This fifth level (poor) of locations are generally in areas of minimal retail activity. This is not to say the locations are particularly bad, it's just that they are entirely local or sometimes rural in nature. Frequently they have physical barriers, e.g., railroad tracks, raised highways, creeks, or other factors limiting access to the community. Also, there is often is a limited population density nearby. These are locations where the highest and best use of an existing franchise is likely to be an alternative use if an existing franchise leaves.

The subject properties have the following rankings:

Address	Town	Tier
301 N 7th	xxxx	5
1629 Georgetown	xxxx	5

Of course, factors other than those noted above impact value. Specific locational attributes can, and do on occasion, make, "third tier properties more valuable than second tier ones." In addition, the improvements themselves have a significant impact.

Finally, it is very important to note that this appraisal is of real estate only — not the business. If I were appraising these properties on the basis of business value, the rankings would be different.

Finally after careful consideration of all factors, I have concluded that the subject properties have the following values, as unencumbered. These are the values utilized as base values for the future reversions.

Address	Town	Value
301 N 7th	xxxx	$ 200,000.00
1629 Georgetown	xxxx	$ 250,000.00

LEASE ANALYSIS

Each of the subject properties is assumed to be encumbered with a lease (see assumptions). As assumed, the terms of the leases are relatively straightforward. It is to be a classic net lease where the tenant pays a market rental amount. Rental rates for fast food facilities tend to be established at a rate that relates to the gross sales of the facility. Rates for fast food restaurants range from about 4% to 8½% of gross sales. Burger King facilities tend toward the upper end of the range and in this case I believe that 8½% is appropriate. The leases are generally “absolute net” meaning that the tenant, in addition to the rental rate, pays all other charges attributable to the building (taxes, insurance, etc.). Therefore, the entire percentage rental flows to the owner.

Lease 1	
Location:	309 Green street xxxx, xxx
Type:	Burger King
Building size:	2,800 SF
Base rent:	$97,750.00
Overage:	Rental rate is based on 8.5% of gross rent.
Term:	17 years – beginning 1/1991

Lease 2	
Location:	1706 S State Street xxxx, xxx
Type:	Hooters
Building size:	6,584 SF
Base rent:	$102,000.00
Overage:	In addition to the base rent, there is a percentage clause at 7.5% above the break point.
Term:	20 years – beginning 3/2000

The following schedule shows the property, annual gross sales (as provided to me by the client), the calculated rental rate (8.5% of the gross sales), and the lease expiration:

Address	Town	Gross Sales	Rental	Expiration
301 N 7th	xxxx	$566,735.71	$48,172.50	2013
1629 Georgetown	xxxx	$910,788.07	$77,417.00	2012

The average Burger King store has sales of about $1,055,000.00 (fiscal year 2002). While the xxxx store is not very far off that mark, the xxxx is obviously very far off.

Rentals are generally figured as being absolute net recapture of the investors investment is a part of the lease. The “extra” rental amount for the for the ground lease creates a need to adjust the rental rate for the xxxx store. The ground rent of $9,100.00 needs to be subtracted from the hypothetical percentage rent and results in a rental rate to the investor of $68,317.00 per year.

In the Discounted Cash Flow Analysis, I have used the gross sales as a basis for future sales, and since inflation has been a part of the economy for some time now and it is not likely to go away, I have adjusted each year's sales upward at a rate of 2.0% per year.

EXPENSE DISCUSSION

I was not provided with historical operating expenses, however, since the leases are absolute net, ones where the tenant is responsible for all charges associated with the building, there would be no expenses. Nevertheless, ownership of real estate requires management, bookkeeping/accounting, etc., and so I have assessed each property a two percent (2%) charge.

DISCOUNT RATE

Generally, the discount rate to use, the rate which investors in that type or class of property require as a condition for purchasing, is an appraisal problem. The rate tends to vary from time to time depending on economic conditions. Accordingly, the appraiser must carefully consider competitive market conditions and alternative investment opportunities for the type of investor typically interested in the property being appraised. Market conditions involve the money market.

INVESTMENT ALTERNATIVES

The following are "Yield Comparisons" as of November 5, 2002, from the Wall Street Journal dated November 6, 2002. All figures are percentages.

			52 Week	
	11/5	**11/4**	**High**	**Low**
Corp.-Govt. Master	4.08	4.07	5.54	3.87
Treasury 1-10 yr	2.35	2.32	4.20	2.16
10+ yr	4.92	4.89	5.96	4.49
Agencies 1-10 yr	2.74	2.73	4.67	2.63
10+ yr	5.49	5.45	6.50	5.38
Corporate				
1-10 yr High Quality	3.88	3.87	5.37	3.70
Med Quality	5.64	5.66	6.67	5.35
10+ High Quality	6.38	6.35	7.09	5.91
10+ yr Med Quality	7.44	7.45	7.93	7.01
Yankee bonds	4.77	4.76	6.26	4.58
Current coupon mortgages				
GNMA 6.50%	5.13	5.13	6.72	4.73
FNMA 6.50%	5.42	5.42	6.70	5.16
FHLMC 6.50%	5.44	5.44	6.72	5.17
High yield Corporates	13.18	13.25	13.96	10.92
New tax-exempts				
7-12-yr G.O. (AA)	3.84	3.82	4.62	4.32
12-22-yr G.O. (AA)	4.80	4.79	5.32	4.32
22+yr revenue (A)	5.07	5.06	5.46	4.61

RealtyRates.com INVESTOR SURVEY - 4th Quarter 2002							
RESTAURANTS - FAST FOOD							
Item	**Input**						**OAR**
Minimum							
Spread Over 10-Year Treasury	2.25%	**DCR Technique**		1.30	0.081100	0.75	**7.91**
Debt Coverage Ratio	1.30	**Band of Investment Technique**					
Interest Rate	6.51%	Mortgage		75%	0.081100	0.060825	
Amortization	25	Equity		25%	0.100000	0.025000	
Mortgage Constant	0.081100	OAR					**8.58**
Loan-to-Value Ratio	75%	**Surveyed Rates**					**8.67**
Equity Dividend Rate	10.00%						
Maximum							
Spread Over 10-Year Treasury	6.45%	**DCR Technique**		1.85	0.134214	0.60	**14.90**
Debt Coverage Ratio	1.85	**Band of Investment Technique**					
Interest Rate	10.71%	Mortgage		60%	0.134214	0.080529	
Amortization	15	Equity		40%	0.153000	0.061200	
Mortgage Constant	0.134214	OAR					**14.17**
Loan-to-Value Ratio	60%	**Surveyed Rates**					**14.31**
Equity Dividend Rate	15.30%						
Average							
Spread Over 10-Year Treasury	4.10%	**DCR Technique**		1.58	0.103078	0.68	**10.96**
Debt Coverage Ratio	1.58	**Band of Investment Technique**					
Interest Rate	8.36%	Mortgage		68%	0.103078	0.069578	
Amortization	20	Equity		33%	0.123850	0.040251	
Mortgage Constant	0.103078	OAR					**10.98**
Loan-to-Value Ratio	68%	**Surveyed Rates**					**11.01**
Equity Dividend Rate	12.39%						

While interest rates have fallen dramatically recently, one thing stands out – real estate investors have been relatively consistent in their minimum demand for return. The surveys show that the attempts to gain high returns have diminished from about 18% down to 15% and even the average return has diminished from about 14½% to 12.3%. However, the minimum acceptable average rate has remained a consistent 10%

The "safest" rates available are U. S. Government backed securities which range from about 2.35 to 5.5% depending on the term. Corporate rates (rates on corporate issued bonds) are in the 3.8% -7.4% range, depending on the term and risk rating . High yield corporate rates are averaging about 13.18%, but within that broad category individual companies vary (typically) from around 9% to over 20% — some corporate bonds classified as "high-yield" fall outside this range. It should be noted that a significant difference between bonds and the income stream being valued is that bonds are very liquid; real estate is not.

After considering alternative investments, I have concluded that the appropriate discount rate applicable to the income stream is 10% — somewhat lower than the “high-yield bond” indices.

In addition to the income stream, the proceeds of the sale of the property at the end of the term also has to be considered. In the case of the subject, we would be looking at a vacant, fast food restaurant building. Since there is no way of knowing what the market will be like in ten years, I have used today’s value (unencumbered) as a basis to estimate future value. Inflation has been a part of the economy for some time now and it is not likely that it will be eliminated in the reasonably near future, if ever. Therefore, I have added, for a future sales date, an inflation factor of 1.0% per year. This factor is slightly below the current inflation rate of about 2.0% per year and anticipates a further diminishment of inflation, particularly in commercial real estate.

Of course, the disposition of real estate involves costs such as sales commissions, title charges, legal fees, etc. I estimate those charges to be 5%.

The following pages show the Discounted Cash Flow Analysis for the individual properties appraised.

xxxx				Gross Rent	Net Rent	Bldg Value	PV of Income	PV of Bldg Value	Less selling cost	Value
	year 1	Nov-02	Oct-03	$ 68,317	$ 66,951	$ 252,500	$60,864.22	$229,545	$ 218,068	$ 278,932
	2	Nov-03	Oct-04	$ 69,683	$ 68,290	$ 255,025	$117,301.95	$ 210,764	$ 200,226	$ 317,528
	3	Nov-04	Oct-05	$ 71,077	$ 69,655	$ 257,575	$169,635.12	$ 193,520	$ 183,844	$ 353,479
	4	Nov-05	Oct-06	$ 72,499	$ 71,049	$ 260,151	$218,162.24	$ 177,687	$ 168,802	$ 386,965
	5	Nov-06	Oct-07	$ 73,948	$ 72,470	$ 262,753	$263,160.11	$ 163,149	$ 154,991	$ 418,151
	6	Nov-07	Oct-08	$ 75,427	$ 73,919	$ 265,380	$304,885.41	$ 149,800	$ 142,310	$ 447,196
	7	Nov-08	Oct-09	$ 76,936	$ 75,397	$ 268,034	$343,576.15	$ 137,544	$ 130,667	$ 474,243
	8	Nov-09	Oct-10	$ 78,475	$ 76,905	$ 270,714	$379,453.01	$ 126,290	$ 119,976	$ 499,429
	9	Nov-10	Oct-11	$ 80,044	$ 78,443	$ 273,421	$412,720.64	$ 115,957	$ 110,159	$ 522,880
	10	Nov-11	Oct-12	$ 81,645	$ 80,012	$ 276,156	$443,568.82	$ 106,470	$ 101,146	$ 544,715

xxxx				Gross Rent	Net Rent	Bldg Value	PV of Income	PV of Bldg Value	Less selling cost	Value
	year 1	Nov-02	Oct-03	$ 48,172	$ 47,209	$ 252,500	$42,917.30	$229,545	$ 218,068	$ 260,985
	2	Nov-03	Oct-04	$ 49,136	$ 48,153	$ 255,025	$82,713.33	$ 210,764	$ 200,226	$ 282,940
	3	Nov-04	Oct-05	$ 50,119	$ 49,116	$ 257,575	$119,615.11	$ 193,520	$ 183,844	$ 303,459
	4	Nov-05	Oct-06	$ 51,121	$ 50,099	$ 260,151	$153,833.13	$ 177,687	$ 168,802	$ 322,635
	5	Nov-06	Oct-07	$ 52,143	$ 51,101	$ 262,753	$185,562.56	$ 163,149	$ 154,991	$ 340,554
	6	Nov-07	Oct-08	$ 53,186	$ 52,123	$ 265,380	$214,984.40	$ 149,800	$ 142,310	$ 357,295
	7	Nov-08	Oct-09	$ 54,250	$ 53,165	$ 268,034	$242,266.47	$ 137,544	$ 130,667	$ 372,933
	8	Nov-09	Oct-10	$ 55,335	$ 54,228	$ 270,714	$267,564.38	$ 126,290	$ 119,976	$ 387,540
	9	Nov-10	Oct-11	$ 56,442	$ 55,313	$ 273,421	$291,022.45	$ 115,957	$ 110,159	$ 401,182
	10	Nov-11	Oct-12	$ 57,571	$ 56,419	$ 276,156	$312,774.48	$ 106,470	$ 101,146	$ 413,921
	11	Nov-12	Oct-13	$ 58,722	$ 57,548	$ 278,917	$332,944.54	$ 97,759	$ 92,871	$ 425,815

Market Conclusion: After careful consideration, it is my opinion that the Market Value(s) of the subject properties as of April 10, 2002:

Address	Town	Leased Fee Value
301 N 7th	xxxx	$425,000.00*
1629 Georgetown	xxxx	$545,000.00*

*(allowing for the exposure time estimated in this report – see Definition of Market Value)