

(785) 271-5663

**J. R. KRIEGER & Company**  
**Realtors & Appraisers**  
**3745 SW Wanamaker Rd.**  
**Topeka, KS 66610**

**FAX 271-5652**

December 28, 2004

Mr. Brad Chindamo  
Central National Bank  
711 Wakarusa Dr.  
Lawrence, KS 66049

& Mr. Sam Campbell, et al  
and University of Kansas  
% Oread Group, LLC  
1321 Wakarusa Dr.  
Lawrence, Kansas 66049

RE: Update of Market Value Appraisal dated April 14, 2003 and Update of May 3, 2004, Building "D" at 1500 Wakarusa, Lawrence, Kansas.

Ladies and Gentlemen::

I have re-visited the subject property, reviewed the lease terms now in effect on approximately 47% of the gross area, and checked various market and cost trends for the purpose of updating said appraisal to the estimated current market value as of this date.

The subject building was built as a special use research laboratory building with many custom features, safety, and security facilities. For those reasons the original construction or exact reproduction cost is not a valid consideration. However, This is also a distinct advantage as there is no competition in a fast growing market with no new facilities such as this being built.

There have been no new building of this type built since April of 2003. However, both land and construction costs have escalated in the last year.

The weighted Income Approach contained in the April 2003 appraisal was based on a per square foot rental rate of \$ 38.75 NNN. There is a tenant occupying 47% of the gross area under a lease which provides a total rental of \$36.00 per square foot including a deferred rent equal to \$ 20.00 per square foot NNN. The \$ 20.00 per square foot rent equivalent is payable in another 2 years. Discounting this additional rent for the "time use" value of the deferred income at the rate of 3% per year reduces it to a current value of \$ 18.50.

Page 2.

It is unknown if the balance of the space can be rented at the projected \$38.00 per square foot but it seems likely with the current trend in the research area, the vacant space should command this NNN rental rate per sq. ft. Construction costs and comparable rents have increased more than 10% in the last year.

There have been no major developments or change in costs or rents since the previous update that would have adversely affect the value.

Therefore, I have updated the Current Market Value as of this date to:

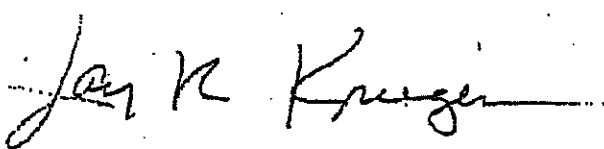
FIVE MILLION SEVEN HUNDRED TWENTY EIGHT THOUSAND SEVEN  
HUNDRED SIXTY ONE DOLLARS, US

Market Value being defined as the price at which a willing buyer will buy and a willing seller sell, neither of whom are under any undue pressure, and given sufficient exposure to the market.

I hereby certify that my employment to make this appraisal is not contingent upon arriving at any specific value and that I have no past, current, or future interest in the subject property.

Central National Bank and the University of Kansas may rely on the original appraisal of April 14, 2003 and the Update of May 13, 2004 as if they were both addressed to them.

Sincerely,

A handwritten signature in black ink, appearing to read "Jay R. Krieger", with a horizontal line extending from the end of the signature.

Jay R. Krieger, SIA, CREC

(785) 272-5663

**J. R. KRIEGER, REALTORS  
& APPRAISERS  
1505 SW Fairlawn  
Topeka, KS 66604**

FAX 271-5652

April 14, 2003

New Oread Group LLC, et al  
% Mr. Sam Campbell  
1321 Wakarusa Dr.  
Lawrence, KS 66049

**EXECUTIVE SUMMARY  
APPRAISAL OF BUILDING D  
WEST LAWRENCE LABORATORIES  
1501 S WAKARUSA, LAWRENCE, KS.**

Dear Mr. Campbell:

Attached is my appraisal of the current "Market Value" of the subject property as of April 8, 2003. It is a complete narrative appraisal which meets the requirements of the Appraisal Institute's "USPAP" guidelines.

The New Oread Group LLC and any prospective lender may rely on this appraisal of the "Market Value" for the purposes intended.

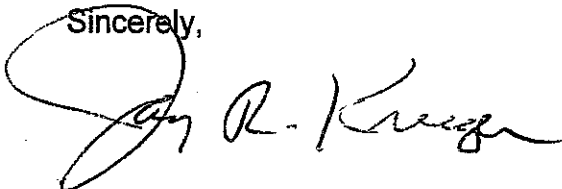
In my opinion the "Market Value" of the subject property is:

**FIVE MILLION ONE HUNDRED FIFTY THOUSAND & NO/100 DOLLARS US  
\$ 5,150,000.00**

Market Value, the Interest Appraised, and the Extent of the Appraisal are defined in the Introduction on page 1.

I hereby certify that I have no current nor anticipated interest in the subject property and that my employment to make this appraisal is not contingent upon my arriving at any specific value.

Sincerely,

A handwritten signature in black ink, appearing to read "Jay R. Krieger". The signature is fluid and cursive, with a large loop at the beginning.

Jay R. Krieger, SIA, CREA

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### **EXHIBITS:**

PHOTOS & MAPS  
APPRAISER'S QUALIFICATIONS

## INTRODUCTION

April 8, 2003

### PURPOSE

The purpose of this appraisal is to determine Market Value, as of this date, of the subject laboratory and former pharmaceutical manufacturing building, now known as the West Lawrence Laboratories as it will appear upon completion of the interior remodeling to convert the manufacturing and related areas to laboratory rooms to make the entire building suitable to multiple laboratory usage. The existing office space will be retained.

The remodeling and conversion is under way with firm contracts for completion. The completion is estimated to be complete in early summer 2003. It is anticipated that this appraisal will be used for long term mortgage financing and to assist in setting rental rates. Of the \$1,000,000.00 cost approximately \$400,000.00 has been spent.

### MARKET VALUE

Market value is defined as that price that a willing and knowledgeable party will pay and a willing seller will accept, neither being under undue duress or pressure and given sufficient exposure to the market with no special concessions or financing.

### INTEREST APPRAISED

The fee simple estate being appraised is defined as "Absolute ownership unencumbered by any other interests or estate, subject only to the limitations imposed by government powers of taxation, eminent domain, police power, and escheat. (*The Dictionary of Real Estate Appraisal*, Third Edition, The Appraisal Institute, Chicago, 1993, p 140.)

### EXTENT OF APPRAISAL

This appraisal is a complete appraisal and the report is self contained. The only departure from the provisions of USPAP is the time frame and distance sections due to the unique nature of the improvements as to the comparables. The Appraiser is a disinterested third party rendering an unbiased opinion who has no current nor anticipated financial or ownership position in the subject property.

## HISTORY OF OWNERSHIP

The subject properties were owned by Oread Laboratories Inc. Building A, B and C plus 13 acres of access land were acquired on December 1, 1994 coincident with a sale of the Oread Laboratories business (Book 526, Page 1461: recorded 7-Dec-94). The transfer of the enterprise included real estate, FF&E, and intangibles. According to the company's former CFO, the business was not operating profitably in 1994. The certificate of value filed with the Douglas County Appraiser's office (COV #013281) shows an allocation to the real estate of \$2,700,000. However, the COV contains the following note: "The sale price derived was not necessarily reflective of fair market value but was necessitated by the capital requirements of the Seller".

Coincident with the sale of the enterprise, the 13 acres of excess land was transferred to Oread Development Corporation (Book 526, Page 1495: recorded 7-Dec-94). The transaction was not arms-length as W. David Kimbrell is President of both Oread Development Corporation and Oread Acquisition Corporation (since renamed Oread Laboratories, Inc.). The COV recorded with the transfer of the excess land shows a price of \$1,000,000, but contains the same qualifying note as presented above.

Oread Laboratories, Inc. acquired the 2-acre site for the new bulk actives pilot plant on September 4, 1997 for \$300,000 or \$3.43 per square foot (Book 594, Page 536; recorded 26-Nov-97). The buyer and seller of the land were again related through Mr. Kimbrell; however, according to Oread management, the sale price was intended to be market value of the property. The 2-acre site is part of the original 13 acres of excess land.

Oread Laboratories, Inc. defaulted on the first mortgage. The current owners acquired the subject via foreclosure sale on June 28, 2002. This was not an arms length sale. There were no other serious bidders. The buyer had subsequently acquired the adjacent vacant land. Building A, B & C were sold to the Kansas University Research Department under a prior agreement. These adjacent buildings are NOT comparable to the subject!

## LEGAL DESCRIPTION

The following legal descriptions of the West Lawrence Laboratories was taken from the public record.

A tract of land in the NW1/4 of Section 4, Township 13 South, Range '9 East of the 6<sup>th</sup> Principal Meridian, described as follows:

Beginning at a point which is North 89 57'32" West, 660.09 feet along the North line and South 44 53'59" West, 60.00 feet from the NEC of Lot 1, OREAD WEST NO. 8, a subdivision in the City of Lawrence, Kansas; thence South 44 53'59" West, 116.89 feet; thence Southerly on a curve to the left with a radius of 100.00 feet; thence Southeasterly on a curve to the left with a radius of 131.00 feet, an arc length of 105.17 feet; thence South 45 00'00" East, 132.21 feet; thence North 48 21'28" West, 92.49 feet; thence North 00 59'55" East, 105.01 feet; thence South 89 57'32" East, 75.01 feet; thence North 00 59'55" East, 240.03 feet; thence North 89 57'32" West, 75.01 feet; thence North 44 28'48" West, 56.01 feet to the Point of Beginning. The above contains 2.008 acres, all in the City of Lawrence, Douglas County, Kansas.

#### SITE DESCRIPTION

#### LOCATION & ACCESS

The subject properties are located at the southeast corner of 15<sup>th</sup> and Wakarusa in Lawrence, Kansas. The subject is located in the west central portion of the city. The subject is located 1½ miles straight west of the University of Kansas, which is located in the center of the city. The subject is also located about equidistant from U.S. 40 (6<sup>th</sup> Street) and Clinton Parkway (23<sup>rd</sup> Street), both major east west thoroughfares in Lawrence. The West Lawrence exit from the Kansas Turnpike (I-70) is 3½ miles northeast of the subject. Access to the subject is good.

#### LAND AREA

The subject laboratory building contains 2.008 acres and is located directly west of the larger Kansas University tract. The configuration of the combined site is irregular but somewhat rectangular.

#### TOPOGRAPHY

The topography of the site is gently rolling and at street grade. According to the FIRM Community Panel No. 200090 0005 A, the subject property lies outside the designated 100-year floodplain area (refer to floodplain map exhibit).

#### EASEMENTS

The title report shows a typical number of utility and access easements that are not detrimental to value. The subject's subdivision includes protective covenants (see Addenda). The covenants are fairly typical of a good quality commercial

subdivision and cover such items as construction materials (25% masonry on each building elevation facing streets), building height (3 stories), building coverage (25% maximum), and parking setbacks (25 feet minimum). An architectural review committee must approve all building plans and uses.

The use restrictions include a prohibition of "any dangerous, injurious, noxious or otherwise objectionable fire, explosive or other hazard; noise or vibration; smoke, dust, dirt odor or other form of air pollution; electrical or other disturbances; glare; or any substance, condition or element in any amount as to materially affect the surrounding area or premises" (Section 5.2). A specific assumption and limiting condition of this appraisal is that the subject, including bulk actives pilot plant, does not violate the use restrictions of the protective covenants.

## ZONING

The subject property is zoned M-1, Research, as is the majority of al of the property surrounding the 15<sup>th</sup> and Wakarusa intersection. The subject, including the new building, has been approved by the City of Lawrence (Agreements recorded 27-Feb-86, Book 402, Page 869; 30-Sep-88, Book 427, Page 1529; 23-Sep-97, Book 590, Page 182).

## UTILITIES

All utilities are available to the subject property including water, sewers and natural gas. The protective covenants require underground utilities on the interior of the park.

## ENVIRONMENTAL

The environmental report provided to the appraiser (strata Environmental Services, Inc., Project No. G3Q95-1; 21-Sep-95) concluded "This is essentially a clean site." On-site personnel indicated that Oread Laboratories is a hazardous waste generator. The appraiser observed some signage indicating that radioactive materials may be employed in Oread's business processes. The appraiser is not expert in environmental matters. A specific assumption and limiting condition of this appraisal is a lack of any detrimental influence from environmental factors. The client is urged to retain an expert in this field, if desired. An update of the environmental report should be obtained.

## CONCLUSION

The subject is well located at a major intersection in the west central portion of the city of Lawrence, Kansas. The property's access and topography are

amenable to development. The zoning and protective covenants are conducive to good quality commercial development.

## REAL ESTATE TAXES

The subject West Lawrence Laboratory building was built under a City of Lawrence Tax Abatement Plan. The schedule is as follows:

## REAL ESTATE TAX ABATEMENT OREAD LABORATORIES BULK ACTIVES PILOT PLANT

Land	\$ 300,000
Buildings	5,000,000
Total	<u>\$5,300,000</u>
Ratio	25%
Assessment	<u>\$ 1,325,000</u>
Levy	<u>111.194</u>
Taxes	\$ 147,332
Abatement	50%
Savings	<u>\$ 73,666</u>

Tax Inflation	3%
Discount Rate	12%

Year	Total Taxes	Abatement	PV Abatement
1	\$ 147,332	\$ 73,666	\$ 65,773
2	151,752	75,876	60,488
3	156,305	78,152	55,627
4	160,994	80,497	51,157
5	165,824	82,912	47,046
6	170,798	85,399	43,266
7	175,922	87,961	39,789
8	181,200	90,600	36,592
9	186,636	93,318	33,651
10	192,235	96,117	30,947
Total	\$1,688,997	\$ 844,498	\$ 464,337

## DESCRIPTION OF IMPROVEMENTS

### GENERAL

The subject building was completed in 2000 as a "bulk active plant" where formulas for new pharmaceuticals were compounded, tested, and actually manufactured for distribution and sale by drug firms under contract.

The building contains approximately 17,460 square feet with a full first floor and a partial basement. The lot slopes to the Northwest permitting windows in the NW corner and entrances in the lower basement area.

Both floors are finished in a similar manner with office areas, laboratories, mechanical, etc. making them of equal used value.

The subject "Building D" was completed in late 1999 at a certified cost of approximately \$11,000,000.00 "turn key" including all interior improvements, furniture, fixtures, permits, certification and land. This is not indicative of current value.

### CONSTRUCTION MATERIALS

The building is constructed of pre-stressed concrete panels over a steel frame. The roof is made of thick steel panels or concrete with rubber diaphragms. The floor/ceiling between the floors is steel reinforced concrete. The ceilings are 2' x 4' drop in "T" bar suspended ceilings with a 3 to 4 foot mechanical chase above. The building is not totally bomb and explosion proof but rates very high in these categories. Part of the building has brick facing.

### SPACE ALLOCATION

Approximately 85% of the interior is laboratory and related space including mechanical and electrical with the balance being office and common area.

### MECHANICAL

There is a massive air circulation system that changes the air 15 times an hour. It does not recirculate but brings in fresh filtered air only. In the exhaust phase there are air scrubbers and HEPA filters.

It is anticipated that the future usage will use not more than 2/3 of the available electric service. There is an on site emergency generator and The KPL service is on convertible backup grid system.

## **RENOVATION AND REMODELING IN PROCESS**

The owners have completed approximately 1/3 of the renovation. This has consisted of converting the former manufacturing, shipping and receiving, and storage areas to Class "A" laboratories.

The existing laboratory space requires minor remodeling as do the office areas. The first floor will be expanded to the north with a new entrance

The total bids to complete this work were approximately \$1,400,000.00 of which approximately \$700,000.00 has been spent to date. This is taken into account in the final "As Completed" Market Value.

The photographs of the existing laboratories are indicative of how the other areas being converted will look. Photos of the areas to be renovated are also included.

The cost of the new laboratory tables installed is approximately \$18,000.00 each with the rosin tops being \$125.00 per foot.

## COMPARABLES

### INTRODUCTION

It is very difficult to find good comparables and impossible to find any in the Lawrence or Topeka, areas.

Excellent comparables, except for proximity and date, were found in other parts of the country. While this is a departure from USPAP standards, it is a permitted departure given the circumstances and unique nature of the subject.

Of the four comparables used, three were completed in 2001 and one will be completed in 2004 but the architects report it is on schedule as to costs. The subject and the comparables are all unique buildings that were built for a specific purpose to be used as bio/chem. laboratories. Therefore, they have extensive improvements that are permanent attachment to real estate.

These facilities have special mechanical and air circulation equipment. Many of these are shown in the photographs included herein.

Conventional thought would indicate that the value of properties such as these would be adversely affected by the unique improvements. However, it appears that there is an unfilled demand for class A research laboratories such as these. The owners have indicated that there are several serious rental prospects who for many reasons do not want to build and own their own facilities.

The Comparables used are as follows:

1. Life Sciences & Engineering Building, Boston University
2. Research & Education Building, New Orleans Children's Hospital
3. Roger Bacon Science Center, Siena Collage
4. SUNY Upstate Medical University, Syracuse, NY

The comparable information is from the "Science and Research Benchmark Projects" summary of the American Institute of Architects.

FACILITY NAME: Oread Pilot Plant Modifications

PROJECT TYPE: Renovation

FACILITY ADDRESS:

1505 Wakarusa Drive  
Lawrence, KS 66047

COUNTY: Douglas

LOCAL FIRE DEPARTMENT: Lawrence, KS

WATER SUPPLY: Municipal - Lawrence, KS

ARCHITECT: GLPM Architects  
ADDRESS: 800 West 47th Street  
Suite 230  
Kansas City, MO 64112








OCCUPANCY CALCULATION

ROOM

RECEPTION - 1  
OFFICE 101 - 2  
OFFICE 102 - 2  
OFFICE 103 - 10  
OFFICE 111 - 3  
OFFICE 112 - 1  
MECHANICAL - 1

TOTAL - 20

LEGEND

	Area with no renovation.
	One-Hour fire rated corridor with 20-min. doors.
	EXISTING FIRE RESISTIVE CONST. (2 HR PER ORIGINAL CONST. DOCUMENTS)
	EXISTING FIRE RESISTIVE CONST. (1 HR PER ORIGINAL CONST. DOCUMENTS)
	NEW 1 HR. FIRE RESISTIVE CONSTRUCTION
	DESIGNATED EXIT/EGRESS TO CORRIDOR
	DESIGNATED EXIT/EGRESS FROM BUILDING INDICATING CLEAR EXIT WIDTH

Occupancy: B-Business

Construction Type: Type 2-FR & Type 2-N (Existing)

Basic Allowable Area: 39,900 - Type 2-FR  
12,000 - Type 2-N

Basic Allowable Stories: 12 - Type 2-FR  
2 - Type 2-N

Actual square footage: 3,280 - Lower Level - Type 2-N  
5,716 - Upper Level - Type 2-N  
8,464 - Upper Level - Type 2-FR

Total square footage: 17,460 entire building

Actual stories: 2 (Partial below grade basement - No new work)

Structural Fire Protection

Type 2-FR (Existing)  
Exterior bearing walls: 4 Hour  
Interior load bearing walls: 2 Hour  
Exterior non-bearing walls: 4 Hour  
Structural frame: 2 Hour  
Permanent partitions: 1 Hour  
Shaft enclosure: 2 Hour  
Floors: 2 Hour  
Roofs: 1 Hour  
Exterior openings: Not permitted less than 5', Protected < 20'

Type 2-N (Existing)  
Exterior bearing walls: Not Rated  
Interior load bearing walls: Not Rated  
Exterior non-bearing walls: Not Rated  
Structural frame: Not Rated  
Permanent partitions: Not Rated  
Shaft enclosure: 1 Hour  
Floors: Not Rated  
Roofs: Not Rated  
Exterior openings: Not permitted less than 5', Protected < 10'

Passive fire safety system

Rated corridor construction  
Rated exit stairs

Active fire safety feature

Fire sprinkler system throughout  
Fire alarm system  
Automatic air handling equipment shutdown  
Exit lights  
Emergency lighting - battery operated

CODES/REGULATIONS UTILIZED TO DESIGN BUILDING

1997 Uniform Building Code  
1997 Uniform Mechanical Code  
1997 Uniform Plumbing Code  
1999 National Electrical Code  
1994 American Disabilities Act  
1998 Uniform Fire Code  
1999 NFPA 13  
1999 NFPA 72  
1999 NFPA 45  
1999 NFPA 14

## Science and Research Benchmark Projects

Client and Project Name	Location	Cannon Office	Cannon Contact	Cannon Project No.	Primary Research Discipline(s)	Year of Completion	New Gross Area (Sq. Ft.)	Renovated Gross Area (Sq. Ft.)
Boston University Center for Advanced Biomedical Research	Boston, MA	Boston	Kelie Jackson	9017.01	Bio/Chem	1993	200,000	0
Boston University Computer Science Building	Boston, MA	Washington DC	Jose Silva	1526.06	Computer Sc.	On Hold	125,000	0
Boston University Life Science and Engineering Building	Boston, MA	Boston	Andy Goetze	2073.00	Bio/Chem	2004	193,950	0
Boston University The Photonics Center	Boston, MA	Boston	John McDonald	988.00 1849.00	Photonics	1997	284,800	0
Brandeis University The Benjamin & Mae Velen National Center for Complex Systems	Waltham, MA	Boston	Bob Peterson	8921.03	Multidiscipline Cog. Sc.	1994	55,000	0
Centers for Disease Control and Prevention National Institute for Occupational Safety and Health	Morgantown, WV	Washington DC	Ed Royzman	735.01	Cell Molecular Bio/Biochem	1994	176,085	0
Children's Hospital, New Orleans Research and Education Building	New Orleans, LA	St. Louis	Tom Harvath	1717.00	Bio/Biochem	2001	58,540	0
Janssen Pharmaceutica, NV Discovery Research Center	Beerse, Belgium	Washington DC	Scott Whitehead	1873.03	Pharm/Chem	2004	182,000	0
Massachusetts Institute of Technology Ray and Maria Stata Center for Computer, Information, and Intelligence Sciences	Cambridge, MA	Boston	Christine Clements	1639.00	Engg/CS	2003	430,000	0
New Mexico Highlands University Life Sciences & Physical Science Building	Las Vegas, NM	St. Louis	Punit Jain	1678.02	Multidiscipline	2003	73,000	0
Saint Louis University Parks College of Engineering and Aviation	St. Louis, MO	St. Louis	Tom Harvath	1195.00	Engineering	1997	87,326	10450
Siena College Roger Bacon Science Center	Loudonville, NY	New York	Jitendra Vaidya	1441.05	Bio/Chem	2001	46,000	0
Southwest Missouri State University Karis Hall	Springfield, MO	St. Louis	Tom Harvath	1359.00	Agriculture Sc	1998	23,424	21,924
SUNY Upstate Medical University, Syracuse Weiskotten Hall	Syracuse, NY	Buffalo	Roland Coleman	1022.06	Bio/Biochem	2001	0	47,295
University at Albany, SUNY Center for Environmental Sciences & Technology Management (CESTM)	Albany, NY	Buffalo	Roland Coleman	990.02	Environ/Tech	1997	76,187	0
University at Buffalo, SUNY Cary-Farber-Sherman Hall Master Plan	Buffalo, NY	Buffalo	Malcolm Lawrie	2051.00	Multidiscipline, Teaching	2001	245,500	0
University of Florida Physics Building	Gainesville, FL	St. Louis	Tom Harvath	992.00	Physics	1998	227,300	0
University of Missouri-Columbia Ernie R. and Lott M. S. Sears Plant Growth Facility	Columbia, MO	St. Louis	Lynn Grossman	1244.01	Plant Science	1999	40,850	0
University of Missouri-Rolla Mechanical and Aerospace Engineering Building	Rolla, MO	St. Louis	Tom Bergman	1910.00	Engineering	On Hold	76,332	63173
West Virginia University Bonchett Rockefeller Neurosciences Institute	Morgantown, WV	Washington DC	Ed Royzman	2094.00	Neuroscience	On Hold	55,800	0
Yale University Chemistry Research Building	New Haven, CT	Boston	Frank McGuire	1995.01	Chemistry	2005	95,851	0

Building Gross Area (Sq. Ft.)	Building Efficiency	Construction Cost	Cost/Sq. Ft.	Research Lab Area (Sq. Ft.)	Teaching Lab Area (Sq. Ft.)	Lab Support (Sq. Ft.)	Office Area (Sq. Ft.)	Office Support (Sq. Ft.)	Classroom Area (Sq. Ft.)	Number of Fume Hoods
200,000	46.98%	\$36,548,000	\$182.74	34,487	0	42,597	9,547	7,338	0	83
125,000	57.00%	\$35,000,000	\$280.00	10,354	11,825	914	20,540	6,724	21,639	0
193,950	61.60%	\$61,338,000	\$316.26	66,423	0	36,080	8,058	6,015	2,644	87
284,800	45.62%	\$60,000,000	\$210.67	43,088	16,835	10,461	30,553	12,131	15,869	28
55,000	50.79%	\$12,215,000	\$222.09	10,755	0	3,897	9,208	2,980	1,094	9
176,085	49.23%	\$29,900,000	\$169.80	33,808	0	12,433	24,269	13,837	2,350	
58,540	69.65%	\$11,293,000	\$192.91	18,961	0	9,461	5,797	3,056	0	22
182,000	64.00%	\$34,939,800	\$191.98	54,350	0	24,432	10,915	7,498	0	172
430,000	58.00%			42,420	0		104,070		10,600	4
73,000	55.51%	\$12,482,800	\$171.00	10,460	9,673	5,040	6,467	2,106	6,773	44
97,776	55.92%	\$11,000,000	\$112.50	8,412	10,885	7,050	10,411	5,898	12,021	4
46,000	67.93%	\$10,568,300	\$229.75	7,200	11,460	8,530	4,060	0	0	58
45,348	59.91%	\$4,049,600	\$89.30	6,656	3,100	1,869	2,175	2,507	10,862	8
47,295	60.05%	\$12,800,500	\$270.65	6,181	0	7,538	4,600	5,616	3,402	14
76,187	68.09%	\$13,950,000	\$183.10	22,262	0	10,501	9,573	8,658	883	20
245,500	53.96%	\$65,963,500	\$268.69	68,000	0	35,000	4,000	12,000	13,200	
227,300	60.78%	\$24,000,000	\$105.59	48,500	7,010	26,515	34,880	10,765	10,470	20
40,850	79.02%	\$4,407,900	\$107.90	21,560	0	10,396	185	140	0	0
139,505	64.49%	\$17,603,000	\$126.18	31,585	7,265	13,550	15,660	4,465	17,438	0
55,800	53.76%	\$15,000,000	\$268.82	8,000	0	11,675	3,450	5,375	0	5
95,851	48.61%	\$38,000,000	\$396.45	21,830	0	11,212	9,380	2,820	1,350	160

### COST APPROACH

	<u>COMP. 1</u>	<u>COMP. 2</u>	<u>COMP. 3</u>	<u>COMP. 4</u>	<u>SUBJECT</u>
Date Built	2003 (1)	2001	2001	2001	2000/2003 (2)
Square Feet	193,950	58,540	46,000	47,295	17,460+
Cost	\$61,338,000	11,293,000	10,568,300	12,800,500	n/a (3)
Cost per Sq. Ft.	\$ 316.26	192.91(5) 240.91 Reconciled Cost.	229.75	270.65	TBD (4)
Type of Research	Bio/chem.	Bio/chem.	Bio/chem.	Bio/chem.	Bio/chem

- (1) Subject is under construction but costs are in line with bids per architect.
- (2) Built in 2000 with renovation and conversion under way.
- (3) The original certified cost is not applicable as it includes many non-applicable costs.
- (4) The purpose of this analysis is to determine current cost per sq. ft. and value.
- (5) This building contains substantial cheaper classroom space. Adding \$50.00 per square foot for additional cost of laboratory construction reconciles the cost to \$240.91.

Average cost per square foot for improvements only is \$ 279.39.

Cost of improvements based on comparables is \$ 4,861,386.00.

Current land value based on appraised value of adjacent land and recent sales is \$ 4.00 per sq. ft. for a land value of \$349,872.00.

TOTAL CURRENT VALUE BY COST APPROACH IS \$ 5,211,258.00

FIVE MILLION TWO HUNDRED ELEVEN THOUSAND TWO HUNDRED FIFTY  
EIGHT AND NO/100 DOLLARS US

## INCOME APPROACH

### INTRODUCTION

The subject contains approximately 12500 square feet of net rentable space. There is also a large amount of mechanical, support, and common area which has to be reflected in the rent one way or another in order to support the investment. As with the other approaches to value there are no local or regional comparables.

While there are several research laboratories in the Kansas City area, they are older and owner occupied such as the Midwest Research Institute. None are purely bio/chem. facilities. There are very few fully equipped and serviced Class A laboratories leased in the US. Most such laboratories are bare space buildings. Few have the support and mechanical facilities of the subject.

Reasonable comparable properties were found in Texas and California.

### COMPARABLES

1. DSI Research Laboratories, Dallas, Texas
2. Micro Testing and Research, Sacramento

	<u>Comp 1.</u>	<u>Comp 2.</u>	<u>Subject</u>
Net rentable			
Sq. ft.	24,000	18,500	12,500
Terms	NNN	NNN	NNN
Rent per			
Sq. ft.	\$38.00	\$42.00 \$39.50*	\$38.75 (averaged)
Type	Bio/chem.	Bio/chem.	Bio/chem.

\* Adjusted for regional higher costs. (California)

Gross scheduled income \$480,500  
Less: 5% vacancy - 24,025

NOI \$456,475

Value at 9% capitalization rate = \$5,071,944.00

(Using "Band of Investment" and current selling cap rate of 8-5 to 9.11% )

## **MARKET SALES APPROACH**

There have been no known sales of even remotely comparable properties. There currently are no similar properties offered for sale in the Kansas or Missouri areas.

National commercial real estate web sites were searched with negative results.

Under permitted departure from USPAP it is permitted to omit the Market Approach if no comparables are available. Cost then becomes the best indicator of probable Market Value!

NOTE: The appraiser has taught required USPAP courses for Kansas Licensed Appraisers license renewal for the Midwest Real Estate Institute.

## RECONCILIATION OF APPROACHES TO VALUE

The usual reconciliation of value involves averaging the three approaches to value. Often one of the approaches is given more weight than the others. This can be the market approach if there are active sales. It can be the income approach as many properties sell based on the capitalization of the net operating income which is in fact the market value! The current demand and capitalization rates can vary widely. The capitalization rate is derived in several ways but to a large extent is based on alternative long term investments such as 20-30 year federal treasury notes and bonds which in turn affect long term mortgage rates.

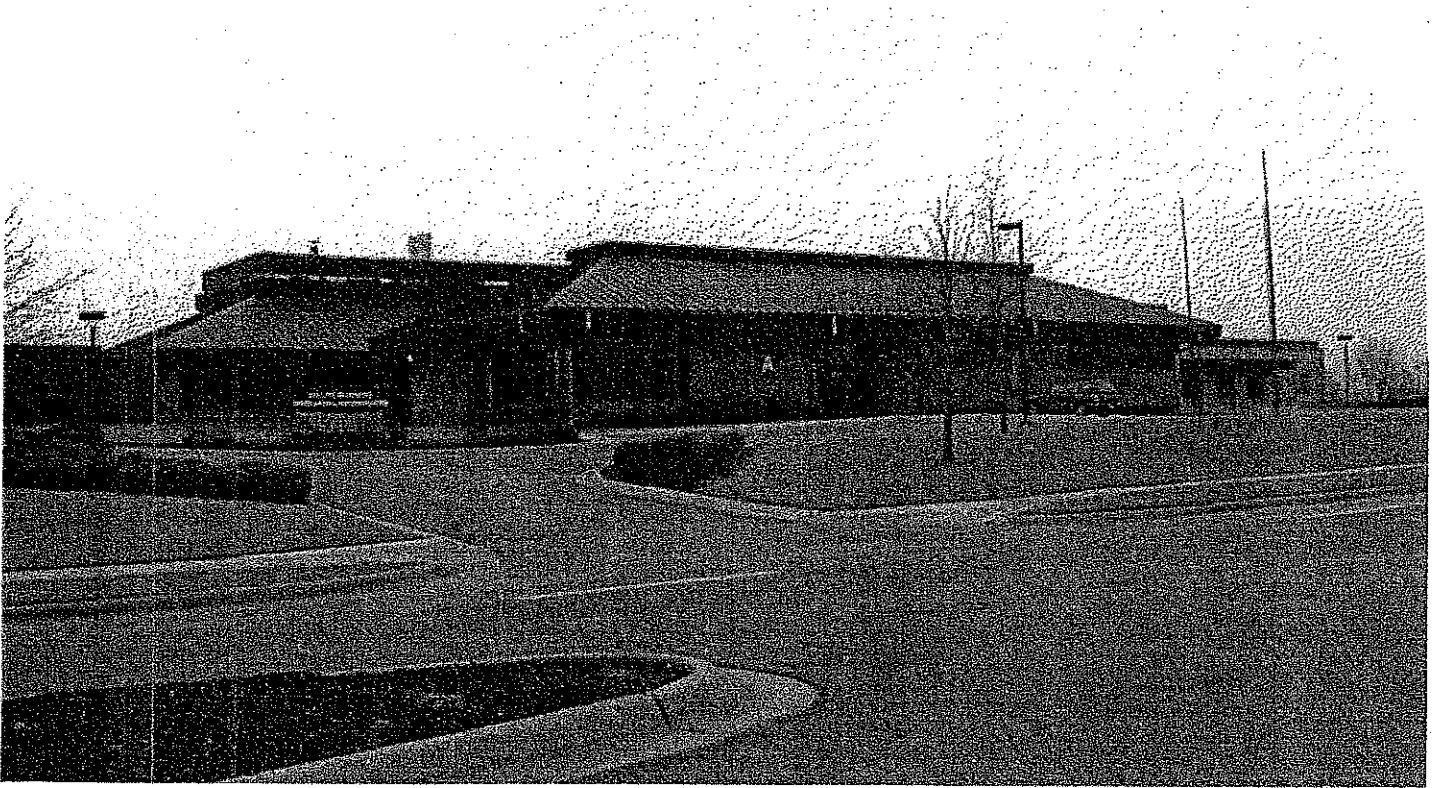
Using the two approaches to value available to us derives a value as follows:

Cost	\$ 5,211,258.00
Income	\$ 5,071,940.00

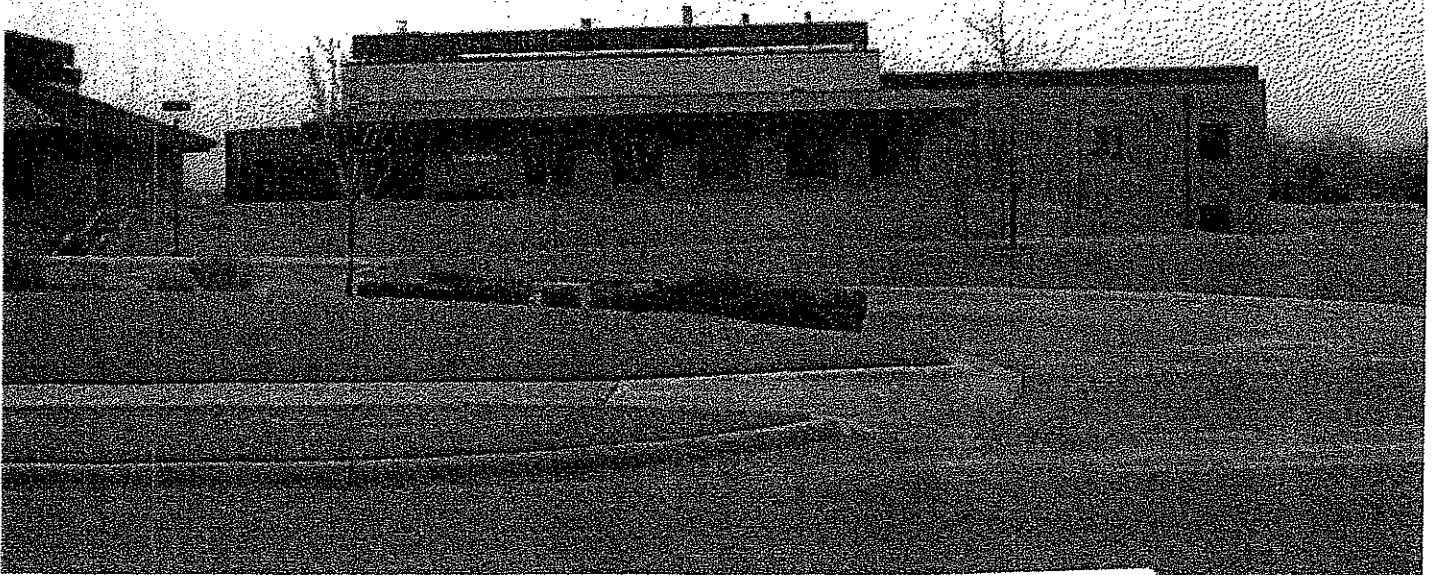
Average of the two is      \$ 5,141,601.00

These approaches are very close. Rounding off with a slight weighting to the cost would arrive at a current Market Value of:

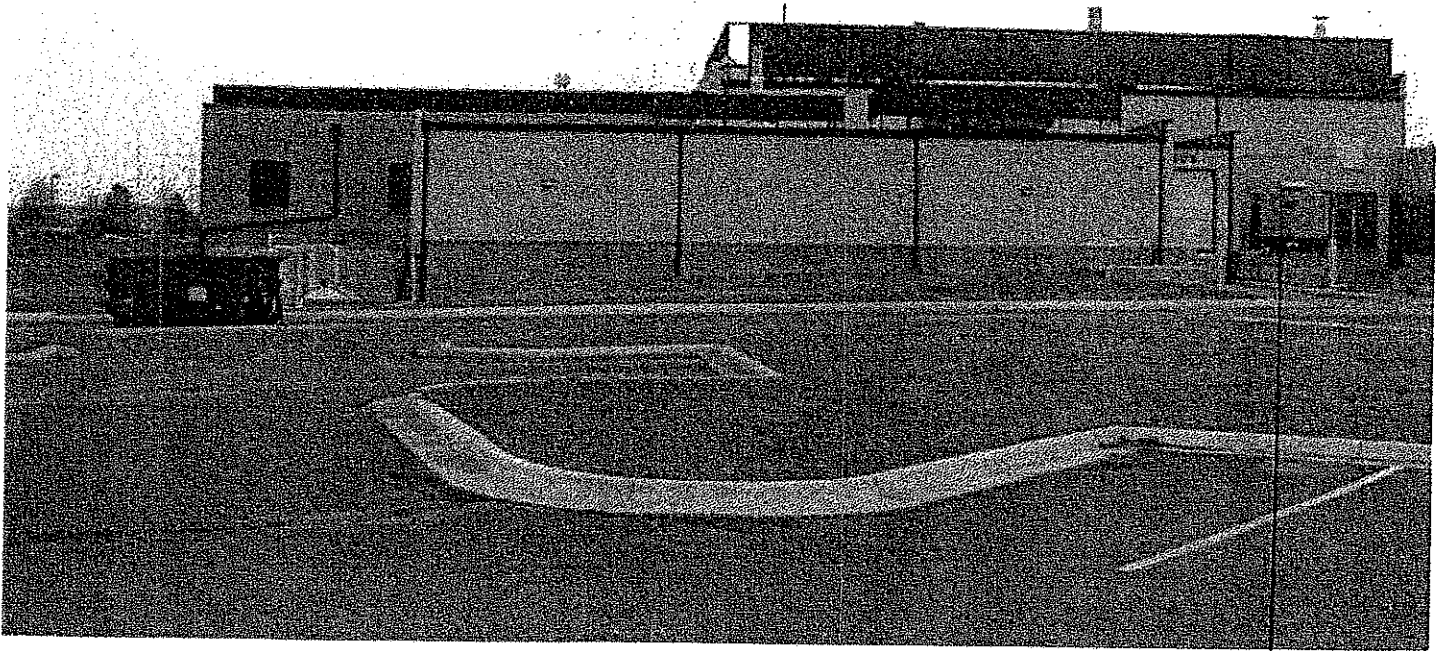
FIVE MILLION ONE HUNDRED FIFTY THOUSAND & NO/100 DOLLARS US  
(\$ 5,150,000.00)



ADJACENT KU LIFE SCIENCES BLDG.



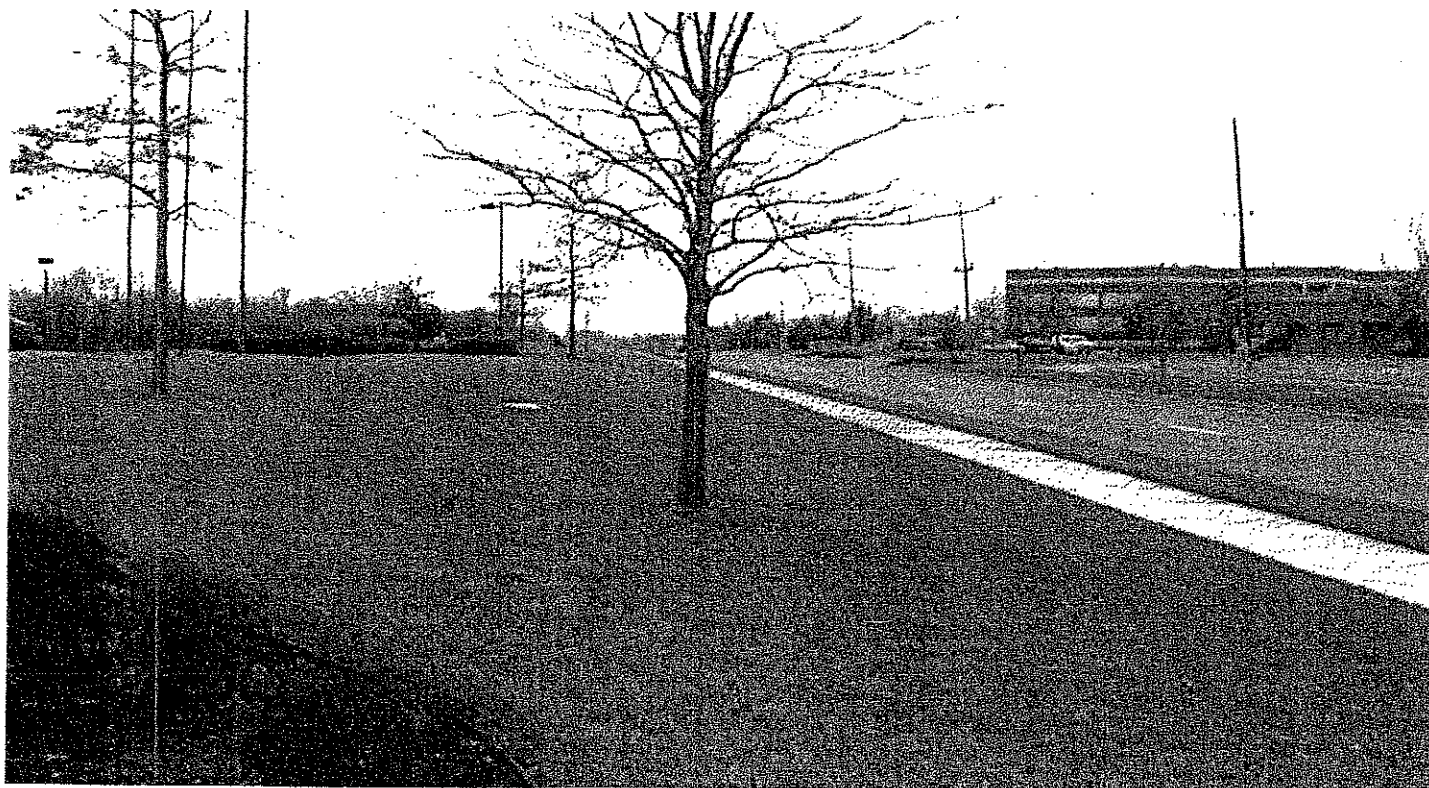
FRONT OF SUBJECT



REAR VIEW



VIEW TO EAST



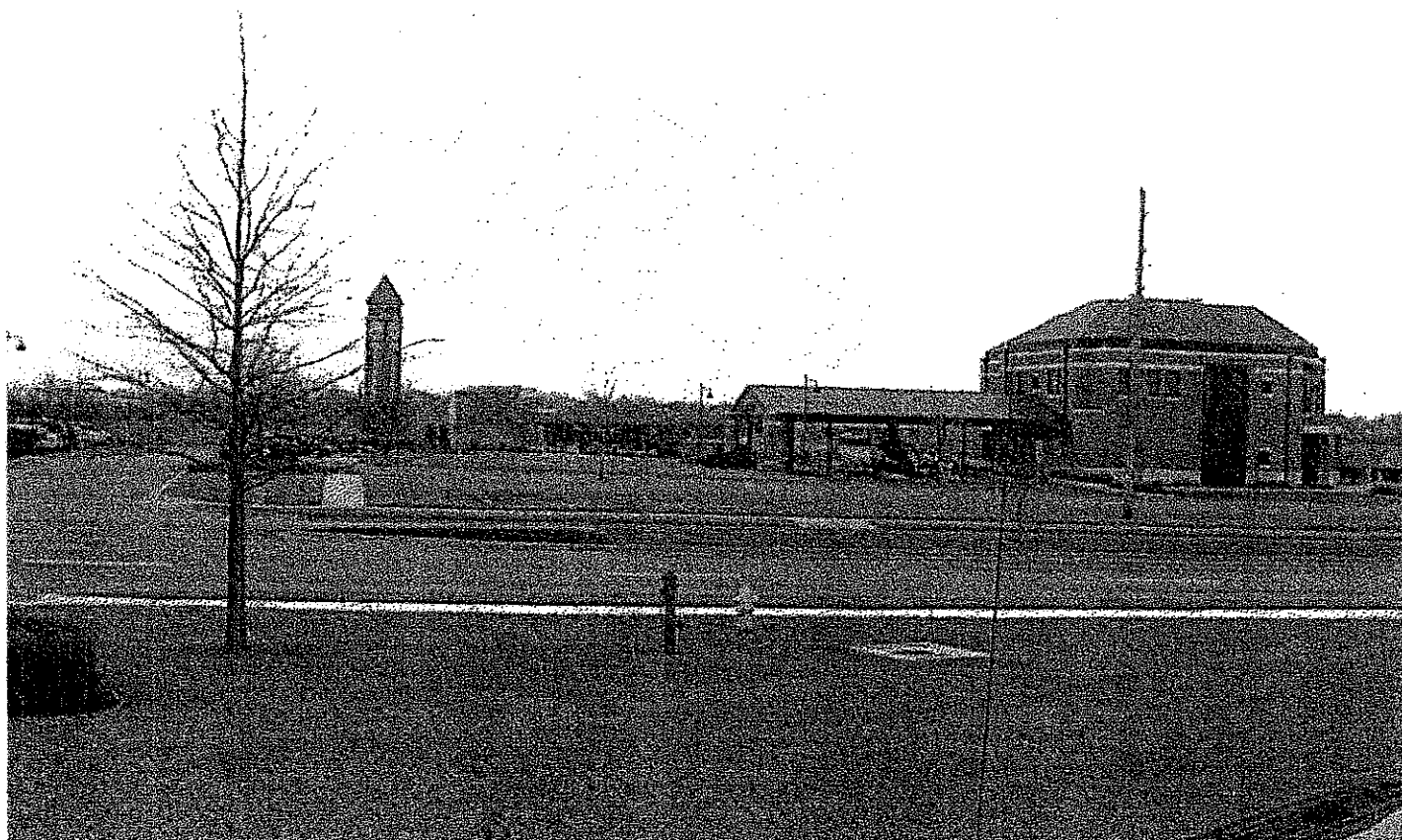
LOOKING WEST



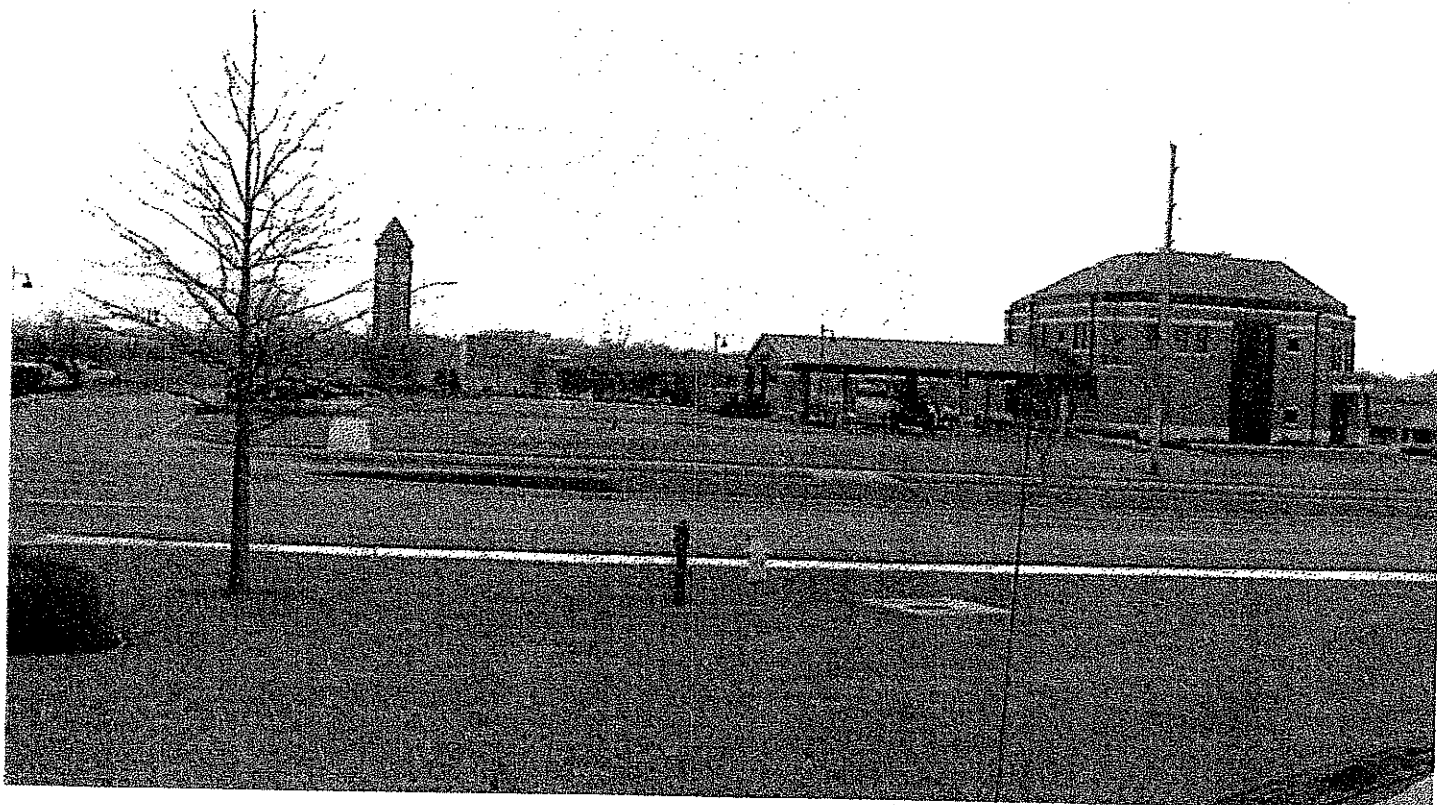
LOOKING SOUTH



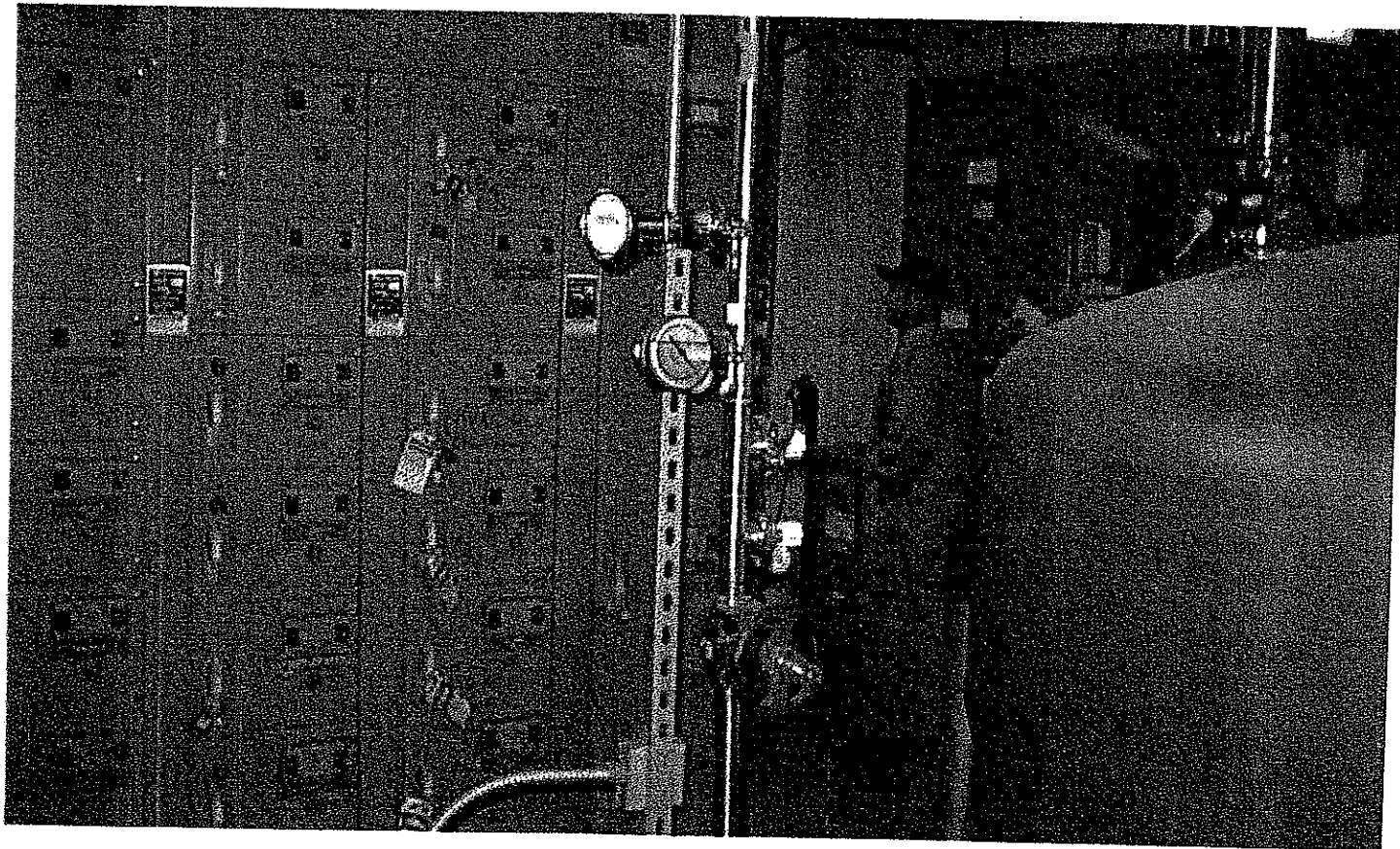
LOOKING SOUTH



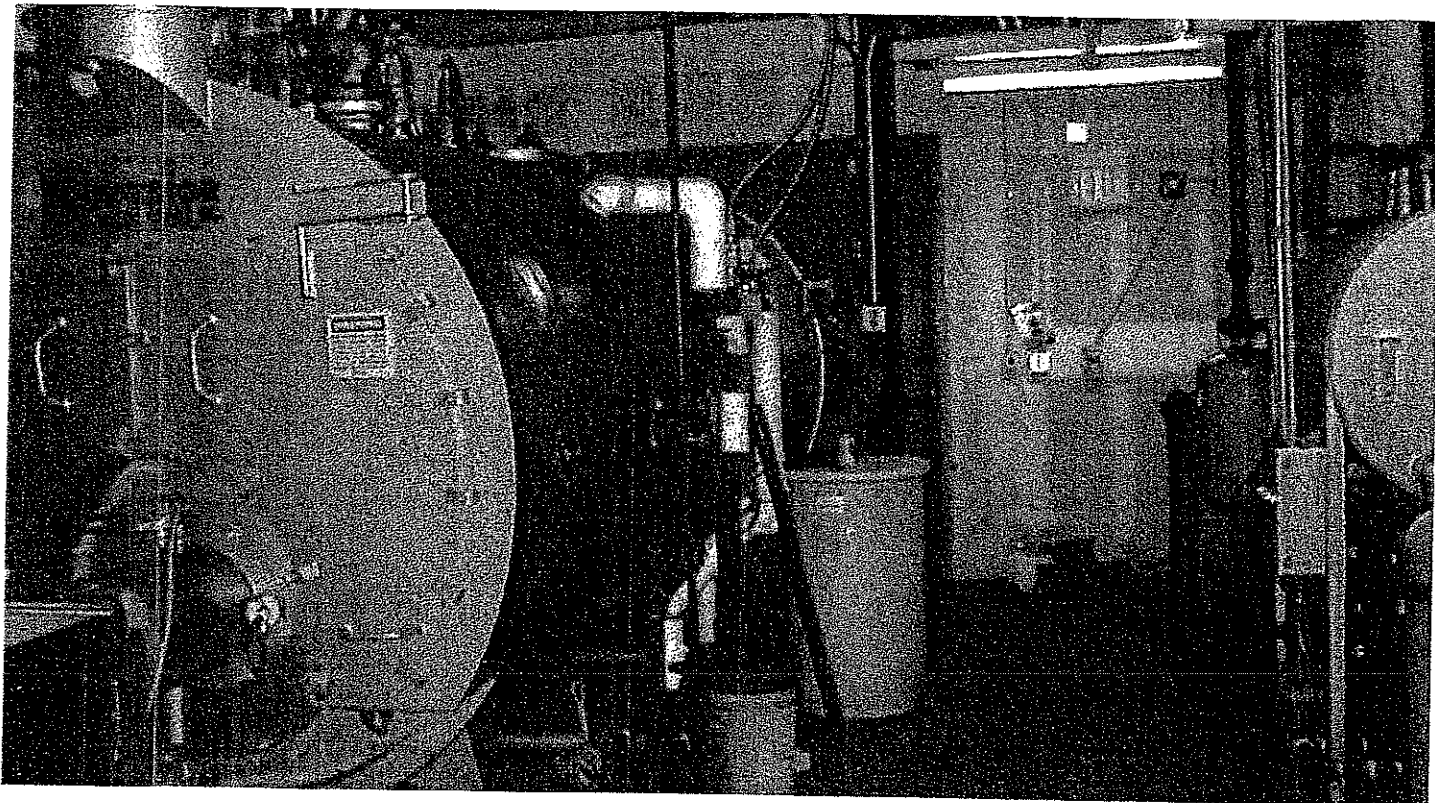
LOOKING NORTH



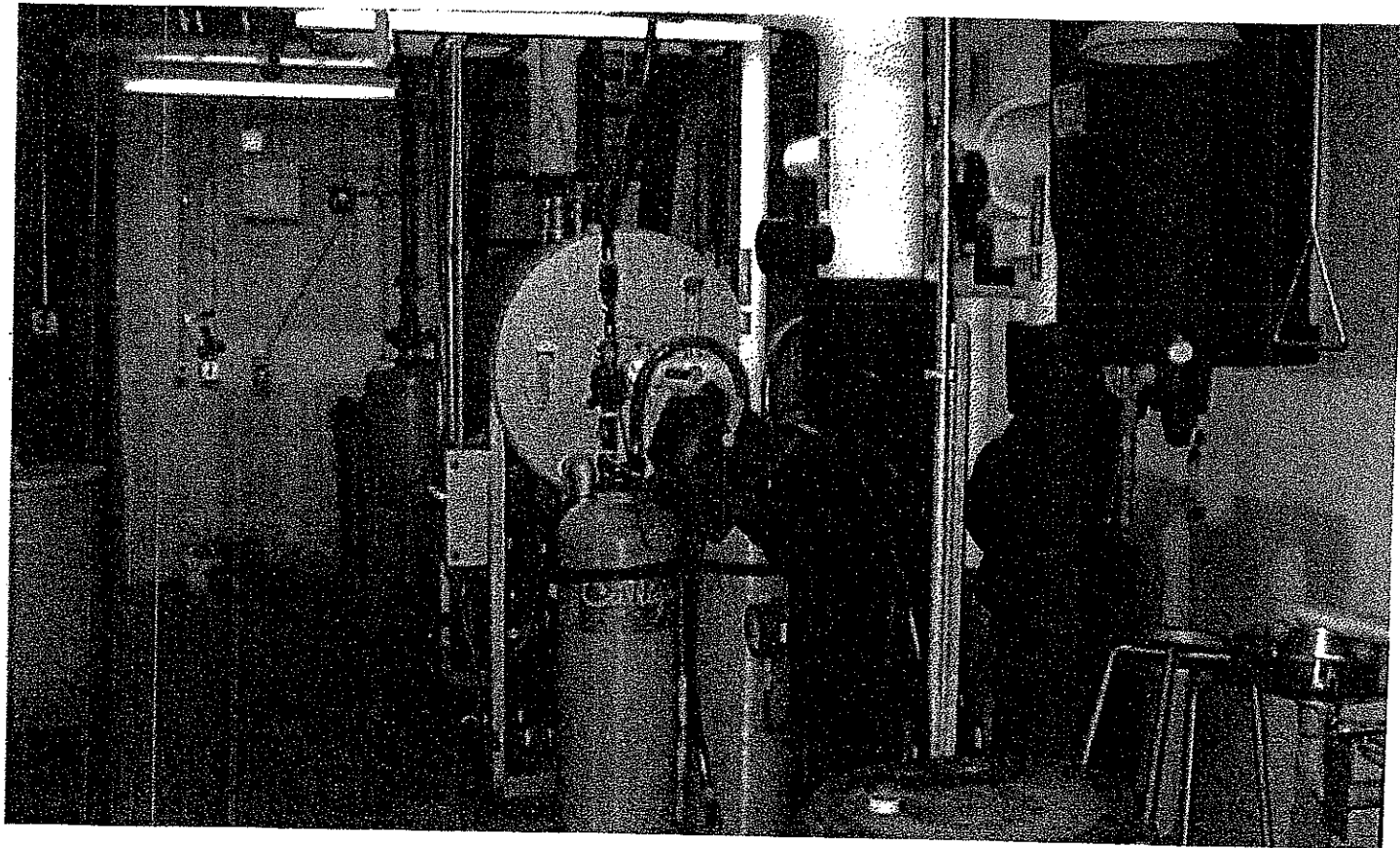
LOOKING WEST

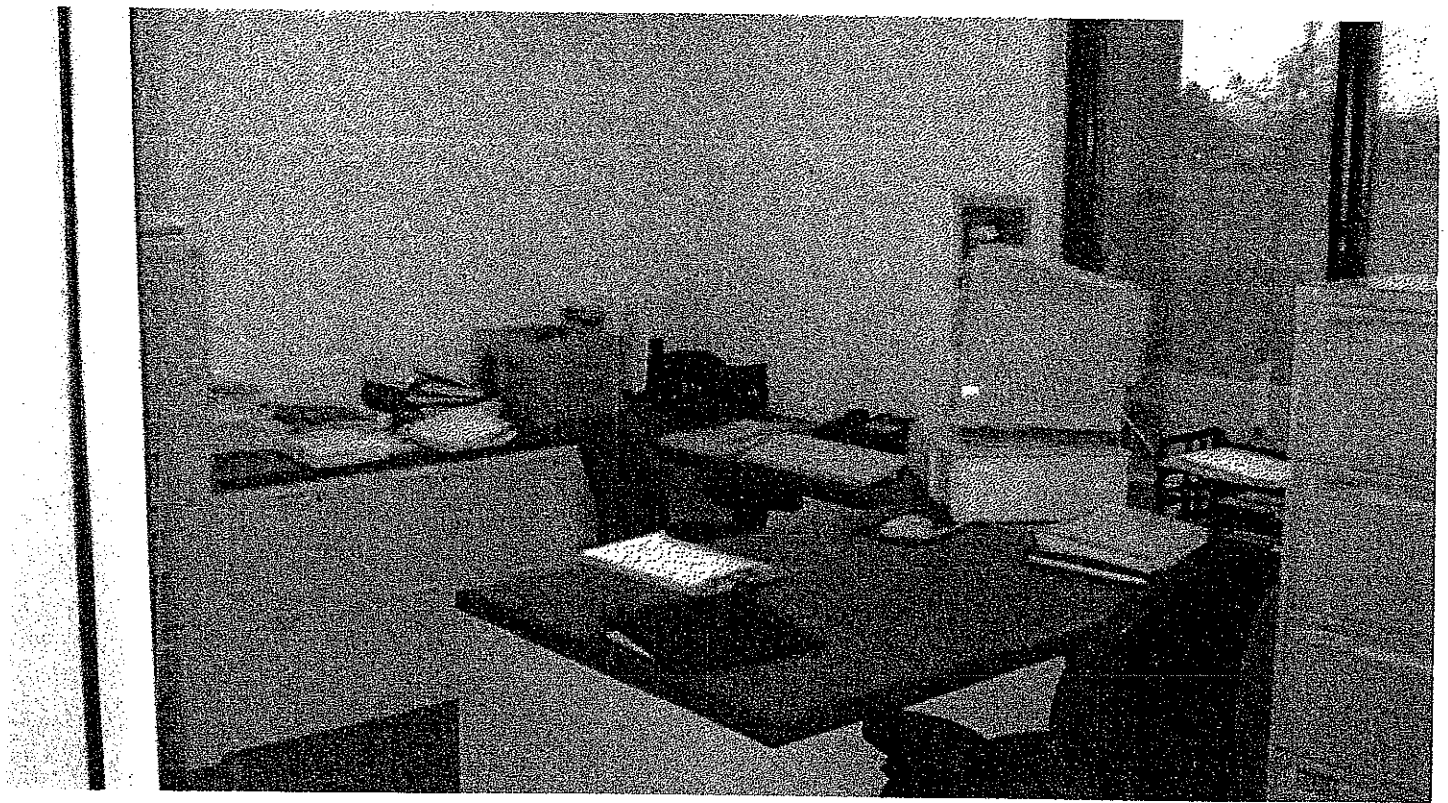


ELECTICAL PANELS

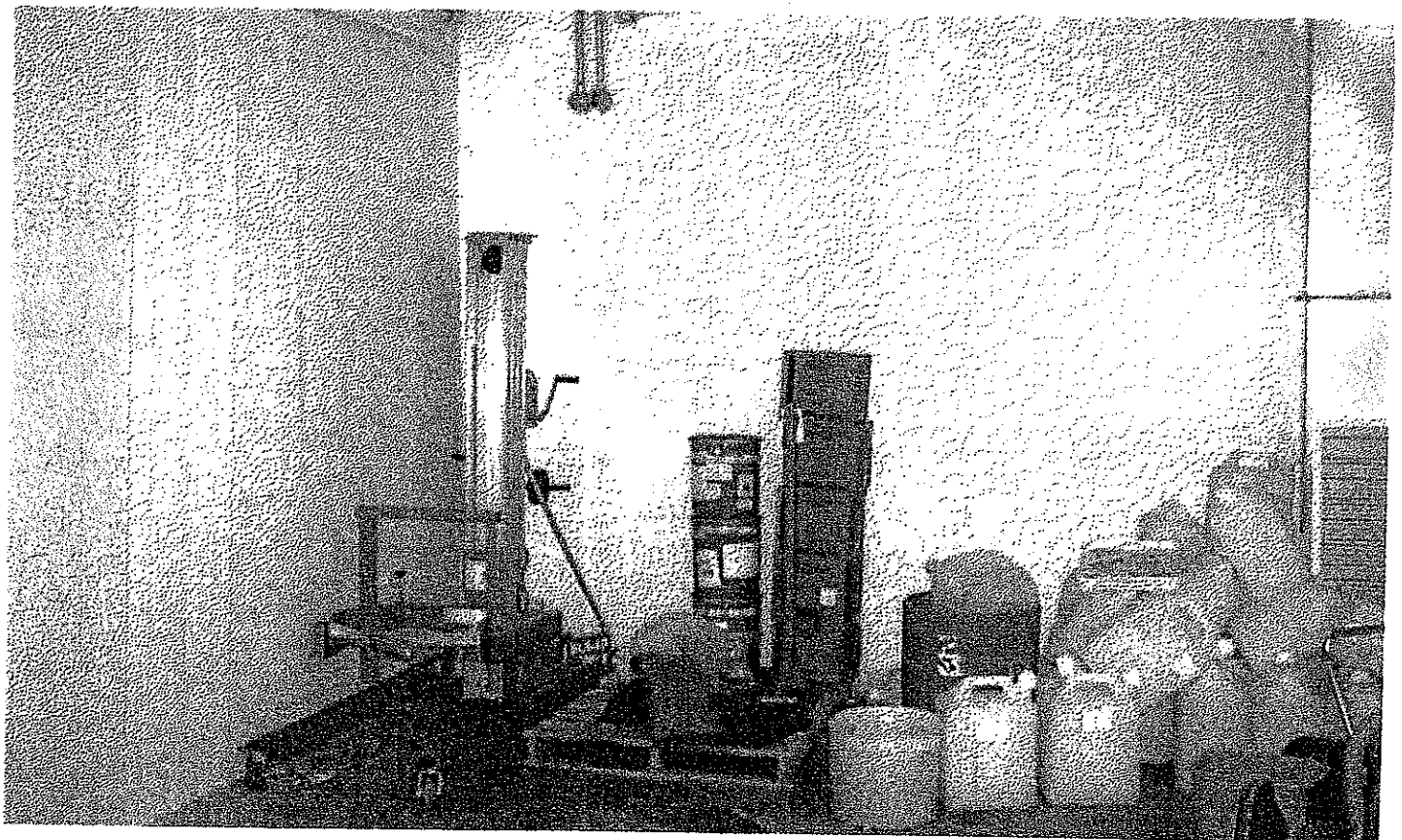


AIR HANDLING EQUIPMENT

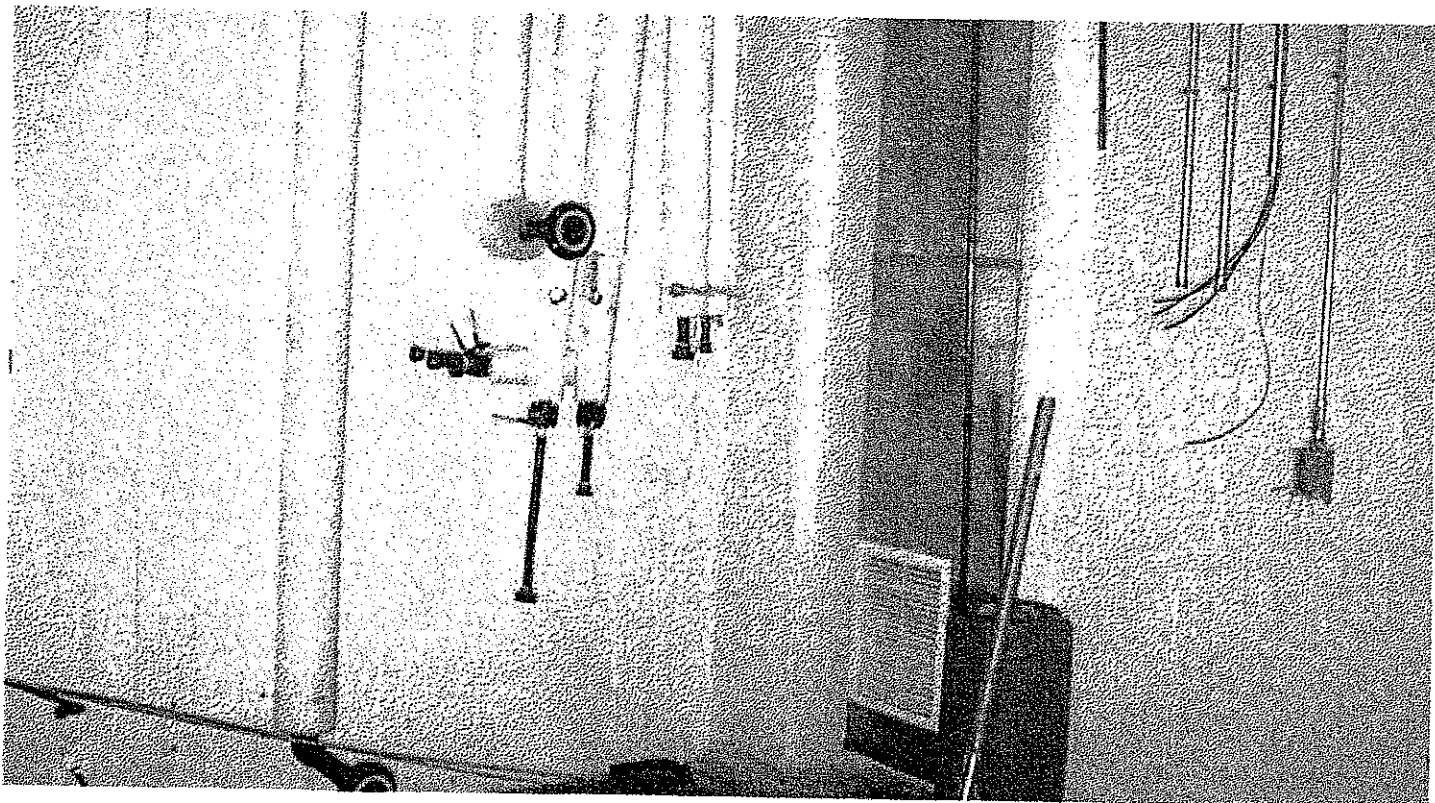




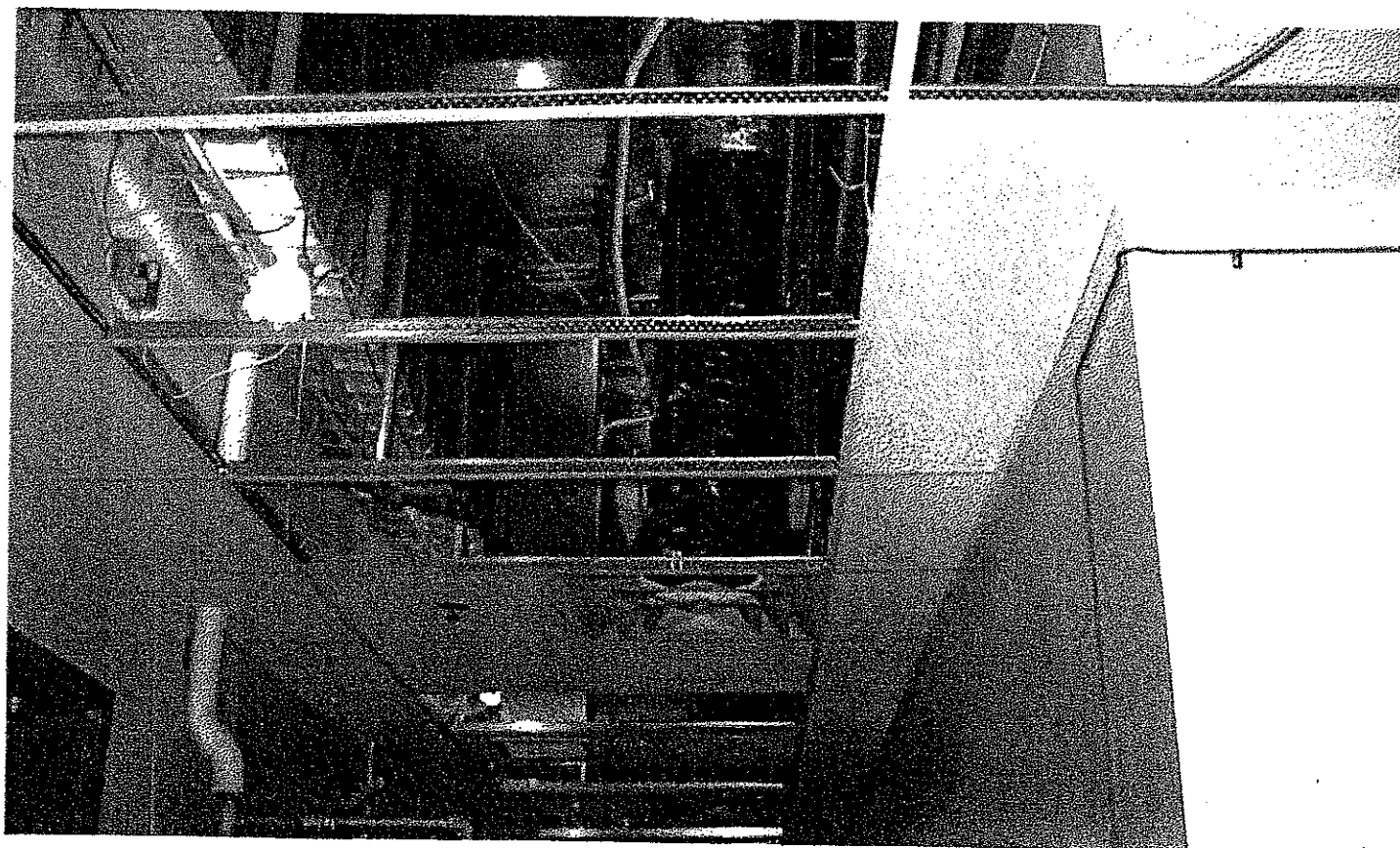
PRIVATE OFFICE



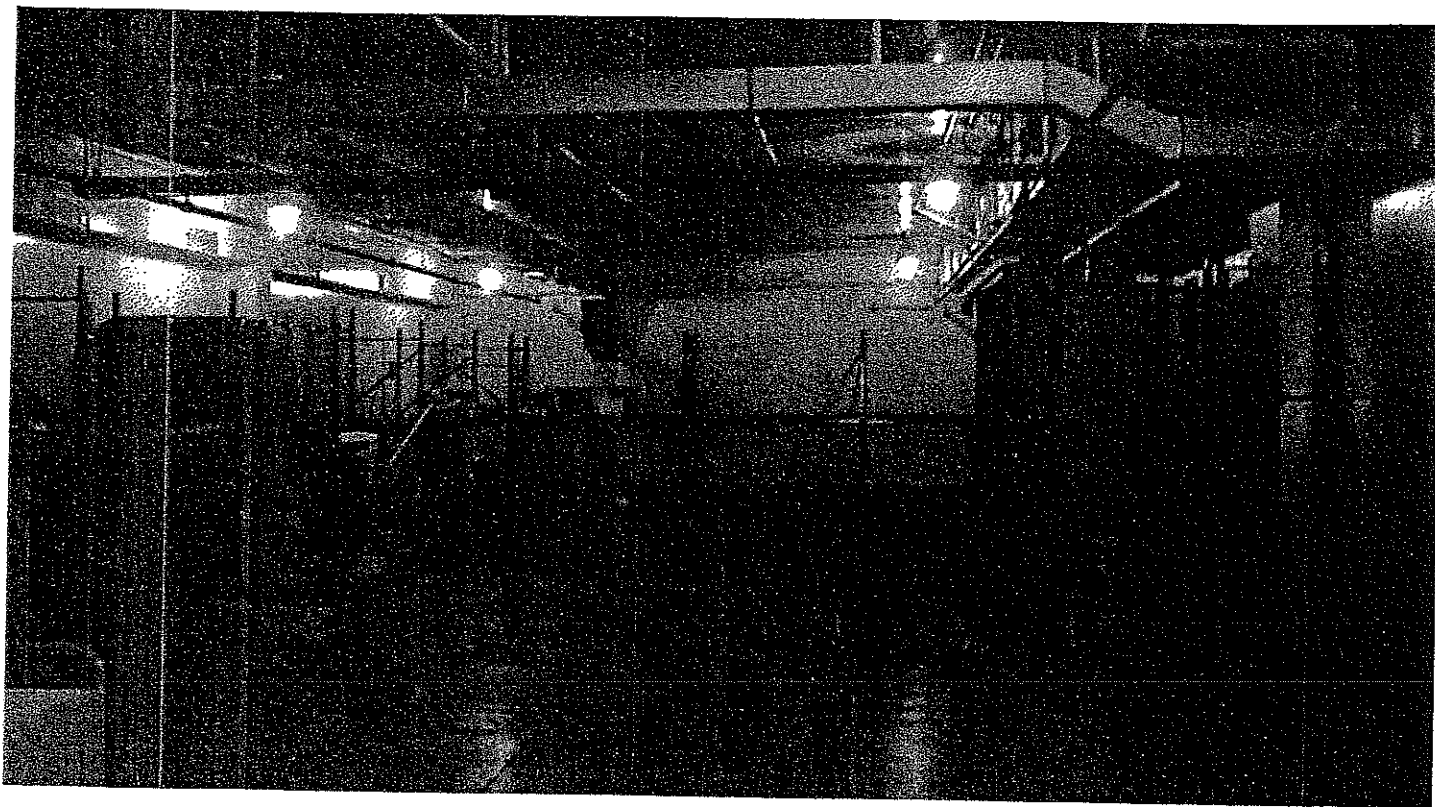
FUTURE LAB



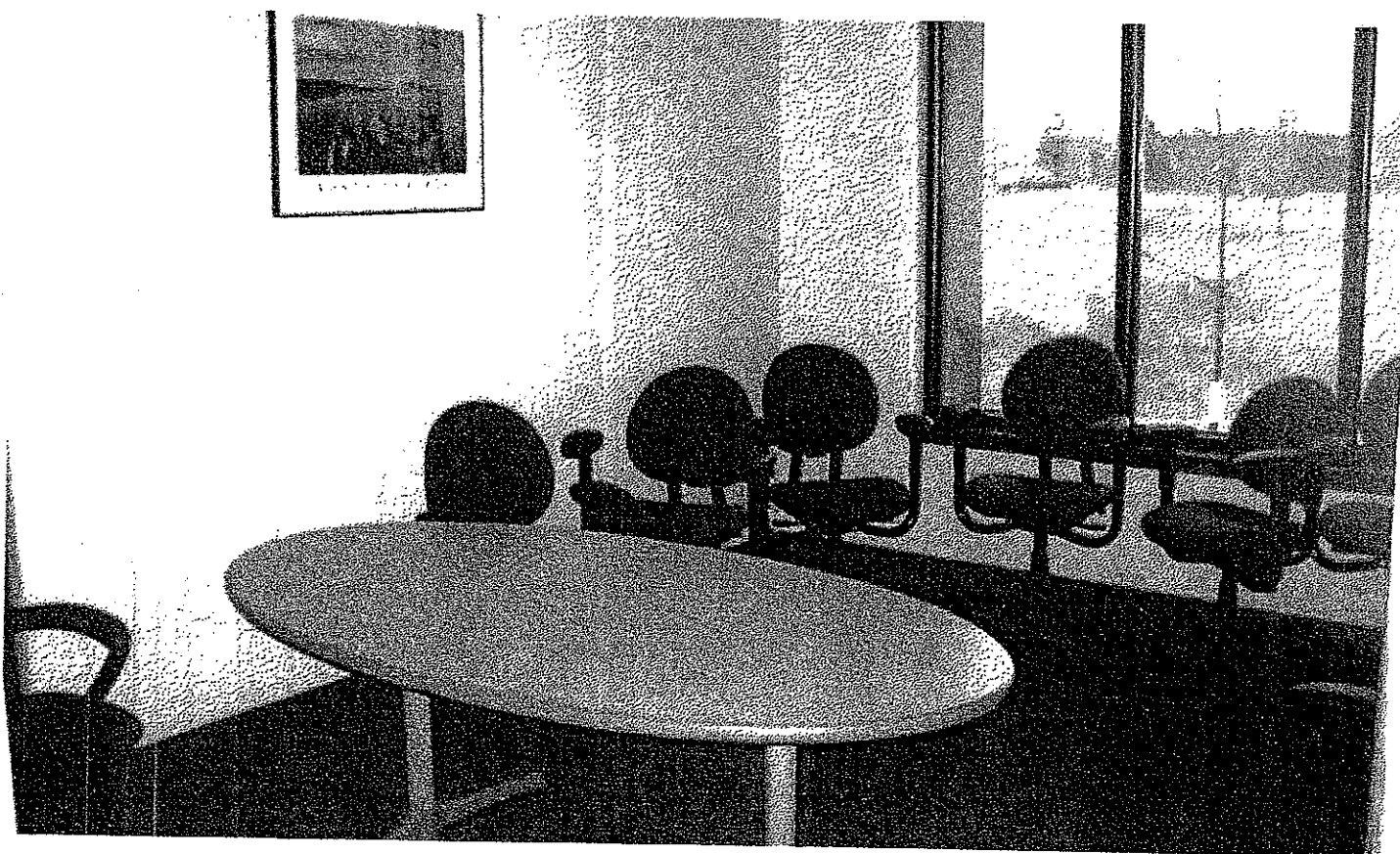
FUTURE LAB



CEILING UTILITY CHASE



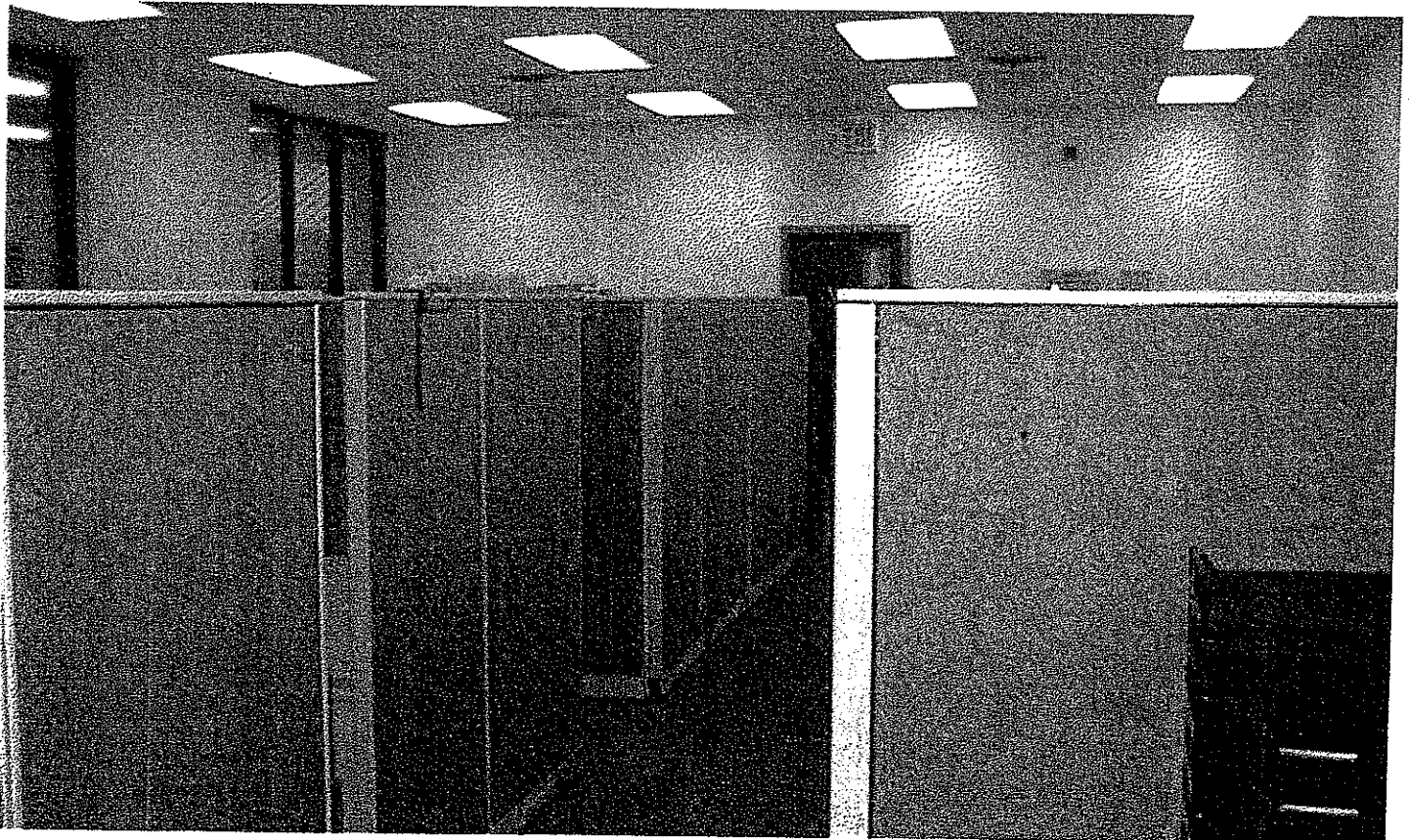
FUTURE LAB



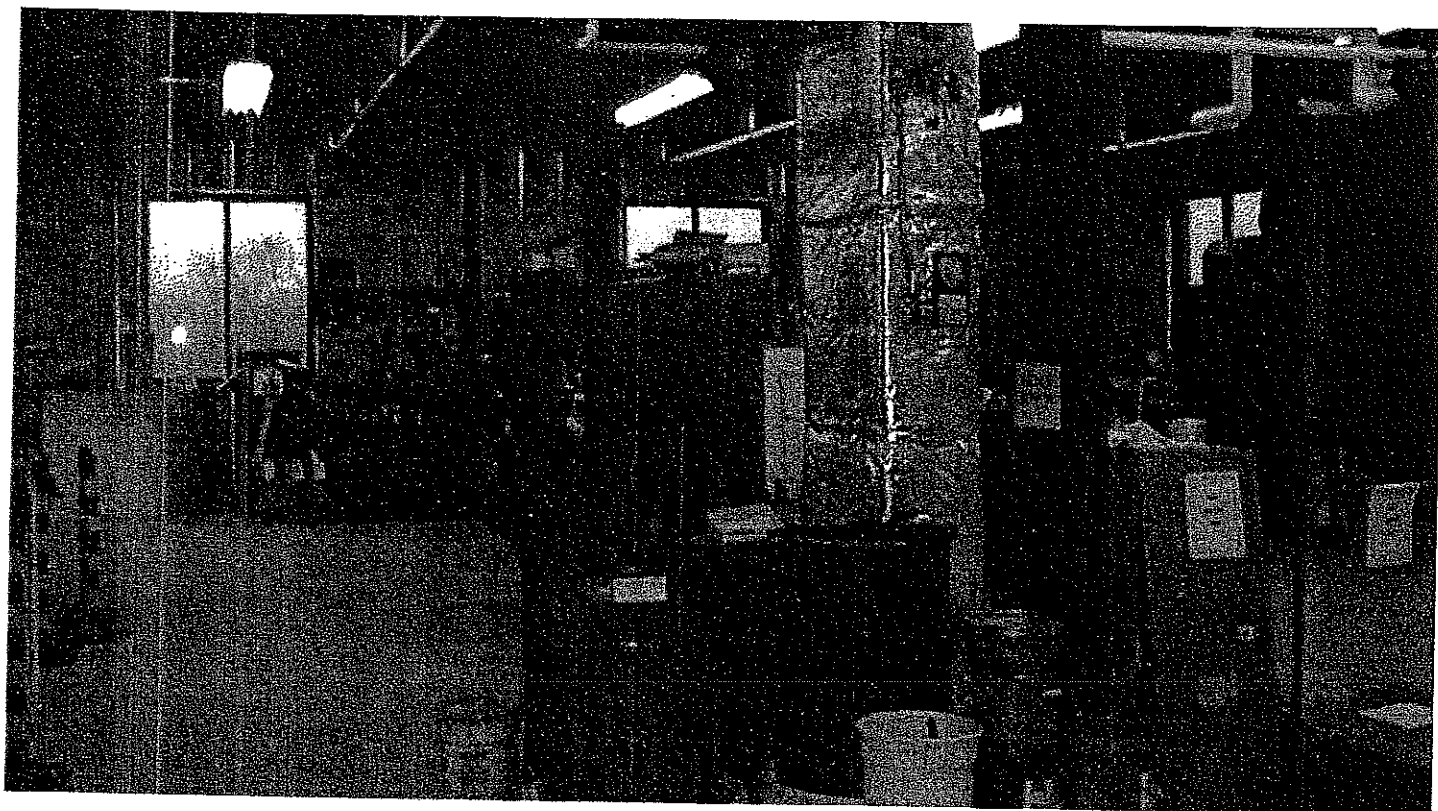
CONFERENCE ROOM



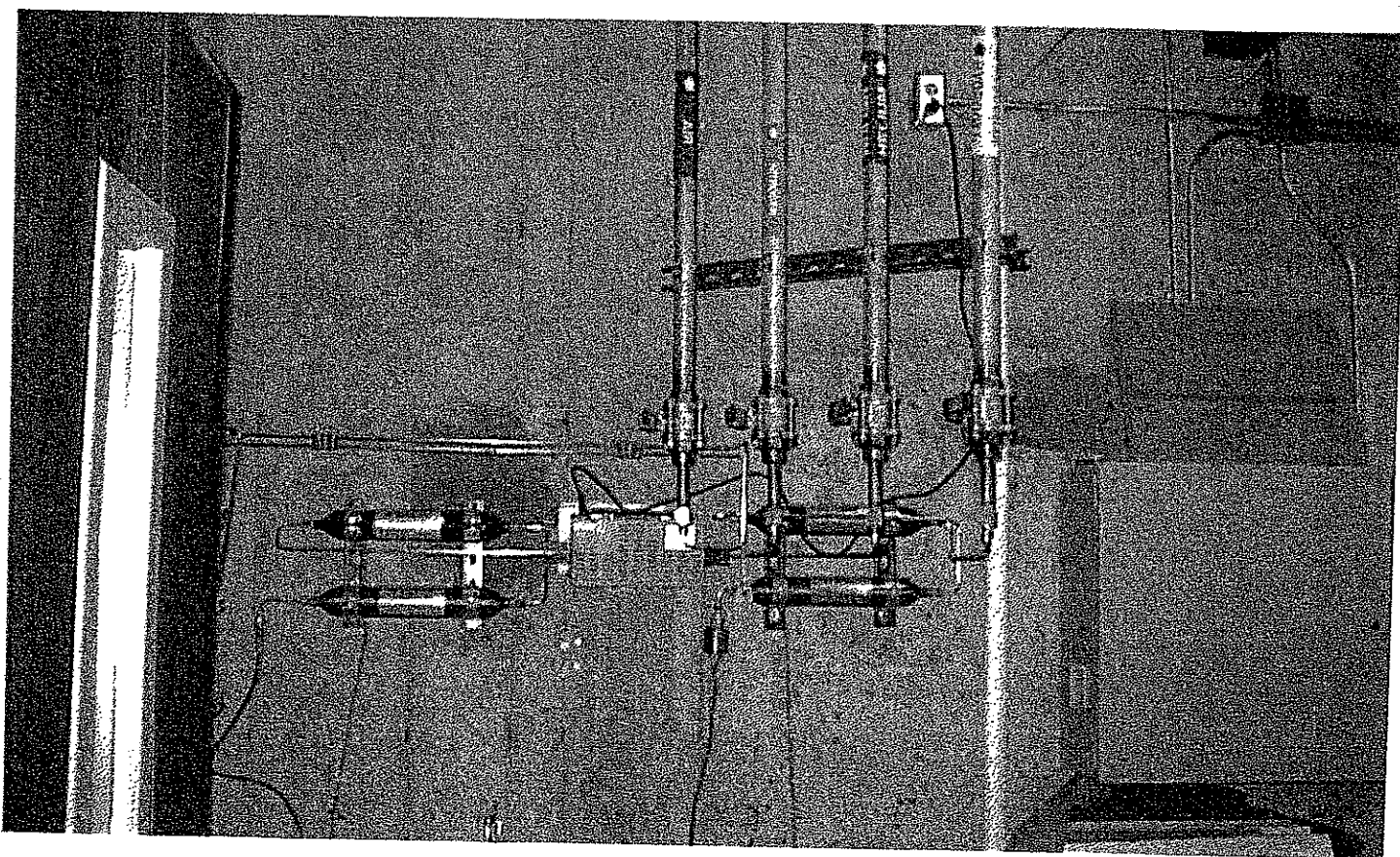
CONFERENCE ROOM



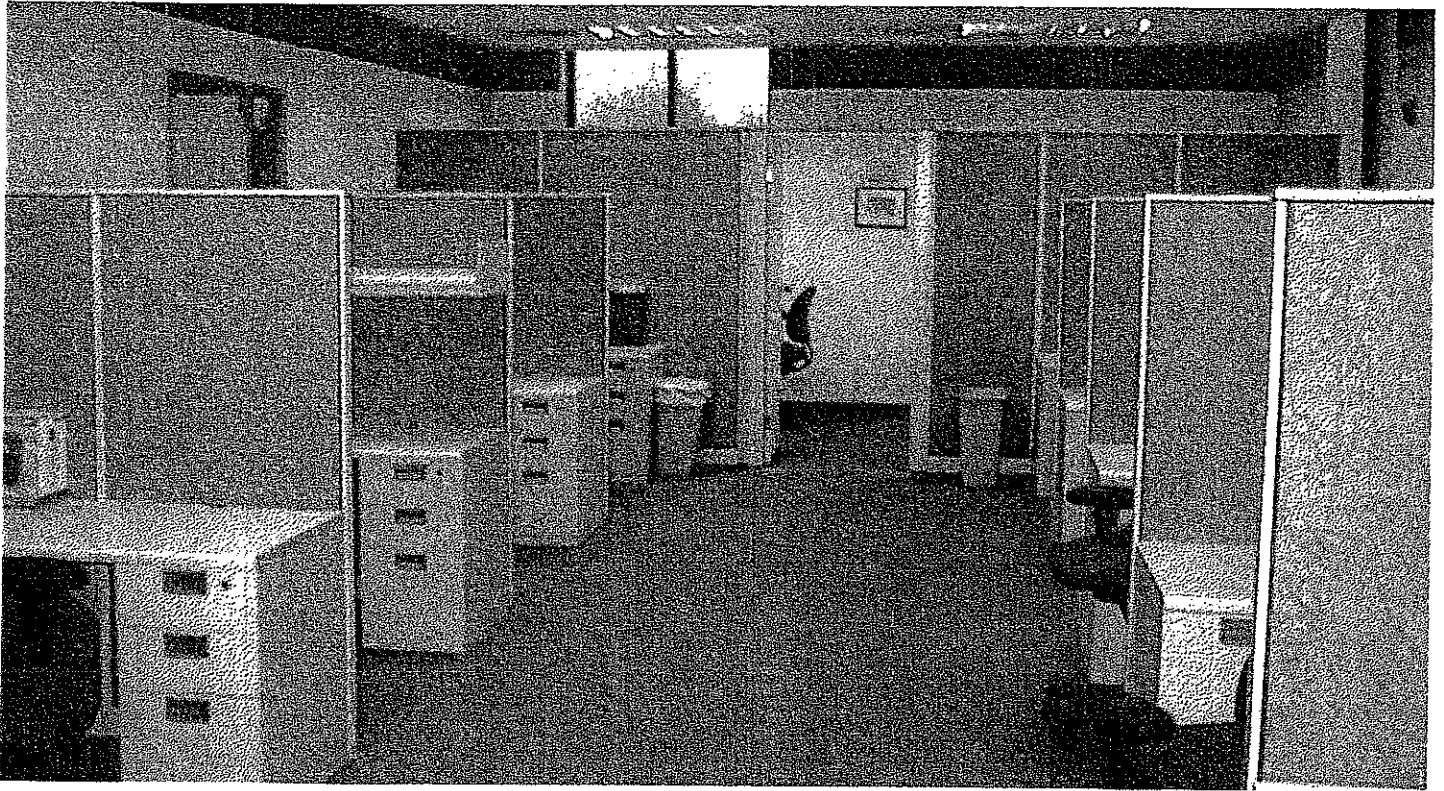
OFFICE AREA



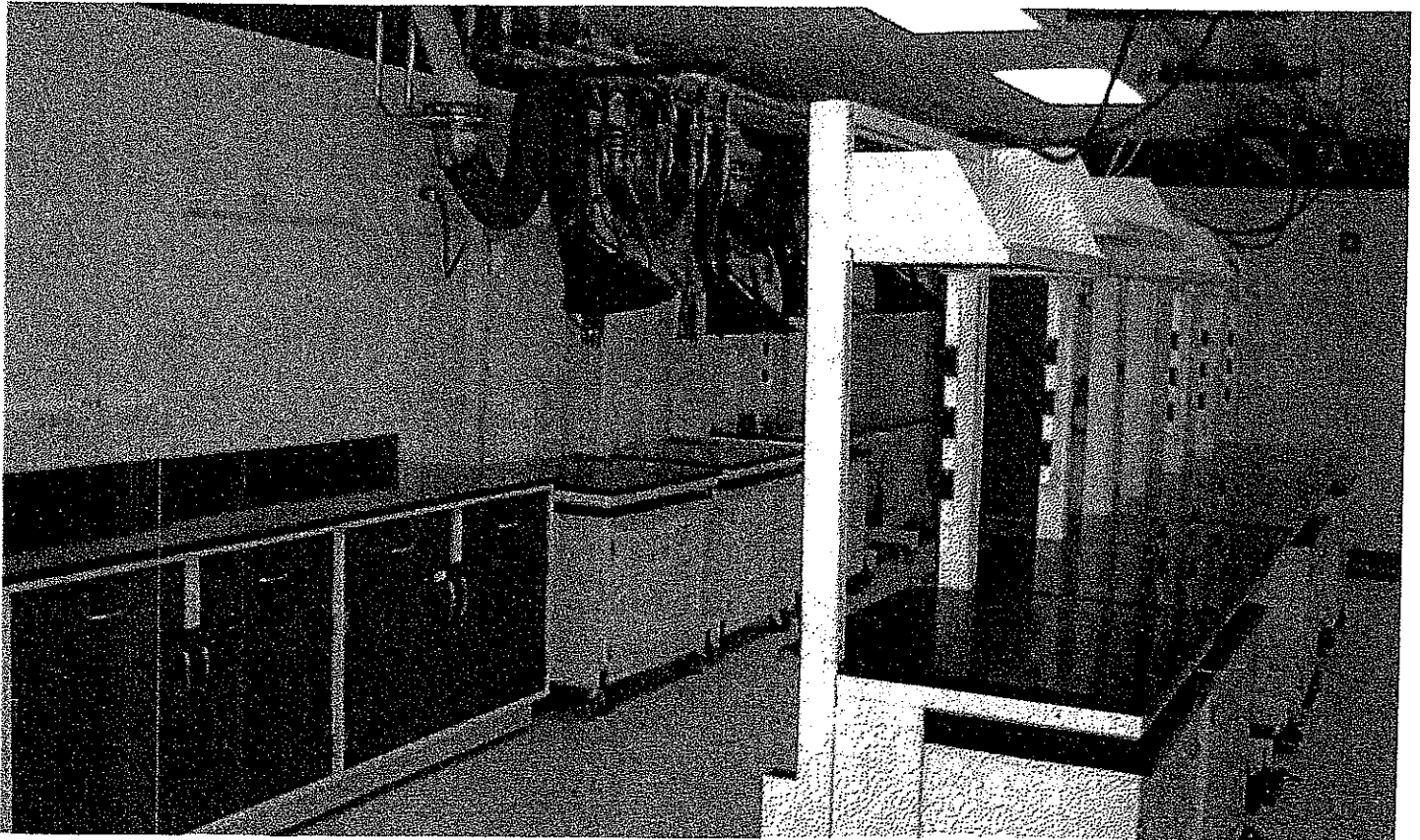
LOWER LEVEL FUTURE LAB



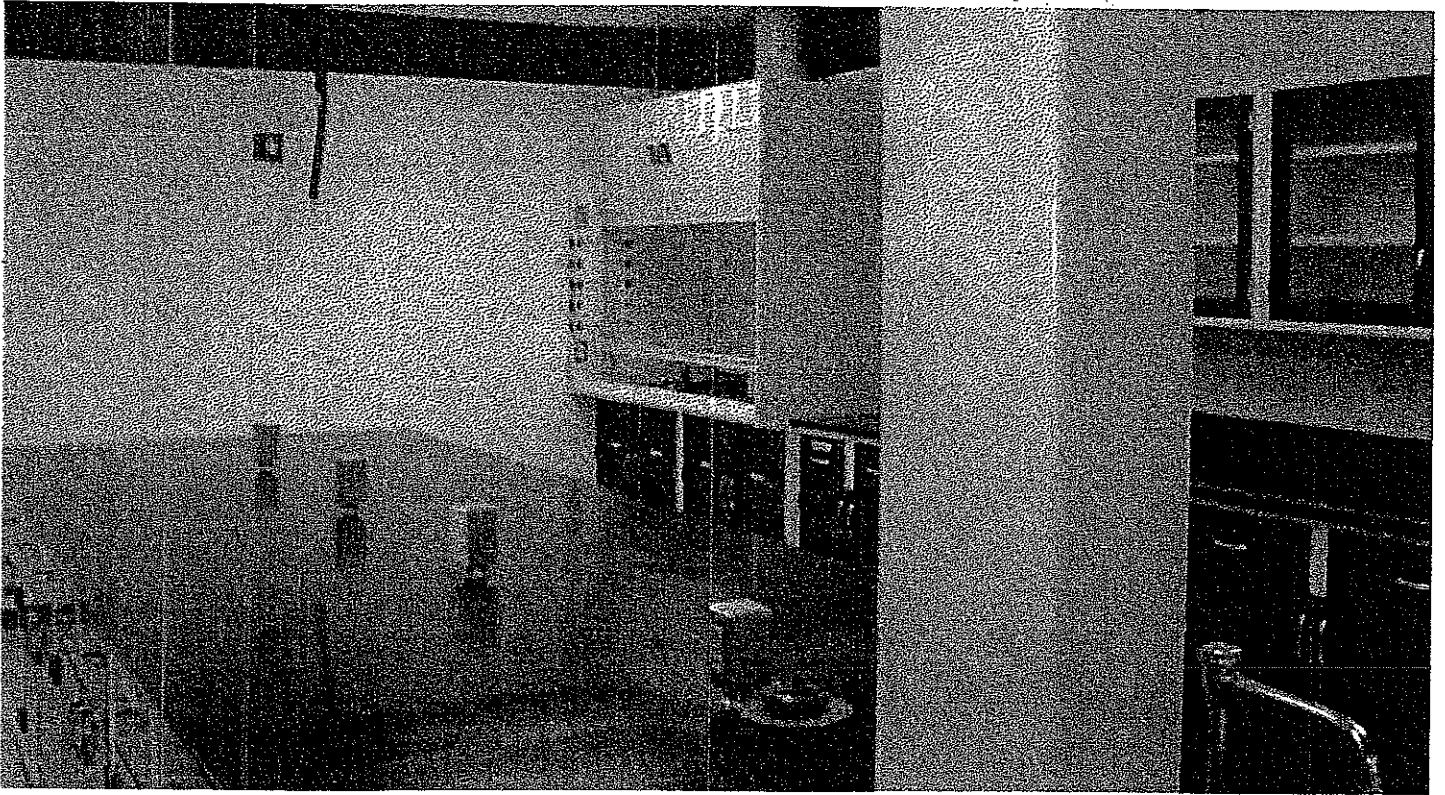
COMMON LAB GASES DISPENSING AREA



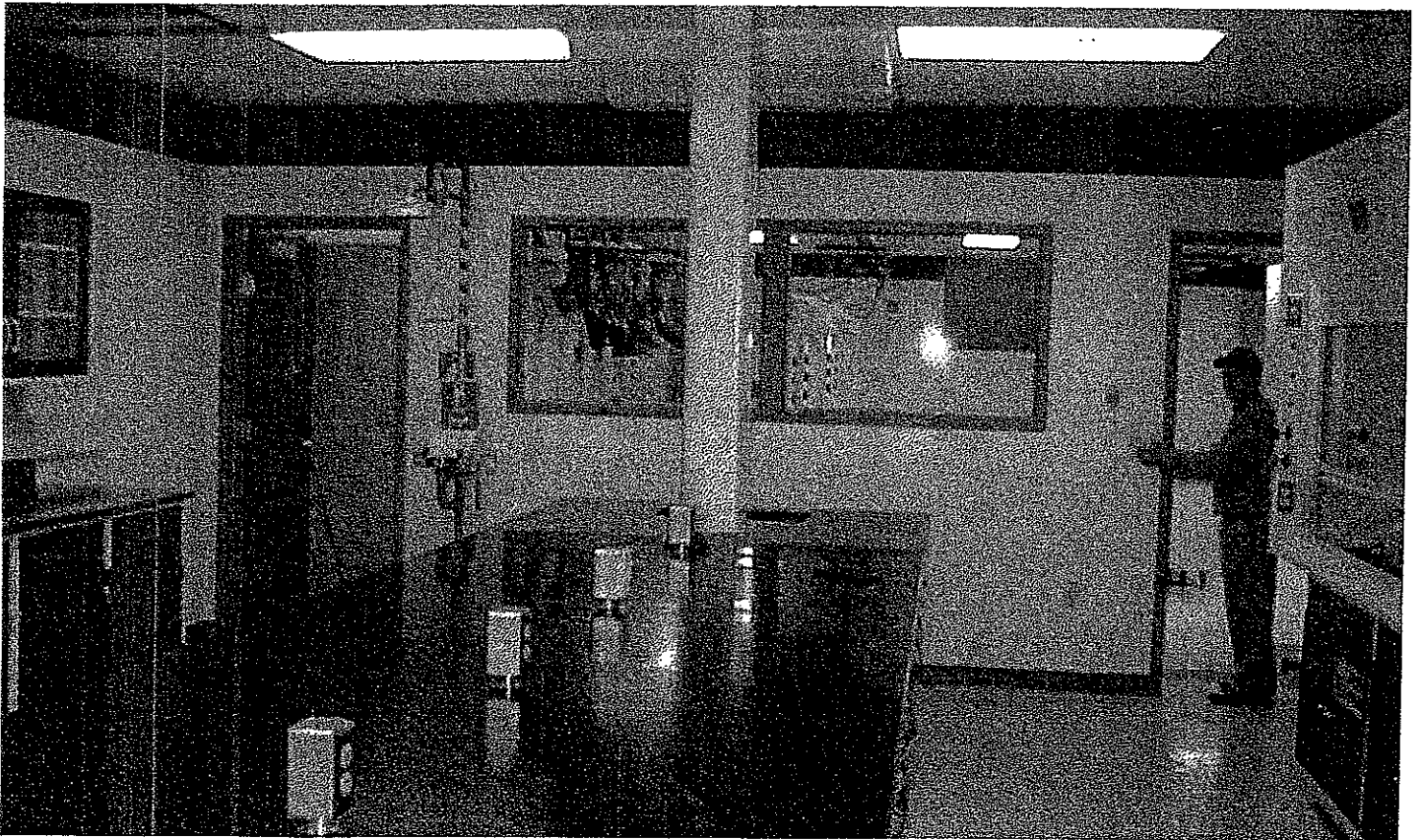
LOWER LEVEL OFFICE AREA

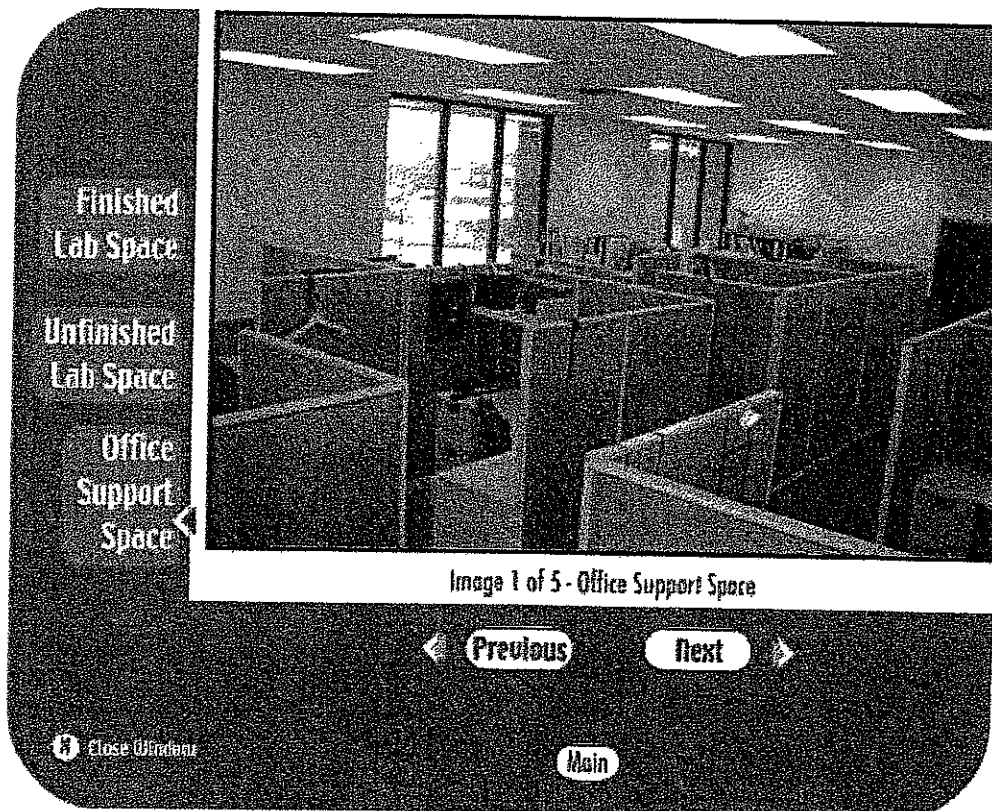
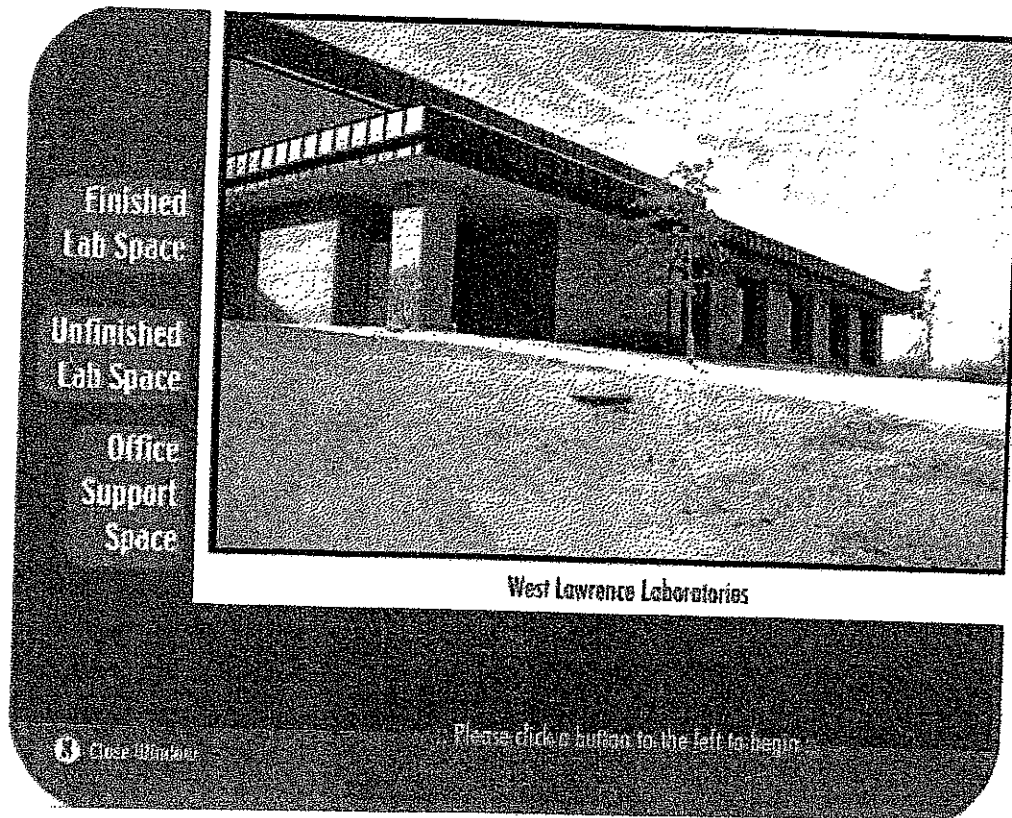


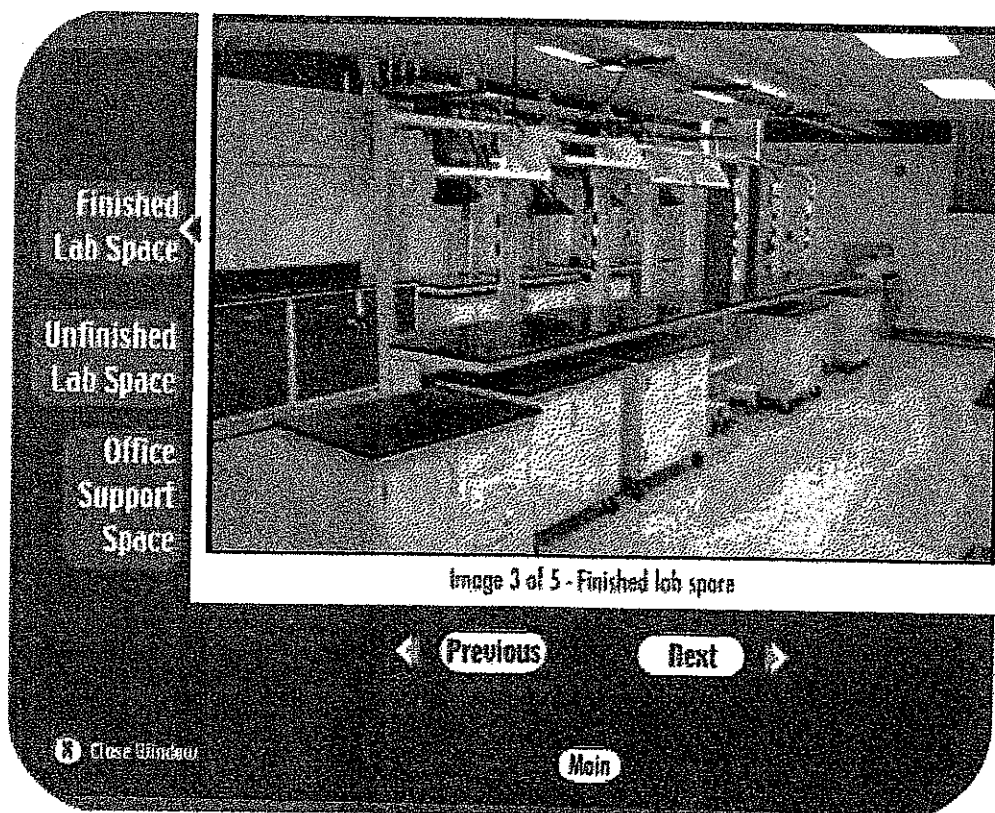
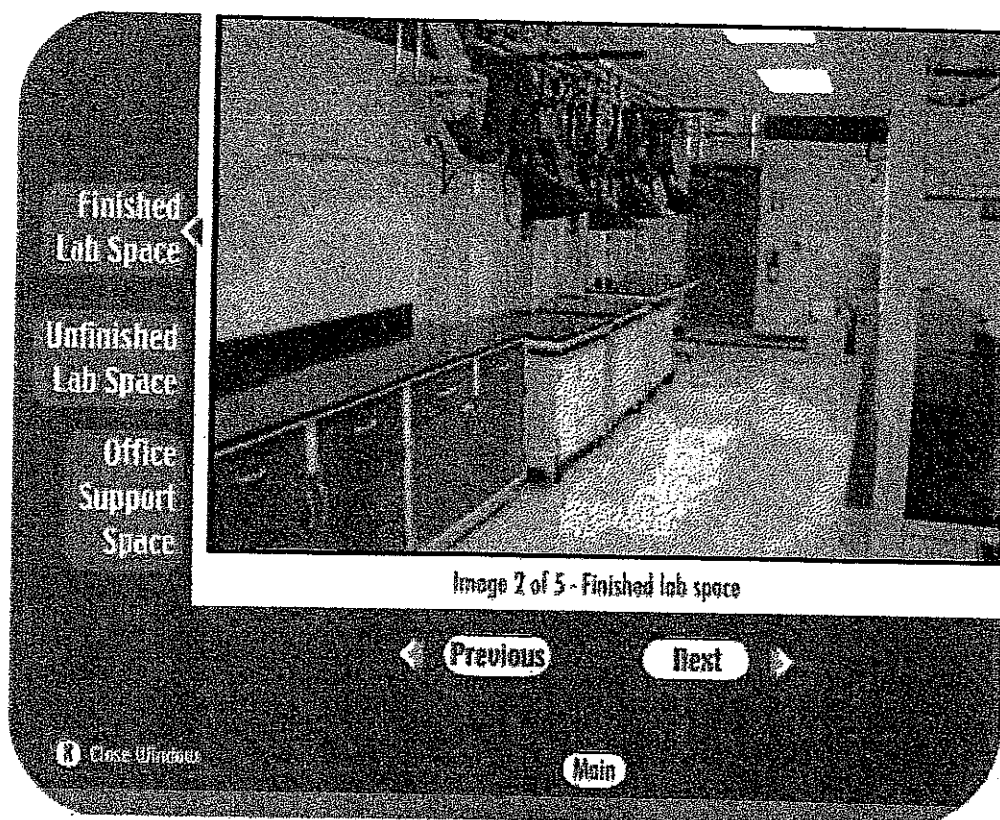
LOWER LEVEL EXISTING LAB

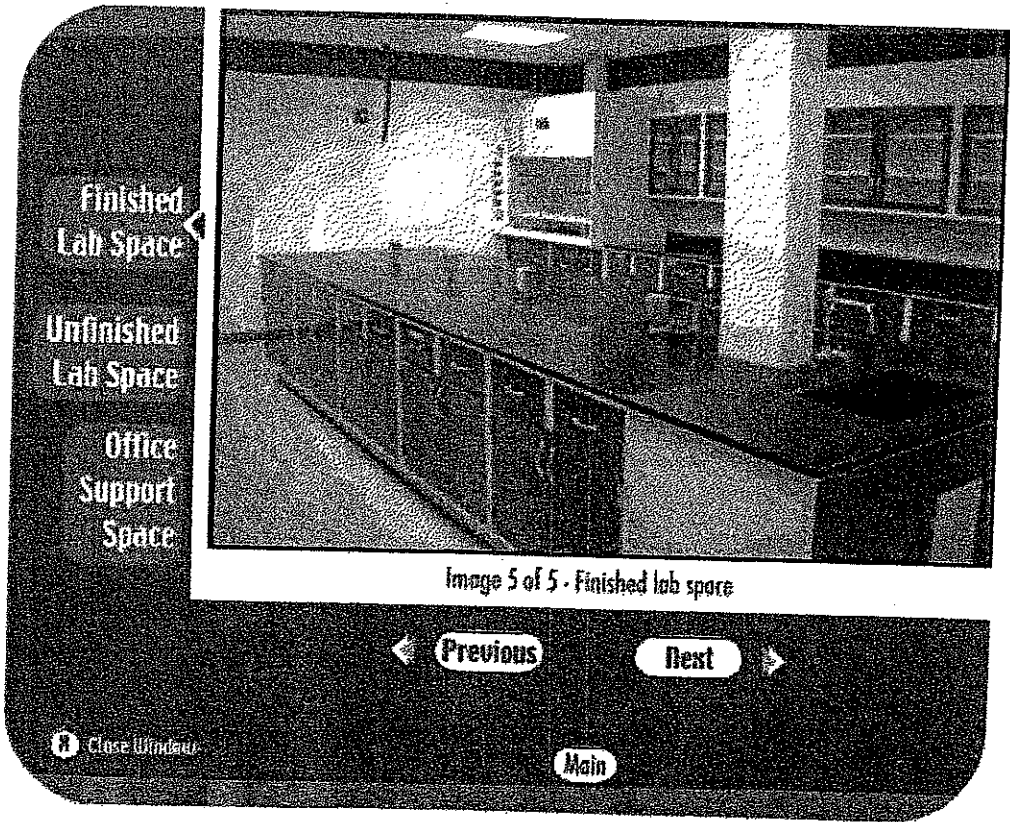
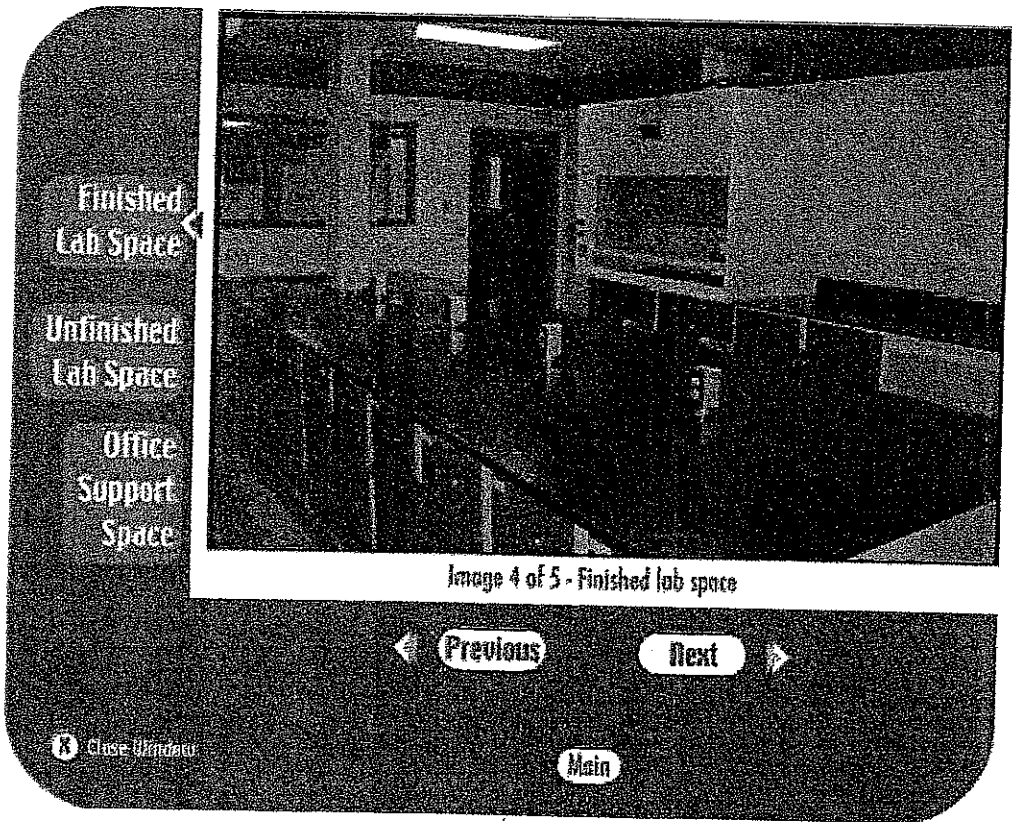


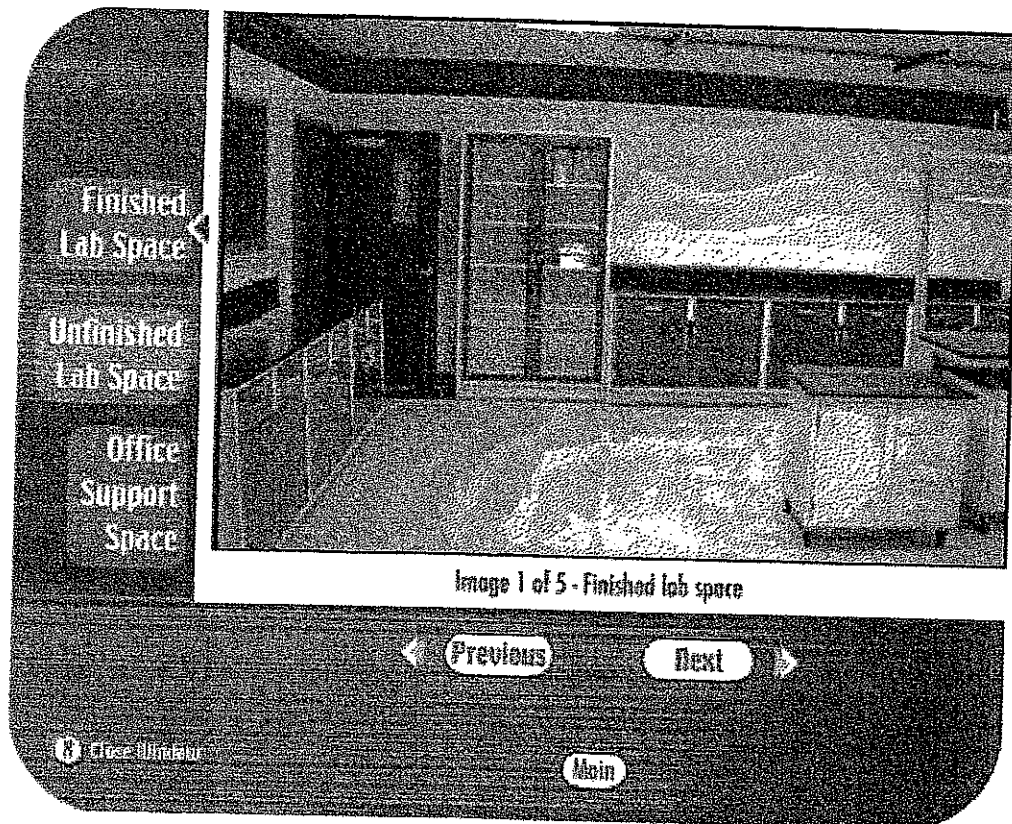
LOWER LEVEL EXISTING LABS

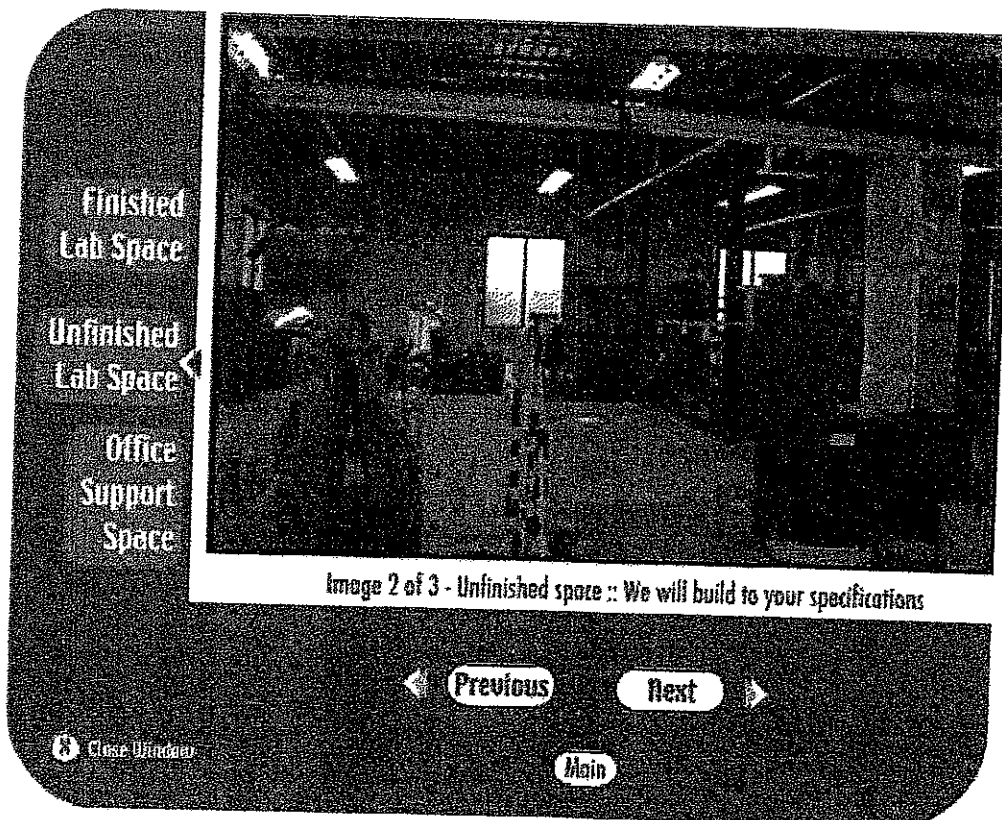
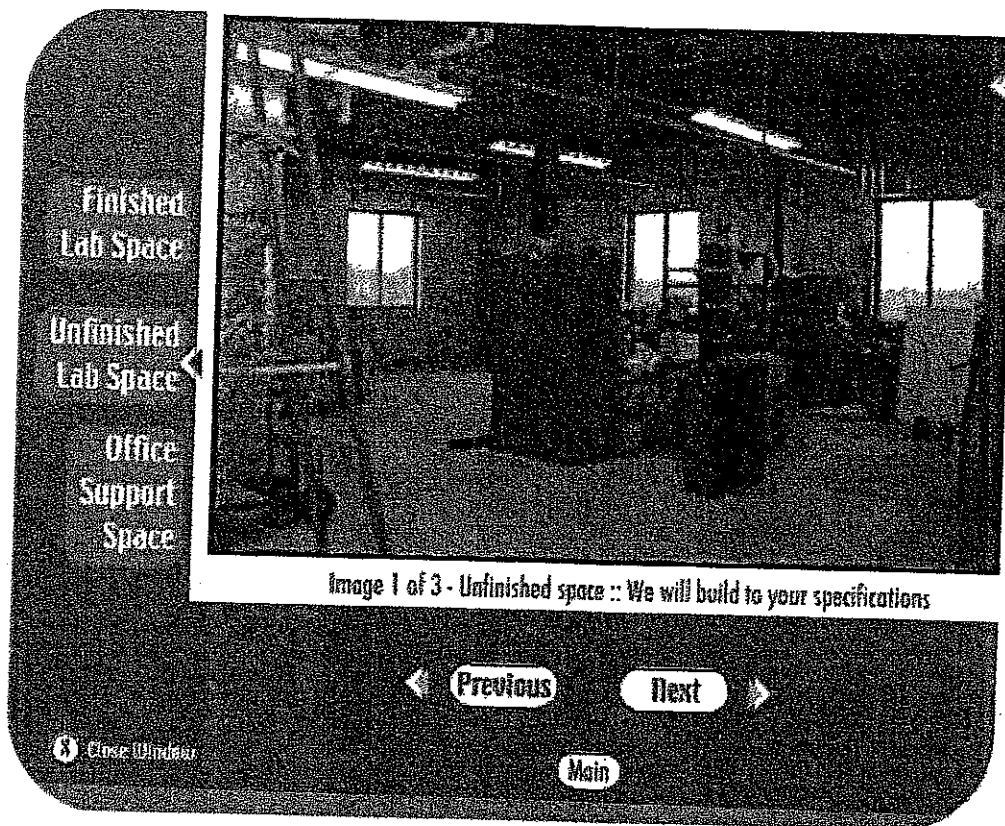


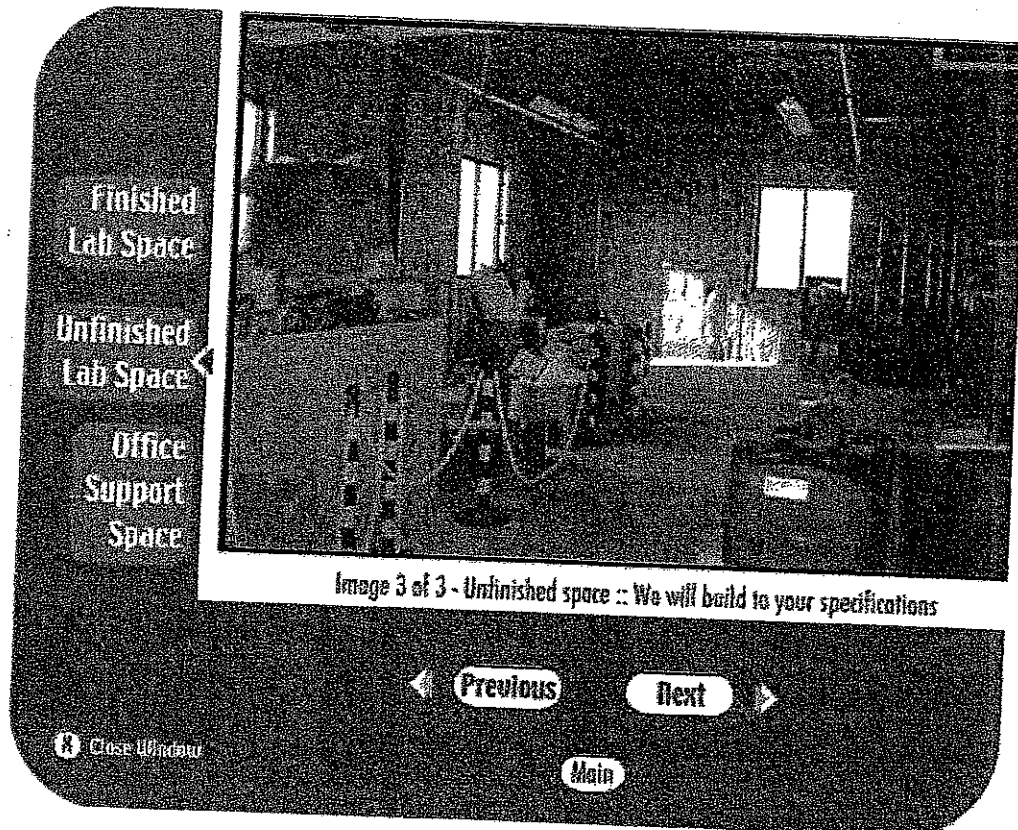


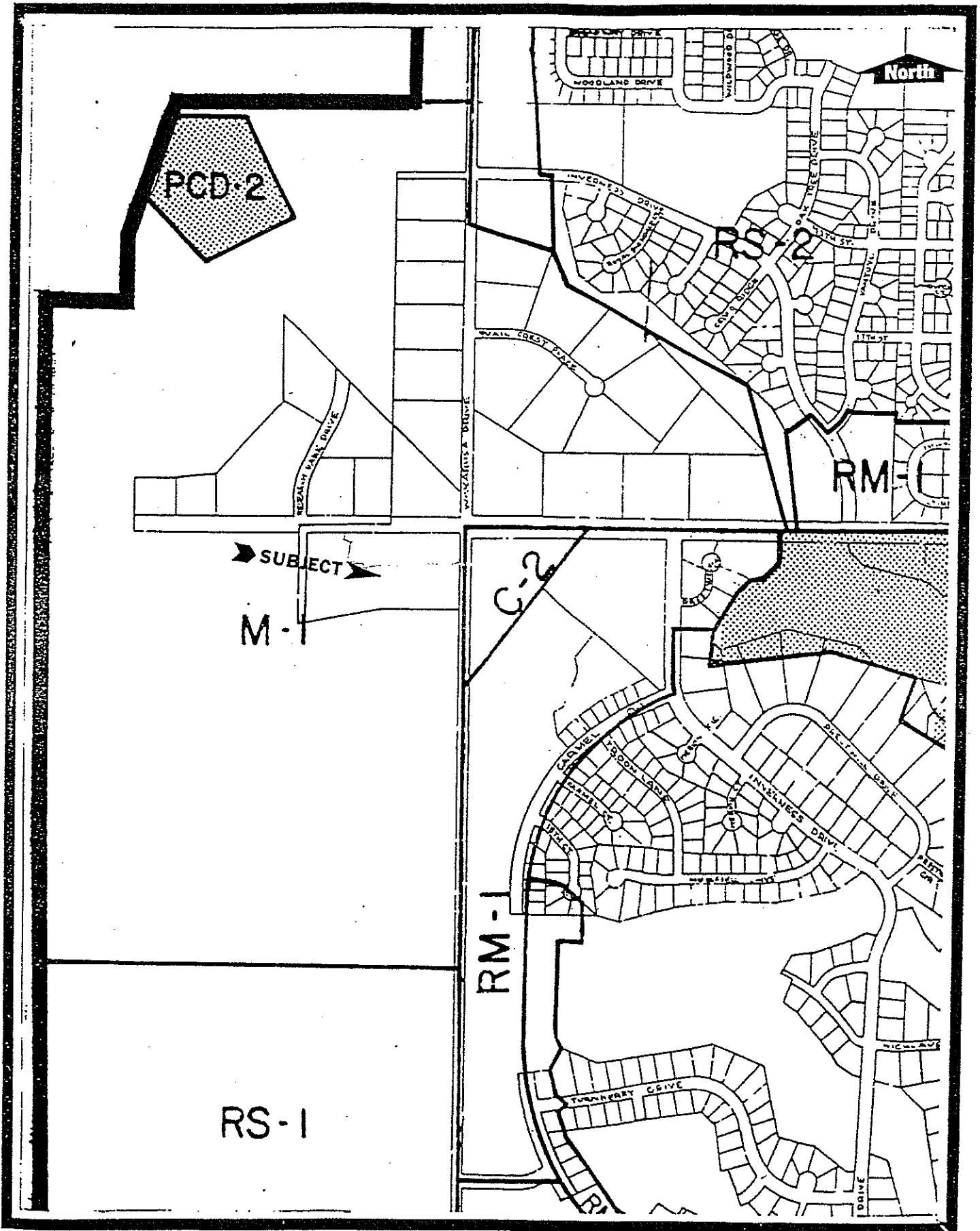




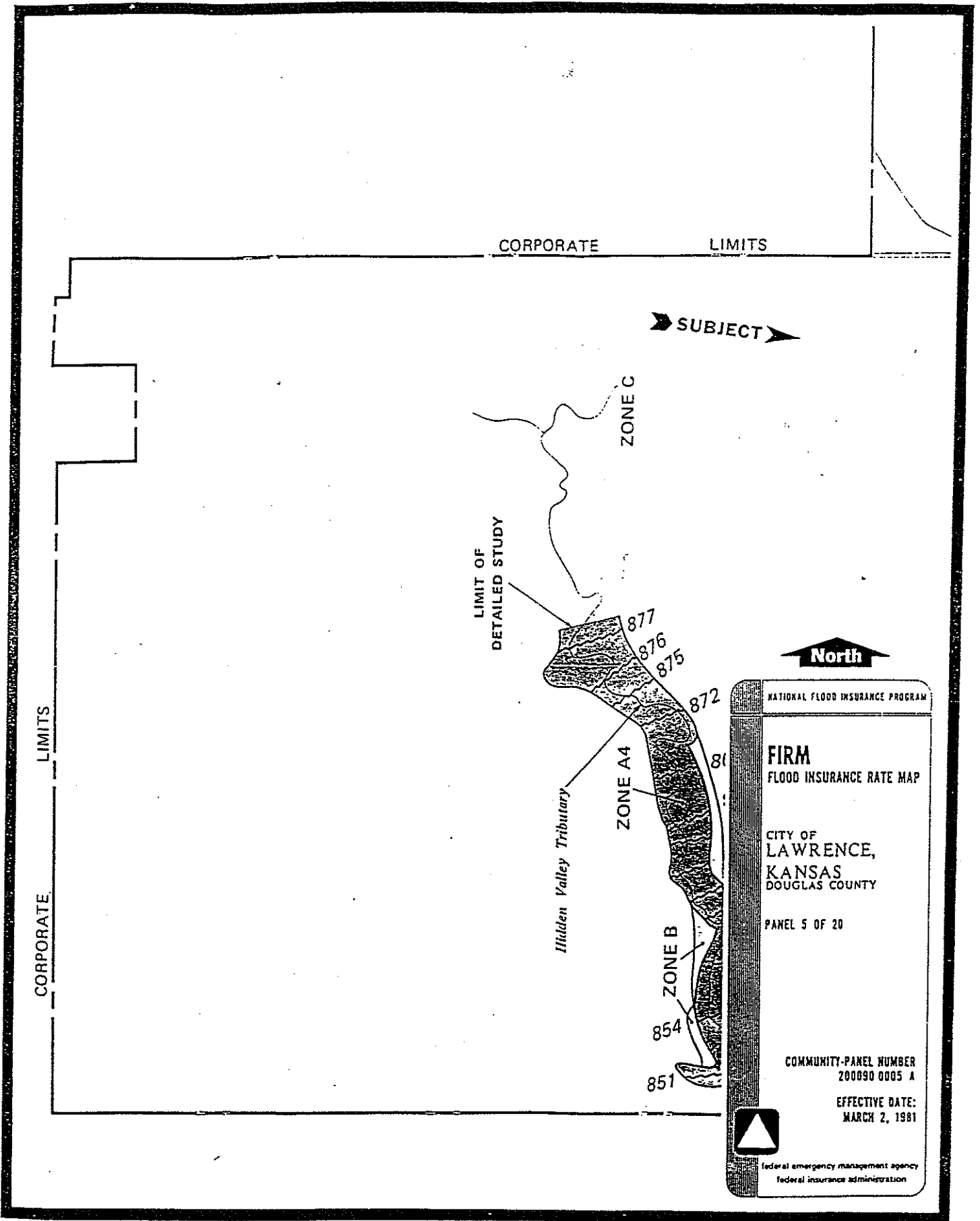








Zoning Map



**Flood Plain Map**

North

C-900  
SR-14  
12" in 20'

OFFICE WEST NO. 8 LOT ONE

PHASE III  
Existing Admin. Offices  
Lower Level: 982.57  
First Floor Elev: 978.00  
First Floor Elev: 978.00

EXIST. LABORATORY BUILDING  
Lower Level: 978.00  
First Floor Elev: 992.50

EXIST. LABORATORY BUILDING  
Lower Level Elev: 978.00  
First Floor Elev: 992.50

STORAGE BUILDING  
Lower Level Elev: 978.00  
First Floor Elev: 992.50

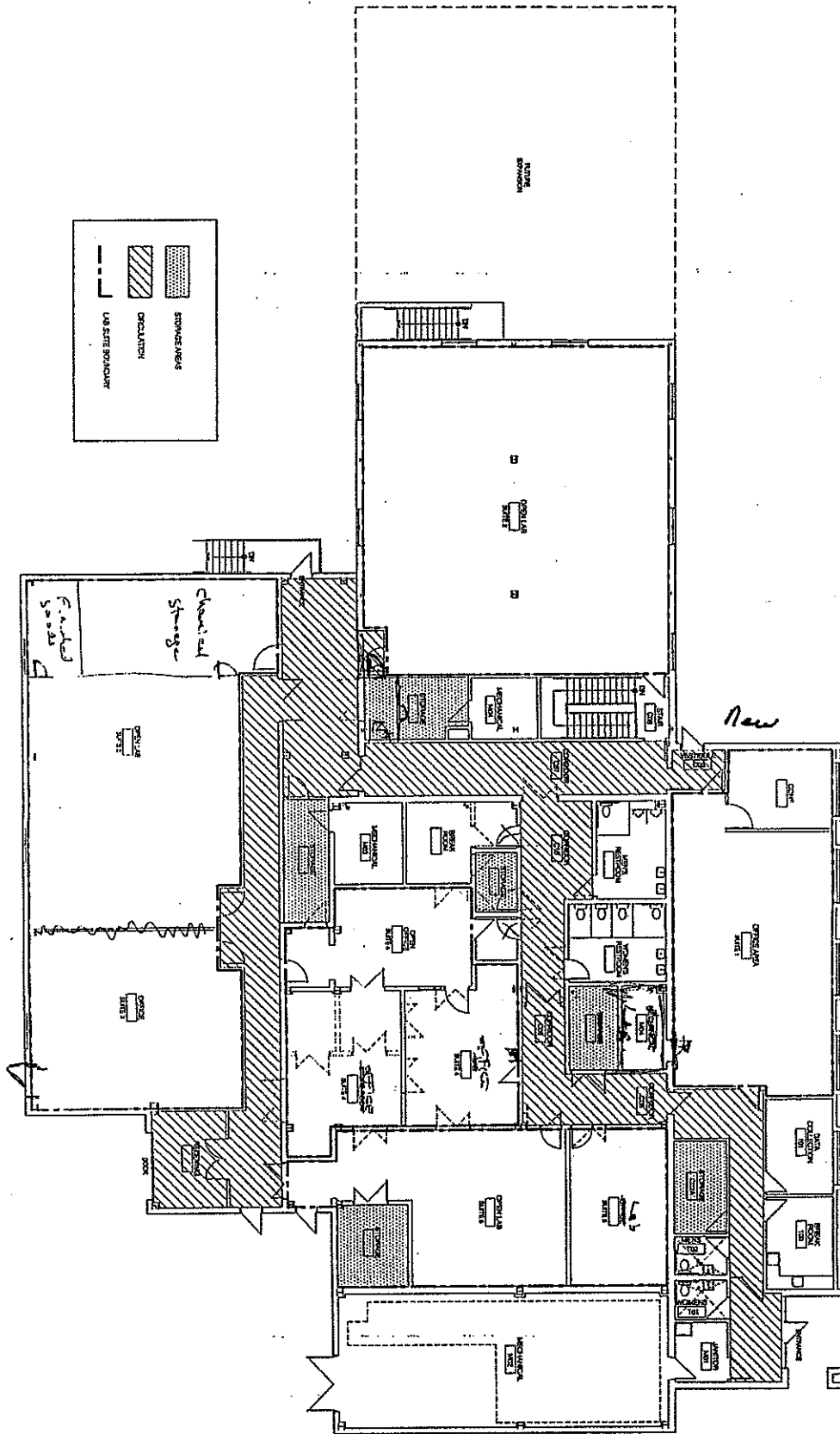
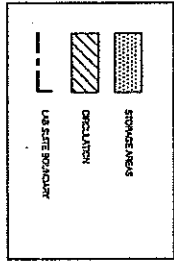
FUTURE BUILDING

PHASE V  
BUILDING  
First Floor Elev: 978.00  
First Floor Elev: 978.00

AREA C  
87,452.82 SQ. FT.  
2,000' AC.

A. 5.5' x 5.6' 106

1/2 INDICATED SCALE.



UPPER LEVEL FLOOR PLAN 1  
SCALE 1/8" = 1'-0"

NEW OREAD GROUP 1<sup>ST</sup> FLOOR

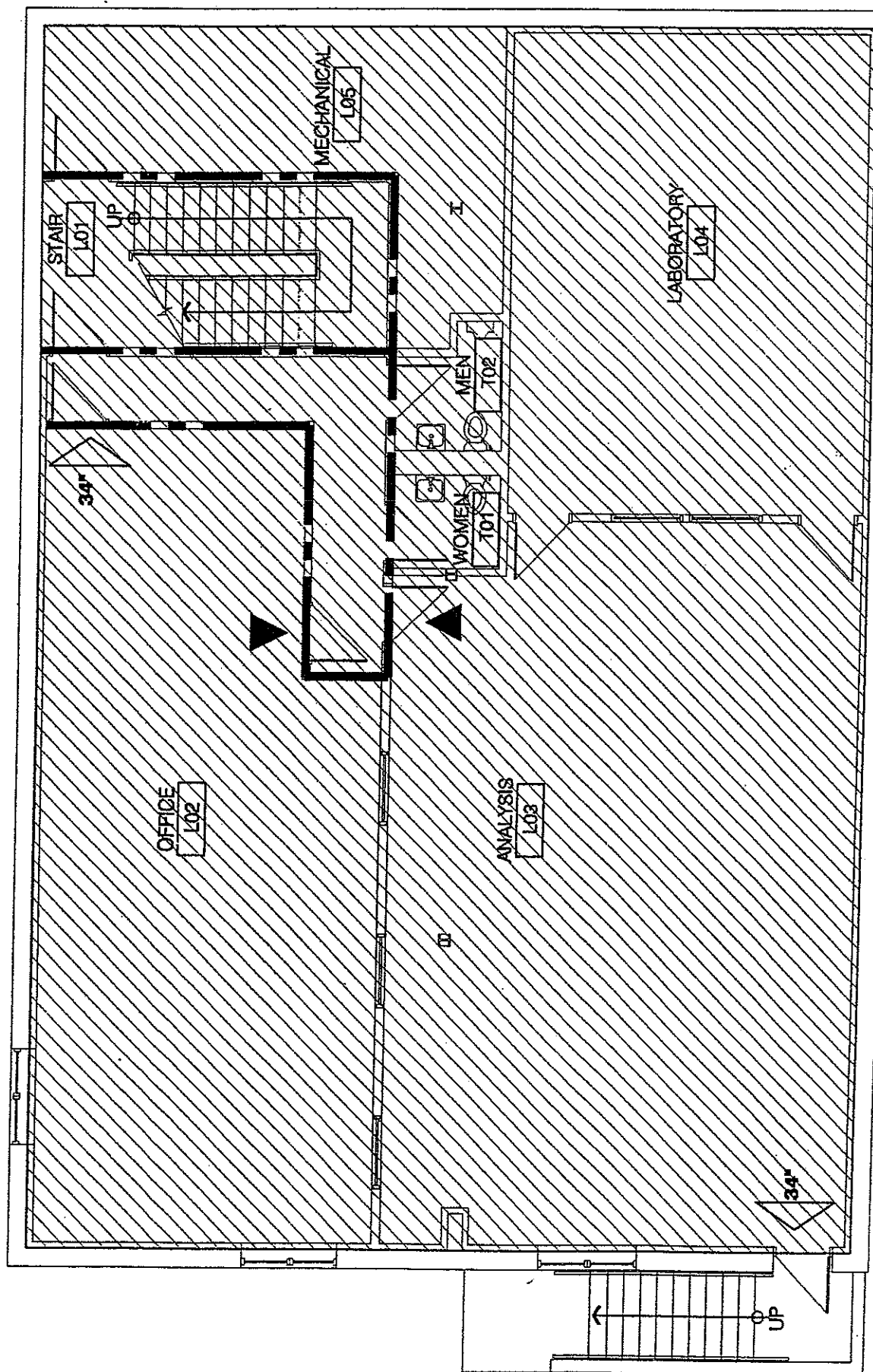
OREAD LABS - PILOT PLANT

LAWRENCE - KANSAS

A101

sigma

# LOWER LEVEL CODE PLAN 2



NEW OFFICE GROUP

CERTIFICATIONS & DOCUMENTATION

APPRAISING

Jay R. Krieger

## PARTIAL LIST OF APPRAISAL CLIENTS

Manhattan Mutual Life  
DX Sunray Oil  
Merchants National Bank (now US Bank)  
Topeka State Bank (now Columbian Bank)  
First Federal Savings of Iowa  
Getty Oil  
Kansas Assessment Appeal Board (testimony)  
Federal Home Loan Mortgage Co. (Review Appraiser)  
HUD  
RTC  
Mobil Oil (Court Appointed Appraiser)  
City of Topeka  
Pro Print (Lawrence, KS)  
FNMA (Review Appraiser)  
Hoover Auto Parts (Topeka, KS)  
Westminster Village (Austin, TX)  
Puckett Building & Cedar Office Condo (Olathe, KS)  
Mason Estate (Topeka, KS)  
Bradshaw Estate (Shawnee Co.)  
JFM LP 1 (Topeka, KS)  
Colorado National Bank (Denver, CO)  
Veteran's Administration (Residential Certificate of Value)

## RESUME

### JAY R. KRIEGER, CEI, CMI, CLI, CREC

#### CAREER SUMMARY

Jay has over 40 years experience in real estate related fields. He has owned mortgage companies, founded Kansas Secured Title Co., was CEO of a Savings and Loan, and is a Charter Member of the American College of Real Estate Consultants. He has taught finance, exchanging, environmental, appraisal, ADA, and other courses in the GRI programs of Kansas, Nebraska, and Oklahoma and for the Kansas Appraisers Board. He has been an instructor certified by the Continuing Education Department at Kansas University and a former instructor in Principles of Real Estate at Washburn University. He has a Ph.D. in Economics pending dissertation.

Jay is a Certified Environmental and Certified Americans with Disabilities Act Inspector. He also teaches license renewal credit courses in these subjects for real estate licensees and appraisers. He has been a fee appraiser for financial institutions and a tax appeal witness and appraiser. He has been a Freddie Mac Review Appraiser and a HUD Certified Multi-Family Review Appraiser. Currently, Jay is president of The Inspection Group, Inter-Banc Consultants, Inc., and Communication Consultants, Inc. Mr. Krieger has been a contract tower & antenna site locator for CellularONE and Metricom. He has provided over 200 Phase I & NEPA Reports for Verizon, NEXTEL, Sprint, SW Bell & AT&T Wireless.

#### EDUCATION

- Washburn University, School of Law, Environmental Protection Act
- 300 hours accredited courses in Real Estate and Appraisal & Environment
- University of Missouri at KC & Rockwell University at Phoenix, Ph.D. in Economics pending dissertation
- Kansas University, BS Business Administration
- Missouri Valley College, Marshall, Mo., AB Philosophy

#### DESIGNATIONS

- Real Estate Broker, Kansas and Colorado
- Graduate, Realtor Institute of Kansas
- Senior Investment Analyst, National Appraisers Institute
- Member, American College of Real Estate Consultants
- Certified Environmental, Lead, Mold, and Asbestos Inspector, Environmental Assessment Association certificate # 8314.
- Certified Inspector, Americans with Disabilities Act Inspection Association

#### OFFICES HELD

- Current - President Inter-Banc Consultants, Inc., Communication Consultants, Inc., and Investors Property Group, Inc.
- 1997 - Member, Kansas Department of Health & Environment Regulation Development Committee
- 1995 - Chairman, Commercial & Investment Division, Topeka Board of Realtors
- 1986-89 - CEO, Anchor Financial Corp (Anchor Savings Association)
- 1978 - President, National Association of Real Estate Consultants
- 1974-77 - Director, National Association of Realtors
- 1970-81 - President and Chairman, Kansas Secured Title and Abstract Co.
- 1970-80- Director, Topeka State Bank
- 1975 - President, Kansas Association of Realtors



# NATIONAL ASSOCIATION OF REAL ESTATE APPRAISERS

THIS IS TO CERTIFY THAT

**J.R. Krieger**

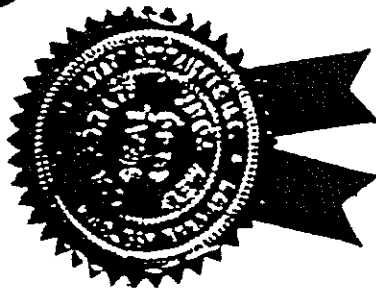
IS HEREBY QUALIFIED AS A

## Certified Real Estate Appraiser

BY

BOARD OF GOVERNORS

No. SN879  
Expires 12/31/80



*Arthur J. Krieger*  
\_\_\_\_\_  
PRESIDENT  
*W. J. Krieger*  
\_\_\_\_\_  
SECRETARY



NATIONAL APPRAISERS INSTITUTE, INC.

# National Appraisers Institute N. A. I.

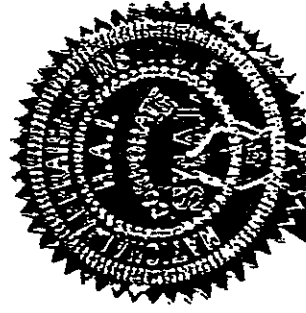
This Certificate Declares That

**Jay R. Frieger**

CHARTER DESIGNATE

Has qualified before the Education and Review  
Committee as to his professional appraisal experience  
and being of good moral character has been awarded  
by the Board of Directors of the National Appraisers  
Institute the designation of

**Senior Investment Analyst**



Signed and Sealed

Signed and the Corporate Seal is hereto affixed this 1st

day of September, 19 78.

*John L. Voss, President*  
*Lawrence T. Grier, Vice President*

LAWRENCE T. GRIER, Vice President

This certificate is the property of the National Appraisers Institute and must  
be returned upon written notice of termination to the Corporate Board  
of Directors.

This certificate is renewed on annual basis.

Certificate No. 104

Prudential-Bache  
Securities

January 6, 1985

Mr. Scott Barker  
Newman And Associates  
1801 California, Suite 3700  
Denver, Colorado 80202

RE: Jay R. Kreiger - Appraisal Background

Dear Mr. Barker,

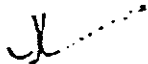
This letter is to inform you of my use of the appraisal skills and knowledge of Jay Kreiger.

As senior underwriter in the Denver office of The Federal Home Loan Mortgage Corporation, from 1974-1977, I frequently required the services of qualified review appraisers, whose expertise in appraising assisted our mission in purchasing investment quality mortgages.

On numerous occasions, I enlisted Jay's assistance in the review process, including his furnishing an analysis of the property under appraisal plus the comparables used. Jay's work was consistently thorough and professionally done. He demonstrated a very good working knowledge of analysis, theory and practical application.

I am pleased to recommend him to you and your firm.

Sincerely,

  
John H. Lonneke  
Vice-President, Investments

JEL/clb



U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT  
WASHINGTON, D.C. 20410-8000

OFFICE OF THE ASSISTANT SECRETARY FOR  
HOUSING-FEDERAL HOUSING COMMISSIONER

Ms. Julie R. Stewart  
ABG Associates  
Suite 506  
1025 Connecticut Avenue, NW  
Washington, DC 20036

Dear Ms. Stewart:

This is in reply to your January 20, 1986 letter requesting our approval of Mr. Jay R. Krieger, CREA, SIA, to perform appraisal assignments under the Section 223(f) and Section 221(d) coinsurance programs.

The personal resume of Mr. Jay R. Krieger, CREA, SIA, has established the fact that he has the necessary experience for the appraisal of multifamily residential properties. Accordingly, we approve Mr. Jay R. Krieger, CREA, SIA, as being qualified under the Section 223(f) and Section 221(d) coinsurance programs. This approval is predicated upon his continued preparation of sound appraisal reports which meet the standards of the Department.

Very truly yours,

*Charm D. Charles*

*JLH* James L. Hamernick  
Director  
Office of Insured Multifamily  
Housing Development



## KANSAS REAL ESTATE APPRAISAL BOARD

1100 S.W. Wanamaker, Ste. 104  
Topeka, KS 66604

(785) 271-3373  
Fax (785) 271-3370  
<http://www.wink.org/public/kreab/>  
[e-mail kreab@mindspring.com](mailto:kreab@mindspring.com)

### Board Members

Kenneth Lickteig, Chair  
Steven R. Adams, Vice Chair  
LeRoy Leland, Member  
Alida Moore, Member  
Ralph Leno, Member  
G.N. (Jerry) Capps, Member  
Ronald D. Aul, Member

### Staff

Sally Pritchett, Director  
Cheryl Magathan, Administrator

BILL GRAVES, GOVERNOR

August 14, 2002

Jay R. Krieger  
Contemporary Education Institute  
1505 S.W. Fairlawn  
Topeka, KS 66604

Re: Course Approval  
Effective Date: August 14, 2002  
Expiration Date: June 30, 2002  
Sponsor Code: 409

Dear Mr. Krieger:

The following course(s) is approved for continuing education:

03 C 182 Environmental Protection Act Update, Mold, Lead Paint & Asbestos 4 Hrs

The following instructor(s) is approved for the indicated course(s):

Jay R. Krieger 03 C 182

A student must attend all scheduled classroom hours in order to receive a certificate of completion for the approved credit hours. Courses and providers are assigned a specific number (see above) for reference information. Please be aware that all course approvals expire on June 30 of each calendar year.

Please feel free to contact this office with any questions.

Kansas Real Estate Appraisal Board

  
Cheryl K. Magathan  
Public Service Executive



Environmental Assessment  
Association

**THE INSPECTION GROUP**  
A DIVISION OF INTER-BANC CONSULTANTS, INC.  
1505 SW Fairlawn Rd. ~ Topeka, KS 66604  
Phone 785-271-5663 ~ Fax 785-271-5652  
E-MAIL: jrkrieger@yahoo.com



ADA Inspection  
Association

**The Inspection Group**, formerly, Environmental Audit Co., has for the past 10 years been performing Phase I Environmental Site Assessment/NEPA Reports and Phase II sampling and testing (by EPA-approved laboratories) for asbestos, radon, lead, soil and water contamination. The Inspection Group, Inc. has added MOLD testing and NEPA Environmental Assessments to the list of services offered. The NEPA Assessment is a document prepared under the guidelines of the National Environmental Protection Act to assess impacts of proposed projects on the environment and is the basis for a "No Impact" statement.

The Inspection Group, Inc. was created by Jay R. Krieger, Certified Inspector and instructor who has taught EPA and ADA Continuing Education courses for license renewal credit for Appraisers and Real Estate Licensees in Kansas and Missouri. Jay was also a member of the Kansas Department of Health & Environment Regulation Development Committee on the new voluntary contamination cleanup and redevelopment program. Other certified staff members are: Harold Herrick CEI, Cherie Krieger CEI who runs the office in Austin, Texas and Jill Ramirez, CEI. Cherie has been a USEPA Certified Asbestos Inspector and Asbestos Management Planner with experience in historic schools and tower sites. Jay and Jill are also Certified Lead and Asbestos Inspectors. All staff members also have the CMI, Certified Mold Inspector designation.

We have performed Environmental Site Assessments for the RTC, FDIC, as well as private owners and lenders throughout the Midwest from Alton, IL to Austin, TX and from South Carolina to Utah. Past inspections have included motels, service stations, grain elevators, feedlots, warehouses, farms, shopping centers, auto dealers, industrial sites, salvage yards, nursing homes in Ohio, Minnesota, and Utah, apartments, Fripp Island north of Hilton Head. Other clients include HUD, FmHA, CellularONE, SW Bell Wireless, NEXTEL, AT&T, and Sprint PCS. Banks include Bank of America, Firststar, Mercantile, First Boston, USbank, Columbia Housing and a number of local banks.

Also merged into the Inspection Group was the ADA Inspection Company. Along with Americans with Disabilities Act compliance inspections, we now are a source for approved handicapped interior and parking signs and hardware. We prepare Policy Manuals and Statements including permitted exemptions and alternatives for existing properties. We provided inspections, surveys, transition plans and cost estimates for compliance for twelve locations for Scott County. Our findings saved Scott County over \$1,000,000.00 in the cost of compliance. We have done similar work for nine counties in Western Kansas, Sterling Collage, Dodge City, Seneca, Chapman and other Kansas cities. and the Wichita office of the Governor of Kansas.