

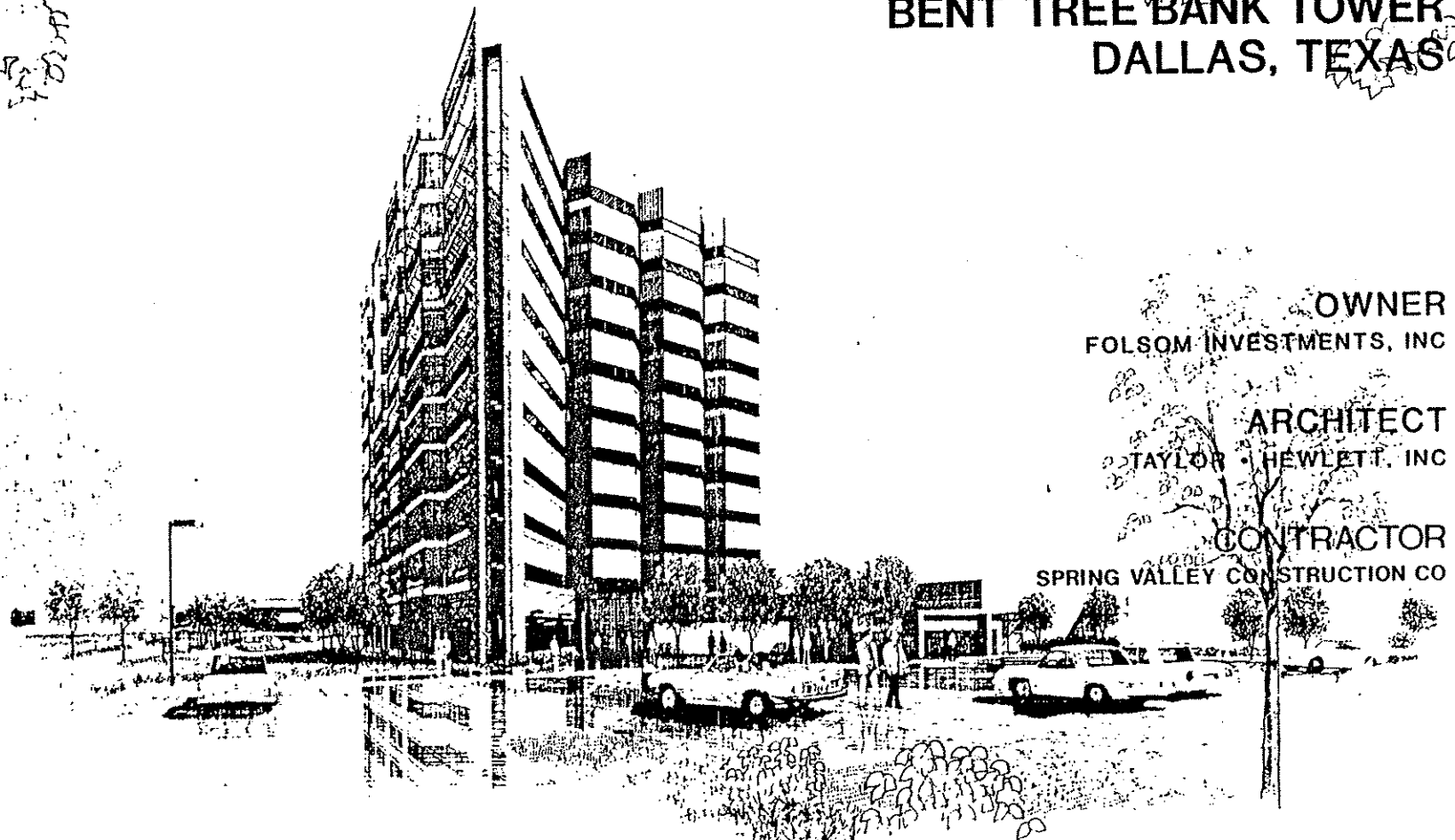
BENT TREE NATIONAL BANK TOWER  
DALLAS, TEXAS

Piedmont Realty Advisors  
650 California Street, 31st Floor  
San Francisco, California 94108  
(415) 433-4100

BENT TREE OFFICE PARK

PHASE ONE

BENT TREE BANK TOWER  
DALLAS, TEXAS



OWNER  
FOLSOM INVESTMENTS, INC

ARCHITECT  
TAYLOR • HEWLETT, INC

CONTRACTOR  
SPRING VALLEY CONSTRUCTION CO

## LIST OF SECTIONS

- I. Introduction
- II. The Property
- III. Market Overview
- IV. The Borrower and Development Entity
- V. Risk and Return
- Appendix A Land Comparable Summary

## INTRODUCTION

June 12, 1984

&name&  
&title/o&  
&company&  
&street&  
&city&, &state&     &zip&

Dear &name1&:

Enclosed for your review is an Investment Report of the Bent Tree Bank Tower mortgage in the North Dallas Parkway Corridor area of Dallas, Texas. Piedmont Realty Advisors intends to review the recommendations outlined in this report with the Real Estate Investment Committee on June 19, 1984. A summary of the proposed investment structure is shown as Exhibit I-1.

The Property - Bent Tree Bank Tower is a proposed 11 story office tower with a two-story bank facility and one story retail area. The project is located on 8.324 acres in the Bent Tree area, and it will contain 324,716 square feet of gross building area as well as a 713 space parking garage. The project is just north of Bent Tree Towers I and II, and it will be architecturally compatible with these buildings. The bank area will be occupied by Bent Tree National Bank, and preleasing activity is underway for the top two floors and the restaurant.

Construction will begin in the fourth quarter of 1984, and shell funding should occur in the fourth quarter of 1985. Full lease-up is expected to occur within 30 months after shell funding.

The North Dallas Tollway is currently being expanded from LBJ Freeway north to Trinity Mills Road which is just north of the proposed project. Bent Tree Bank Tower will be between the Keller Springs Exit and Trinity Mills Road Exit. There will be two underpasses at Sojourn Road and Westgrove Drive which will provide east-west access and north-south access via the access roads. The Tollway expansion should be completed in late 1986.

&name&  
Bent Tree Bank Tower  
June 12, 1984  
Page Two

The Borrower - The borrowing entity will be the Bent Tree Bank Tower Joint Venture, and the key venturers are Robert Folsom, Arthur F. Barnes, Jr. and Folsom Investments, Inc. Robert Folsom has been a successful developer in Dallas since the early 1950's, and he is Chairman of Folsom Investments, Inc. He is also the former mayor of Dallas (1976-1980). Arthur F. Barnes, Jr. is the chief financial officer for Folsom Investments, Inc., and he is also Chairman of Metroplex Bancshares, Inc., the holding company of Bent Tree National Bank. Folsom Investment, Inc. is a diversified real estate company with eleven operating divisions. Folsom Investments, Inc. will be the managing partner of the joint venture, and its operating entities will construct, lease, and manage the property.

Investment Structure - The participating mortgage investment at full funding will be \$41,000,000 and the interest rate will be 11.25%. Shell funding will require \$33,700,000 since there will be a tenant improvement holdback of \$3,100,000, a leasing commission holdback of \$1,200,000, and an economic holdback of \$3,000,000. The joint venture partners will provide a master lease for 30 months after funding or until break-even occupancy occurs, whichever comes first.

The contingent interest from operations will be 45% of the difference between the gross income and the base rental income. The base rental income will be the gross income after 30 months of shell funding or \$6.6 million, whichever is lower. The additional interest from a sale or refinancing will be 50% of the difference between the net sales price and the outstanding loan balance if a sale occurs or 50% of the difference between the appraised value and the mortgage balance if refinancing occurs.

Risk and Return - The estimated mortgage yield is 15% assuming a 6% rate of inflation in rents and property value over a ten year holding period. Given the historical rate of growth in the north Dallas area, this estimate may be conservative.

&name&

Bent Tree Bank Tower

June 12, 1984

Page Three

The loan to value ratio should be a maximum of 82%, and the debt coverage ratio should be a minimum of 1.1. The default risk is further minimized by the financial strength of the borrowers and the proven track record of the development team.

The major risk of this investment is the possibility that the proforma rents cannot be achieved. This could occur from an over-supply of or an under-demand for office space in this area. This section of Dallas should develop rapidly into a major office market as the Tollway Extension is completed. However, to minimize this risk, the mortgage structure provides for a lower loan amount and a lower base income amount if the proforma rental rates are not achieved.

Recommendations - Given the property, the borrower, the investment structure, and risk/return trade-offs, Piedmont Realty Advisors considers the proposed Bent Tree Bank Tower to be a good opportunity for a participating mortgage investment, and we recommend it to you.

If you have any questions, please feel free to call Bob Zerbst or Steve Grant since I will be moving my family to our new home in Reston, Virginia when you are reading this.

Sincerely,

Daniel B. Kohlhepp  
Vice President

DBK/jb

Exhibit I-1  
INVESTMENT SUMMARY  
BENT TREE NATIONAL BANK TOWER

Property: Bent Tree National Bank Tower -  
193,467 useable sf of office space;  
36,163 useable sf of bank space;  
6,606 useable sf of restaurant space;  
21,705 useable sf of retail space; and,  
475 space parking garage.

Location: Southwest corner of the Dallas Parkway  
and the Bent Tree Parkway, Dallas,  
Texas.

Land Area: 8.23 acres

Borrower: Bent Tree Office Park Joint Venture,  
Robert S. Folsom, General Partner

Lender: United States Fidelity & Guaranty  
Company

Loan Amount: \$ 41,000,000.00

Interest Rate: 11.25%

Term: 20 years

Amortization: Not applicable, interest only.

Call Option: At the end of the twelfth year, Lender  
will give borrower 12 months written  
notice of their intent to call the loan.

Prepayment: \*

- \* No prepayment through year 7.
- \* Prepayment fee of 5% in year 8,  
declining 1% per year to 1% in year  
12, and thereafter.
- \* No prepayment fee if Lender call  
loan.

Additional Interest:

A. Operations:

Lender receives 45% of the annual gross income (excluding expense reimbursements) in excess of a base amount. The base amount shall equal the annualized gross income (excluding any escalations) 30 months after initial funding. In no case shall the base amount exceed \$6,600,000. Additional interest payments made quarterly.

B. Sale or  
Refinancing:

Lender receives 50% of the difference between the net sales price and the outstanding loan balance if the property is sold or 50% of the difference between the appraised value and the outstanding loan balance if the property is not sold before the loan is called, refinanced or matures.

Commitment Fee:

\$820,000; \$410,000 in cash which is earned upon acceptance of the commitment, \$410,000 in an unconditional, irrevocable Letter of Credit which will be refunded to borrower at the sooner of: (1) closing or (2) execution of a tri-party agreement acceptable to Lender.

Holdbacks:

A. Tenant

Improvements: \$3,100,000; disbursed for actual cost not to exceed \$12 per square foot of useable area as space is leased and tenant improvements are completed.

B. Leasing  
Commissions: \$1,200,000; disbursed as commissions are paid not to exceed \$4.65 per square foot of useable area.

C. Economic  
Holdback: \$3,000,000; disbursed at a rate of \$2.94 per \$1.00 of gross income collected in excess of \$5,580,000. Borrower has 30 months to earn out the economic holdback.

Contingencies:

A. Engineering: This commitment will be contingent on the Lender receiving an engineering report approving the plans and specifications.

B. Leases: The Lender reserves the right to approve all leases subject to agreed leasing standards.

C. Market Value  
Appraisal: This commitment is contingent upon the Lender receiving market value estimate of the property from an MAI designated appraiser which is not less than \$50,000,000.

D. Master Lease: The general partner of the borrower shall master lease the building to breakeven. As third party leases are signed, the master lease will be reduced correspondingly. The term of the master lease will be 30 months or breakeven, whichever is sooner.

THE PROPERTY

## II. THE PROPERTY

### 1. Property Overview

Bent Tree Office Tower is a proposed mixed-use development located on 8.324 acres at the southwest corner of the North Dallas Parkway and Bent Tree Plaza Drive in Dallas, Texas. (See Exhibit II-2) The 324,716 square foot project will contain an 11-story office tower, a two-story bank facility, a retail center, and a parking garage. The property is located just north of Bent Tree Office Towers I and II and the structure will have the same brick and glass architectural theme. The site is phase one of a new three-phase project to be developed on an 18.865 acre tract. The building will feature a full height atrium combined with a glass wall at the northeast corner of the office tower. This should provide a dramatic statement of the property from the North Dallas Tollway.

At this time, the design drawings and preliminary engineering studies have been completed, and the full construction documents are in preparation. The construction of the property should begin in October, 1984 and the contractor will be Spring Valley Construction Company, a division of Folsom Investments. Construction should take 14 to 20 months, and the delivery date for the office space is estimated to be first quarter 1986. At this time Metroplex Bancshares, Inc., the holding company of Bent Tree National Bank, has committed to occupy the bank facility, and negotiations are under way to prelease the restaurant and the top two floors of the office tower.

The Bent Tree National Bank Tower will be part of the 1500 acre Bent Tree area, which has been developed over the past 15 years by Robert Folsom. Its setting and height is sensitive to the surrounding land uses and the country club views. (See Exhibit II-3).

### 2. Development Plan

The office tower will contain 193,467 square feet of useable area which converts to 228,291 square feet of rentable area. This represents a load factor of 18% which is market standard for atrium buildings in Dallas. The basement area is included in these figures and should lease substantially below the upper floors. The premium rents are expected for the ground and top floors. Also, the east side of the office building provides the best views of the country club and the larger Bent Tree development. The design of the office tower provides numerous corner offices as well as pointed conference room locations which exploit the views.

The bank facility will be occupied by Bent Tree National Bank which is currently located in Bent Tree Tower I. This bank has grown dramatically over the last few years increasing total assets from \$48.8 million in March, 1983 to \$74.4 million in March of this year. The Chairman of the Board of this bank is also part of the borrowing entity. The architectural firm for the project, Taylor-Hewlett, specializes in designing financial/office combinations. The configuration of the banking facility provides large open spaces, specialized delivery and central areas, proper vault placement, ability to separate lobby for separate hours of operation and extra parking facilities. A drive-in banking facility is to be constructed across the street from the site on the north side.

The west side of the project will front on Addison Road, and this will be the main entrance for the restaurant and retail facilities. This part of the complex will be one-story high and will have a less imposing, more human scale. The restaurant will be adjacent to the office tower and will connect to the parking garage. It will also provide views of the water feature which will be used to accentuate the separation of the bank and the parking garage. At this time, serious negotiations are under way with a restaurateur.

The retail facility is designed with 60 foot bays and should accommodate small, specialty retail shops which can cater to the needs of the adjacent office users.

(See Exhibits II-4a-g)

### 3. The Project Environment

There are two significant aspects of the project's environment: the completion of the North Dallas Tollway, and the Bent Tree area. The North Dallas Tollway is currently being expanded from Interstate 685 (LBJ Freeway) north to Trinity Mills Road, approximately 1/2 mile north of the property. At this time the land has all been acquired, and the contracts have been let to five different contractors who will simultaneously develop this tollway. The expected date of completion is late 1986. Access to the site from the Tollway will be from Keller Springs Road just south of the site and from Trinity Mills Road north of the site. There is also an underpass at West Grove Drive and Sojourn Drive to provide east and west access to the site. These access provisions should provide the project with good accessibility, but it will not be burdened with the additional congestion which the toll exits cause. (See Exhibit II-6a-b).

The Bent Tree area which has been master planned and developed by Robert Folsom provides a quality residential environment which also has good access, shopping opportunities and office facilities. (See Exhibit II-7). Bent Tree Country Club, which is in the heart of the Bent Tree area, is one of the most prestigious country clubs and golf courses in Dallas. Just east of the Bent Tree Country Club is the Preston Trails Country Club which is also considered a quality course and the traditional home of the Byron Nelson Classic. The development of residential areas around these two golf courses has attracted the Dallas affluent. Home prices range from \$350,000 to over \$1 million. Consequently, the office market in this area is dominated by smaller space users who are independent professionals or entrepreneurs who desire an office location which provides access to the greater Dallas-Fort Worth area but is also adjacent to their home and country club.

The completion of the North Dallas Tollway, together with the existing ambiance of the Bent Tree area, should make the proposed office complex very marketable.

#### 4. Project Economics

The entire project has a development cost of \$45 million. This figure allows for a 24 month interim financing and reduces to \$150 per rentable square foot. (See Exhibit II-8). The proforma rental rates are shown in Exhibit II-9 on a useable and rentable square foot basis. The stabilized net operating income is estimated to be \$5.1 million. (See Exhibit II-10).

EXHIB II-1  
DALLAS AREA MAP

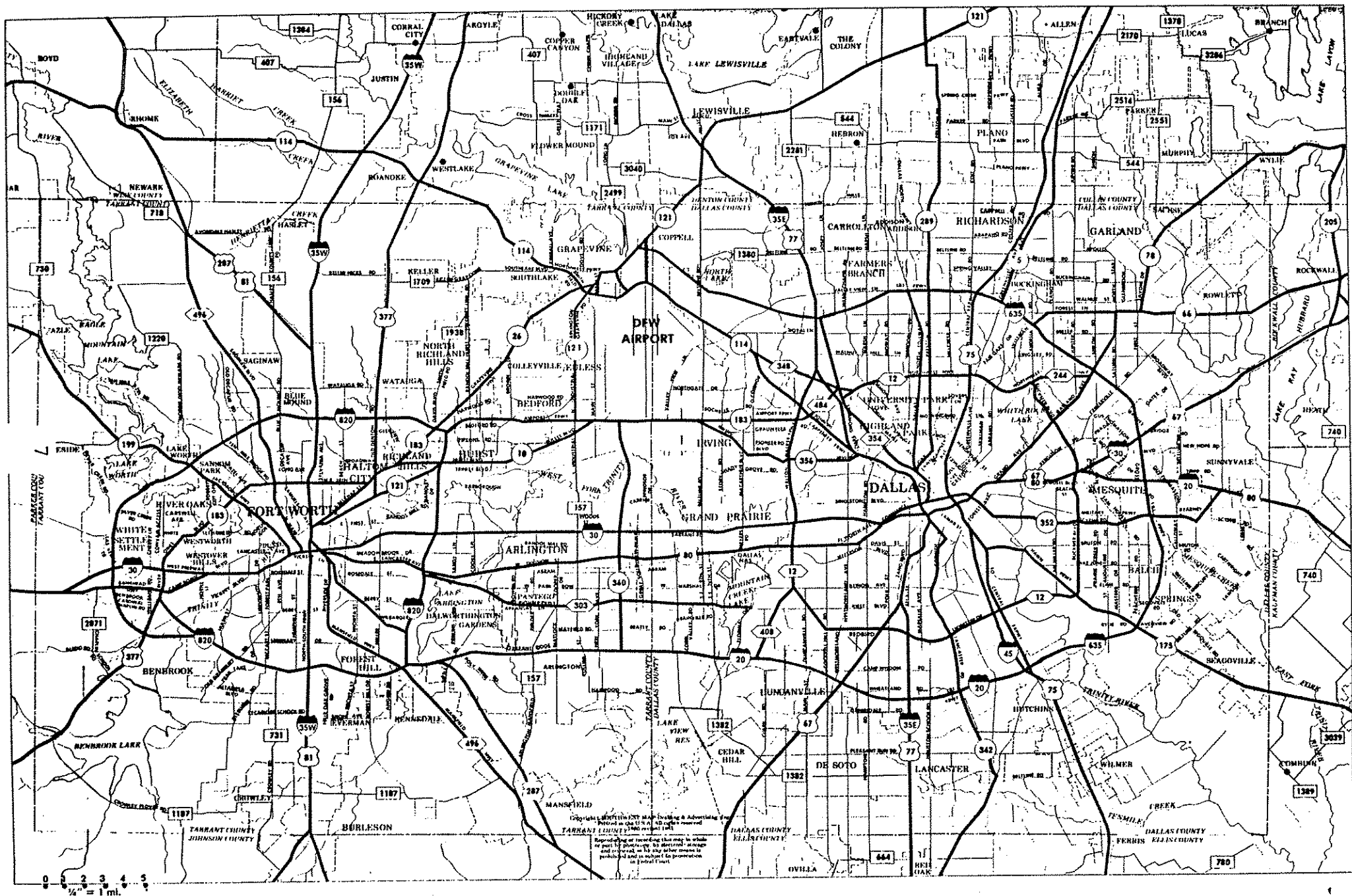
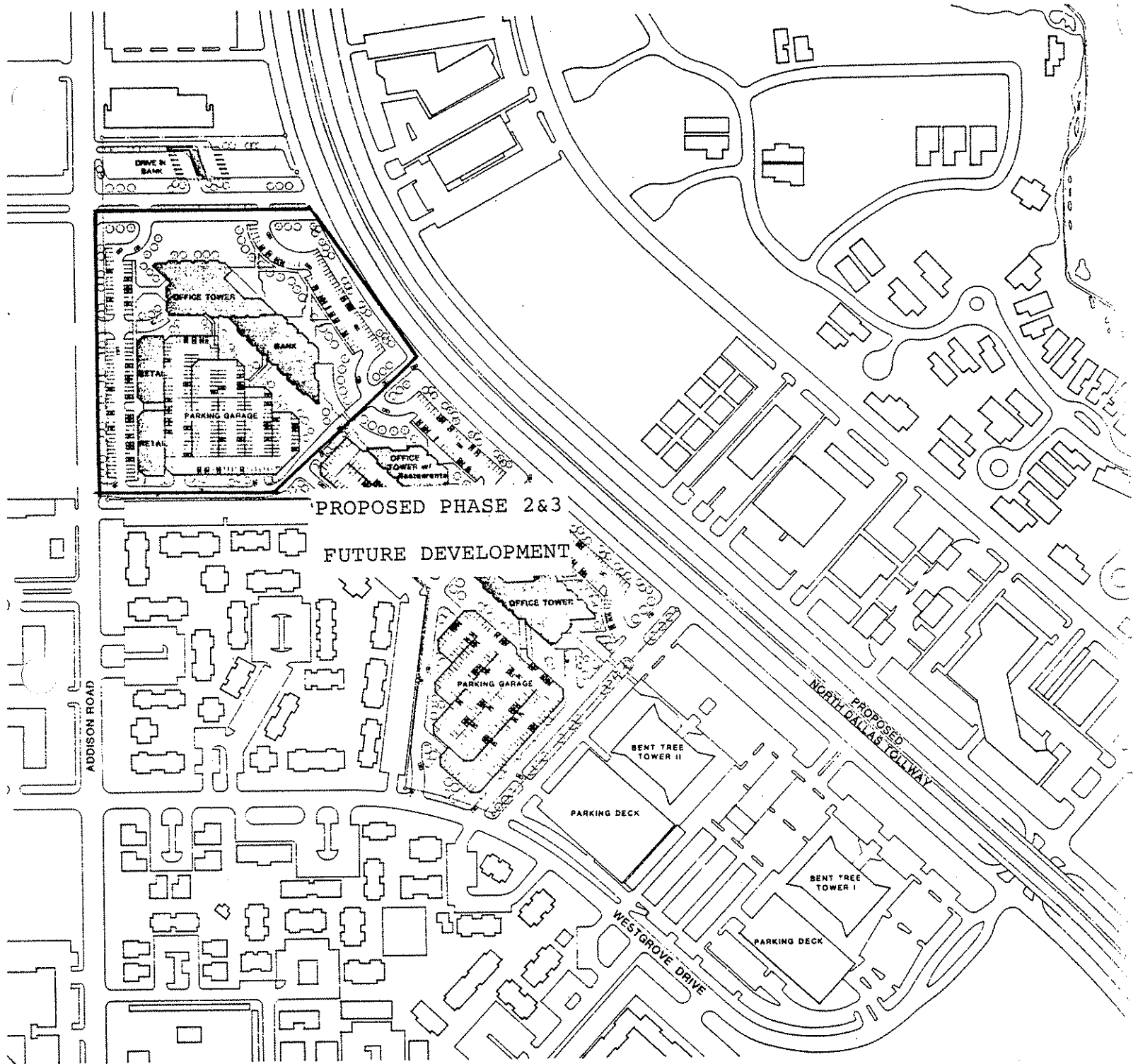
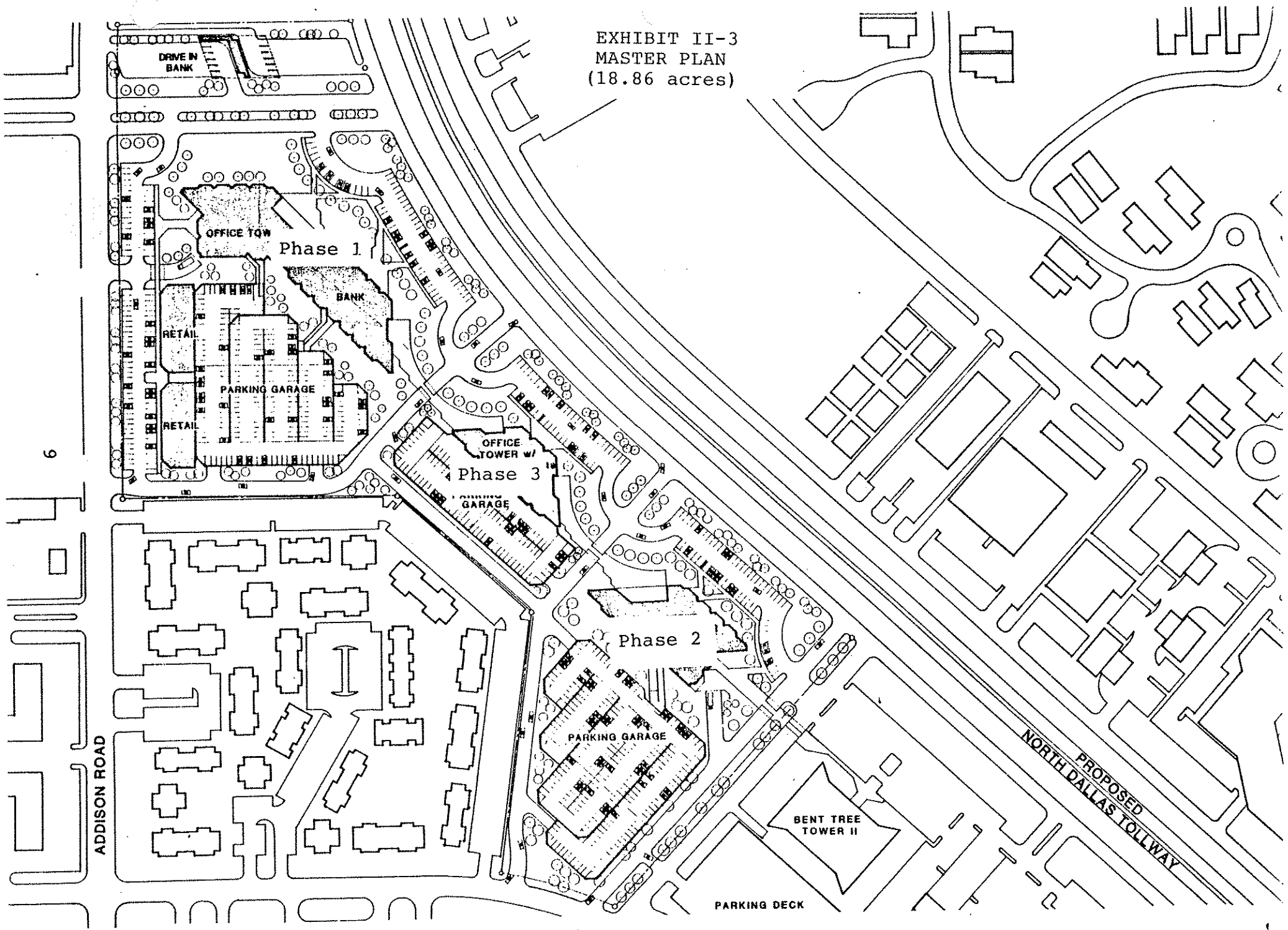


EXHIBIT II-2  
VICINITY MAP



Interiors - First Texas Tower Suite 200 - 14951 Dallas Parkway Dallas, Texas 75240 - 214/

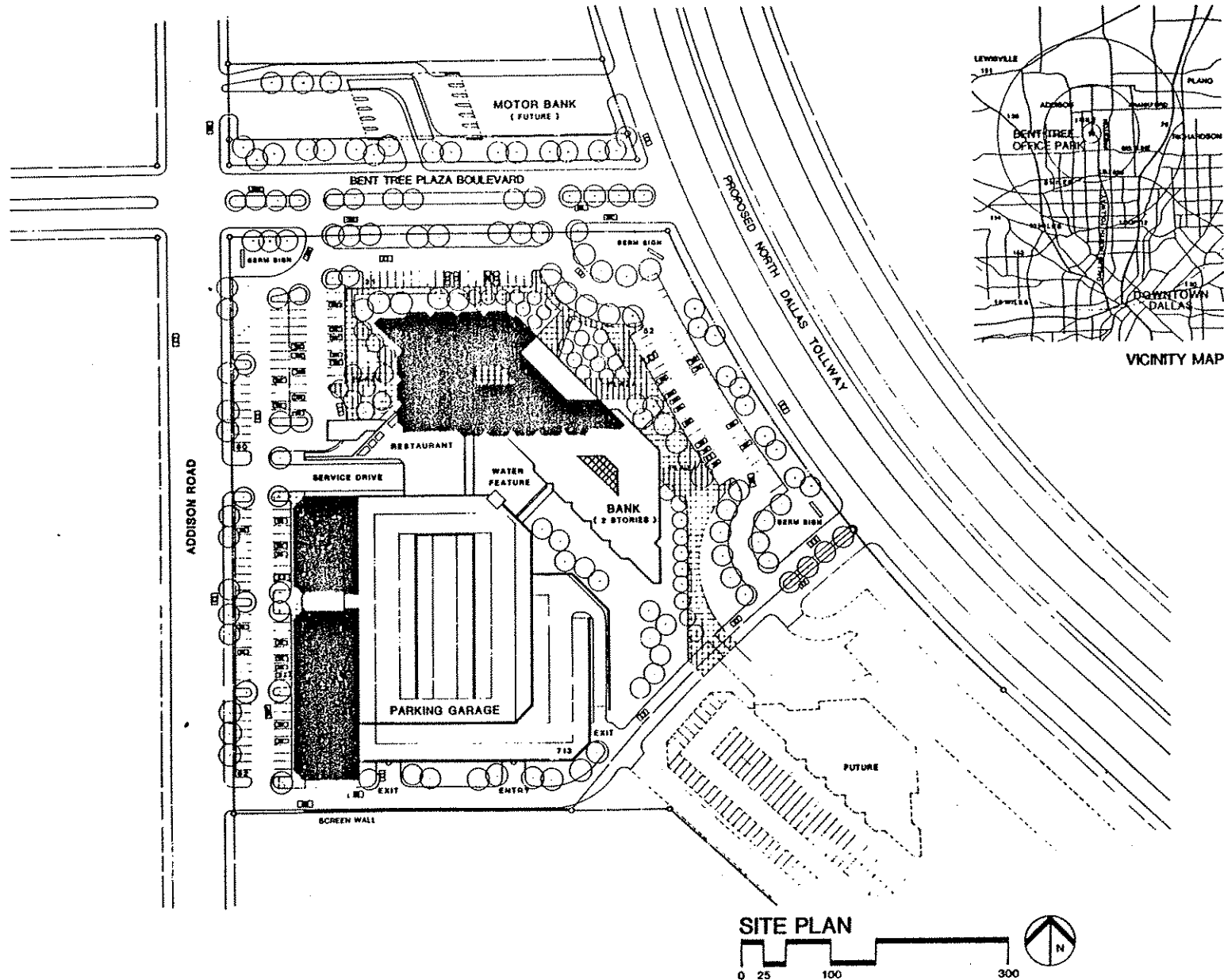
EXHIBIT II-3  
MASTER PLAN  
(18.86 acres)



MASTER SITE PLAN



# EXHIBIT II-4a SITE PLAN



Taylor-Hewlett, Inc.  
ARCHITECTURE  
PLANNING  
INTERIORS

First Texas Tower  
Suite 200  
1409 Dallas Parkway  
Dallas, Texas 75240  
214/960-1130

## BENT TREE BANK TOWER

North Dallas Parkway  
Dallas, Texas

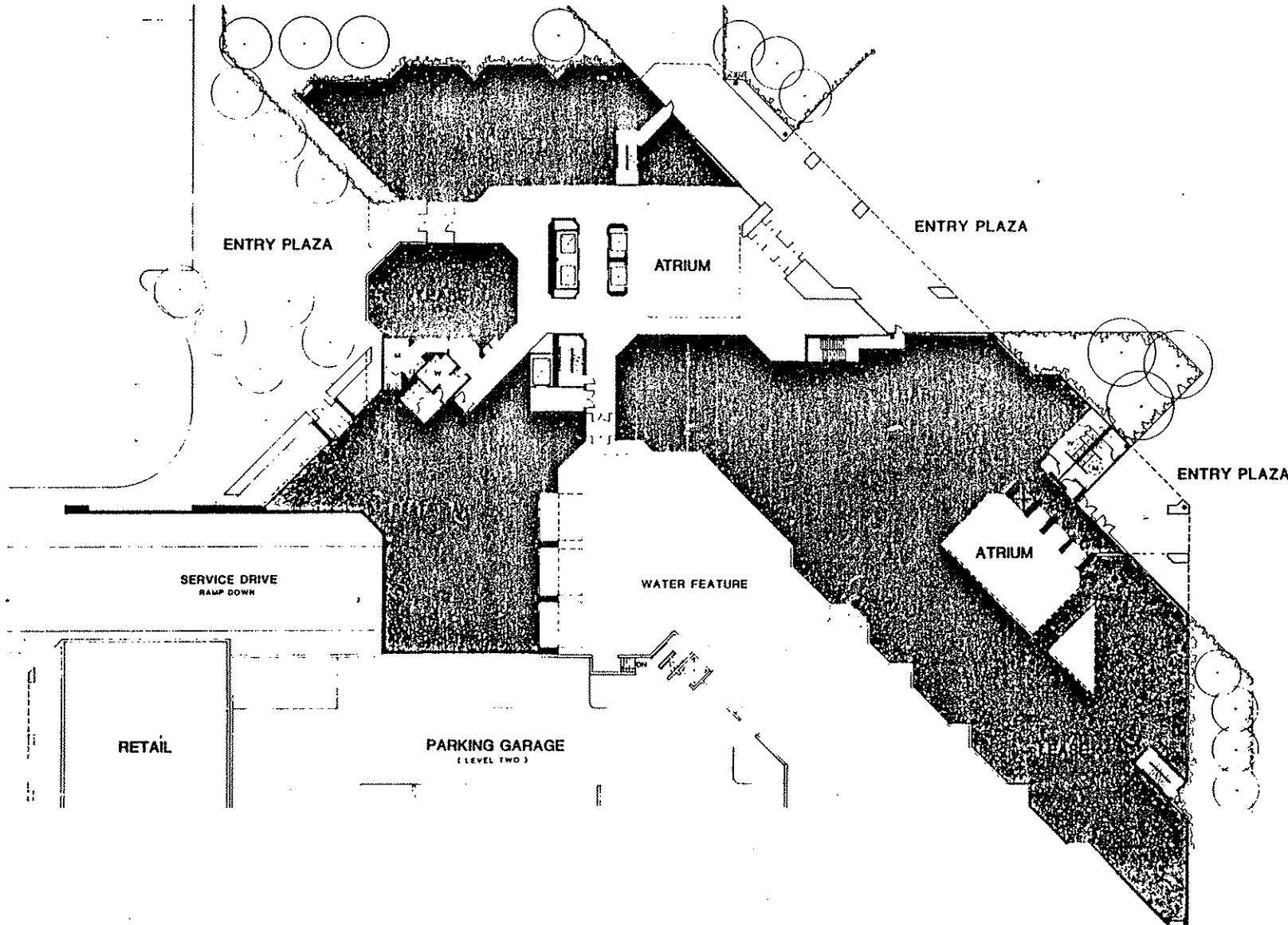
Folsom Investments Inc.

DATE	REVISION	BY
8-82	REVISION	TH

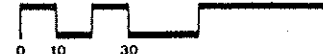
PROJECT 821018

Sheet  
**A-1**

EXHIBIT II-4b  
GROUND FLOOR PLAN



GROUND FLOOR PLAN



Taylor-Hewlett, Inc.  
ARCHITECTURE  
PLANNING  
INTERIORS

First Floor Tower  
July 2000  
1475 Dallas Parkway  
Dallas, Texas 75240  
214/960-1100

BENT TREE  
BANK  
TOWER

North Dallas Parkway  
Dallas, Texas

Folsom Investments Inc.

DATE	REVISION FOR	BY
11/8/82	WORK-SIDE TWO	

PROJECT 821018

SHEET **A-3**

EXHIB II-4c  
TYPICAL FLOOR PLAN



Taylor-Hewitt, Inc.  
ARCHITECTURE  
PLANNING  
INTERIORS

Red Bank Tower  
1400 Dallas Parkway  
Dallas, Texas 75201  
214/260-1100

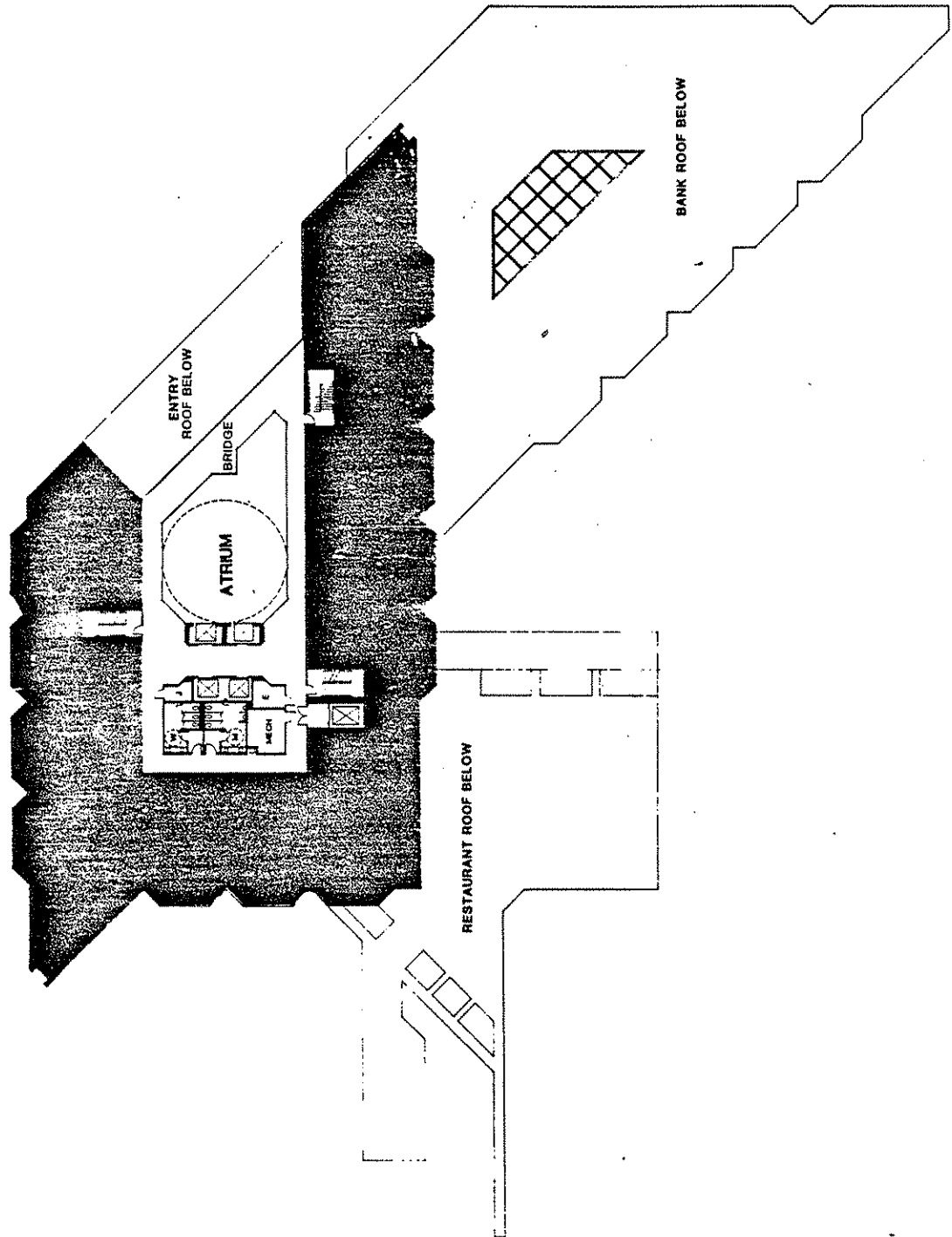
BENT TREE  
BANK  
TOWER

North Dallas Parkway  
Dallas, Texas

Folsom Investments Inc.

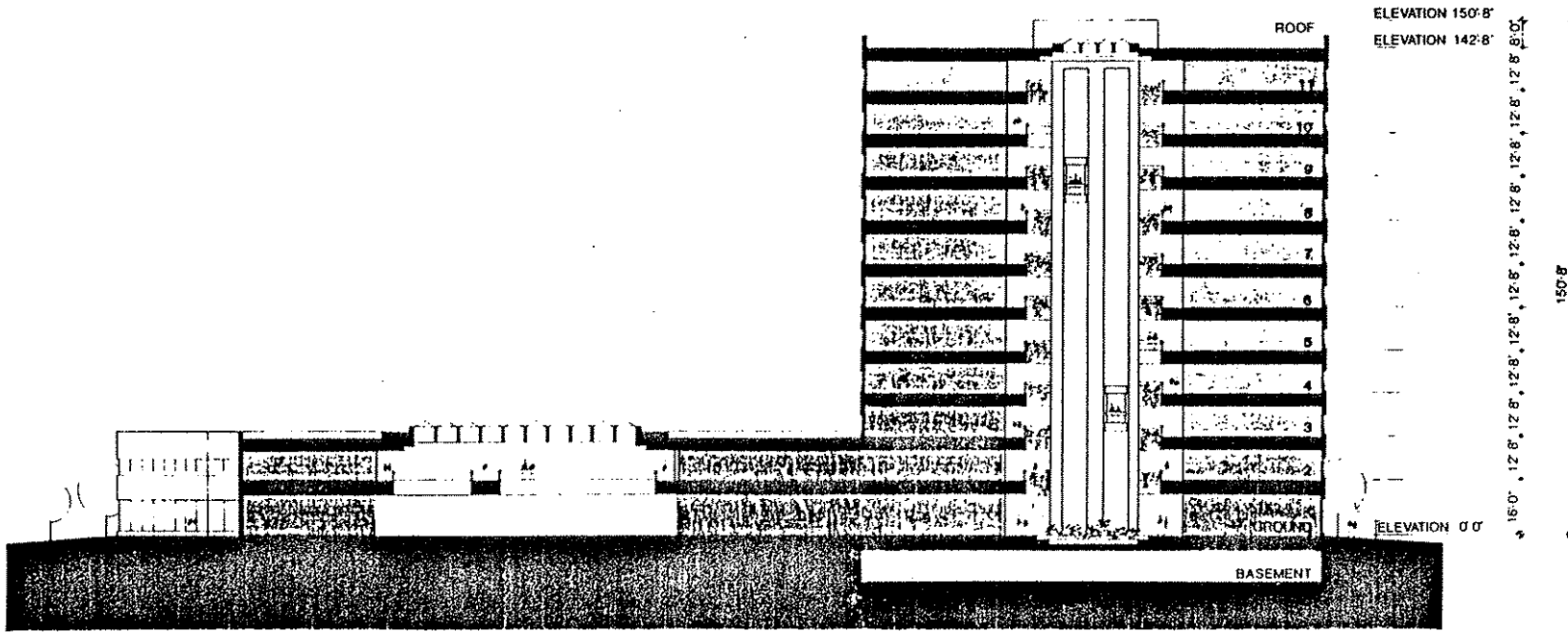
DATE	11.8.85	REVISION	12/27/85
BY	TH	BY	TH
CHECKED	TH	CHECKED	TH
APPROVED	TH	APPROVED	TH

PROJECT	821018
DATE	11.8.85
SCALE	A-5



TYPICAL FLOOR PLAN  
0 10 30 90

EXHIBIT II-4d  
BUILDING SECTION



BUILDING SECTION



Taylor-Hewlett, Inc.

First Texas Tower  
Suite 200  
14051 Dallas Parkway  
Dallas, Texas 75240  
214-260-1100

BENT TREE  
BANK  
TOWER

North Dallas Parkway  
Dallas, Texas

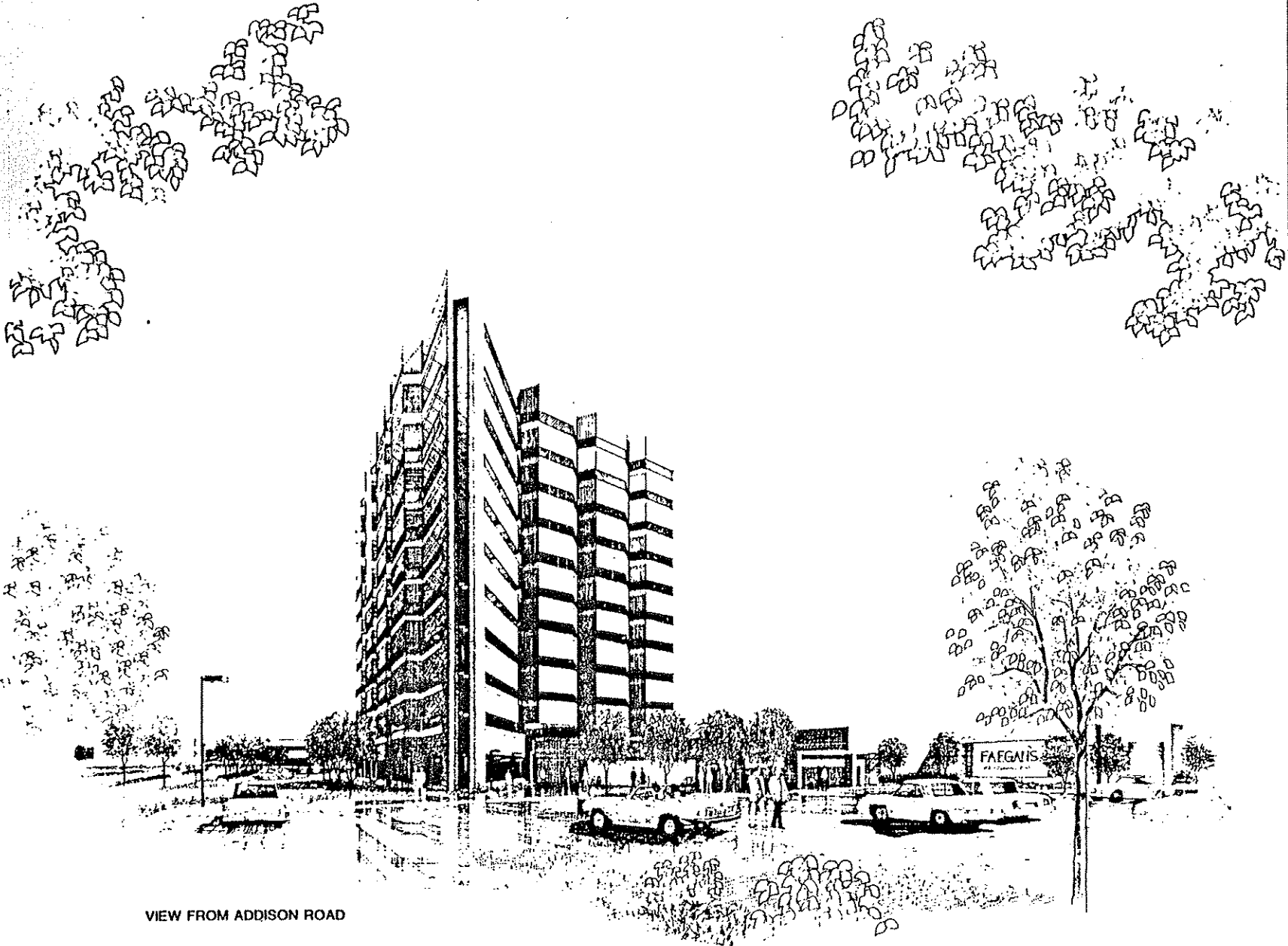
Folsom Investments Inc.

DATE: 11/10/82 DRAWN BY: J. H. H. CHECKED BY: J. H. H.

PROJECT: 821018

DATE: 11/10/82  
**A-11**

EXHIBIT II-4e  
VIEW FROM ADDISON ROAD



VIEW FROM ADDISON ROAD



Taylor-Hewitt, Inc.

ARCHITECT  
PLANNERS  
INTERIORS

First Texas Tower  
Suite 200  
1409 Dallas Parkway  
Dallas, Texas 75240  
214.760-1106

BENT TREE  
BANK  
TOWER

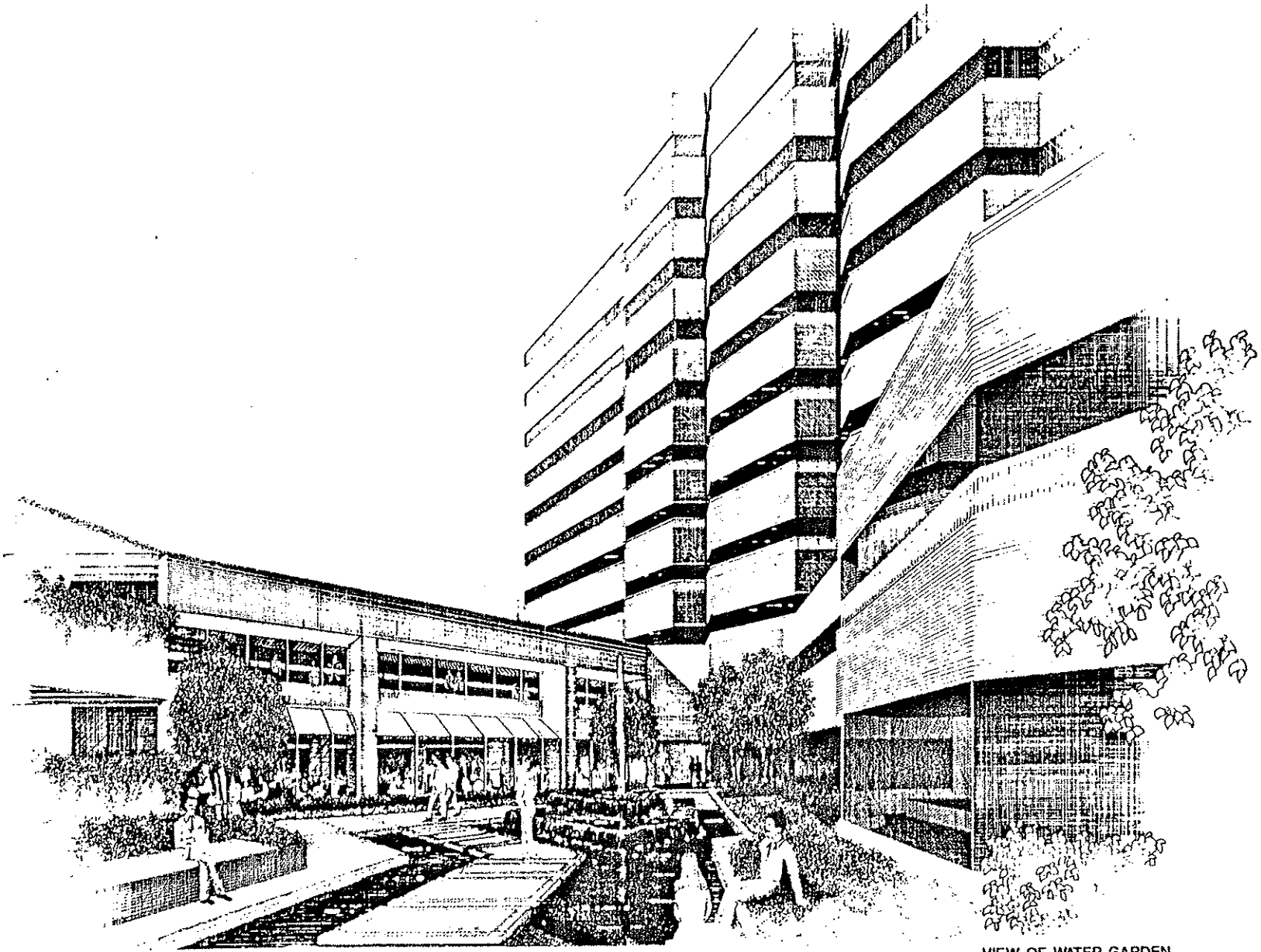
North Dallas Parkway  
Dallas, Texas

Folsom Investments Inc.

DATE ISSUED FOR

PROJECT 821018  
DATE A-12

EXHIB II-4f  
VIEW OF WATER GARDEN



VIEW OF WATER GARDEN



Taylor-Hewitt, Inc.

ARCHITECT  
PLANNER  
ENGINEER

First Floor Tower  
Suite 200  
4699 Dallas Parkway  
Dallas, Texas 75240  
214 960 1136

BENT TREE  
BANK  
TOWER

North Dallas Parkway  
Dallas, Texas

Folsom Investments Inc.

DATE: 11/14/81 FOR: OWNER

PROJECT 821018

DATE: 11/13

EXHIBIT II-4g  
HYPOTHETICAL FLOOR PLAN

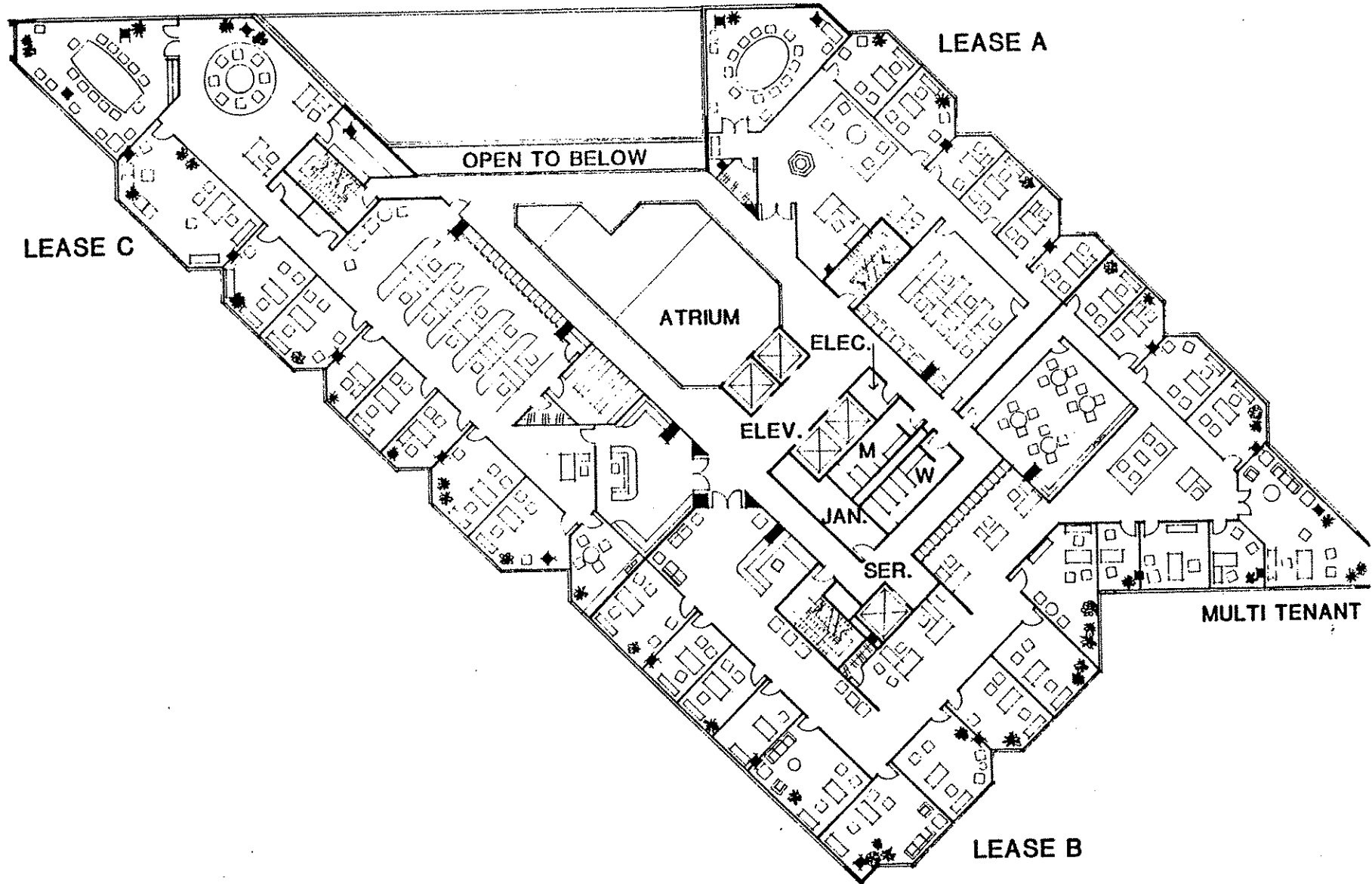


EXHIBIT II-5  
PROJECT CALCULATIONS

SQUARE FOOTAGES FOR:  
**BUILDING TABULATIONS**  
11 STORY OFFICE TOWER/2 STORY BANK/RESTAURANT-BAR/RETAIL

**OFFICE TOWER**

FLOORS	CONSTRUCTION AREA	RENTABLE AREA	COMMON AREA	USEABLE AREA
BASEMENT	21,577	20,727	7,742	12,985
GROUND	16,057	15,334	8,349	6,985
SECOND	15,924	15,219	5,495	9,724
THIRD	22,353	21,487	3,290	18,197
FOURTH	22,353	21,487	3,290	18,197
FIFTH	22,353	21,487	3,290	18,197
SIXTH	22,353	21,487	3,290	18,197
SEVENTH	22,353	21,487	3,290	18,197
EIGHTH	22,353	21,487	3,290	18,197
NINTH	22,353	21,487	3,290	18,197
TENTH	22,353	21,487	3,290	18,197
ELEVENTH	22,353	21,487	3,290	18,197
SUB TOTAL	254,735	244,663	51,196	193,467

**BANK FACILITY**

GROUND	21,429	21,005	488	20,516
SECOND	20,241	19,886	4,239	15,647
SUB TOTAL	41,670	40,891	4,727	36,163

**RESTAURANT**

GROUND	6,606	6,606	-	6,606
--------	-------	-------	---	-------

TOTAL OFFICE 303,011 292,160 55,923 236,236

RETAIL CENTER 21,705 21,705 - 21,705

GRAND TOTAL 324,716 313,865 55,923 257,941

CONSTRUCTION AREA: CONSTRUCTION AREA SQUARE FOOTAGES REPRESENT THE TOTAL SQUARE FOOTAGE AREA OF THAT FLOOR FROM EXTERIOR BLDG. FACE TO EXTERIOR BLDG. FACE.

RENTABLE AREA: RENTABLE AREA SQUARE FOOTAGE REPRESENT THE TOTAL SQUARE FOOTAGE AREA OF THAT FLOOR WHICH CAN BE RENTED. THESE AREAS INCLUDE ALL FUNCTIONAL AREA (OFFICE, BANK, RESTAURANT) AND ALL COMMON AREAS. (SEE DEFINITION OF COMMON AREA BELOW.)

FORMULA: CONSTRUCTION AREA - MAJOR PENETRATIONS (STAIRS, ELEV.) = RENTABLE AREA

SQUARE FOOTAGES FOR:  
**SITE TABULATIONS**  
% AREA COVERAGE

COMPONENT	SF	ACRES	%
OFFICE BUILDING/BANK	43,371	.996	12.0%
RETAIL	18,616	.427	5.1%
PARKING GARAGE	73,218	1.681	20.2%
STREETS & SURFACE PARKING	100,876	2.316	27.8%
OPEN SPACE	126,507	2.904	34.9%

TOTAL LAND 362,588 8.324 100%

PARKING SPACES REQUIRED & PROVIDED  
**PARKING TABULATIONS**  
REQUIRED

OFFICE TOWER (1/300 USEABLE)	=	188,242 SF	=	627
BANK (1/300 USEABLE)	=	36,563 SF	=	122
RESTAURANT (1/100 RENTABLE)	=	6,587 SF	=	66
RETAIL (1/200 RENTABLE)	=	18,616 SF	=	93

TOTAL CARS 908

**PROVIDED**

SURFACE PARKING	195
GARAGE PARKING - FREE PARKING	55
TENANT PARKING	658

TOTAL CARS 908

COMMON AREA: COMMON AREA SQUARE FOOTAGES REPRESENT THE TOTAL SQUARE FOOTAGE AREA OF THAT FLOOR WHICH IS USED BY ALL TENANTS. THESE AREAS INCLUDE: TOILETS, MECHANICAL, ELECTRICAL, JANITORIAL, CORRIDORS, VESTIBULES, LOBBIES.

USABLE AREA: USABLE AREA SQUARE FOOTAGES REPRESENT THE TOTAL SQUARE FOOTAGE AREA OF THAT FLOOR WHICH IS USED FOR FUNCTIONAL PURPOSES ONLY. THESE AREAS INCLUDE OFFICE SPACE, BANK SPACE, RESTAURANT SPACE, AND RETAIL SPACE.

FORMULA: RENTABLE AREA - COMMON AREA = USABLE AREA.



Taylor-Hewlett, Inc.

ARCHITECTURE  
PLANNING  
INTERIORS

First Texas Tower  
Suite 300  
1425 Dallas Parkway  
Dallas, Texas 75240  
214/960-1136

**BENT TREE  
BANK  
TOWER**

North Dallas Parkway  
Dallas, Texas

Folsom Investments Inc.

DATE	REVISION
11-8-82	NOTES

PROJECT 821018

**A-14**

## NORTH DALLAS TOLLWAY EXTENSION



### Figure 1 Location Map

EXHIBIT II-6b  
AERIAL VIEW

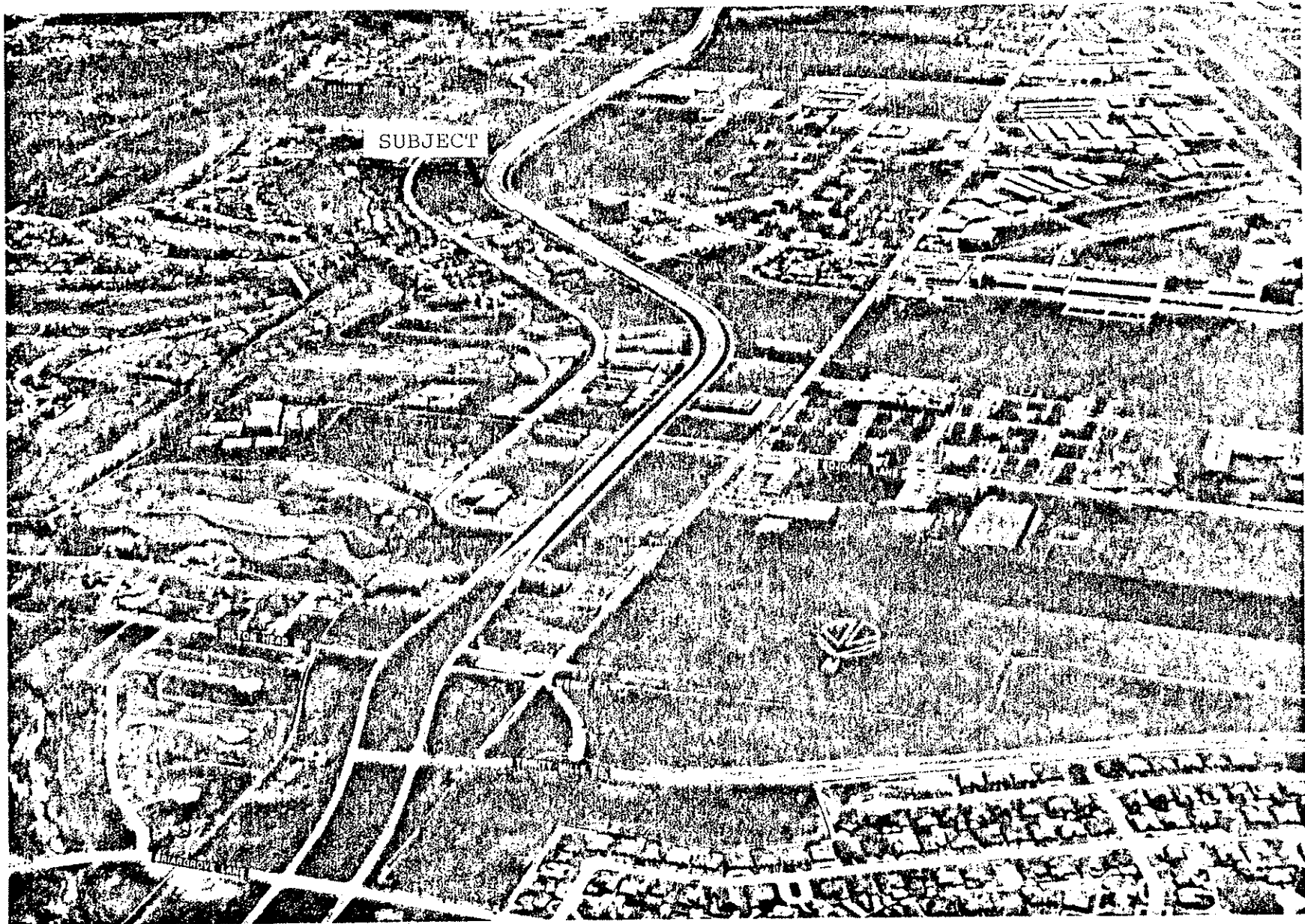


Figure 4 Oblique View — Trinity Mills Road to Keller Springs Road

## 20



EXHIBIT II-8  
DEVELOPMENT BUDGET  
BENT TREE BANK TOWER

Building Size				
Gross Contruction Area	324,716 Square Feet			
Rentable Area	298,189 Square Feet			
Usable Area	257,951 Square Feet			
Land				
362,593 sq ft @ 25 psf	Total	psf gross	psf rentable	psf usable
	9,065,000	27.92	30.40	35.14
Direct Construction Costs				
Building Shell. Parking Garage, & Landscaping	17,800,000			
Tenant Finish Allowance @ 12 per usable sq ft	3,100,000			
Total Direct Costs	20,900,000	64.36	70.09	81.02
Indirect Costs				
Legal & Accounting	100,000			
Architectural & Engineering	700,000			
Leasing Commissions	1,200,000			
Financing Fees	1,230,000			
Interim Financing	8,000,000			
Negative Cash Flow Reserve	3,800,000			
Total Indirect Costs	15,030,000	46.29	50.40	58.27
Total Costs	44,995,000	138.57	150.89	174.43

Exhibit II-9  
PROFORMA 1986 LEASE RATES

	<u>Useable</u>	<u>Load</u>	<u>Rentable</u>
Office Space			
Area	193,467 sf	18%	228,291
Rate	\$27/sf	18%	22.88
Expense Stop	\$6.50/sf	18%	5.50
Bank			
Area	36,163 sf	15%	41,587
Rate	\$26/sf	15%	22.61
Expense Stop	\$6.50/sf		5.65
Restaurant			
Area	6,606 sf	0%	6,606
Rate	\$17.50/sf	0%	17.50
Expense Stop	\$6.00/sf	0%	6.00
Retail			
Area	21,705 sf	0%	21,705
Rate	\$19/sf	0%	19.00
Expense Stop	0	0%	0
Parking			
Spaces	475		
Rate	\$50/mo		

EXHIBIT II-10  
PROFORMA INCOME AND EXPENSES  
BENT TREE BANK TOWER

Gross Income		
Office Space		
228291 sq. ft. @ 22.88 psf		5,223,298
Bank Space		
41587 sq. ft. @ 22.61 psf		940,282
Restaurant Space		
6606 sq. ft. @ 17.50 psf		115,605
Retail Space		
21705 sq. ft. @ 19.00 psf		412,395
Parking Spaces		
475 Spaces @ 50 per Month		285,000
Total		6,976,580
less: Vacancy Allowance @ 5 %		348,829
Effective Gross Income		6,627,751
less: Operating Expenses		
Office Space		
228291 sq. ft. @ 5.50 psf		1,255,601
Occup	1.01	
Utilities	1.56	
Repairs	0.54	
Admin	0.38	
Taxes & Ins	1.24	
Misc	0.77	
Bank Space		
41587 sq. ft. @ 5.65 psf		228,729
Occup	1.03	
Utilities	1.60	
Repairs	0.56	
Admin	0.39	
Taxes & Ins	1.27	
Misc	0.79	
Restaurant Space		
6606 sq. ft. @ 6.00 psf		39,636
Occup	1.28	
Utilities	1.98	
Repairs	0.69	
Admin	0.49	
Taxes & Ins	1.57	
Retail Space		
Direct Pass Through		0
Total		1,523,965
Net Operating Income		5,103,786
less: Mortgage Payment		
41,000,000 * 11.15 %		4,612,500
Cash Flow		491,286
Debt Coverage Ratio		1.11

## MARKET OVERVIEW

### III. MARKET OVERVIEW

#### 1. Introduction

The Dallas-Fort Worth Metropolitan area, encompassing 11 counties and 144 incorporated cities, ranks as the nation's seventh largest SMSA with an estimated population of over 3.1 million people. This rapidly growing area has a well diversified economic base, extensive transportation facilities, and a favorable business and political climate. The major components of the local economy are manufacturing, warehousing and distribution, and finance, insurance and real estate.

#### 2. The Office Market

The Dallas area office market contains 95 million square feet (76 million of multi-tenant space), and there is 17.9 million square feet under construction. During the last 6 months of 1983, there was a net gain in occupied office space of 6 million square feet. Annual absorption over the last five years has averaged 6.5 million square feet. The greatest gain in occupied space was the Central Business District followed by the LBJ Corridor and Los Colinas. While office absorption was increasing, office construction decreased. In July 1982, approximately 25.8 million square feet were under construction; by July 1983, that total was 19.3 million; and at the end of 1983, only 17.6 square feet were being developed. Even so, the vacancy rate in existing multi-tenant buildings is 21% citywide.

The historic absorption and construction of office space in Dallas is shown in Exhibit III-1.

#### 3. Far North Dallas Office Submarket

The Far North Dallas office submarket was one of the few areas that had more space under construction at the end of 1983 than six months earlier. This submarket is contrasted with the CBD and LBJ Corridor in Exhibit III-2. While this area had 3% of the total office market, it accounted for 4% of all absorption and 5% of multi-tenant absorptions. The area also accounts for 9% of the new construction in Dallas.

The overall vacancy rate in this area is 27% which can be broken down to 40% for Class A office buildings and 7.5% and 5% for Class B and C space respectively.

#### 4. The North Dallas Parkway Office Corridor

To better define the competitive market for the proposed Bent Tree Office Tower, Piedmont Realty Advisors surveyed 24 buildings along the North Dallas Parkway from Alpha Road north to the subject property. (See Exhibits III-3 and III-4). This area will be most impacted by the tollway extension and will represent direct competition. There were 3.6 million square feet in this survey and 45% is currently vacant. However, when the buildings less than six months old are excluded, the vacancy rate drops to 20%.

For the midrise office space, quoted rental rates range from \$16.75 to \$23.50 and operating expense stops range from \$3.25 to \$5.00. Brokers report standard rent concessions of 12 months for a 60 month lease. Ten year lease terms are becoming common with five year fixed rates and renegotiation provisions in the sixth year. The load factors common areas range between 10% and 18% for atrium buildings.

#### 5. Bent Tree Towers Area

The most competitive buildings will be Bent Tree Towers I and II which have 99% and 95% occupancy levels respectively. The quoted street rates for new tenants range from \$18.00 to \$19.00 with an 18% load factor. (See Exhibit III-5). No rent concessions are given at this time. These two buildings also have the highest load factor in the surveyed properties of 18%.

There are several garden office buildings directly east from the subject which will be indirect competition for the proposed building. These buildings have rental rates ranging from \$13.50 to \$18.50 and have current occupancy rates near 100%.

#### 6. Retail Market Summary

The retail market for small retail shops in the North Dallas area appears active and strong. (See Exhibit III-6). New retail space just north of the subject site is currently leasing for \$15 - \$17 per square foot and new specialty centers one mile south of the subject are quoting \$25 - \$30 rates. The proforma rental rates of \$19 in 1986 appear to be conservative and should be easily achieved.

## 7. Future Competition

The North Dallas Tollway corridor should become a major office center over the next five years. As an indication of the market trends in this area, Rice Institute recently provided the following historical perspective and future growth predictions:

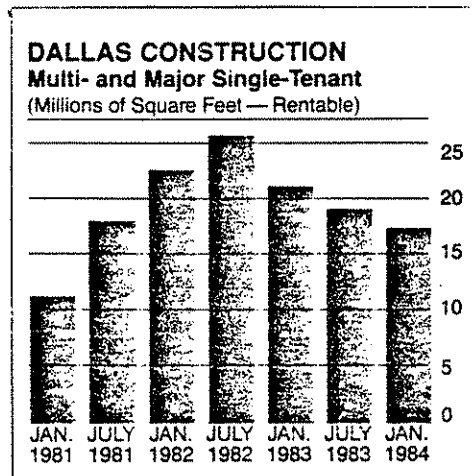
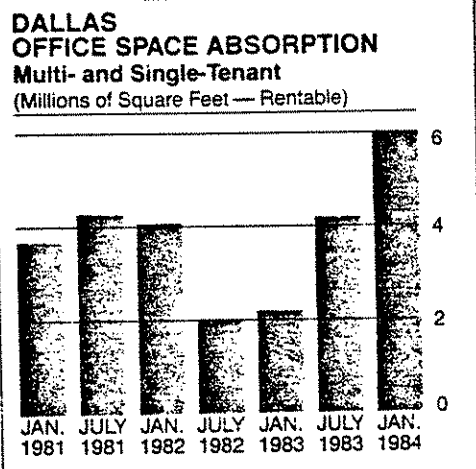
1970	38,286 net square feet in 4 buildings
1975	551,461 net square feet in 14 buildings
1980	2,906,995 net square feet in 71 buildings
1986	12,861,052 net square feet in 139 buildings

While there will be significant office growth in this market, the Bent Tree area will be insulated somewhat from direct competition because of deed restrictions limiting office development in adjacent land uses and height restrictions from the Addison airport.

## 8. Conclusions

The North Dallas Parkway area is one of the fastest growing office submarkets in Dallas, and it should arrive as a major submarket when the Tollway extension is completed. This area has good access to the greater Dallas area, and it is adjacent to prestigious, high-end residential and country club developments. The existing rental rates suggest that the subject property should be able to achieve its target rental rates by 1986. The success of Bent Tree Towers I and II and Folsom's control over the entire Bent Tree area justify further development of the immediate area with Bent Tree Bank Tower.

**EXHIBIT III-1  
DALLAS ABSORPTION AND CONSTRUCTION**



Source: The Swearingen Report

Exhibit III-2  
OFFICE SUBMARKET COMPARISONS  
July 1983 - January 1984

Single and Multi-Tenant Space

	<u>Space Available</u>	<u>Net Absorption</u>	<u>Under Construction</u>
Dallas Area	94,669,871 100%	6,035,828 100%	17,881,228
CBD	29,055,352 31%	1,744,289 29%	5,910,900 33%
LBJ Freeway	16,955,466 18%	1,598,639 26%	2,752,919 15%
Far North Dallas	3,129,358 3%	234,020 4%	1,524,500 9%

Multi-Tenant Only

	<u>Space Available</u>	<u>Net Absorption</u>	<u>Vacancy</u>
Dallas Area	76,074,314 100%	5,058,178 100%	21.5%
CBD	23,660,352 31%	1,019,289 20%	17.7%
LBJ Freeway	15,561,841 21%	1,478,639 29%	17.2%
Far North Dallas	2,349,883 3%	230,770 5%	27.3%

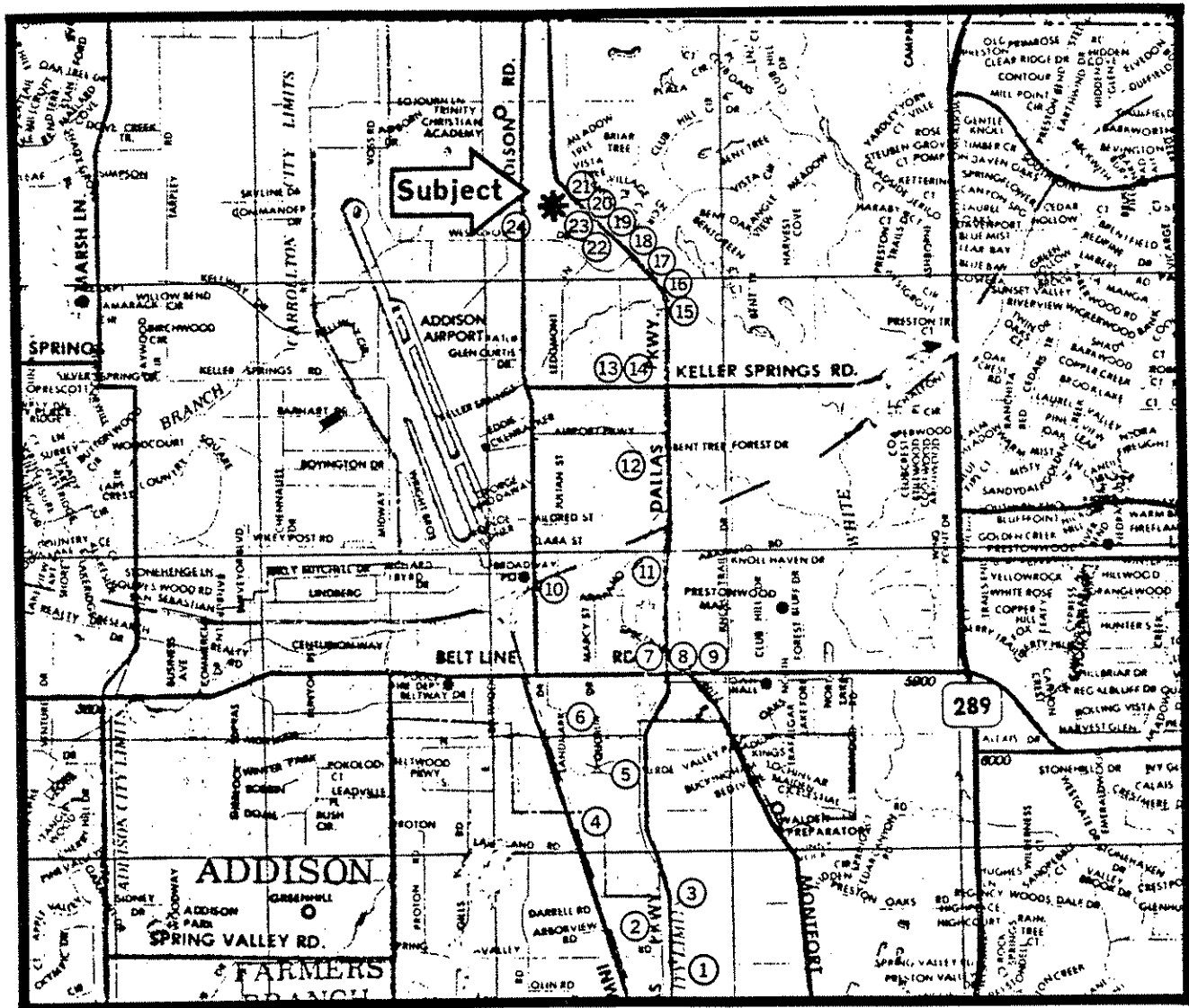
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Source: The Swearingen Report  
Piedmont Realty Advisors

EXH. P III-3  
SUMMARY OF COMPETITIVE OFFICE SPACE  
NORTH DALLAS TOLLWAY

MAP #	PROJECT NAME	DATE COMPLETED	TOTAL SQ FT	FLOORS	SQ FT AVAILABLE	OCCUPANCY RATE	RENTAL RATE	ADD FACTOR	EXPENSE STOP
1	Spring Valley Center	3/84	111,950	7	50,000	55%	\$20-\$23	17.0%	\$4.00
2	Stanford Corp Center	11/84	262,000	14	262,000	0%	\$23.50	14.0%	\$4.00
3	Pacific Center II	8/84	110,000	9	105,000	5%	\$20.50	12.0%	\$4.25
4	Atrium @ Northridge	4/82	370,000	9	159,000	57%	\$16-\$17	15.7%	\$3.25
5	5000 Quorum	9/84	160,000	7	160,000	0%	\$19-\$21	10.0%	\$4.25
6	14881 Quorum	1/85	145,000	9	123,000	15%	\$20-\$24	16.0%	\$4.25
7	Spectrum Center I	5/83	541,000	12/12	162,300	70%	\$21-\$24	15.0%	\$4.00
8	Texas American Bank	/83	91,000	6	7,200	92%	\$18.50	12.4%	\$3.75
9	Prestonwood Tower	/80	240,000	2	36,000	85%	\$16.50		\$4.50
10	Palmer Ctr Phase I	3/84	114,000	5	91,000	20%	\$20.00	10.0%	\$3.75
11	Colonnade/Republic	6/83	285,000	12	57,000	80%	\$19-\$22	14.5%	\$5.00
12	The Madison	7/84	291,000	12	261,900	10%	\$21.00	14.0%	\$4.25
13	Liberty Plaza I	/81	97,000	5	4,850	95%	\$17.10		\$4.00
14	Liberty Plaza II		120,000	6	120,000	0%	\$21-\$22		\$4.25
15	Fairways I	/78	28,568	2	0	100%	\$18.50		\$5.25
16	Fairways II	/80	30,039	2	0	100%	\$18.50		\$5.25
17	Bent Tree Plaza II	/83	34,886	2	0	100%	\$16-\$18		\$3.50
18	Bent Tree Plaza III	/83	28,480	2	0	100%	\$17-\$20		\$3.50
19	Parkway North	/80	64,000	2/2	0	100%	\$14.50		\$3.00
20	Dallas Parkway	/80	21,000	3/2	0	100%	\$14-\$15		NA
21	Dallas Parkway	/79	29,831	2	298	99%	\$13.50		CPI
22	Bent Tree Tower I	/80	139,661	8	1,350	99%	\$18-\$19		CPI
23	Bent Tree Tower II	5/82	170,603	8	9,200	95%	\$18-\$19	18.0%	CPI
24	Atrium @ Bentre	/82	120,000	6	18,000	85%	\$16.75		\$4.00
TOTAL			3,605,026		1,628,178	55%			

EXHIBIT III-4  
PLOTTED MAP OF  
COMPETITIVE OFFICE SPACE  
NORTH DALLAS TOLLWAY



Numbers 1-24  
Correspond to  
Exhibit III-3

EXHIBIT III-5  
CURRENT RENT RATES IN  
BENT TREE TOWERS I & II

<u>FLOOR</u>	<u>RENT PER RENTABLE SQUARE FOOT</u>	<u>RENT PER USABLE SQUARE FOOT</u>
1st	\$19.00	\$22.42
2nd	\$18.00	\$21.25
3rd	\$18.00	\$21.25
4th	\$18.00	\$21.25
5th	\$18.50	\$21.83
6th	\$18.50	\$21.83
7th	\$18.50	\$21.83
8th	\$19.00	\$22.42
Lower Level	\$16.00	\$18.88

Garage Parking: \$50.00 per month

Canopy Parking: \$25.00 per month

Exhibit III-6  
RETAIL RENTAL RATES SURVEY

<u>Name/Location</u>	<u>Size</u>	<u>Rate</u>
Bent Tree Midway Village* Dallas, Texas (one mile north of subject)	37,400	\$15-\$17
Quorum West Dallas, Texas (one mile south of subject)	30,000	\$30
Addison Market Dallas, Texas (one mile south of subject)	18,000	\$25
Harwood Plaza* North Richland Hills, Texas	42,000	\$15
University Plaza* Hurst, Texas	50,600	\$15-\$18
Park Forest Shopping Center* Dallas, Texas (under construction)	45,000	\$18
Harwood Hills* Bedford, Texas (two years old)	44,500	\$12

\* Leased by Sabre Leasing

THE BORROWER AND DEVELOPMENT ENTITY

#### IV. THE BORROWER AND DEVELOPMENT ENTITY

##### 1. The Borrowing Entity

###### a. Ownership

The borrowing entity is Bent Tree Office Park Joint Venture, and the managing venturer is Folsom Investments, Inc. Ownership in the joint venture is as follows:

Robert S. Folsom	70.0%
Arthur Z. Barnes, Jr.	10.0%
Marie Garrison	7.5%
Denny Holman	10.0%
Folsom Investments, Inc.	2.5%

###### b. Folsom Investments, Inc.

Folsom Investments, Inc. is a diversified real estate company with the following operating divisions:

Land Development - Folsom Investments

Retail and Commercial Leasing - Sabre Realty, Inc.

Apartment Construction - RSF Development

Apartment Management - Sabre Realty Inc., Apartment  
Division

Commercial and Industrial Construction - Spring Valley  
Construction Company

Condominium Construction - Bent Tree Condominium, Inc.

Condominium Conversions - Prestige Condominiums, Inc.

Condominium Sales - Bent Tree Realty Company

Some of their major developments include:

Bent Tree - 1500 acres in North Dallas

Hunters Glen - 2250 acres in Plano, Texas

Bent Tree Country Club - one of Dallas's most  
prestigious golf and country  
clubs.

Santogrande - 9000 apartment and townhouse units in Hurst - Euless.

Camino Real - 1100 acres in San Antonio.

Bent Tree Tower I and II - two eight-story office buildings.

Shopping Centers - over 1,500,000 square feet in 13 neighborhood centers.

Folsom Investments Inc. has a net worth exceeding \$210,000,000.

c. Biographical Sketches

Robert S. Folsom

Robert S. Folsom is Chairman of the Board of Folsom Investments, Inc. He attended West Point Academy and is a graduate of Southern Methodist University. He entered the real estate business in 1951, and he has developed large residential developments, shopping centers, office buildings, and apartments. As a land developer, his goal has been to integrate residential, commercial, and office uses into a compatible environment which provides a high quality of life. He has accomplished this in Bent Tree in North Dallas, Hunters Glen in Plano, and Santogrande in the Mid-Cities.

Besides active involvement on many Dallas area Boards and Foundations, Mr. Folsom served as Mayor of Dallas from 1976 to 1981. Colleagues and foes alike credit him with being one of the city's most successful mayors. He has a personal net worth exceeding \$280,000,000.

Arthur Z. Barnes

Arthur Z. Barnes is Senior Vice President and Financial Officer for Folsom Investment Inc. He is also President of Barnes Development, a firm specializing in real estate investments and developments, and Chairman of the Board of Metroplex Bancshares, Inc. which is the holding company for Bent Tree National Bank, Bank of Las Colinas, N.A., and Bent Tree Mortgage Inc. He earned his BBA and MBA at Southern Methodist University. He served ten years as a partner in a commercial banking firm before joining Folsom Investments, Inc. Mr. Barnes' business background includes purchasing and selling land and improved sites, and developing, planning, building, leasing, managing, and financing apartments, shopping centers, office buildings, condominiums, single family lots and golf clubs. He is President of Gleneagles Country Club which he is currently developing.

## 2. Architect

The project architect is Taylor-Hewlett, Inc., a professional architectural, planning, and interior design firm based in Dallas, Texas. Exhibit IV-1 provides a brief corporate history and biographical sketches of the principals.

## 3. General Contractor

The general contractor for the project will be Spring Valley Construction Company, an operating division of Folsom Investments. This company is involved in the construction of shopping centers, office buildings, and other commercial projects for Folsom Investments. Spring Valley also works with other institutions and developers. Such outside work through competitive bids and negotiated contracts averages over \$20 million annually. The president of this company is Jim Archer.

## 4. Leasing Agents

### a. Office

The leasing of Bent Tree Bank Tower will be handled by Sabre Realty, Inc., an operating division of Folsom Investments. The office leasing division is headed by Gary Hammond, an SMU graduate where he was an All American Split End and a former professional football player with the St. Louis Cardinals. Mr. Hammond leased Bent Tree Towers I and II. He will primarily act as a liason with the Dallas brokerage community to whom Sabre Leasing will pay full leasing commissions.

### b. Retail

The retail division of Sabre Realty Inc. is headed by Robert Kennedy, who, with a staff of five, manages and leases over 1,500,000 square feet of retail space in the north Dallas area.

## 5. Conclusions

The borrowing entity is financially strong and very experienced in real estate development. The proven track record of the borrower shows they can deliver the product in a timely manner and in a marketable package. Bob Folsom is a well known and well respected Dallas citizen. His personal guarantee on the master lease insures the financial integrity of the lease. Folsom Investments' diversified real estate operations have the contractors, leasing staff, and project management already in place. The development team is proven generally in Dallas and specifically in the Bent Tree area.

## CORPORATE HISTORY

**TAYLOR-HEWLETT, INC.** is a professional architectural, planning and interior design firm based in Dallas, Texas. The firm provides clients a full range of professional services including architectural design, land planning, interior design, space planning and project management. Taylor-Hewlett, Inc. specializes in commercial architecture with extensive experience in architectural and interior design, and planning of: high-rise office complexes, resort condominiums, restoration, financial institutions, garden offices, medical facilities and private city and country clubs. Principals in the company are Dallas J. Taylor, A.I.A. and James L. Hewlett, A.I.A. who collectively offer more than 34 years of professional experience working with both public and private clients throughout the United States. Both principals hold certification with the National Council of Architectural Registration Board and are currently licensed to practice in the following states: Alabama, Arizona, Arkansas, Colorado, Florida, Georgia, Illinois, Louisiana, Michigan, Missouri, New Mexico, New Hampshire, New York, Ohio, Oklahoma, South Carolina, Tennessee, and Texas. Taylor-Hewlett, Inc. employs a multi-talented staff of architects, interior designers and space planners with diverse experience in all phases of design as well as construction administration. Offices are located in the twelve-story First Texas Tower in the Quorum office complex 14951 Dallas Parkway.

## PRINCIPALS

**Dallas J. Taylor, A.I.A.** Mr. Taylor is an architect registered in seven states and is a member of the American Institute of Architects, the Texas Society of Architects, and the Dallas Chapter of the A.I.A. He holds a National Council of Architectural Registration Board Certificate; a Bachelor of Architecture degree and a Bachelor of Arts degree in Architecture from the University of Arkansas and a Bachelor of Science degree in Engineering from the John Brown University, Siloam Springs, Arkansas. He has been selected to appear in Who's Who in the South and Southwest. As part of his professional development, Mr. Taylor was Architect and Project Manager for an architectural and real estate development firm in Dallas for five years. As project manager for this firm, he was totally responsible for the feasibility analysis, development and planning of major urban housing projects in the Dallas and Fort Worth areas.

More recently, Mr. Taylor has been the project architect for more than 50 Financial Institutions and office complexes throughout the United States. As a recognized authority on the planning and design of banking and office facilities, he has conducted several planning seminars and lectured extensively to the Banking and Savings and Loan industry.

Mr. Taylor has appeared on television and radio as well as written a number of articles on energy and design of commercial buildings.

**James L. Hewlett, A.I.A.** Mr. Hewlett is an architect registered in sixteen states and is a member of the American Institute of Architects, the Texas Society of Architects, and the Dallas Chapter of the A.I.A. He holds a National Council of Architectural Registration Board Certificate; a Bachelor of Arts degree from Drury College, Springfield, Missouri; and a Bachelor of Architecture degree from the University of Kansas. He has been selected to appear in Who's Who in Texas and Who's Who in the South and Southwest. As part of his professional development, Mr. Hewlett was an officer in an architectural and real estate development firm in Dallas for 5½ years. As project manager in this firm he was totally responsible for the feasibility analysis, development and planning of major resort projects including several ski condominium complexes in Aspen, Colorado and a large destination beach resort project on South Padre Island, Texas.

Mr. Hewlett was President of an architectural and interior design firm in Dallas for 2½ years. In this capacity he was responsible for the architectural and interior design, construction and purchasing for approximately 25 private city/country clubs and resort facilities throughout the United States.

In 1977, Mr. Hewlett founded James L. Hewlett and Associates specializing in architectural and interior design, real estate and development consulting. During this time, Mr. Hewlett was also Executive Vice President of Aventura Realty and Development Corporation sharing dual management and development responsibilities for offices located in Dallas and Fort Worth. As a Principal in these two companies, Mr. Hewlett was responsible for the design and development of several commercial office buildings and a resort condominium project in Breckenridge, Colorado.

•  
RISK AND RETURN

## V. RISK AND RETURN

### 1. Introduction

The participating mortgage as a form of investment has some advantages of equity ownership and a guaranteed return and senior security position of traditional mortgage debt. The Bent Tree National Bank Tower participating mortgage is fully collateralized by a lien on the real property. It is additionally secured by a 30 month Master Lease which is personally guaranteed by the borrowers who have substantial net worth.

### 2. Return

The detailed terms of the recommended mortgage are summarized in Exhibit V-1.

The cash flows which contribute to the loan's yield include:

- \* Base debt service (coupon) on the loan -- provides a cash return of 11.25% on the Lender's investment of \$41,000,000 (\$4,612,500 cash flow per year).
- \* Additional interest from operations -- 45% of the increase in the annual gross income over a threshold amount which is equal to the annualized gross income thirty months after the initial funding or \$6.6 million, whichever is less.
- \* Additional interest from sale or financing -- 50% of the net proceeds from the sale of the property in excess of the outstanding loan balance if the property is sold or 50% of the difference between the appraised value and the outstanding loan balance if the property is not sold before the loan is called, refinanced or matures.
- \* Prepayment fee -- although the borrower cannot prepay the loan through the seventh year, there is a prepayment fee of 5% in the eighth loan year which decreases 1% per year to 1% in year twelve and each year thereafter.

Safeguards for the Lender include:

- \* Physical holdbacks of \$3.1 million for tenant improvements and \$1.2 million for leasing commissions.
- \* Economic holdbacks of \$3 million which is disbursed at a \$2.94 per \$1.00 of gross income collected in excess of \$5,580,000 which represents the projected breakeven amount and 80% occupancy.

- \* Master Lease of the entire property by the General Partners for 30 months or breakeven, whichever comes first.
- \* A loan to value ratio which will be a maximum of 82%. (See Exhibit V-2).
- \* Debt coverage ratio which will be a minimum of 1.1. (See Exhibit V-2).
- \* A tri-party agreement which will be executed within three months of the commitment date to guarantee that the loan will be funded on the date of project completion.
- \* A commitment fee of \$820,000; \$410,000 of which is nonrefundable and \$410,000 of which is refundable at the initial funding.
- \* Initial funding of the loan will only occur if the property has been constructed according to the approved plans and specifications. The Lender will incur no construction risks. A consulting architect will inspect the property and all tenant improvements on behalf of the Lender throughout construction.
- \* All of the legal aspects of the mortgage document will be handled by Piper Marbury.

Cash flows from the operation of the property were estimated using the assumptions outlined in Exhibit V-3. The cash flows are shown in Exhibit V-4.

The yield for this investment, given a ten-year holding period, is 15%. (See Exhibit V-5).

### 3. Risk

The risk exposure of the investment can be divided into four categories: market, operations, default, and interest rate risk.

The market risk is that the property cannot achieve its proforma rental rates. This could be caused by a decreased demand for office space due to a national recession, an oversupply of office space caused by overzealous lenders and developers, or the delay or cancellation of the Tollway construction. The market risk has been conditioned in several ways. First, a flexible threshold amount for participation will be decreased if the proforma rents are not achieved. Secondly, no economic holdback funds will be disbursed unless the property reaches breakeven (80% occupancy at proforma rents), and full funding will only occur when the proforma rents are achieved. Thirdly, the

existing rental rates for office space need to increase 20%, or less than 5% annually for four years, to achieve the proforma rents, and the target retail rates are already experienced in the market. Finally, the location of the property in the Bent Tree development should support the rents even if the Tollway extension is delayed or cancelled.

The operational risk is that the property cannot be efficiently managed and marketed so that the additional interest does not materialize. If inflation is zero and rental rates do not increase, the real interest rate will be 11.25%. However, if inflation is 10% and rental rates track inflation, the yield will be approximately 17%, and the real interest rate will be 7%. This risk is reduced further by using an experienced real estate company, Folsom Investments, Inc., with proven leasing and management abilities. The headquarters of this company is adjacent to the project in Bent Tree Tower I.

If the borrower defaults on the mortgage after the Master Lease period, the collateral for the loan will be a well located, well constructed, and functional office building with a unit cost of \$138 per rentable square foot.

The interest rate risk occurs because of the forward commitment nature of the loan. The initial funding will probably not occur until late 1985 and full funding could be delayed until thirty months thereafter. If interest rates increase during this period while the inflation rate decreases or remains stable, the real return on the mortgage will be seriously compromised. However, if, as is almost always the case, the interest rates increase is due to inflation, the real return of the mortgage will be insured due to the participating features of this mortgage. If interest rates were to decrease, the tri-party agreement will insure that the loan would be funded and the lender earns the above market rate.

#### 4. Conclusions and Recommendations

The proposed project, Bent Tree National Bank Tower, has the important ingredients of a successful real estate venture: prime location in a growing market, experienced real estate professionals, a continuation of a successful development (Bent Tree Towers), and a financially capable borrower. Piedmont Realty Advisors' investigation confirmed the market potential, the competence of the development team, and the financial strength of the borrower.

The risks in this investment have been carefully evaluated and reduced to an acceptable level by the deal structure described above. This structure protects the downside risk and exploits the upside potential of the project.

We therefore recommend that the Real Estate Committee of USF&G approve the issuance of a commitment for a first mortgage of \$41,000,000 in the Bent Tree Bank Tower under the terms and conditions outlined in this report.

PIEDMONT REALTY ADVISORS

650 CALIFORNIA STREET  
THIRTY-FIRST FLOOR  
SAN FRANCISCO, CALIFORNIA 94108  
415-433-4100

Exhibit V-1  
BORROWER'S APPLICATION  
BENT TREE NATIONAL BANK TOWER

Mr. C. Jeff Fritts  
FrittsSesler Investments  
5420 LBJ, Two Lincoln Centre, Suite 385  
Dallas, Texas 75240

Re: First Mortgage Financing  
Bent Tree National Bank Tower  
Dallas Parkway  
Dallas, Texas

Dear Jeff:

Piedmont Realty Advisors is prepared to recommend to its client's Investment Committee that it issue a commitment for a participating first mortgage on the above captioned property subject to the following terms and conditions described in this letter.

Property:	<u>Bent Tree National Bank Tower -</u> 193,467 useable sf of office space; 36,163 useable sf of bank space; 6,606 useable sf of restaurant space; 21,705 useable sf of retail space; and, 475 space parking garage.
Location:	Southwest corner of the Dallas Parkway and the Bent Tree Parkway, Dallas, Texas.
Land Area:	8.23 acres
Borrower:	Bent Tree Office Park Joint Venture, Robert S. Folsom, General Partner
Lender:	United States Fidelity & Guaranty Company
Loan Amount:	\$ 41,000,000.00
Interest Rate:	11.25%
Term:	20 years

Mr. C. Jeff Fritts  
May 24, 1984  
Page Two

Amortization: Not applicable, interest only.

Call Option: At the end of the twelfth year, Lender will give borrower 12 months written notice of their intent to call the loan.

Prepayment: \*

- \* No prepayment through year 7.
- \* Prepayment fee of 5% in year 8, declining 1% per year to 1% in year 12, and thereafter.
- \* No prepayment fee if Lender call loan.

Additional Interest:

A. Operations: Lender receives 45% of the annual gross income (excluding expense reimbursements) in excess of a base amount. The base amount shall equal the annualized gross income (excluding any escalations) 30 months after initial funding. In no case shall the base amount exceed \$6,600,000. Additional interest payments made quarterly.

B. Sale or Refinancing: Lender receives 50% of the difference between the net sales price and the outstanding loan balance if the property is sold or 50% of the difference between the appraised value and the outstanding loan balance if the property is not sold before the loan is called, refinanced or matures.

Commitment Fee: \$820,000; \$410,000 in cash which is earned upon acceptance of the commitment, \$410,000 in an unconditional, irrevocable Letter of Credit which will be refunded to borrower at the sooner of: (1) closing or (2) execution of a tri-party agreement acceptable to Lender.

Mr. C. Jeff Fritts  
May 24, 1984  
Page Three

Holdbacks:

- A. Tenant Improvements: \$3,100,000; disbursed for actual cost not to exceed \$12 per square foot of useable area as space is leased and tenant improvements are completed.
- B. Leasing Commissions: \$1,200,000; disbursed as commissions are paid not to exceed \$4.65 per square foot of useable area.
- C. Economic Holdback: \$3,000,000; disbursed at a rate of \$2.94 per \$1.00 of gross income collected in excess of \$5,580,000. Borrower has 30 months to earn out the economic holdback.

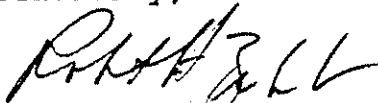
Contingencies:

- A. Engineering: This commitment will be contingent on the Lender receiving an engineering report approving the plans and specifications.
- B. Leases: The Lender reserves the right to approve all leases subject to agreed leasing standards.
- C. Market Value Appraisal: This commitment is contingent upon the Lender receiving market value estimate of the property from an MAI designated appraiser which is not less than \$50,000,000.
- D. Master Lease: The general partner of the borrower shall master lease the building to breakeven. As third party leases are signed, the master lease will be reduced correspondingly. The term of the master lease will be 30 months or breakeven, whichever is sooner.

Mr. C. Jeff Fritts  
May 24, 1984  
Page Four

If the terms outlined in this letter are acceptable to Folsom Investments, please have their representative sign below and return with an application fee of \$50,000 by Wednesday, June 6, 1984. The check should be made out to the lender. The application fee will be returned if the lender does not issue a commitment according to the terms of this letter or applied to the commitment fee if a commitment is issued.

Sincerely,



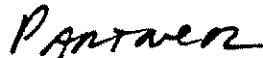
Robert H. Zerbst  
President

RHZ/jb

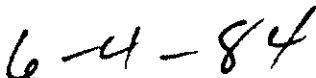
cc: Eugene M. Howerdd, Jr.



SIGNED



TITLE



DATED

Exhibit V-2  
VALUATION ANALYSIS  
BENT TREE BANK TOWER

PROPERTY SALES

<u>Property Name</u>	<u>Date of Contract</u>	<u>Price Per SF</u>	<u>Capitalization Rate</u>
Gateway I	3/84	\$135	8.5%
The Regency	4/84	170	9.0
Park Place III	2/84	140	8.2
Quorum West	3/84	137	10.2
SUBJECT	NA	160	10.0

BENT TREE TOWER VALUATION ESTIMATE

Direct Sales Comparison:

$$\$160/\text{sf} \times 298,189 \text{ sf} = \$ 47,710,000$$

Capitalized Income Approach:

$$\$5,104,000/10\% = \$51,040,000$$

$$\text{Estimated Value} = \$ 50,000,000$$

$$\begin{aligned} \text{Loan to Value Ratio: } & 82\% \\ & (\$41,000,000/\$50,000,000) \end{aligned}$$

$$\begin{aligned} \text{Debt Coverage Ratio: } & 1.11 \\ & (\$5,104,000/\$4,612,500) \end{aligned}$$

LAND VALUATION

A summary of recent land sales in North Dallas is presented in the Appendix. The sales range from \$19.50 to \$27.00 per square foot in the Bent Tree area. The location of the subject in comparison to these sales supports a \$25.00 per square foot value estimate.

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Source: Piedmont Realty Advisors

Exhibit V-3  
CASH FLOW ASSUMPTIONS  
BENT TREE BANK TOWER

Income Assumptions

Anchor Lease:	*	20,876 square feet at \$21 per square foot. 5 year lease renewing at market rent.
	*	6th year's income based on a \$21 rate increasing at 6% annually.
	*	Expense stop at \$5.50 per square foot.
	*	6th year's expense stop based on a \$5.50 rate increasing at 6% annually.
	*	100% preleased.
Five Year Leases	*	103,707 square feet at \$22.50 per square foot.
	*	6th year's income based on a \$22.50 rate increasing at 6% annually.
	*	Expense stop at \$5.50 per square foot.
	*	6th year's expense stop based on a \$5.50 rate increasing 6% annually.
	*	20% preleased.
	*	24 month lease up to 95% occupancy.
Three Year Leases	*	103,707 square feet at \$23.00 per square foot.
	*	Lease renewal every 4th year based on 6% annual increase.
	*	Expense stop at \$5.50.
	*	20% preleased.
	*	30 month lease up to 95% occupancy.
Retail	*	21,705 square feet at \$19.00. Three year absolutely net leases.
	*	Lease renewals based on 6% annual increases.
	*	20% preleased.
	*	30 month lease up to 95% occupancy.
Restaurant	*	6,606 square feet at \$17.50. Five year lease with a \$6.00 expense stop.
	*	Lease renewal based on 6% annual increases.
	*	100% preleased.

Bank	*	41,587 square feet at \$22.61. 10 year lease with a \$5.65 expense stop.
	*	100% preleased.
Parking	*	\$250,000 potential income from covered parking. Annual increase of 6%.
	*	20% occupancy first year.
	*	Trended to 95% in the third operating year.
Mortgage Payment	*	\$4,612,500
	*	50% of gross income in excess of \$6,600,000.
Sales Assumptions	*	Current value of \$50,000,000 increasing at 6% annually for 10 years. 2.0% of the gross sales price as sales expenses.
	*	Lender receives 50% of the residual sales proceeds.

EXHIBIT V-4  
SUMMARY OF CASH FLOWS  
BENT TREE BANK TOWER

	1	2	3	4	5	6	7	8	9	10	Sale (1)
Gross Potential Income	6,905,788	6,920,788	6,936,688	7,499,207	7,517,072	8,504,604	9,144,235	9,165,513	9,188,067	9,968,474	
Less: Vacancy	3,666,886	1,703,181	382,491	300,248	301,142	341,230	373,211	374,275	375,403	414,423	
Effective Gross Income	3,238,902	5,217,607	6,554,197	7,198,959	7,215,930	8,163,374	8,771,024	8,791,238	8,812,664	9,554,051	
Less: Expenses	1,519,580	1,519,580	1,519,580	1,623,957	1,623,957	1,887,675	2,044,240	2,044,240	2,044,240	2,174,711	
Net Operating Income	1,719,322	3,698,027	5,034,617	5,575,002	5,591,973	6,275,699	6,726,784	6,746,998	6,768,424	7,379,340	
Less: Interest	4,612,500	4,612,500	4,627,027	4,882,031	4,889,669	5,316,019	5,589,461	5,598,557	5,608,199	5,941,823	
Total Cash Flow	(2,893,178)	(914,473)	407,590	692,971	702,304	959,680	1,137,323	1,148,441	1,160,225	1,437,517	23,375,769

(1) Current Value of \$50,000,000 increasing at  
6 % annually for ten years (\$ 89,542,385)  
less sales expenses of 3 % (\$ 1,790,840).

EXHIBIT V-5  
INVESTOR'S YIELD SUMMARY  
BENT TREE BANK TOWER

Year	Annual Debt Service	Additional Interest — Operations	Loan Balance	Additional Interest — Sale	Total
1	4,612,500	0			4,612,500
2	4,612,500	0			4,612,500
3	4,612,500	14,527			4,627,027
4	4,612,500	269,531			4,882,031
5	4,612,500	277,169			4,889,669
6	4,612,500	703,519			5,316,019
7	4,612,500	976,961			5,589,461
8	4,612,500	986,057			5,598,557
9	4,612,500	995,699			5,608,199
10	4,612,500	1,329,322	41,000,000	23,375,769	70,317,591

Estimated Yield      15.0%

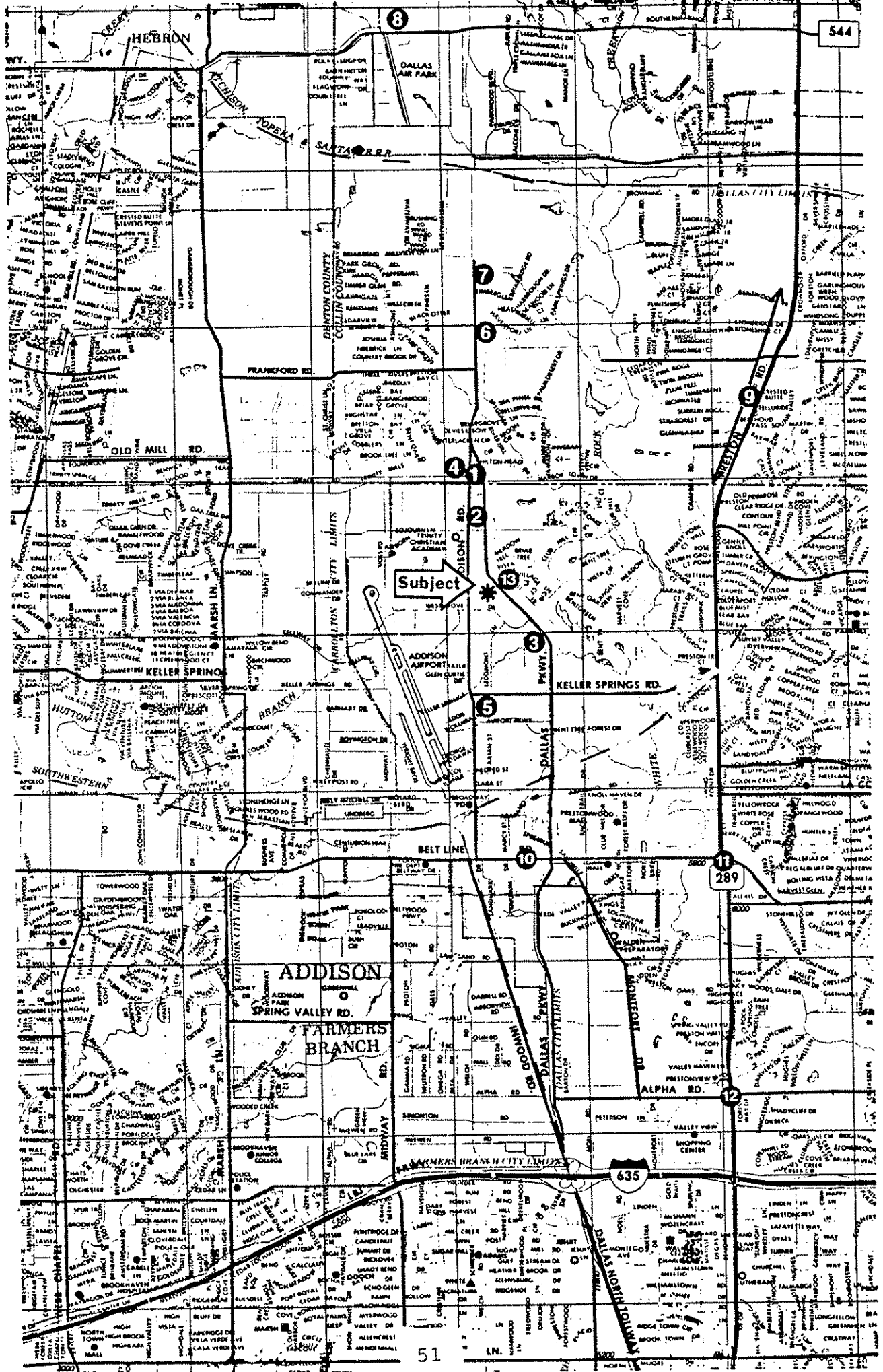
## APPENDIX A

Appendix A  
NORTH DALLAS AREA  
LAND COMPARABLE SUMMARY

Map #	Location/ Comments	Sales Price
1	2 acres just south of Trinity Mills, north of last office building. 2:1 coverage. General retail zoning. West side of Parkway.	Sold \$19.50 cash Closed within last 60 days.
2	4 acres, west side of parkway, south of Trinity Mills.	Randy Heady purchaser for \$14/sf 18 months ago. Has turned down \$30/sf.
3	SW corner of Westgrove and Dallas Parkway, 40 acres.	Turned down \$27/sf 4 months ago. Same zoning as subject.
4	SW corner of Trinity Mills and Addison Road. Zoned G.R. 2:1 FAR	Asking price \$22/sf
5	SE corner of Keller Springs and Addison Ave.	\$20.50/sf - sold 60 days ago.
6	North of Frankford on east side of Dallas Parkway. 9 acres zoned G.R. 2:1 FAR.	Contract for \$20.50/sf Contract was dropped. 3 of 9 acres back under contract at \$21/sf
7	SE corner of Havenwood and Dallas Parkway. 12 acres.	12 acres bought for \$13/sf 6-9 months ago. Countered an offer at \$26/sf for parkway frontage, \$23/sf for the rear portion.
8	North side of Hwy 544 west of the intersection of 544 and Dallas Parkway. 30+ acres.	Under contract for \$10.50/sf.
9	Up and down Preston Road from Keller Springs to the Plano Parkway. Primarily 1:1 far zoning.	\$20/sf

The following is a summary from Larry Casey of Casey, Rind, Foster & Lindsey, Inc. This company is a spin-off of the Dallas office of Coldwell Banker. Larry Casey has been one of the more active land brokers in this area since 1978.

10	Quorum area - Belt Line and Dallas Parkway.	\$40/sf
11	Preston and Belt Line area.	\$30/sf
12	Alpha and Preston area.	\$30/sf
13	Bent Tree area, north of Westgrove.	\$25/sf



Subject

ADDISON  
FARMERS  
BRANCH