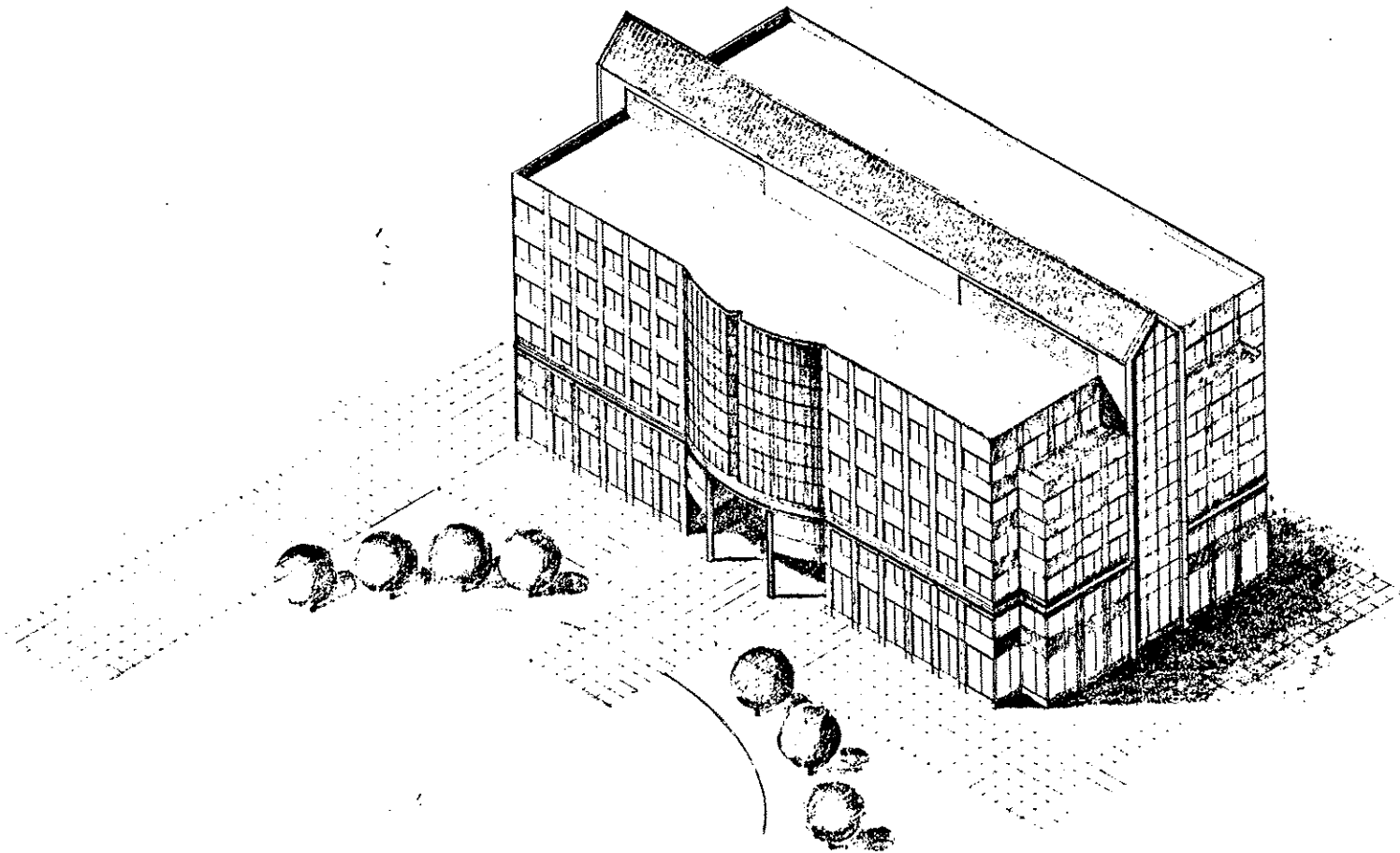


LIGHTON PLAZA OFFICE BUILDING
OVERLAND PARK, KANSAS

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



Trammell Crow Company Development

Overland Park, Kansas

Lighton Plaza

May 31, 1985

Isometric

URBAN DESIGN GROUP

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I. INTRODUCTION

PIEDMONT REALTY ADVISORS
650 CALIFORNIA STREET
THIRTIETH FLOOR
SAN FRANCISCO, CALIFORNIA 94108

415-433-4100

June 10, 1985

Real Estate Investment Committee Members
United States Fidelity and Guaranty Company
100 Light Street
Baltimore, MD 21202

Dear Sirs and Madam:

Enclosed for your review is an investment report on the office building to be developed by the Trammell Crow Company in Overland Park, Kansas, a suburb of Kansas City. Piedmont Realty Advisors intends to review the recommendations outlined in this report with the Real Estate Investment Committee on June 12, 1985. A summary of the proposed investment structure is shown as Exhibit I-1.

PROPERTY - The subject property is a 114,000 net rentable square foot office building to be built as the first phase of a two phase project. The site is located 15 miles southwest of the Kansas City Central Business District near the intersection of I-435 and Metcalf Avenue. The property has excellent access to this intersection and I-435 provides the Overland Park area with access to the major commercial centers of metropolitan Kansas City. Metcalf Avenue is a major retail corridor and contains a wide array of shopping, dining and commercial services. Land uses adjacent to the site include a new Marriott Hotel, a planned 100,000 square foot specialty retail center and several completed office buildings.

The building will be six stories in height and constructed of steel and concrete with a granite exterior. Architectural accents will include recessed corners that double the number of corner offices, a copper pitched roof, and a large bay window on the front of the building.

Real Estate Investment
Committee Members
June 10, 1985
Page 2

MARKET - Overland Park is the primary center for suburban office space in Kansas City with more Class A space than the Central Business District. In 1975, Metropolitan Life Insurance pioneered office space development in Overland Park with the Corporate Woods Office Park. Corporate Woods presently has an inventory of 1.5 million square feet of office space with a raw land inventory capable of supporting an additional 1.4 million square feet. The success of Corporate Woods attracted several speculative builders to Overland Park. Development activity in the area surrounding the subject property has fluctuated significantly, but has averaged 500,000 square feet per year for the past 5 years. Two large "peaks" in construction that occurred in 1979 and 1983 were effectively absorbed by the market within 12 months indicating that substantial available inventory of office space will attract new tenants to the area. Office vacancy in Overland Park is currently 650,000 square feet or 14.4% of the total supply of Class A office space which is approximately a one year supply of office space. An additional 650,000 square feet is under construction representing another year's supply over the next 12 months. Overland Park is an established, growing office market with supply and demand essentially in equilibrium, a sharp contrast to other national markets that are significantly overbuilt.

BORROWER - The borrowing entity will be a general partnership comprised of several members of the Trammell Crow Company. The Trammell Crow partner for Kansas City is C.A. "Tuck" Spaulding who has been with Trammell Crow for 13 years and has developed and managed over 1.8 million square feet of office and warehouse space in the Kansas City area.

RISK/RETURN - The subject property has a prime intersection location on one of the last available parcels in a strong and growing suburban office market. Selecting a project with these attributes is the best way of addressing investment risks. The proposed participating mortgage contains a significant economic holdback (13.6%) and a personal guarantees for 36 months via the master lease. The participation provisions of the loan also will adjust the final loan amount and participation thresholds based on the actual performance of the property. The projected yields of 14.6% (8.6% real rate) if the property leases for \$17.50 per square foot and 14.8% (8.8% real rate) if the property leases at \$18.50 per square foot are attractive returns for the risks involved, especially in an environment of declining interest rates.

Real Estate Investment
Committee Members
June 10, 1985
Page 3

Piedmont Realty Advisors, therefore, recommends that USF&G issue a permanent loan commitment for Phase I of Lighton Plaza in Overland Park, Kansas, subject to the following conditions:

- 1) The loan amount will be increased to \$13,200,000.
- 2) The economic holdback will remain at \$1,800,000, but full earn out will not occur until 100% occupancy at \$18.50 per square foot. Therefore, the rate of disbursement will be reduced to \$2.85 for every \$1.00 of gross income collected in excess of \$1,476,300. Borrower will have 36 months to earn the economic holdback. Master lease period will be increased to 36 months.
- 3) Lender shall reserve the right to approve the construction starting date of Phase II construction. In no event will construction occur prior to Phase I leasing at 35%.
- 4) Increase the commitment fee to \$264,000, \$132,000 of which is earned upon the borrower's acceptance of the commitment and \$132,000 which is refundable at initial funding.

Sincerely,



Stephen L. Grant
Vice President

SLG/jlp

enclosure

RECEIVED

MAY 31 1985

PIEDMONT REALTY ADVISORS
650 CALIFORNIA STREET
THIRTIETH FLOOR
SAN FRANCISCO, CALIFORNIA 94108
415-433-4100

June 1, 1985

Mr. C.A. "Tuck" Spaulding III
Trammell Crow Company
8550 Marshall Drive
Lenexa, Kansas 66214

Re: First Mortgage Financing #174
Proposed Office Building
Northwest Corner Metcalf and Interstate 435
Overland Park, Kansas

Dear Tuck:

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 terms and conditions described in the letter.

Property:	Proposed Office Building Phase I - A six or seven story building consisting of 114,000 net rentable square feet with 436 surface parking spaces.
Location:	Between College Boulevard and 110th Street north of Metcalf Avenue, Overland Park, Kansas.
Land Area:	Approximately 7.0 acres.
Borrower:	Trammell Crow Company
Lender:	USF&G Realty Company.
Loan Amount:	\$13,000,000

Mr. C.A. "Tuck" Spaulding III
June 1, 1985
Page 2

Interest Rate: The interest rates and debt service will be based on the following schedule:

<u>Loan Years</u>	<u>Interest Pay Rate</u>	<u>Interest Accrual Rate</u>
1-5	10.500% on initial loan balance	11.250%
6-20	10.875% on the outstanding loan balance the first day of the sixth loan year.	11.250%

Term: Twenty Years.

Amortization: Not applicable, interest only.

Call Option: Lender has option to call loan anytime after the 12th loan year. Lender will give borrower 12 months written notice of its intent to call the loan.

Prepayment: *No prepayment through year 7.
*Prepayment fee of 5% of the outstanding loan balance in loan year 8, declining 1% per year to 1% of the outstanding loan balance in year 12 and thereafter.
*No prepayment fee if lender exercises its call option.

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 base rent escalations) 30 months after initial funding. In no case shall the base amount exceed \$2,000,000. Additional interest payments are due quarterly.

Mr. C.A. "Tuck" Spaulding III
June 1, 1985
Page 3

The base amount and income from first generation leases will be determined on an effective rent basis. Lender will exempt a 10% free rent discount (3.6 months on a 3 year lease, 6 months on a 5 year lease, etc.) from the calculation of the effective gross income. However, if free rent discounts exceed 10%, then there will be an effective reduction in the base amount and the gross income used in the calculation of additional interest from operations.

B. Sale or
Refinancing:

Lender receives 50% of the difference between the net sales price (Borrower will be allowed a deduction of 3.0% of the gross selling price as sales expenses.) 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:

\$260,000; \$130,000 in cash which is earned upon acceptance of the commitment, \$130,000 in an unconditional letter of credit which will be refunded to borrower at closing.

Initial Funding:

\$10,834,100 (exclusive of tenant improvement holdbacks). Initial funding will occur upon receipt of a notice of completion or occupancy permit.

Mr. C.A. "Tuck" Spaulding III
June 1, 1985
Page 4

Holdbacks:

A. Tenant

Improvements: An amount equal to the difference between a \$15.00 per square foot workletter and that portion of the workletter included in the base building costs. Workletter items included in the construction agreement will be part of the initial funding. Disbursed for actual cost not to exceed \$15.00 per square foot of rentable area as space is leased and tenant improvements are completed.

The prepurchase issue will be handled as follows: Prepurchases will be allowed for certain items. We will divide the prepurchase price by the number of applicable vacant square feet in the building and subtract this amount from the per square foot tenant improvement holdback. This adjusted holdback will be the amount available to improve the vacant space. We will also require some type of security to ensure that the prepurchased items will not be lost, stolen or damaged and will be used in the subject property.

B. Leasing

Commissions: \$365,900, disbursed as commissions are paid not to exceed \$3.21 per square foot of rentable area.

The holdback will be placed in an escrow account and the funds will be released when paid. If there is any balance remaining, it will be refunded to borrower.

C. Economic
Holdback:

\$1,800,000, disbursed at a rate of \$3.44 per \$1.00 of gross income collected in excess of \$1,476,300. Borrower has 30 months after initial funding to earn out the economic holdback.

Mr. C.A. "Tuck" Spaulding III
June 1, 1985
Page 5

The disbursement of the economic holdback may occur after the thirty month period following initial funding provided that the holdback is earned during that period.

Contingencies:

A. Plans and
Specifications:

The lender reserves the right to approve the plans and specifications for all proposed improvements and to approve any changes, modifications, or corrections to the plans during construction. Any changes in excess of \$20,000 will require lender consent.

B. Leases:

Lender reserves the right to approve all leases subject to agreed leasing standards. Agreed upon leasing standards will be part of the commitment letter. Upon approval of the standard lease form, lender's approval will only be required for material deviations.

C. Secondary
Financing:

Lender will not permit secondary financing on the property. Lender will allow a one time syndication of the property provided that the general partners of the borrowing entity retain at least 50% of the ownership of the property. The lender will have the right to review the syndication.

D. Market Value
Appraisal:

Lender will receive a market value estimate of the property from a MAI designated appraiser which is not less than \$15,500,000.

Mr. C.A. "Tuck" Spaulding III
June 1, 1985
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- E. Master Lease: The general partner of the borrower shall master lease the project to breakeven. The master lease will be terminated at the sooner of breakeven occupancy or 30 months. As third party leases are signed, the master lease will be reduced correspondingly.
- F. Lender Approval: This application must be approved by the Lender's Investment Committee.
- G. Tri-Party Agreement: The commitment is contingent upon the Lender, Borrower, and the Interim Lender entering into an acceptable Tri-Party Agreement within 90 days after the commitment is accepted.

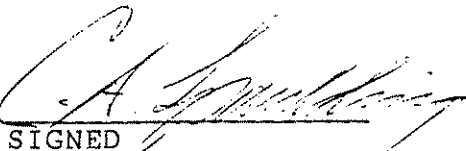
If the terms outlined in the letter are acceptable to you please sign below and return to our office.

Sincerely,

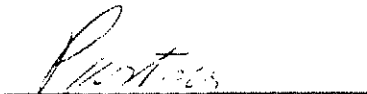


Stephen L. Grant
Vice President

SLG/svj


SIGNED

May 30, 1985
DATED


TITLE

cc: Randy Flink

II. THE PROPERTY

II. THE PROPERTY

A. INTRODUCTION

Lighton Plaza is a 114,000 square foot office building to be built as the first of two identical phases in the City of Overland Park, Kansas. Overland Park is a suburb of Kansas City, Missouri and is located 15 miles southwest of the City's central business district (see Exhibit II-1). Since 1975, Overland Park's College Boulevard Corridor has emerged as the largest market of Class A office space in the Kansas City area (4.5 million square feet vs. 3.3 million square feet in CBD).

Overland Park is well suited for this suburban office space expansion. The infrastructure is capable of accommodating existing and future development. The average household's income is the highest in the metropolitan area at \$35,000, versus \$21,000 for Kansas City as a whole. The school system is considered the best in the region. There is an ample residential stock with a typical three bedroom, two bath home selling in the \$60,000 to \$80,000 range. As an indication of the community's transition from 'bedroom' to 'boardroom', today 70% of Overland Park residents live and work in the area, compared to 30% in 1975.

B. LOCATION

1. Accessibility

The subject property will have excellent access to all major highways. Exhibit II-2 shows the site's location on 110th Street just south of the interchange of Interstate 435 (east-west) and Metcalf Avenue (north-south). Metcalf is a six lane road and is the major corridor for retail, restaurants and services in the area. The site has direct access to Metcalf (and thereby I-435) via College Boulevard or 110th Street. Two miles west on I-435 is an interchange with US 69, the north-south freeway which provides the area with access to downtown (15 miles) and the Kansas City International Airport (30 miles).

2. Adjacent Land Uses

The subject site is at a prime intersection location and is one of the last available parcels in a well established area of office, retail and residential uses. North of I-435 the Metcalf Retail Corridor is anchored by the Metcalf South Mall, an enclosed regional center with over 100 shops on three levels. Metcalf Avenue features restaurants, a wide

variety of strip center and freestanding retail and many other commercial services (See Exhibit II-3.). At the intersection of I-435 and Metcalf are four hotels - Marriott, Embassy Suites, Rodeway Inn and Drury Inn - with over 1000 rooms. Lighton Plaza's immediate access to Metcalf is an advantage over existing office space which is relatively 'isolated' at in-fill locations.

The land uses for parcels immediately surrounding the subject site include Property Corporation of America's office building under construction and the Marriott Hotel to the north (See Exhibit II-4.). The Marriott has proven very successful, reaching occupancy of over 70% six months after its completion in October, 1984. The nine-acre parcel immediately east of the subject will be developed with 100,000 square feet of retail and restaurants with 30,000 square feet of office. Construction of this specialty office center is scheduled to begin in August, 1985. The site's proximity to the Marriott Hotel and the new retail space will be a major advantage over competitive office space.

To the west of the site between College, I-435 and Antioch Road is the Executive Hills South development. Executive Hills is an active speculative builder in Kansas City and has been building in Overland Park since 1979. Executive Hills South contains approximately 1 million square feet of space, with major tenants including Allstate Insurance, Burlington Northern and General Electric.

West of Antioch Road, bounded by I-435, Route 69 and College Boulevard is the 294-acre Corporate Woods Office Park which is being developed by Metropolitan Life. Corporate Woods broke ground in 1975 and pioneered the office market in Overland Park by offering tenants quality space in a heavily landscaped master planned environment. Corporate Woods has 1.5 million total square feet with a land inventory that will allow development of an additional 1.4 million square feet over the next 5 to 10 years.

The College corridor continues to the east of the subject site with the area bounded by Metcalf, I-435, Lamar Road and College. This area contains the Drury Inn, The Johnson County Athletic Club, low-rise office space and a two phase high-rise office project of 300,000 square feet under construction. East of this area and Lamar Road is the Fox Hills Office Park. This park contains low-rise office space developed by the Kroh Brothers which was completed in 1983. The College corridor east of Metcalf totals approximately 1.5 million square feet of office space.

To the south of the subject site along Metcalf is a parcel owned by Executive Hills Inc. which has plans for 225,000 square feet of office space. Across Metcalf is a 500-acre parcel being developed by Copaken, White, and Blitt. Copaken has recently completed the 160,000 square foot Renaissance office building and plans to develop the remaining acreage over the next 5 to 10 years.

C. THE SITE

The subject site is an irregularly shaped 7.0-acre parcel with a slight downslope to the southeast (See Exhibit II-5.). The site's soil is sedimentary in nature and is suitable for high-rise development. The sedimentary sub-soil does not allow rapid drainage so controlled run-off of storm water is required by the City. This will be accomplished by the use of a retention pond which will appear as a water feature within the project. The site is zoned for commercial office up to 121,145 gross square feet on eight floors with 436 parking spaces. The intended improvements on the subject site fully conform to the current zoning.

D. THE IMPROVEMENTS

The improvements for the subject site are in the final stage of planning, and as such, some of the building's details are subject to change. The information presented in this section represents the most recent plans (June 6, 1985).

Lighton Plaza will be six stories high with a gross building area of 121,000 square feet, a net rentable area of 114,000 square feet and 436 surface parking spaces. It will be constructed with steel pilings, a steel frame and subflooring of concrete poured over metal decking.

The exterior materials will be granite with double insulated reflective glass windows and a full height bay window at the front of the building (See rendering on front page of this report.) A copper-plated peaked roof will serve as an architectural accent. Recessed corners at the edges of the building will double the number of corner offices available.

The exterior granite theme will be continued into the lobby with a granite wall treatment. Floors will be polished marble and the ceiling will be a reflective chrome or glass material. Accents will be provided by carpeting, planters, and brass fixtures. Two electric elevators will provide access to tenant floors.

Building standard tenant finishes will include wall to wall carpeting, 9 foot ceilings, 9 foot solid core doors, flourescent lighting, 2 foot by 2 foot mineral fiber ceiling tiles and vertical fabric blinds for perimeter windows. Security will incorporate the use of an electrical 'passcard' system which operates locks, HVAC, lighting and alarm systems. Office bay depths will be 40 feet (See Exhibit II-6.) and all floors will have smoke detectors, automatic fire doors and full sprinkler systems.

E. PROJECT BUDGET

The budget for the subject property is presented in Exhibit II-7. It totals \$13,959,000 which represents \$115.36 per square foot of gross building area. This per square foot cost is above average for the Overland Park area. The cost reflects above average material costs for the proposed building and a premium paid for a site in a superior location.

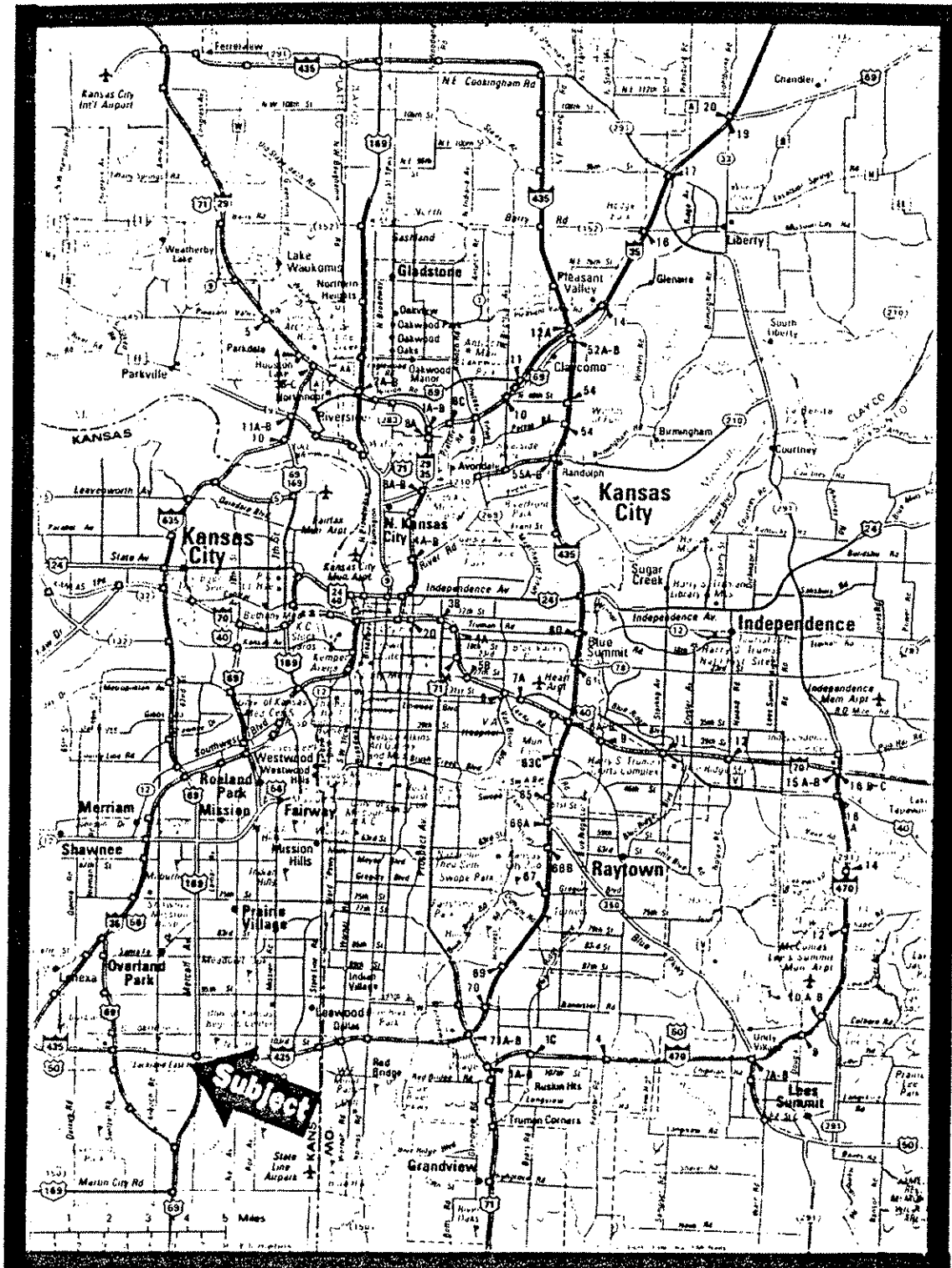
Shell costs include tenant improvement items valued at \$7.00 per square foot with additional improvements budgeted at \$6.36 per square foot for a total of \$13.36. This figure reflects actual costs to the developer which will be marked up on a workletter basis to \$15.00 or \$15.50 per square foot, a competitive finish allowance for Overland Park office space.

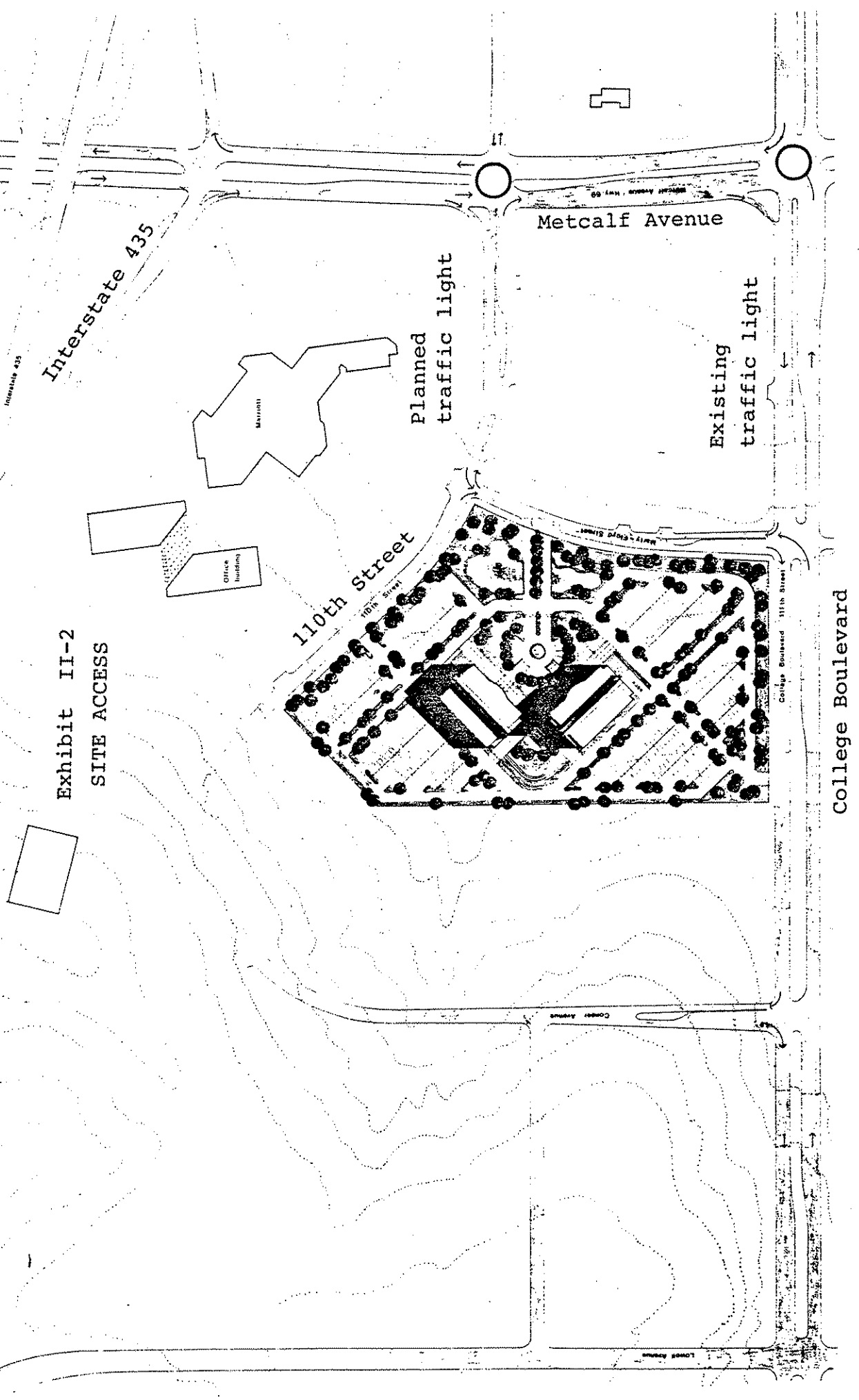
F. CONCLUSIONS

Lighton Plaza will be very well located in an established and growing area. The project will be within walking distance of retail, restaurants and hotels, and automobile access will be excellent.

The improvements will emphasize quality through the use of granite, water features and striking architecture. These project characteristics should enable the subject property to capture a larger share of office tenants than its competition.

Exhibit II-1
REGIONAL MAP





Lighton Plaza - Trammell Crow Company Development

Site Plan

Overland Park, Kansas

URBAN DESIGN GROUP

May 31, 1985

Exhibit II-3
ADJACENT LAND USE MAP

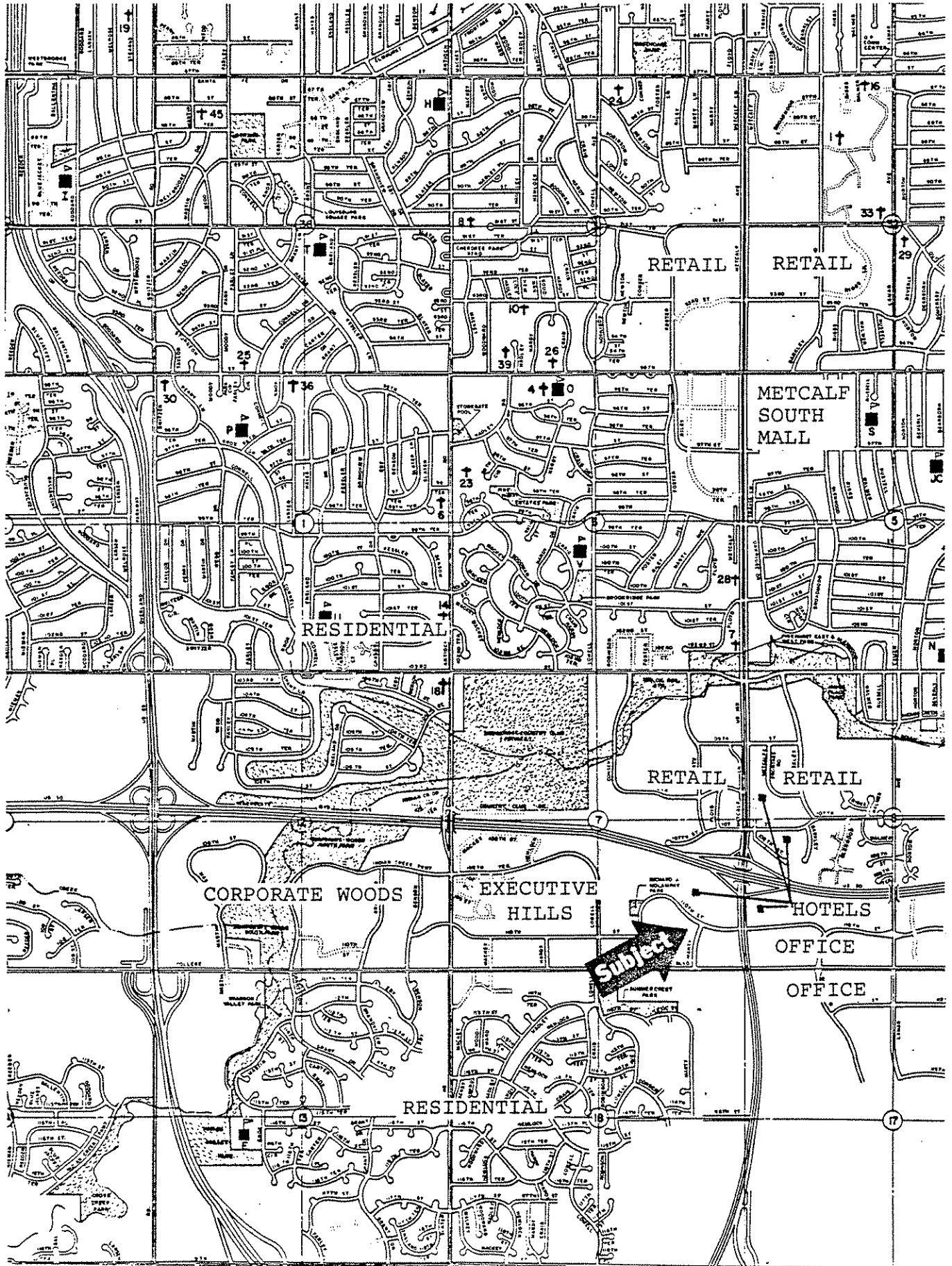


Exhibit II-4
AERIAL PHOTOGRAPH
COLLEGE CORRIDOR

Executive Hills South Office Park

North →

Alternate 69 Highway

Corporate Woods

Property Line

Antioch Road

Crail Valley

Lowell

Allstate Insurance

Conser

Leland West

Aetna Life and Casualty
Occupancy Spring 1985

Subject

Marty

Marriott Hotel

College Boulevard Corridor Looking West

SITE PLAN

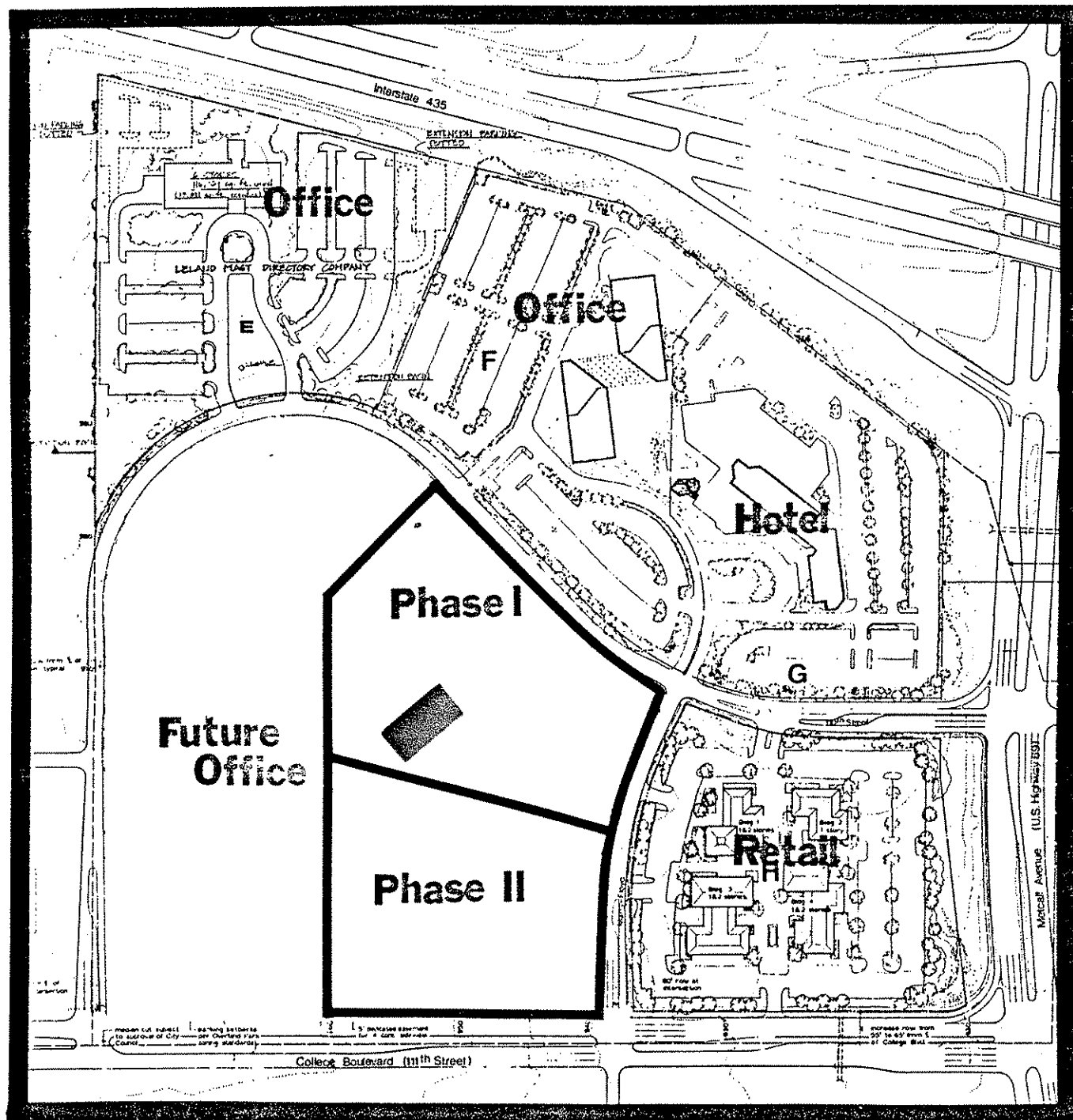
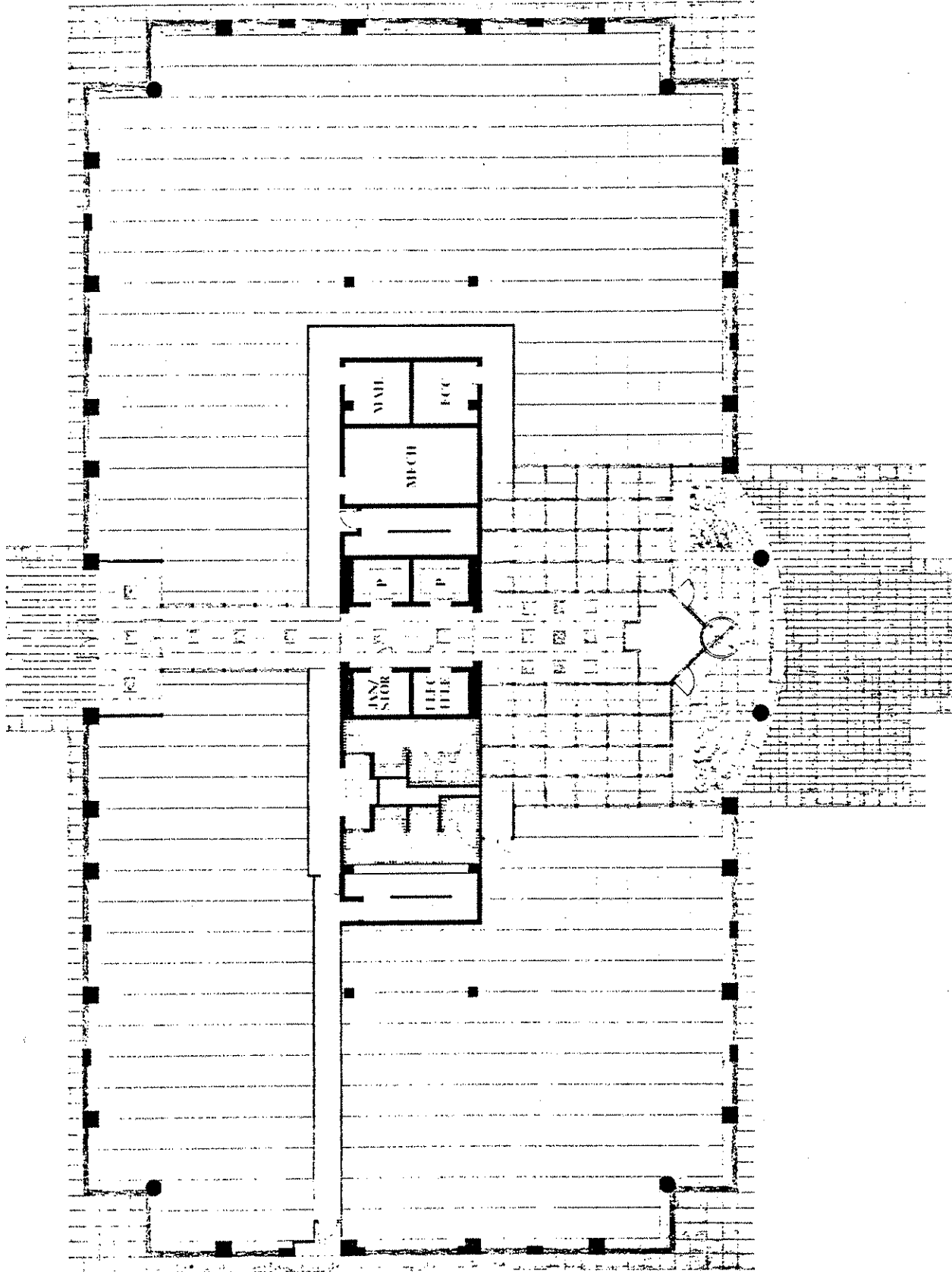


Exhibit II-6
FIRST FLOOR
LIGHTON PLAZA



Lighton Plaza - Trammell Crow Company Development

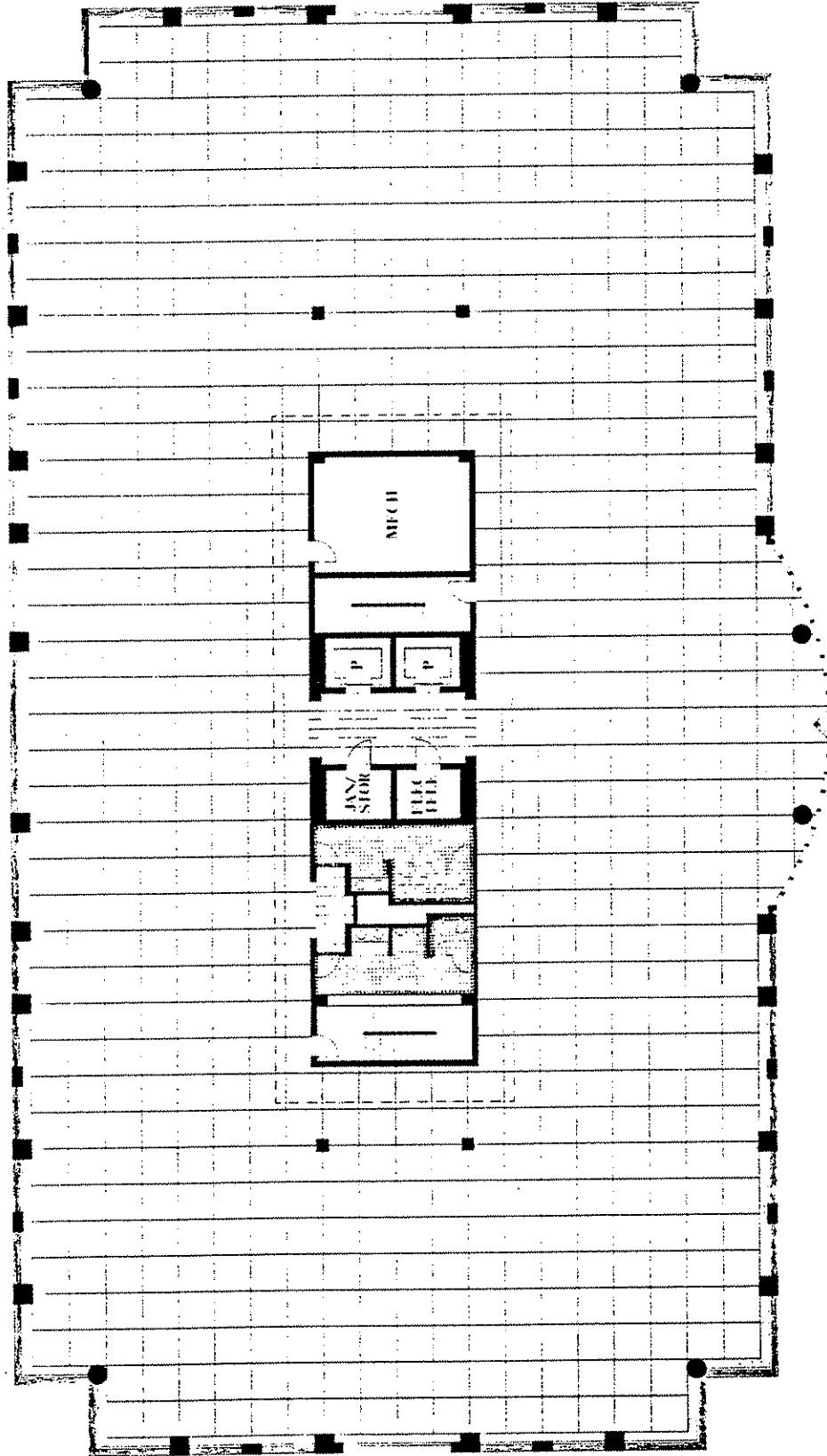
Overland Park, Kansas

Ground Floor Plan

URBAN DESIGN GROUP

May 31, 1985

Exhibit II-6A
TYPICAL FLOOR PLAN



Lighton Plaza - Trammell Crow Company Development

Overland Park, Kansas

Typical Floor Plan

URBAN DESIGN GROUP

May 31, 1985

Exhibit II-7
PROJECT BUDGET
LIGHTON PLAZA

	TOTAL COST	COST PSF N.R.A.	PERCENT OF TOTAL BUDGET
Land cost	\$2,250,000	\$19.74	16.1%
Hard costs			
Site work	\$ 590,000	\$ 5.17	4.2%
Shell construction (1)	5,777,000	50.67	41.4%
Architect	245,000	2.15	1.7
Tenant improvements	726,000	6.37	5.2
Landscaping	240,000	2.11	1.7
	<u>\$7,578,000</u>	<u>\$66.47</u>	<u>54.2%</u>
Soft costs			
Legal/title	\$ 40,000	\$ 0.35	0.3%
Insurance	10,000	0.08	0.1
Taxes	10,000	0.08	0.1
Marketing	75,000	0.66	0.5
Commissions	362,000	3.18	2.6
Interest during construction	850,000	7.46	6.1
Loan fees	260,000	2.28	1.9
Developer fee	196,000	1.72	1.4
Miscellaneous	150,000	1.32	1.1
Operating deficits (2)	2,178,000	19.11	15.6
	<u>\$ 4,131,000</u>	<u>\$ 36.24</u>	<u>29.7%</u>
	=====	=====	=====
TOTAL DEVELOPMENT COSTS	\$13,959,000	\$122.45	100.0%

(1) Shell includes all carpeting, lighting, ceiling tile and grid, perimeter blinds and hardware, and HVAC installation and distribution. These items are valued at \$7.00 PSF.

(2) Operating deficit based on a 24 month lease up period with 6 months of free rent.

III. MARKET OVERVIEW

III. MARKET OVERVIEW

A. INTRODUCTION

Kansas City is best described as a regional headquarters city. While relatively few national companies have corporate headquarters in Kansas City, more than 200 of the Fortune 500 firms maintain regional offices in the area. This has created a diversified economic base for the area which includes manufacturing, transportation, insurance, food processing and other business service firms. The population in the seven county greater Kansas area is approximately 1.5 million people with a consistent growth rate of 6% since 1970.

B. THE KANSAS CITY OFFICE MARKET

The most significant office submarkets in Kansas City are the Central Business District, the Country Club Plaza area and Overland Park (See Exhibits III-1 and III-2.). The CBD experienced no new construction for the period 1974 through 1984. During the 10-year period construction activity as well as substantial tenant migration was focused on suburban office locations, most notably Overland Park. However, in the past year construction has started on projects in the CBD that will total 2.8 million square feet of new office space. Over 60% of this space is preleased, with 1.2 million square feet being taken by AT&T and 300,000 square feet being leased by the Commerce Bank of Kansas City. The CBD has a current inventory of 3.3 million square feet of Class A space with a 7.3% vacancy factor. The addition of 1.1 million square feet of speculative space will push vacancies over 20% for a short period as the market absorbs this new space. Effective rental rates are currently in the \$14.00 to \$19.00 per net rentable square foot range for new downtown office space.

The Country Club Plaza area is best known for having the first shopping mall in the United States. The area has many exclusive shops (Brooks Brothers, Saks Fifth Avenue, etc.) and fine restaurants. Office tenants in this area are primarily image conscious professional firms such as lawyers and brokers. The Plaza area has an existing base of 915,000 square feet of Class A space. 825,000 square feet of office space are currently under construction with most of the space being speculative. The existing vacancy rate for the Plaza area is 25.7% which should increase to over 40% as space under construction is completed. Softness is expected to persist in the Plaza office market due to its smaller tenant base, the lack of any direct freeway access to the area and the traditionally high rents. The Plaza area has the most expensive office space in the City with rental rates in the \$18.00 to 25.00 per net rentable square foot range.

C. THE OVERLAND PARK MARKET

1. Overview

The Overland Park area emerged as the largest market of Class A office space during the 1974 to 1984 period when there was no new office development in the CBD. In 1973 Overland Park had a base of 400,000 square feet of office space. Most of this space was occupied by owner/user tenants. In 1974 Metropolitan Life Insurance broke ground with five buildings totaling 165,000 square feet in its 294-acre Corporate Woods Office Park. The concept behind Corporate Woods is to provide Class A office space in a master-planned park with heavily wooded landscaping, dedicated open space, exercise trails and other amenities. Corporate Woods has added an average of 150,000 square feet per year for a total current inventory of 1.5 million square feet. The Corporate Woods Park has over 100 acres available for future development which is a 10 year supply of land if it is developed at 150,000 to 250,000 square feet per year.

2. College Boulevard Office Market

The success of Corporate Woods and the credibility it gave to the area as an office market attracted several speculative builders and owner/user tenants. Most of the development has occurred east of Corporate Woods bracketed by I-435 to the north and College Boulevard to the south. This area is known as the College Boulevard Market with new construction averaging 500,000 square feet of office space per year since 1980.

Major developers in the area are Executive Hills (along College Boulevard), Kroh Brothers (Fox Hill Office Park two miles east on I-435), Copaken, White and Blitt, and C.B. Self. Total Class A inventory in the area (including Corporate Woods) is 4.5 million square feet, which is significantly higher than the 3.3 million square foot inventory of the CBD.

The strength of the Overland Park office market is its tenant base. The tenant base in the area is typically a regional headquarters office of a national firm with a predominance of insurance companies. Major tenants include Allstate Insurance, Mast Publishing and Burlington Northern, each occupying over 150,000 square feet. A typical tenant occupies 3,000 to 10,000 square feet with a three to five year lease.

Vacancies in the College Boulevard Market are currently 14.4% or 650,000 square feet. Absorption has been close to 500,000 square feet for the past several years. (See Exhibit III-3.) Absorption for the College Boulevard area is typically generated by internal expansion of existing firms or the movement of tenants from the CBD.

New buildings currently under construction or about to break ground in the immediate area of the subject property include Commerce Center (162,000 square feet under construction, 128,000 square feet planned for Phase 2), Financial Center (115,000 square feet recently completed, 195,000 square feet Phase 2 starting in July 1985) and Executive Hills (225,000 square feet to start in September 1985). A 100,000 square foot retail center with 30,000 square feet of office space located immediately to the east of the subject property is scheduled to begin construction in September 1985. In total, over 600,000 square feet of space is scheduled for completion in 1986. When combined with the existing 650,000 square feet of vacancies, the total 1,250,000 square feet available within 12 months represents a 2 to 2-1/2 year supply of office space.

Major projects planned for College Boulevard area include Amigo Center, an 800,000 square foot apparel mart and display center with 300,000 square feet of office and The Galleria, a mixed use project including a 600 room hotel, 400,000 square feet of retail and over 1 million square feet of office space to be built over 10 years. Additionally, several investors have substantial inventories of land along College Boulevard including Copaken, White, and Blitt's 600-acre parcel and Corporate Wood's 100 acres.

Overland Park has been a very dynamic leasing market over the past five years. Two substantial 'peaks' in construction occurred in 1979 and 1983 and the market reacted by effectively absorbing the space within 12 months. (See Exhibit III-3.) Specifically, in January 1983 the vacancy rate exceeded 18%, but by year end had been reduced to almost 9% (See Exhibit III-4.). This relationship between supply and demand indicates that a significant inventory of available space attracts tenants to the area and demonstrates the Overland Park office market's resiliency to short run oversupply problems.

D. COMPETITIVE OFFICE SPACE

The existing and proposed office buildings which will be in direct competition with the subject property are summarized in Exhibit III-5 and the location of each property is noted in Exhibit III-6. The contract rental rates for competitive buildings range from \$15.00 to \$18.50 per net rentable square foot in mid-rise and \$11.50 to \$12.00 per net rentable square foot in low-rise. Expense stops average \$3.50 per square foot. Most leases feature 6 to 8 months free rent with a five year term and a tenant improvement workletter valued at \$15.00 per square foot.

Several buildings in Corporate Woods are directly competitive with the subject property. While the Corporate Woods project has been very successful, there are weaknesses. Since the park is bordered on two sides by freeways, access is provided mainly at the intersection of Route 69 and College Boulevard with Antioch Road providing secondary access. Once inside the park, signage only refers to the 22 buildings by numbers. The lack of order and dense foliage obscuring the buildings makes it confusing for visitors to find their way around. With the exception of a 30,000 square foot strip mall at the intersection of College and Route 69, services within the park are limited to in-building lunch rooms. The 250 room Doubletree Hotel is also located at the College and Route 69 intersection. While this facility is beneficial to Corporate Woods, it has received less than its fair share of market due to its relative isolation from the Metcalf Avenue corridor (location of subject).

The architecture and construction materials of buildings in Corporate Woods are generally high quality. However, the most recent buildings (number 9 and 32 completed in early 1985) are standard 'glass box' structures with HVAC systems and tenant finishes that are comparable in quality with speculative buildings in the area. Rents in the Corporate Woods Park are currently being quoted at \$17.50 to \$18.00 per net rentable square foot with a \$15.00 per square foot tenant improvement allowance. However, a five year, 5000 square foot lease was recently signed at a face rate of \$16.50 with a \$4.00 expense stop and five months free rent for an effective rate of \$15.25 square foot.

Executive Hills, Inc. is an active speculative builder and controls most of the land east of Corporate Woods between Antioch Road and Metcalf and on both sides of College Boulevard. Since 1978, this developer has built over 725,000 square feet of space in the area with 75% of it on a speculative basis. This builder has also developed a total of one million square feet of mostly speculative space in other locations throughout Kansas City. Executive Hills, Inc. is strictly a merchant builder (builds a project, leases it with significant concessions and sells the property) and is not highly regarded for its quality construction. Several recently completed buildings have failing windows, stress fractures and other problems.

Executive Hills has been very aggressive with rent concessions in an effort to fill speculative space, maximize contract rents and sell its buildings. Rents being quoted for low-rise buildings along College Boulevard are in the \$14.00 to \$16.00 per useable square foot range, (\$12.00 to \$13.50 per square foot of net rentable area) with \$3.00 to \$3.50 per square foot expense stops. However, rent concessions of 10 to 15 months on a five year lease are common. This brings effective rates to the \$9.00 to \$10.25 range on a net rentable basis.

C. B. Self developed Financial Plaza which is located on the northeast corner of College and Metcalf. 115,000 square feet in Phase 1 has been completed and the developer has broken ground on a second phase of 195,000 square feet. This project is a speculative 'glass box' structure with rents of \$16.00 per square foot of useable area (\$13.50 per square foot of net rentable area) and base year expense stops. Concessions of 6 to 8 months free rent bring effective rates to \$12.00 per square foot for the net rentable area.

The 151,000 square foot Renaissance building is on the southeast corner of Metcalf and College. As a reaction to the average quality speculative buildings in the area, Copaken, White, and Blitt emphasized high quality construction and amenities in this building with an overstandard lobby, striking architecture and a water feature. Completed in early 1984, the building is now 85% occupied with the recent signing of a 50,000 square foot lease to CIGNA. The contract rate for this lease is \$15.50 per net rentable square foot with six months free (\$14.00 effective), a \$3.50 expense stop and \$15.00 per square foot tenant improvement allowance. Smaller tenants are paying approximately \$16.00 per square foot of net rentable area.

On the site immediately north of the subject property, Property Corporation of America is building 162,000 square feet of office space known as Commerce Plaza Phase I scheduled for completion in early 1986 with 128,000 square feet planned for Phase 2. The project features quality architecture and materials with asking rents of \$18.50 per net rentable square foot, an \$18.00 tenant improvement allowance, a \$3.60 expense stop, and \$40.00 per space charge for covered parking. Six to eight months of free rent will bring effective rents to \$16.50 per net rentable square foot. No leases have been signed to date.

E. CONCLUSION

The Overland Park office market is well established and growing. It is a convenient location for corporate users due to its access, available services, and proximity to Overland Park's residential areas.

The College Boulevard market currently has a 14.4% vacancy rate which represents one year's supply of office space. An additional year's supply of space is under construction or scheduled for a summer 1985 ground breaking. This indicates that supply and demand are relatively in balance with development about 12 months ahead of the market.

While several developers hold significant raw land inventories along College Boulevard, there is only one parcel left in the prime area around the College Boulevard-Metcalf-I-435 interchange. As these raw land inventories are absorbed and as development pushes south, the value of the subject site should increase. Lighton Plaza will be very competitive in the Overland Park marketplace. The site access to I-435 and the Metcalf corridor of retail, restaurants and services is excellent. Lighton Plaza is within walking distance of the Marriott Hotel and a 100,000 square foot retail center that will be completed before the subject. The quality of the building's architecture, construction and tenant finishes will be met with a demonstrated demand from the market. Based on Piedmont's review of the market, the subject property should receive effective rents of \$17.50 square foot on a net rentable basis and achieve 95% occupancy within 24 months of initial occupancy. While this \$17.50 per square foot rate differs from the developer's proforma of \$18.50, the proposed participating mortgage compensated for this difference by establishing economic holdback and participation threshold amounts based on Piedmont's \$17.50 estimate.

Exhibit III-1
KANSAS CITY OFFICE SUMMARY
CLASS A SPACE

Office District	Total Square Feet (000's)	Vacant Square Feet (000's)	Vacancy Rate	Under Construction SF (000's)
Downtown	3,314	243	7.3%	2,800 (1)
Midtown/Plaza	915	235	25.7%	815
So. Kansas City, MO	1,200 (3)	330	27.5%	450 (2)
No. Johnson Co.	908	77	8.4%	65
So. Johnson Co. (College Blvd)	4,500	650	14.5%	625
TOTAL	10,837	1,535	14.2%	4,730 - 2,085 preleased 2,645 speculative

- (1) 60% Preleased
 (2) 90% Preleased to single tenant
 (3) While South Kansas City, MO is a significant market in absolute numbers, it is essentially built out and dominated by single tenant users.

Source: Piedmont Realty Advisors
 Cohen and Company
 Coldwell Banker

Exhibit III-2
SUBMARKET LOCATION MAP

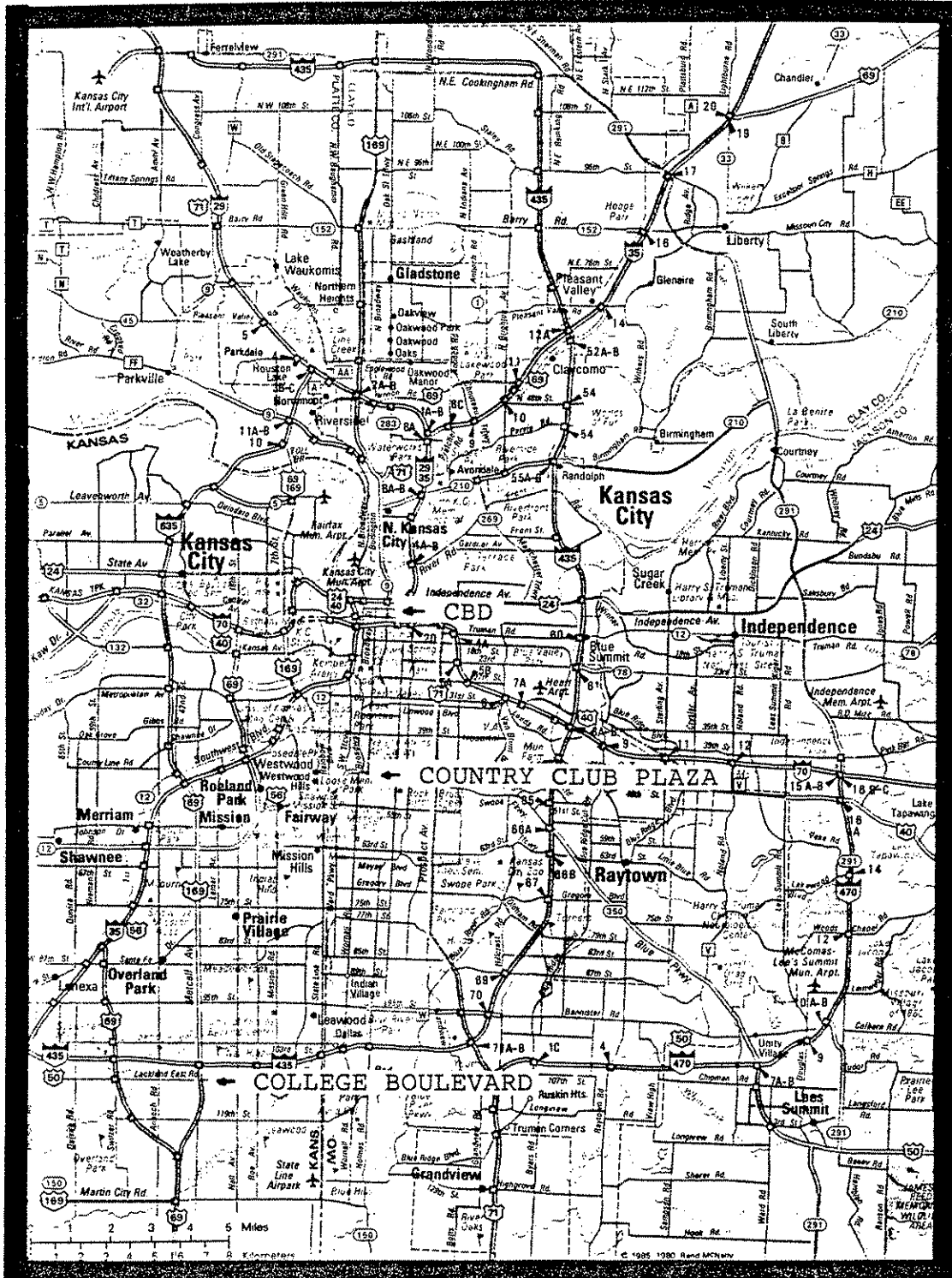
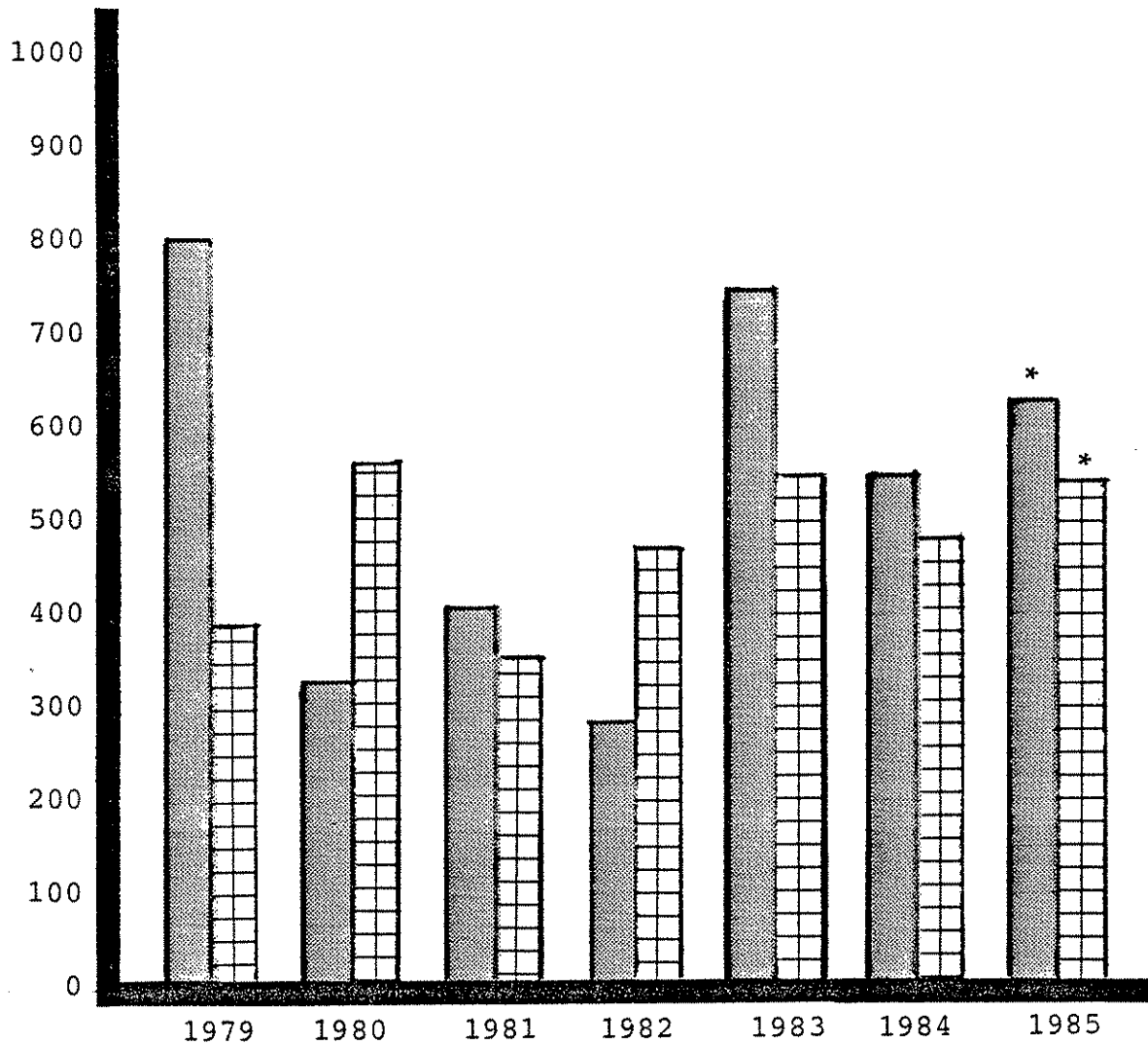


Exhibit III-3
CONSTRUCTION AND ABSORPTION TRENDS
OVERLAND PARK OFFICE MARKET



■ Construction

+ Absorption

* Projected

Source: Piedmont Realty Advisors
Cohen and Company

Exhibit III-4
VACANCY TRENDS (1)
OVERLAND PARK OFFICE MARKET

<u>Year</u>	<u>Total SF (000's)</u>	<u>Vacant SF (000's)</u>	<u>Percent Vacant</u>
1979	2,070	434	21.0
1980	2,444	268	11.0
1981	2,846	330	11.6
1982	3,118	202	6.5
1983	3,950	363	9.2
1984	4,500	650	14.4

(1) All figures end of the year

Source: Piedmont Realty Advisors
Cohen Company

Exhibit III-5
COMPETITIVE PROPERTY SURVEY

Map Number	Building Name	Floors Year Built	Total SF	Occupancy Rate Available SF	Lease Rates
1	Renaissance Office Bldg. 7007 College Boulevard	7 1984	151,000	83% 25,000	\$16.50 rentable \$ 3.25 exp. stop 6 months free
2	Mast Publishing 7500 110th	5 1984	122,000	87% 16,000	\$17.50 usable (\$15.50 NRA) \$ 3.50 exp. stop
3	Financial Plaza 6800 College Boulevard	7 1984	115,000	28% 82,000	\$17.00 usable (\$15.00 NRA) \$ 3.25 exp. stop 6 months free
4	Corporate Woods 9225 Indian Creek	11 1985	209,000	19% 170,000	\$17.25 rentable \$ 4.00 exp. stop 6-8 months free
5	The Registry 7800 110th	2 1981	34,000	93% 2,500	\$13.00 usable (11.50 NRA) \$ 3.25 exp. stop
6	Executive Center 10901 Lowell	3 1983	210,000 in 3 bldgs.	85% 31,000	\$13.50 usable (\$12.00 NRA) \$ 3.25 exp. stop 4 months free

Exhibit III-5A
COMPETITIVE PROPERTIES UNDER CONSTRUCTION

Map Number	Building Name	Floors/ Scheduled Completion	Total SF	Occupancy Rate Available SF	Lease Rates
7	Commercial Plaza I-435-Metcalf	9 Feb. 1986	161,000	0.0 161,000	\$18.50 NRA \$ 3.75 exp. stops \$20.00 covered parking 6-8 months free
3 8	Financial Plaza 6800 College	12 June 1986	195,000	0.0 195,000	\$17.00 usable (\$15.00 NRA) \$ 3.25 exp. stops 6-8 months free
9	Executive Hills SWC College & Metcalf	15 July 1986	225,000	0.0 225,000	\$16.50 usable (\$14.50 NRA) \$ 3.25 stops 8-10 months free

IV.

BORROWER/DEVELOPER

IV. THE BORROWER/DEVELOPER

A. INTRODUCTION

The borrower/developer is Trammell Crow Company, one of the country's largest developers of office and warehouse space. Trammell Crow Company has over 50 offices throughout the United States and controls assets with a gross value in excess of \$6 billion. An organization chart for the company appears as Exhibit IV-1.

B. THE PARTNERS

The Trammell Crow Company's partner for Kansas City is C.A. "Tuck" Spaulding. He has been with Trammell Crow for 13 years and has been the Kansas City partner for 12 years. Over those years he has developed over 1.8 million square feet of office and warehouse space in the area. Mr. Spaulding's resume is attached as Exhibit IV-2 and a list of his developments appears as Exhibit IV-3.

Mr. Robert Kresco is the Trammell Crow regional partner for the Midwest with offices in St. Louis. Mr. Kresco has been with the company since 1967 and currently manages nine local offices including Kansas City, Tulsa, Cincinnati and Boston.

The other partners for the project include Harlan Crow, a partner in the Trammell Crow Company; Joel Peterson, Senior Partner and Chief Financial Officer for the Trammell Crow Company; and J. McDonald (Don) Williams, the Managing Partner of the Trammell Crow Company (See Appendix A for resumes.).

C. DEVELOPMENT TEAM

1. Developer

C.A. "Tuck" Spaulding has developed over 1.8 million square feet of space in Kansas City including the Registry, a 40,000 square foot office building less than 1/2-mile from the subject site. The leasing representative for the Kansas City office is Donald C. Thompson. Mr. Thompson has been with Trammell Crow for three years and formerly handled the leasing activity at Corporate Woods.

2. General Contractor

The general contractor will be The R.W. Murray Company of St. Louis, Missouri. R.W. Murray has been contracting since 1959 and since 1980 has completed projects that total 4.0 million square feet. Over 950,000 square feet of these projects have been for the Kansas City office of Trammell Crow. Exhibit IV-4 is a partial list of projects completed by The R.W. Murray Company.

3. Architect

The architect for the project is the Urban Design Group. Urban is headquartered in Denver and has a regional office in Kansas City. They have been the architect for many award winning properties. Recent projects include the Tabor Center in Denver, a 1.8 million square foot mixed use development; Independence Center, a 1.8 million square foot mixed use facility in Charlotte, North Carolina; and La Plaza Del Rio, a 2.3 million square foot mixed use complex in San Antonio, Texas. Clients include Williams Realty, Prudential Insurance, and La Salle Partners.

4. Property Management

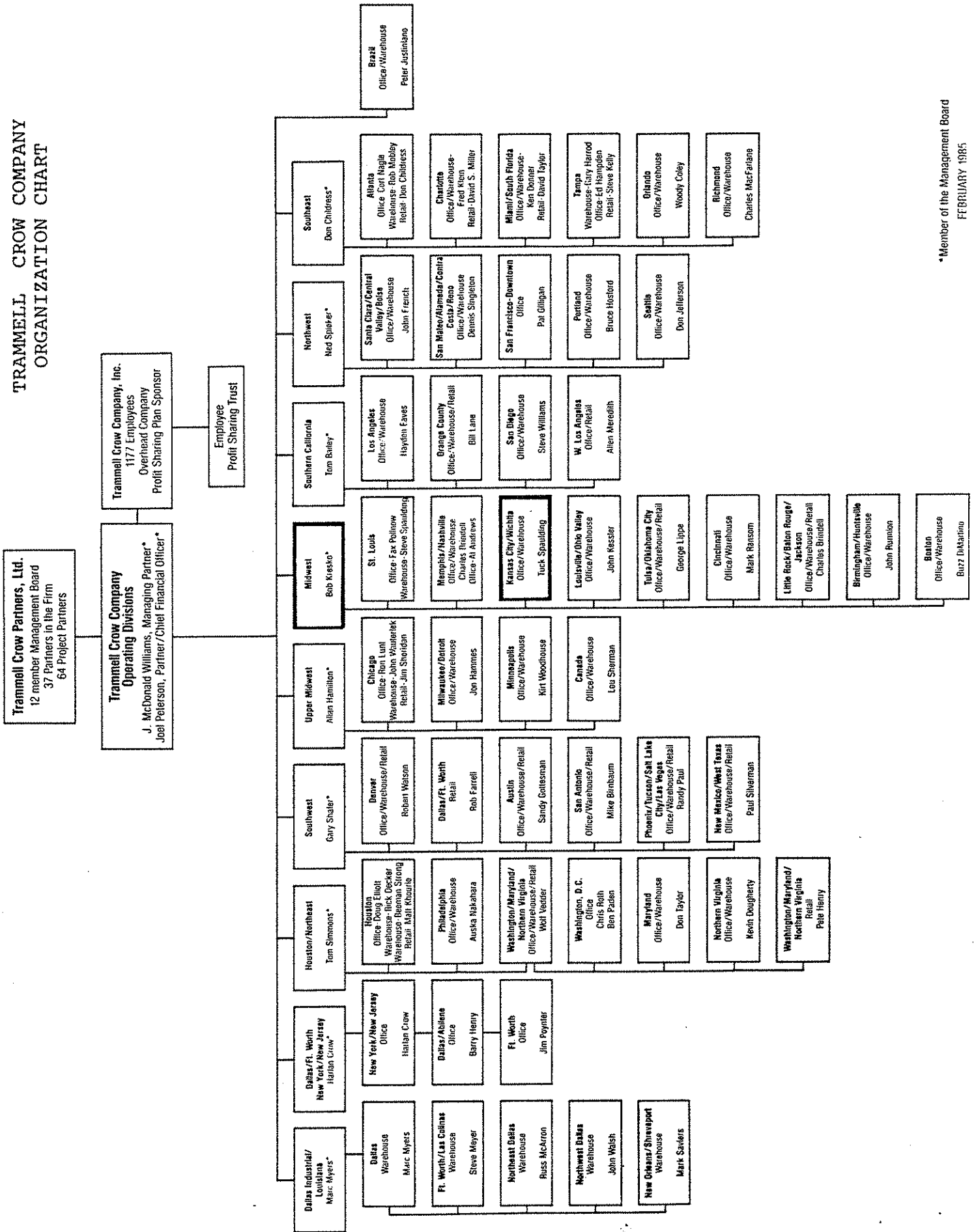
Leasing and management of the subject property will be provided by the Trammell Crow Company. The office currently manages over 1.8 million square feet of office and warehouse space in the area.

D. CONCLUSION

In addition to its financial strength and national track record, Trammell Crow has assembled an experienced and qualified team to develop and manage the subject property. The leasing representative is very familiar with the market conditions and tenant base along the College Corridor. The contractor has an established relationship with the developer and has substantial experience building in the Kansas City area. The architect is an award winning design firm of national scope. These members will make an effective team for the development of Lighton Plaza.

TRAMMELL CROW COMPANY

Exhibit IV-1 TRAMMELL CROW COMPANY ORGANIZATION CHART



*Member of the Management Board
FEBRUARY 1985

Exhibit IV-2
PARTNER'S RESUME

C. A. (Tuck) Spaulding, III
Partner

Trammell Crow Company
8550 Marshall Drive
Lenexa, Kansas 66214
Telephone: (913) 492-5161

PERSONAL

Born May 7, 1945 - Omaha, Nebraska
Married to Susan Small Spaulding
Three children

ACADEMIC

BS, Principia College, 1967

Graduated, Principia Upper School, 1963

BUSINESS

Partner, Kansas City, Omaha, Wichita,
Trammell Crow Company
1972 - Present

Director, Adventure Unlimited Ranches,
Buena Vista, Colorado
1970 - 1972

Employee, Norgan Roofing Company
Los Angeles, California
1969 - 1970

Management Trainee, Whirlpool Corporation
Benton Harbor, Michigan
1967 - 1969

ACTIVITIES

Trustee, The Principia Corporation

Member, The Plaza Club, Kansas City

May, 1985

Exhibit IV-3
TRAMMELL CROW COMPANY
KANSAS CITY PROJECTS

OFFICE

Brookhollow Office Building	45,000 S.F.
The Registry	40,000 S.F.
8245 Nieman Road	20,000 S.F.
Total Square Footage	105,000 S.F.

OFFICE/SERVICE CENTER BUILDINGS

CONGLETON PARK	
Eight Buildings Ranging From	
12,804 S.F. to 45,676 S.F.	
Total Square Footage	200,884 S.F.
BROOKHOLLOW PARK	
Seventeen Buildings Ranging From	
12,960 S.F. to 81,555 S.F.	
Total Square Footage	463,312 S.F.

WAREHOUSE BUILDINGS

Fourteen Buildings	
Total Square Footage	1,125,348 S.F.

TOTAL KANSAS CITY

1,894,544 S.F.

Exhibit IV-4
R.W. MURRAY TRACK RECORD

Project	Owner	Contract Amount	Date Completed
Hollander Building Renovation 600 McDonnell Boulevard St. Louis, MO	McDonnell Douglas Corporation	\$6,640,000	U/C
117,150 SF One Story Office Building Circle Drive North Piscataway, NJ	American Standard Corporation	2,750,000	U/C
67,625 SF Three Story Office Building 10220 Alliance Road Blue Ash, OH	Trammell Crow Company	3,125,000	U/C
83,660 SF Two Story High Tech Building 14 Oak Park Drive Bedford, MA	Trammell Crow Company	4,200,000	U/C
123,850 SF Distribution Center Johnson County Industrial Airpark Olathe, KS	Trammell Crow Company	2,300,000	11/83
40,450 SF Two Story Office Building 110th Street and Lowell Street Lenexa, KS	Trammell Crow Company	1, 650,000	11/81
304,000 SF Tire Warehouse Building Interstate Industrial Park Lenexa, KS	Trammell Crow Company	4,000,000	12/79
135,700 SF Warehouse Building Brookhollow Business Park Lenexa, KS	Trammell Crow Company	1,500,000	12/80

V. RISK AND RETURN

V. RISK AND RETURN

A. INTRODUCTION

The participating mortgage as a form of investment has some of the advantages of equity investment, as well as a guaranteed return and the senior security position of traditional mortgage debt. The participating mortgage on the subject property will be fully collateralized by a first lien on the land and improvements. Additional security is provided by the general partner of the borrowing entity master leasing the property for a period of up to 30 months.

B. VALUATION

1. Proforma Income and Expenses

Proforma income and expenses for the Trammell Crow office building are presented in Exhibit V-1. Trammell Crow estimates the proforma gross rental rate at \$18.50 per net rentable square foot with a \$3.75 expense stop. Piedmont Realty Advisors estimates that the most likely average gross rental rate for the building will be \$17.50 per net rentable square foot with a \$3.75 expense stop. Valuation, cash flow and yield analyses will be based on both the \$17.50 and \$18.50 estimate. It should be noted that if Trammell Crow leases the building at an average of \$17.50, the total loan amount will be \$12,839,092. If Trammell Crow leases the building at an average of \$18.50, the total loan amount will be \$13,200,000.

The net operating income for the property using a 5% vacancy allowance is \$1,467,750 (using \$17.50 rents). When the mortgage payment of \$1,348,105 is deducted from the net operating income, the cash flow is \$119,645. The indicated debt coverage ratio is 1.09.

2. Valuation Methodology

The forward commitment aspect of the participating mortgage enables the lender to invest at wholesale levels (i.e. cost) and immediately participate in 50% of the spread between cost and value when the building is complete. The estimation of value is, therefore, an important part of the investment consideration on the return as well as the risk dimensions. Piedmont Realty Advisors evaluated Lighton Plaza using the three methods of value accepted by the

American Institute of Real Estate Appraisers. These estimates are presented in Exhibit V-2. Piedmont estimates the Market Value of the property when it is completed and leased to be \$15,500,000 if the initial leases average \$17.50 per net rentable square foot and \$16,400,000 if the initial leases average \$18.50 per net rentable square foot. As shown in the Application in Exhibit I-1, USF&G's commitment is contingent upon an independent MAI appraisal for at least these amounts. The indicated loan to value ratio is 83% at \$17.50 rents and 80% at \$18.50 rents.

C. RETURN

The projected income and expenses for the property over a 12-year period are based on 50% three leases and 50% five year leases with a \$3.75 expense stop. Income, expenses and property value are all expected to increase at a 6% rate of inflation. These projections are shown in Exhibit V-3.

The cash flows which contribute to the loan yield include: base debt service, accrued interest, additional interest from operations and additional interest from sale. The estimated yield, given a 12-year holding period ranges from 14.6% if the building averages \$17.50 per square foot on its initial leases to 14.8% if the building averages \$18.50 per square foot on its initial leases (See Exhibit V-4.).

The cash flows are summarized as follows:

- * Base debt service on the loan which provides an initial cash return of 10.5% (\$1,348,105 on a \$12,839,092 investment) for years one through five. For years six through twenty the cash return increases to 10.875% (\$1,466,100 per year on an outstanding balance of \$13,481,446 in year six).
- * Accrued interest on the loan, when added to base debt service provides a yield of 11.25%.
- * Additional interest from operations which is 45% of the increase in the annual gross income over an amount equal to the annualized gross income 36 months after initial funding or \$2.0 million, whichever is less.
- * Additional interest from the sale or refinancing of the property which is equal to 50% of the net proceeds from the sale of the property in excess of the loan balance or 50% of the difference between the appraised property value and the outstanding loan balance if the property is not sold before the loan is called, refinanced or matures.

- * prepayment fee which is equal to 5% of the loan balance in the eighth year of the loan and decreases 1% per year to 1% in year 12 and each year thereafter. No prepayment is permitted during the first seven years of the loan.

Additional safeguards for the lender include:

- * A holdback of \$365,900 for leasing commissions.
- * A holdback of \$735,000 for tenant improvements.
- * Economic holdback of \$1,800,000, disbursed at a rate of \$2.85 per \$1.00 of gross income collected in excess of \$1,476,300 (70% occupancy).
- * A master lease of the entire building to the loan breakeven point by the general partner of the borrowing entity until the sooner of breakeven occupancy or 36 months.
- * A loan-to-value ratio which will be a maximum of 83%.
- * Debt coverage ratio which will be a minimum of 1.09.
- * A commitment fee of \$264,000, \$132,000 of which is earned upon borrower's acceptance of the commitment and \$132,000 which is refundable at initial funding but serves as security that the borrower will pay all costs of loan origination.
- * Initial funding will occur only when 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 plans before, during and after construction.
- * A tri-party agreement between the interim lender, the borrower and USF&G, as permanent lender, will be required to guaranty funding of the loan.
- * All legal aspects of the mortgage documents will be handled by Piper Marbury.

D. RISK

1. Market Risk

The market risk is that the property cannot achieve pro-forma rental rates. This could be caused by decreased demand for office space or by an oversupply of office space in the College Boulevard market. Demand has remained fairly constant over the past three years, creating a large tenant base that should cause absorption to increase moderately in future years as these firms continue to grow. Supply in the area is currently 12 months ahead of demand, essentially an equilibrium position for this market. The subject's location in relation to major traffic arteries and services will be a strong advantage over most of its existing and future competition. The projected 24-month lease up and 6 to 8 months free rent in the budget are above average for the market. Overland Park, when compared with other office markets nationally, is relatively healthy with good prospects for the future. Overland Park's relatively low rental rates, a diversified and expanding tenant base and well planned office development will serve to mitigate market risk.

Piedmont has conditioned USF&G's position in several ways to accurately reflect the property's actual performance. The annual operating participation is based on a flexible threshold amount that will be the lesser of \$2,000,000 or the actual rents in place at the end of 36 months. Actual rents will be calculated on an effective rent basis, reducing the participation threshold in the event that excessive rent concessions are given during lease-up. The economic holdback of \$1,800,000 (13.6% of loan amount) will be disbursed only after the property is 70% occupied and will be disbursed at the rate of \$2.85 for every \$1.00 in collected gross income above \$1,476,300.

2. Operating Risks

The operating risks occur if the property is not effectively managed and effectively marketed. However, Trammell Crow Kansas City manages over 1.8 million square feet of space in the area, including a 40,000 square foot office building in the College Corridor. In addition to the Kansas City partner's 13 years of experience in the area, the vast resources of the Trammell Crow organization combine to give the borrowing partnership very substantial management expertise. From a marketing standpoint the leasing representative has had eight years of experience leasing space in the College Corridor, five years with Corporate Woods and three years with Trammell Crow. Additionally, the developer will offer a full 5% commission to outside brokers, thereby offering the proper incentive for effective marketing.

3. Default Risk

Trammell Crow has never defaulted on a project. In addition to this reputation, the general partners are master leasing the property for 36 months. In the event of a default the collateral for the loan would be a well built, well located property at a unit cost of \$122.45 per rentable square foot. USF&G loan basis at the full disbursement level of \$13,200,000 will be \$115.79 per rentable square foot.

4. Interest Rate Risk

Due to the forward commitment nature of the loan, possible fluctuations in interest rates present a risk to the lender. If rates go up due to inflationary expectations, the participating features of the loan will compensate the lender for being unable to re-invest at higher rates. If interest rates decrease during the approval period, there is a risk that the borrower will terminate the application obligations and forfeit the \$50,000 application fee. If rates decrease after a commitment is issued, the borrower will be locked in through a tri-party agreement with the construction lender and the real return to USF&G will increase accordingly.

E. CONCLUSIONS AND RECOMMENDATIONS

The proposed Trammell Crow Office Building in Overland Park, Kansas represents an excellent investment opportunity. The project has a superior location with excellent access in an established and growing suburban office market. Overland Park is a strong office market relative to other national office markets with good prospects of continued strength.

The building's emphasis on quality in design and construction should create a long term investment grade asset which is capable of capturing more than its fair share of tenant demand in the College Boulevard office market. The borrower has an impressive 13 year record in the area and has access to resources of Trammell Crow Company. The loan structure provides for a minimum return of 11.25%, and a projected return of 14.6% to 14.8%.

We therefore recommend that the Real Estate Investment Committee of the United States Fidelity and Guaranty Company approve the issuance of the commitment for a first mortgage of \$13,200,000 for the Lighton Plaza Office Building in Overland Park as outlined in this report.

Exhibit V-1
PROFORMA INCOME AND EXPENSES
LIGHTON PLAZA

Gross Income (114,000 x \$17.50)	\$1,995,000
Less: Vacancy @ 5%	<u>99,750</u>
Effective Gross Income	\$1,895,250
Less Expenses (114,000 x \$3.75)	<u>427,500</u>
Net Operating Income	\$1,467,750
Less: Mortgage Payment	
\$12,839,092 loan @ 10.50% interest	<u>1,348,105</u>
Cash Flow	\$ 119,645
Indicated Debt Coverage Ratio	1.09

Source: Piedmont Realty Advisors

NO DEDUCTIONS IS MADE
FOR RENTAL CONCESSIONS
THIS CAN EFFECT
REMAINS 15%

Exhibit V-2
VALUATION ANALYSIS

COST APPROACH

Improvements (See Exhibit II-7)	\$11,709,000
Land value @ \$20.00 PSF N.R.A.	2,280,000
Developer Profit @ 10% of hard costs	757,800
ESTIMATED VALUE	\$14,746,800

DIRECT SALES COMPARISON APPROACH

114,000 X \$144 (See Exhibit V-2A)	\$16,416,000
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CAPITALIZED INCOME APPROACH

\$1,467,750 (See Exhibit V-1) ÷ .095	\$15,450,000
\$1,576,050 (\$18.50 PSF) ÷ .095	\$16,590,000

CORRELATION OF VALUE ESTIMATES

The three approaches to value indicate a range of values from \$14.7 million to \$16.6 million. The estimates from the Direct Sales Approach and the Income Approach are very close which suggests that the value of the subject property when it is built and fully leased should be estimated to be:

\$15,500,000 (Based on \$17.50 rents)
Indicated Loan to Value Ratio: 82.8%
\$16,400,000 (Based on \$18.50 rents)
Indicated Loan to Value Ratio: 80.5%

Exhibit V-2A
DIRECT SALES COMPARISON APPROACH

Sale	Date	Sales Price (000's)	Area SF	Price/ SF	Adjustment	Adj./Price SF	Cap Rate
Executive Hills	5/84	\$14,431	108,500	\$133.00	\$ 5.30 (1)	\$138.30	9.20%
Glenwood Place	6/85	13,244	109,450	121.00	10.00 (2)	131.00	9.20
Linclay Building	12/84	11,140	94,410	118.00	12.30 (3)	130.30	9.80
6600 College	5/84	8,280	78,071	106.05	25.30 (4)	131.35	9.55
SUBJECT	6/85	14,934	114,000			131.00	9.50
	6/86	15,681				137.55	(5)
	6/87	16,465				144.43	(5)

VALUE BY MARKET COMPARISON \$16,450,000

- (1) Time adjustment based on 4% inflation
- (2) Adjustment of \$7.50 for an inferior location and \$2.50 for large tenancy. (Control Data).
- (3) Adjustment of \$10.00 for inferior location and \$2.30 for time of sale.
- (4) Adjustment of \$20.00 for construction quality (brick on block) and \$5.30 for time of sale.
- (5) Time adjustment based on 5% inflation.

Exhibit V-3
SUMMARY OF CASH FLOWS
\$17.50 PER FOOT

***OPERATING CASHFLOW*												
Year	01	02	03	04	05	06	07	08	09	10	11	12
GROSS POTENTIAL RENT	1995000	1995000	1995000	2185538	2185538	2522918	2749852	2749852	2749852	3020135	3471625	3471625
minus												
VACANCY ALLOWANCE	1296750	299250	99750	109277	109277	126146	137493	137493	137493	151007	173581	173581
EXPECTED												
RENTAL REVENUE	698250	1695750	1895250	2076261	2076261	2396772	2612359	2612359	2612359	2869128	3298044	3298044
minus												
RENTAL EXPENSES	427500	427500	427500	468329	468329	540624	589253	589253	589253	647170	743918	743918
NET												
OPERATING REVENUE	270750	1268250	1467750	1607932	1607932	1856148	2023106	2023106	2023106	2221958	2554126	2554126
minus												
FINANCING PAYMENTS	1348104	1348104	1348104	1429559	1429559	1691785	1788799	1788799	1788799	1904345	2097357	2097357
OPERATING												
CASH BEFORE TAXES	-1077354	-79854	119646	178373	178373	164363	234307	234307	234307	317613	456769	456769
plus												
NET CAPITAL FLOW	0	0	0	0	0	0	0	0	0	0	0	0
NET												
CASH BEFORE TAXES	-1077354	-79854	119646	178373	178373	164363	234307	234307	234307	317613	456769	456769

***PROCEEDS from HORIZON-END SALE

SELLING PRICE of PROPERTY: year 12	31088435
minus SELLING COMMISSION and EXPENSES	932653
minus OUTSTANDING LOAN BALANCE	14016218
minus CONTINGENT REVERSION PAYMENT	8069782
CASH from SALE BEFORE TAXES	8069782

Exhibit V-3A
SUMMARY OF CASH FLOWS
\$18.50 PER FOOT

***OPERATING CASHFLOWS

Year	01	02	03	04	05	06	07	08	09	10	11	12
GROSS POTENTIAL RENT	2109000	2109000	2109000	2310426	2310426	2667084	2906986	2906986	2906986	3192713	3670003	3670003
minus												
VACANCY ALLOWANCE	1370850	316350	105450	115521	115521	133354	145349	145349	145349	159636	183500	183500
EXPECTED												
RENTAL REVENUE	738150	1792650	2003550	2194905	2194905	2533730	2761637	2761637	2761637	3033077	3486503	3486503
minus												
RENTAL EXPENSES	427500	427500	427500	468329	468329	540624	589253	589253	589253	647171	743919	743919
NET												
OPERATING REVENUE	310650	1365150	1576050	1726576	1726576	1993106	2172384	2172384	2172384	2385906	2742584	2742584
minus												
FINANCING PAYMENTS	1386000	1386000	1386000	1472110	1472110	1745889	1848447	1848447	1848447	1970595	2174637	2174637
OPERATING												
CASH BEFORE TAXES	-1075350	-20850	190050	254466	254466	247217	323937	323937	323937	415311	567947	567947
plus												
NET CAPITAL FLOW	0	0	0	0	0	0	0	0	0	0	0	0
NET												
CASH BEFORE TAXES	-1075350	-20850	190050	254466	254466	247217	323937	323937	323937	415311	567947	567947

***PROCEEDS from HORIZON-END SALE

SELLING PRICE of PROPERTY: year 12	33382339
minus SELLING COMMISSION and EXPENSES	1001470
minus OUTSTANDING LOAN BALANCE	14410249
minus CONTINGENT REVERSION PAYMENT	8985310
CASH from SALE BEFORE TAXES	8985310

Exhibit V-4
INVESTOR'S YIELD SUMMARY
LIGHTON PLAZA
\$17.50 RENTS

Loan Year	Annual Debt Service	Additional Interest Operations	Loan Balance	Additional Interest Sale	Total Cash Flow
1	\$1,348,104 (1)	0			\$1,348,104
2	1,348,104	0			1,348,104
3	1,348,104	0			1,348,104
4	1,348,104	81,455			1,429,559
5	1,348,104	81,455			1,429,559
6	1,466,100 (2)	225,685			1,691,785
7	1,466,100	322,699			1,788,799
8	1,466,100	322,699			1,788,799
9	1,466,100	322,699			1,788,799
10	1,466,100	438,245			1,904,345
11	1,466,100	631,257			2,097,357
12	1,466,100	631,257	14,016,218	\$8,069,782 (3)	24,183,357

Estimated Yield (4) 14.6%

-
- (1) 10.500% pay rate applied to \$12,839,092 loan amount.
- (2) 10.875% pay rate applied to \$13,481,446 loan amount.
- (3) Net sales price of \$30,155,782 less the outstanding loan balance of \$14,016,218 equals a residual of \$16,139,564. 50% of residual equals \$8,069,782.
- (4) Internal rate of return calculated using \$12,839,092 as the investor's initial investment.

Exhibit V-4A
INVESTOR'S YIELD SUMMARY
LIGHTON PLAZA
\$18.50 RENTS

Loan Year	Annual Debt Service	Additional Interest Operations	Loan Balance	Additional Interest Sale	Total Cash Flow
1	\$1,386,000 (1)	0			\$1,386,000
2	1,386,000	0			1,386,000
3	1,386,000	0			1,386,000
4	1,386,000	86,110			1,472,110
5	1,386,000	86,110			1,472,110
6	1,507,308 (2)	238,581			1,745,889
7	1,507,308	341,139			1,848,447
8	1,507,308	341,139			1,848,447
9	1,507,308	341,139			1,848,447
10	1,507,308	463,287			1,970,595
11	1,507,308	667,329			2,174,637
12	1,507,308	667,329	\$14,410,249	\$8,985,310 (3)	25,570,196
Estimated Yield (4)		14.8%			

(1) 10.500% pay rate applied to \$13,200,000 loan amount.

(2) 10.875 pay rate applied to \$13,860,406 loan amount.

(3) Net sales price of \$32,380,869 less outstanding loan balance of \$14,410,249 equals a residual of \$17,970,620. 50% of residual equals \$8,985,310.

(4) Internal rate of return calculated using \$13,200,000 as the investor's initial investment.