

OVERLOOK III
OFFICE BUILDING
ATLANTA, GEORGIA

Piedmont Realty Advisors
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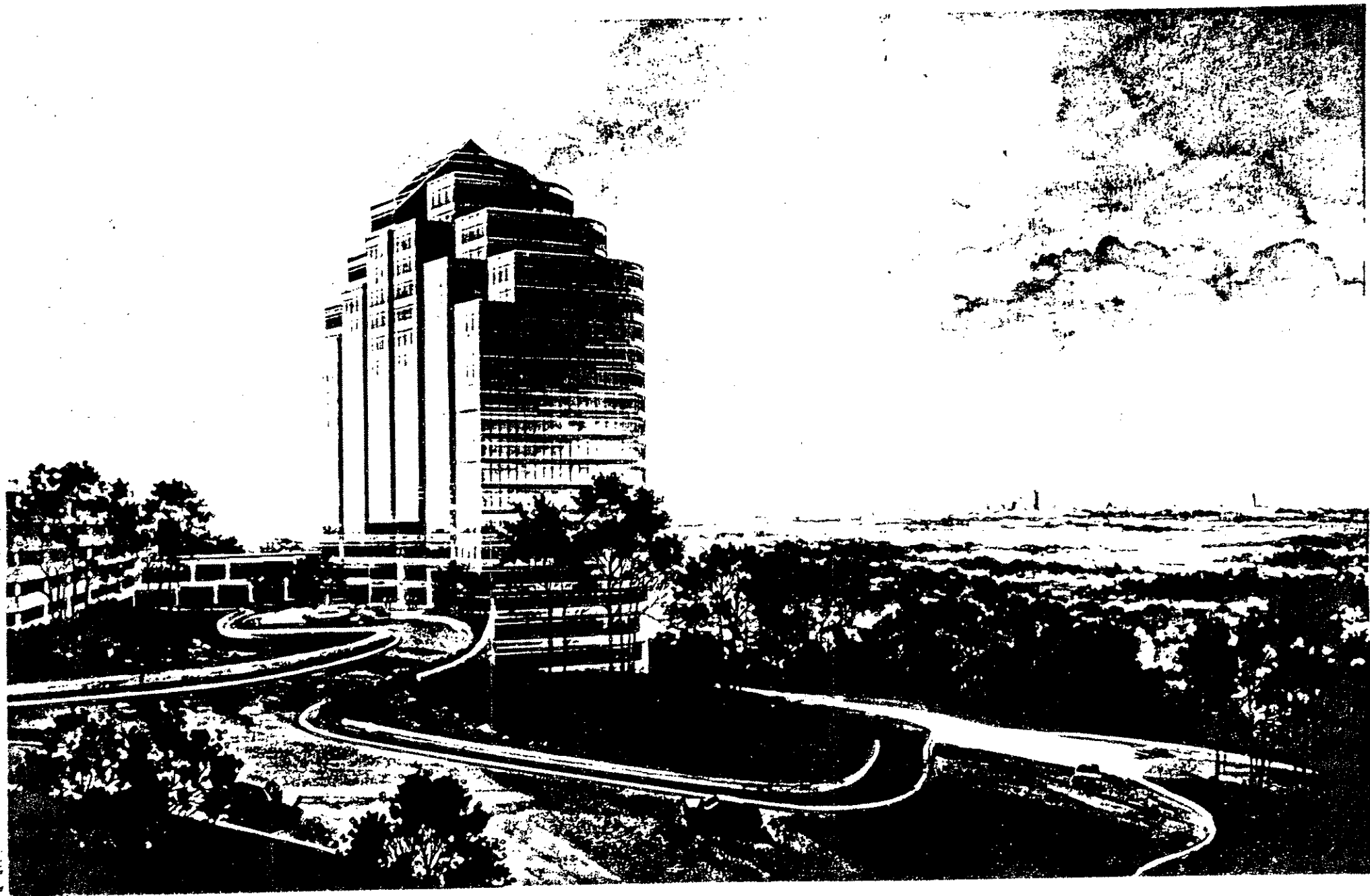


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I.

INTRODUCTION

PIEDMONT REALTY ADVISORS

1150 CONNECTICUT AVENUE, N.W.

SUITE 705

WASHINGTON, D.C. 20036

202-822-9000

April 3, 1985

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

Re: Overlook III Office Building
Atlanta, Georgia

Dear Sirs and Madam:

Enclosed for your review is an Investment Report on the Overlook III Office Building which is to be developed by the Crow-Terwilliger Company in Atlanta, Georgia. Piedmont Realty Advisors reviewed this property with the Real Estate Investment Committee on March 19, 1985 at which time the Committee approved the investment pending receipt of the detailed proposal and analysis. This report documents the presentation and provides the detailed analysis.

The Property - Overlook III is the third and final phase of the Overlook Office Park which is located along the Vinings Mountain ridgeline in northwest Atlanta. As the name suggests, the location overlooks downtown Atlanta to the south and Kennesaw Mountain to the north. The site is the highest point within the Atlanta perimeter beltway.

The 20-story building will contain 450,000 square feet of gross building area (420,000 square feet net rentable) and will have an attached five-story parking structure which will accomodate 1,400 cars. The building structure will be consist of reinforced concrete, and the curtain wall will be grey Georgian marble and reflective silver glass. The building is sited so that it faces downtown Atlanta, and upon entering the building through a four-story atrium the visitor is presented with a five-story panoramic view of Atlanta. The building design, amenity package, and exterior and interior finishes should make Overlook III the competitive standard for first class office space in suburban Atlanta.

The site has excellent access throughout the Atlanta area provided by West Paces Ferry Road, I-285, I-75, and U.S. 41. The West Paces Ferry Exit off I-285, a full-diamond interchange, is one-half mile from the Overlook Office Park.

Market - The Atlanta office market in general and the Northwest Atlanta submarket in particular has been absorbing space at record levels for the past five years. Also office construction during this time has been at record highs. At this time, the office market is very healthy, vigorous, and competitive, but a recession in the general economy could cause serious over-building. A 24-month construction period and 36-month lease-up period has been budgeted so that if there is a market slowdown, Overlook III can be adequately marketed over a five year period

Overlook I, a 7-story, 150,000 square foot building was completed in 1982 and was leased to 95% occupancy within 12 months, and Overlook II is just being completed and is 50% preleased. The experience of these two buildings confirms the viability of the location and the competitive position of the Overlook Office Park. Overlook II was pre-leased with rents between \$18.00 and \$19.00 with rent concessions averaging three to six months. The Overlook III pro forma is based on an average rental rate of \$24.44 achieved 36 months after completion (Summer, 1990).

The Borrower - The borrower is Overlook Associates No. 3 Ltd., a Georgia Limited Partnership, the general partner of which is the Crow-Terwilliger Development Corp. The property will be developed, constructed, and leased by the Crow-Terwilliger Company, a Trammell Crow Residential Company, and it will be managed by the Trammell Crow Company. This is the same team that has successfully completed Overlook I and Overlook II.

Risk/Return - Overlook III, the final phase of a successful office park in a strong suburban office market developed by an experienced developer, has minimal downside risks. To reduce the downside risk further, the economic holdback is larger than normal, and there are additional holdbacks for three years of real estate taxes and marketing expenses. The downside risk is also reduced by a flexible deal structure which reduces the loan amount and participation threshold if pro forma rents are not achieved during the lease-up period. Instead of a master lease, the interest payments during lease-up are guaranteed by a second mortgage which is amortized by cash flows and economic holdback disbursements. If the second mortgage is not amortized by the end of the 36-month lease-up period, USF&G or its affiliate may purchase an equity position in the property by paying off the remaining second mortgage balance.

Real Estate Investment Committee Members
USF&G
April 3, 1985
Page Three

The expected yield on the participating mortgage is estimated at 14.4% under 6% inflation assumptions. Consequently, Piedmont Realty Advisors believes that this is an attractive return for the risks involved.

Therefore, we recommend that USF&G issue a permanent loan commitment in the amount of \$65,000,000 for the Overlook III Office Building in Atlanta, Georgia. If you have any questions, please call me.

Sincerely,

Daniel B. Kohlhepp
Vice President

DBK:clg
Enclosures

Exhibit I-1
APPLICATION LETTER

PIEDMONT REALTY ADVISORS

1150 CONNECTICUT AVENUE, N.W.

SUITE 705

WASHINGTON, D.C. 20036

202-822-9000

March 18, 1985

Mr. Ronald Terwilliger
Crow Terwilliger Company
2849 Paces Ferry Road
Suite 410
Atlanta, Georgia 30339

Re: First Mortgage Financing #170
Overlook III
Atlanta, Georgia

Dear Mr. Terwilliger:

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 this letter.

Property:	<u>Overlook III</u> - 420,000 rentable square feet of office space (excluding the health club and conference center).
Location:	The Overlook Office Park at 2849 Paces Ferry Road, Atlanta, Georgia.
Land Area:	9 acres
Borrower:	Atlanta Overlook Associates No. 3, Ltd., A Ga. Ltd. P'shi
Lender:	Crow-Terwilliger Development Corp., Gen. Partner USF&G Realty Company
Loan Amount:	\$65,000,000
Interest Rate:	11.0%
Term:	20 Years
Amortization:	Not Applicable, interest only.

Call Option:

Anytime after the end of the 12th year. Lender will give Borrower 18 months written notice of its intent to call the loan.

Prepayment:

- * No prepayment through year 10.
- * Prepayment fee of 3% in year 11, declining .5% per year to 1% in years 15 and 16, no prepayment fee thereafter.
- * No prepayment fee if lender exercises its call option.
- * 5% prepayment fee in years 1-10 if mortgage is foreclosed.
- * In the event of sale between years 10-16, prepayment fee is 1%.

Additional Interest:

A. Operations:

Lender receives 40% of the annual gross income in excess of a base amount after an operating expense deduction equal to 23% of collected rents. The base amount shall equal the annualized collected gross income 36 months after initial funding adjusted to reflect 95% occupancy. In no case shall base amount exceed \$9,750,000 and in no event shall the base amount be less than the annual interest due on the outstanding loan amount divided by .77. Additional interest payments made quarterly.

If free rent discounts are given, the base amount will be calculated using the annual arithmetic average rental income over the term of the lease.

B. Sale or
Refinancing:

Lender receives 50% of the difference between the net sales price (selling expenses not to exceed 3% of gross selling price including prepayment fee or 2% if no prepayment fee applicable) 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. Before the borrower attempts to sell the property it shall extend the right of

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first offer to the lender by naming a price at which it is willing to sell. In the event lender does not purchase, owner may sell to a third party, but if borrower wishes to sell at a price lower than that offered to lender, it must first offer lender right to purchase at the lower price.

Commitment Fee:

\$1,300,000: \$650,000 in cash paid upon acceptance of the commitment; \$650,000 in an irrevocable letter of credit which will be refunded to the borrower upon execution of a Tri-Party Agreement. The commitment fee will be earned upon receipt of a satisfactory appraisal and upon execution of a Tri-Party Agreement between Borrower, Lender and Construction Lender as well as execution of a second Mortgage Agreement between Borrower, Lender and BA Mortgage or another mutually acceptable second mortgage lender. Until such time the commitment fee will be held by a mutually acceptable escrow agent.

Initial Funding:

\$48,530,000; to occur within 30 days after receipt of the Certificate of Occupancy. Initial funding will occur within 24 months after commencement of construction. Borrower may extend initial funding time period up to four months for an extension fee equal to \$20,000 per month. In no event will funding occur later than October 31, 1987.

Holdbacks:

A. Tenant Improvements:

\$4,470,000; disbursed for actual costs not to exceed \$10.64 per square foot of rentable area as space is leased and tenant improvements are completed. Full disbursement will occur at 95% occupancy regardless of when achieved.

B. Leasing Commissions:

\$2,000,000; disbursed as commissions are paid, not to exceed \$4.76 per square foot of rentable area. Full disbursement will occur at 95% occupancy regardless of when achieved.

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- C. Economics: \$8,764,000; disbursed at a rate of \$1.90 per \$1.00 of annualized gross income collected in excess of \$5,131,579. Borrower has 36 months after initial funding to earn out the economic holdback.
- D. Real Estate Taxes: \$675,000; disbursed as real estate taxes are incurred. Any unspent tax holdback will be treated as an economic holdback and disbursed as though it were part of the economic holdback at initial funding.
- E. Marketing: \$561,000; disbursed as incurred over the lease-up period. Any unspent marketing holdback will be treated as an economic holdback and disbursed as though it were part of the economic holdback at initial funding.

Contingencies:

- A. Plans and Specifications: The lender reserves the right to approve the plans and specifications for all proposed improvements and to approve any material changes, modifications, or corrections to the plans during construction.
- B. Leases: The lender reserves the right to approve all leases subject to agreed upon leasing standards. Agreed upon leasing standards will be part of the commitment letter. Lender shall not have the right to approve leases that are between 3 and 5 years (excluding any free rent period) as long as they provide for rent escalation of (1) a direct pass thru of operating expenses or (2) a CPI rent escalator with a maximum of not less than 6% or (3) a fixed rent escalator of not less than 4%. Notwithstanding the above, 20% of the rentable space of the building may be for terms in excess of 5 years but not more than 10 years. Leases which call for adjustments to market at the end of 5 years shall be considered 5 year
- DRK
Q

leases for purpose of this provision. All leases shall carry an effective rate of not less than 18.42 for the first 33.3% of rentable space, 20.42 for the second 33.3% of rentable space 22.42 for the final 33.3% of rentable space.

C. Market Value
Appraisal:

The commitment will be contingent upon the lender receiving a market value estimate of the property from an MAI designated appraiser which is not less than \$78,000,000.

D. Lender
Approval:

This application must be approved by the Lender's Investment Committee.

E. Tri-Party
Agreement:

The commitment is contingent upon the Lender, Borrower, and the Interim Lender entering into an acceptable Tri-Party Agreement within 60 days after the commitment is accepted.

F. Second
Mortgage
Commitment:

This commitment is contingent upon the Lender and Borrower receiving an acceptable commitment from a second mortgage lender within 60 days from the acceptance of this commitment.

G. Syndication:

Borrower may syndicate its interest in the property prior to or concurrent with repayment of Second Mortgage so long as Borrower retains a 50% interest in the property and Crow-Terwilliger Development Corp. remains the sole general partner of Borrower.

H. Second Mortgage
Financing:

Lender will arrange a second mortgage which is non-recourse to the Borrower to cover all negative cash flows during the 36 month lease-up period. The second mortgage would be used to pay debt service on the first mortgage for a period not to exceed 36 months from date of initial funding. The second mortgagee would receive the following cash flows until the second loan balance is extinguished:

1) All net cash flows during rent up;

DBK
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- 2) All disbursements from the economic holdback.

Borrower will have the right to prepay the second mortgage any time during the 36 month period without penalty

The second mortgage would be accompanied by an option held by an affiliate of USF&G Realty Company to purchase a percentage of the equity ownership in the property.

- 1) Time: The option may be exercised between the 36th and 38th month after initial funding if there is any outstanding balance on the second mortgage, or the option may be exercised before that time if the total indebtedness (1st and 2nd mortgages) reaches \$70,000,000.

- 2) Price: The outstanding balance of the second mortgage. The purchase price will be paid directly to the second lender to extinguish the second lien.

- 3) Rights Acquired: A percentage interest in the equity ownership of the property. Optionor will have the right to be either a limited or general partner. Crow-Terwilliger Development Corp. will remain as managing partner unless it is removed for cause. The percentage interest will be determined when the option is exercised by the following formula:

- 1) Total Property Value: The total value of the property will be determined by capitalizing the Annualized Net Operating Income of the property at the time the option to purchase is exercised at 9.6%. Annualized Net Operating Income shall be calculated as follows:

- a) The sum of the aggregate annual rentals from executed

GBK
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occupancy leases for the
property, less

b) An amount equal to the sum
of the operating expenses for
each lease.

ii) Percentage Interest:

a) Value of property less
outstanding loan balance on
USF&G's first mortgage equals
owners equity;

b) Optionor's "percentage
ownership" equals the
outstanding loan balance on
the second mortgage divided by
the owners equity.

If the terms outlined in this letter are acceptable, please sign
below and return this letter with an application fee of \$75,000 by
March 18, 1985. Proceeds will be returned if the Lender does not
issue a commitment in accordance with the terms of this letter
within 15 days. If a commitment is issued which deviates from this
application or includes material terms not covered by this letter
and is not accepted by applicant, the application fee will also be
immediately refunded. Otherwise, this fee will be applied to the
commitment fee. Applicant will respond to commitment within 15 days
after receipt and will accept or reject commitment within 30 days.

Sincerely,



Daniel B. Kohlhepp
Vice President

DBK:clg


SIGNED

Crow-Terwilliger Company
President,
TITLE

March 18, 1985
DATE

II. THE PROPERTY

II. THE PROPERTY

A. INTRODUCTION

Overlook III is the third and final phase of the Overlook Office Park in northwest Atlanta, Georgia. The proposed 20-story, 450,000 square foot building is in Atlanta's rapidly expanding Northwest area. The Overlook Office Park is located along the ridgeline of Vinings Mountain and will offer magnificent views of the Atlanta skyline to the south and the Kennesaw Mountain National Park to the north. Overlook III is located on West Paces Ferry Road one-half mile south of the I-285 intersection. (See Exhibit II-1.)

The most active suburban commercial and office areas in Atlanta are the Northwest area (Cumberland/Powers Ferry), the North Central area (Perimeter North), and the Buckhead/Lenox area. These areas have experienced tremendous office and retail development over the last ten years. They all have regional malls, fine hotels, and luxury office buildings. Among these markets the Northwest area has superior accessibility to the downtown, airport, and executive residential neighborhoods. However, if and when U.S. 400 is extended south and the mass transit is extended north, the North Central and Buckhead/Lenox will have comparable access to the Central Business District.

B. LOCATION

1. Accessibility

One of the major competitive advantages of Overlook III is the excellent accessibility provided by West Paces Ferry Road, Interstate 285, Interstate 75, and U.S. 41. Interstate 285 affords the site with excellent access to Atlanta's major activity centers, especially the Hartsfield International Airport (22 minutes) and the North Central office market (15 minutes). Interstate Highway 75 and U.S. 41 provide the project with access to the Central Business District (15 minutes), and West Paces Ferry Road connects the Overlook Office Park to the executive residential areas in north Atlanta and the Buckhead/Lenox commercial district. (See Exhibit II-2.)

The Overlook Office Park can be entered from the south off West Paces Ferry Road, from the east off Cumberland Parkway, and from the north off Mt. Wilkinson Parkway. At this time, West Paces Ferry Road is being widened to three lanes from the I-285 interchange south to the entrance of the Overlook Office Park. These road improvements should be completed within the next 12 months.

2. Neighborhood Demographics

Trammell Crow and his various partnerships have been instrumental in the development of the Northwest commercial area since 1966 when he acquired the land along Vinings Mountain. Significant development began in this area in 1973 when the Cumberland Mall, a 1.15 million square foot regional shopping center, was developed at the intersection of I-285 and I-75. The development group included Trammell Crow, Frank Carter, and the Metropolitan Life Insurance Company. This group also developed the low rise Cumberland Office Park which contains 595,000 square feet of low rise office space in ten buildings. The Trammell Crow Company acquired the land across the street from the Cumberland Mall and developed the Atlanta Galleria beginning in 1980. This mixed-use development contains two high rise office buildings, a luxury hotel, and a specialty retail center. From 1980 through 1982 the Crow-Terwilliger Company, a Trammell Crow residential company, developed 680 garden apartments just east of the subject property. Directly south of the Overlook Office Park is a small new retail center and the historic town of Vinings. (See Exhibit II-2.)

On both sides of the Overlook Office Park are parcels of vacant land which may be developed in the future as offices. On the west side, Elkay Properties has plans to develop a multi-phase, high-rise office project on a 14.5-acre parcel, and on the east side of the Overlook Office Park is a 10.9-acre site which has recently been rezoned for office space. In the last 60 days the respective owners of these tracts have approached the Crow-Terwilliger Company about either purchasing the ground or jointly developing the sites.

West of I-285 on West Paces Ferry Road are single family residences. However, Metro Development, an Atlanta-based development company, has assembled a large holding of single family residences and is currently attempting to have them rezoned for office use. North of I-285 on U.S. 41 and I-75 are office buildings and retail centers.

3. Overlook Office Park

Overlook III is the final phase of the Overlook Office Park. (See Exhibit II-3.) The park is named because it literally overlooks downtown Atlanta. (See Exhibit II-4.) Overlook I, a 7-story, 150,000 square foot building, was completed in 1982 and is 95% leased. Overlook II, a 13-story, 280,000 square foot building is just being completed and is almost 50% pre-leased. Exhibits II-5A and II-5B are aerial photographs of the Overlook Office Park showing the location of each phase.

Below the Overlook office buildings along West Paces Ferry Road will be the Overlook Inn and Conference Center. Crow-Terwilliger will begin construction of this \$9,000,000 facility, which will contain 160 guest rooms, this summer and completion is scheduled for Spring 1986. In the middle of the office park are tennis courts, a natural area, and a picnic and barbeque area.

The Overlook Office Park has been well received in the suburban market because of its accessibility, spectacular views, and the quality office product. It is also surrounded by complimentary land uses.

C. THE SITE

The Overlook III site contains 8.99(+/-) acres. (See Exhibit II-6.) The building is sited so it will directly face downtown Atlanta, and the parking deck will be cut into the side of the mountain so the top of the 5-story parking structure will be at the crest of the mountain. (See Exhibit II-7.) The parking deck will accomodate 1,400 cars which will provide a ratio of 3.75 spaces for every 1,000 square feet of usable office area. The site will have three points of ingress and egress: 1) a north entrance directly to the parking entrance, 2) an east entrance which will provide an entry drop-off before entering the parking structure, and 3) a south entrance for service vehicles. The parking structure will have two elevators which will carry people to the retail area which links the garage to the office building.

D. THE IMPROVEMENTS

Overlook III will have a height of 20 stories with a gross building area of 450,000 square feet. Ten thousand of the 430,000 square feet of rentable area will be used for a health club and conference center thus making the net rentable area of the office building 420,000 square feet.

The building structure consists of poured-in-place reinforced concrete, and the exterior will be sterling grey Georgian marble and silver reflective glass. The front page of this report has a rendering of the building, and Exhibit II-8 is the north elevation of the building. Both pictures show the dramatic architecture which features exterior balconies on the upper floors. The north entrance will have a four-story atrium which will provide the visitor with a five-story panoramic view of downtown Atlanta.

The typical floor size will be 25,000 square feet, and the upper floors will have smaller floor sizes and exterior balconies. Finished office floors will have nine-foot ceiling heights, except for the top four floors which will have ten-foot ceiling heights.

The building will be served with four low-rise elevators, four high-rise elevators, one service elevator, and one shuttle elevator. Heating and air conditioning will be a variable air volume system with independently controlled zones on each floor. Each floor will be entirely sprinklered with smoke detectors to activate stairwell pressurization. The atriums will be equipped with a smoke removal system. The building will have a 24-hour, seven day a week security system with in-house security guards.

The lowest level of the building will be the building storage area and mechanical systems. The second level will house the health club which features indoor and outdoor swimming pools, racquetball courts, and aerobic exercise areas. The entry level will have a restaurant/cafe, branch banking, travel agency, and convenience retail stores. The standard tenant bay depth will be 25 feet. The areas west of the building core will be one bay larger than those east of the core so that tenants with diverse space needs can be accommodated easily. Appendix A includes floor plans which show the potential use of the rentable areas.

The common areas will have highly polished marble and granite floors and walls, and the tenant space will be constructed with a work letter which approximates \$12.50 per square foot of usable area.

E. PROJECT BUDGET

The total project cost is estimated to be \$65,000,000 or \$144 per square foot of gross building area and \$155 per square foot of net rentable area. Exhibit II-9 is a detailed project budget. The project budget reflects the developer's experience in developing Overlook I and Overlook II, a 24-month construction period, and a 36-month lease-up period.

F. CONCLUSION

Overlook III is in a growing and vigorous part of Atlanta, and it has excellent accessibility throughout the metropolitan area. As the final phase of the successful Overlook Office Park, it is in a market-proven location with good project identity. The site and setting of the subject property provide dramatic 360-degree vistas, and the building's architecture reinforces the dramatic setting. In summary, Overlook III is well-conceived and well-located.

Exhibit II-1
REGIONAL LOCATION MAP

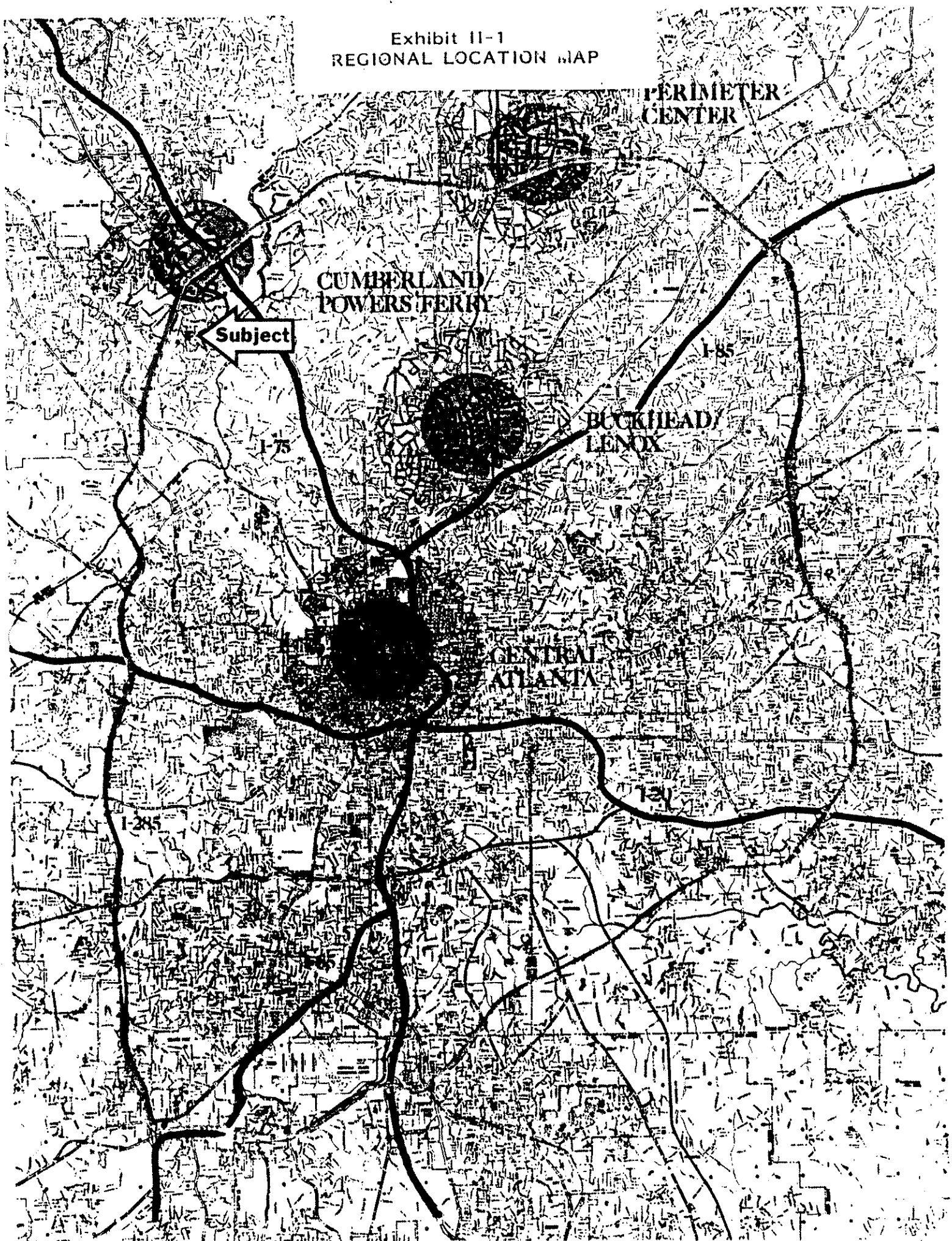
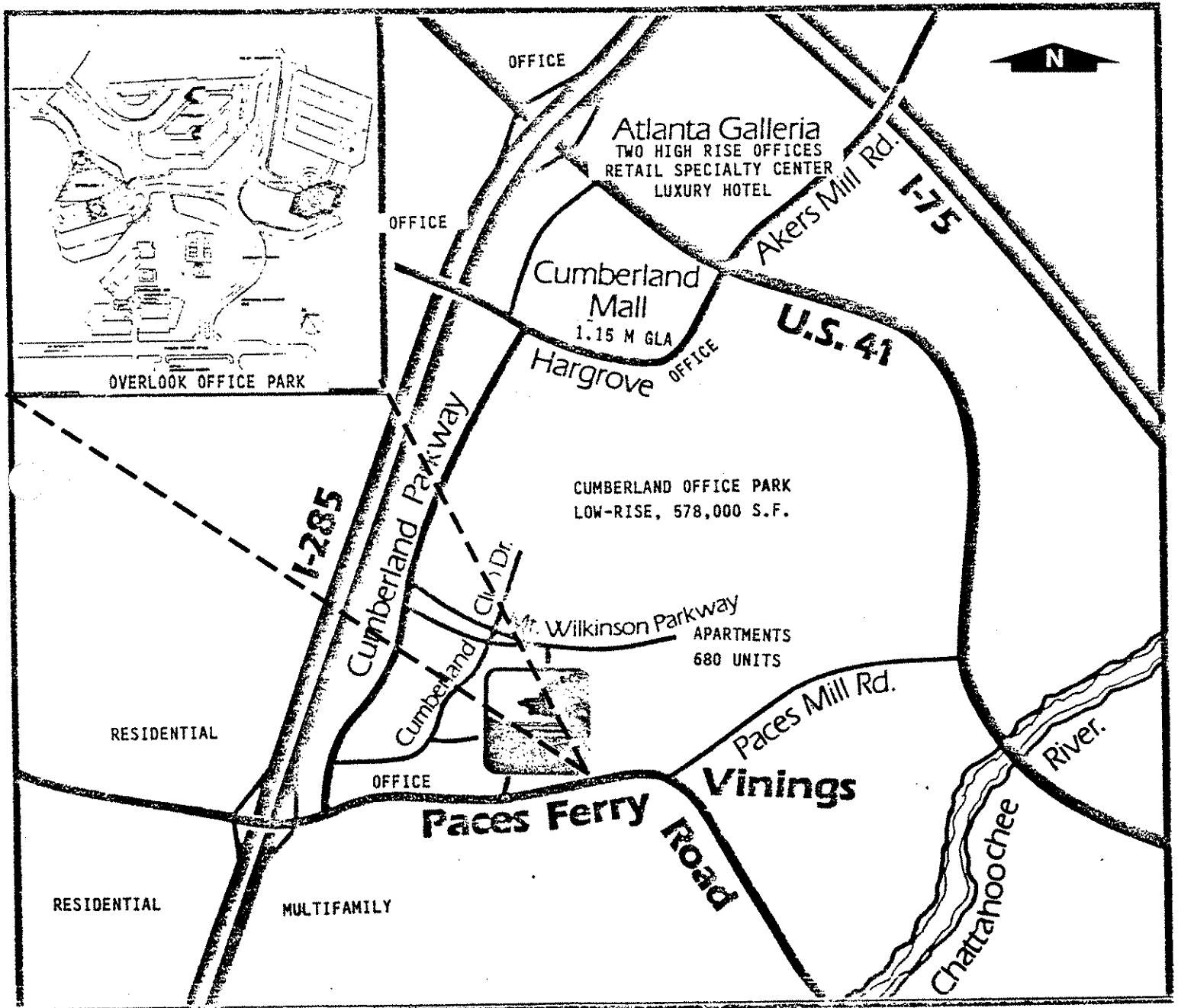


Exhibit II-2
SITE VICINITY MAP

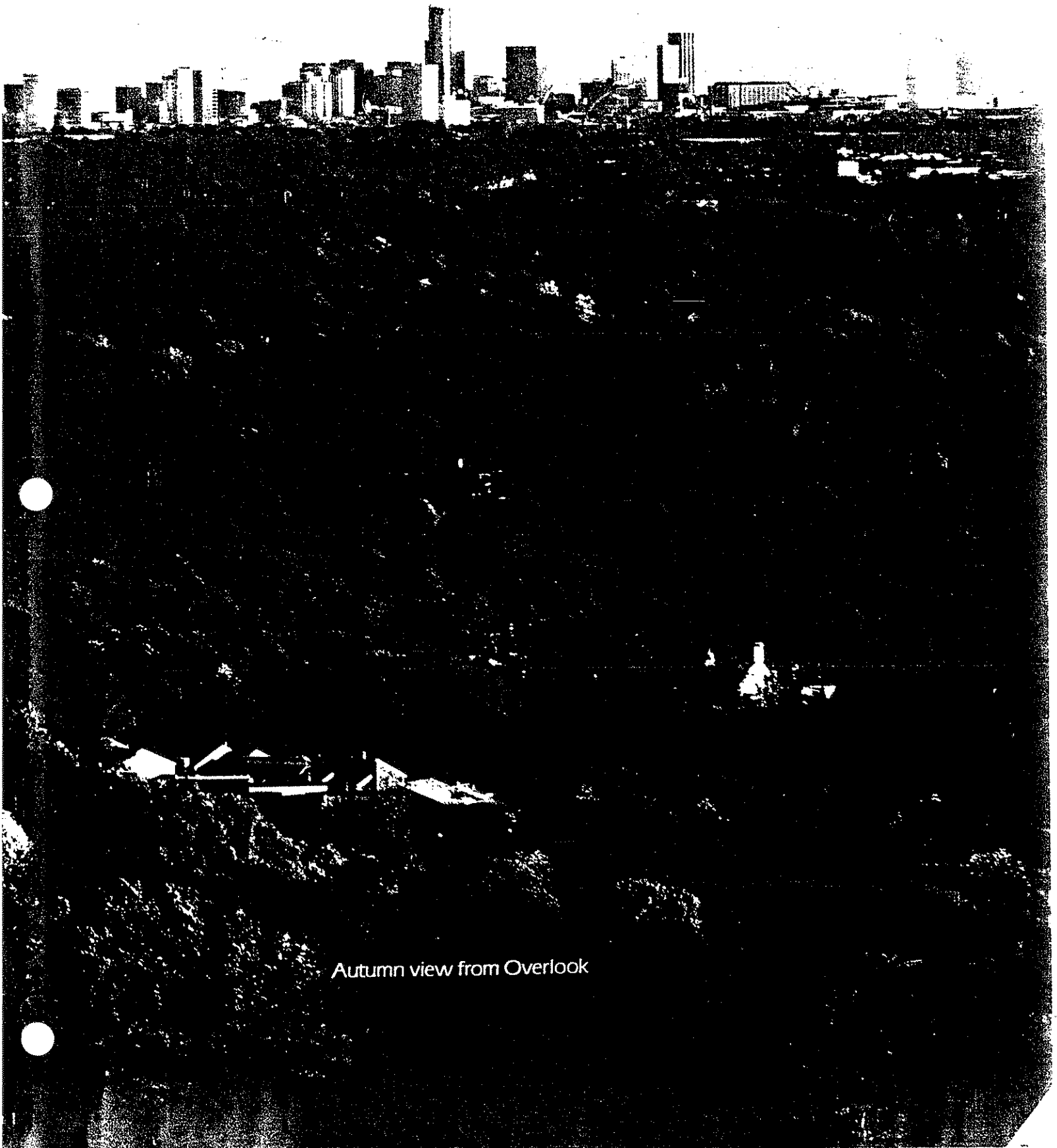


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OVERLOOK OFFICE PARK
a development of crow-terwilliger company

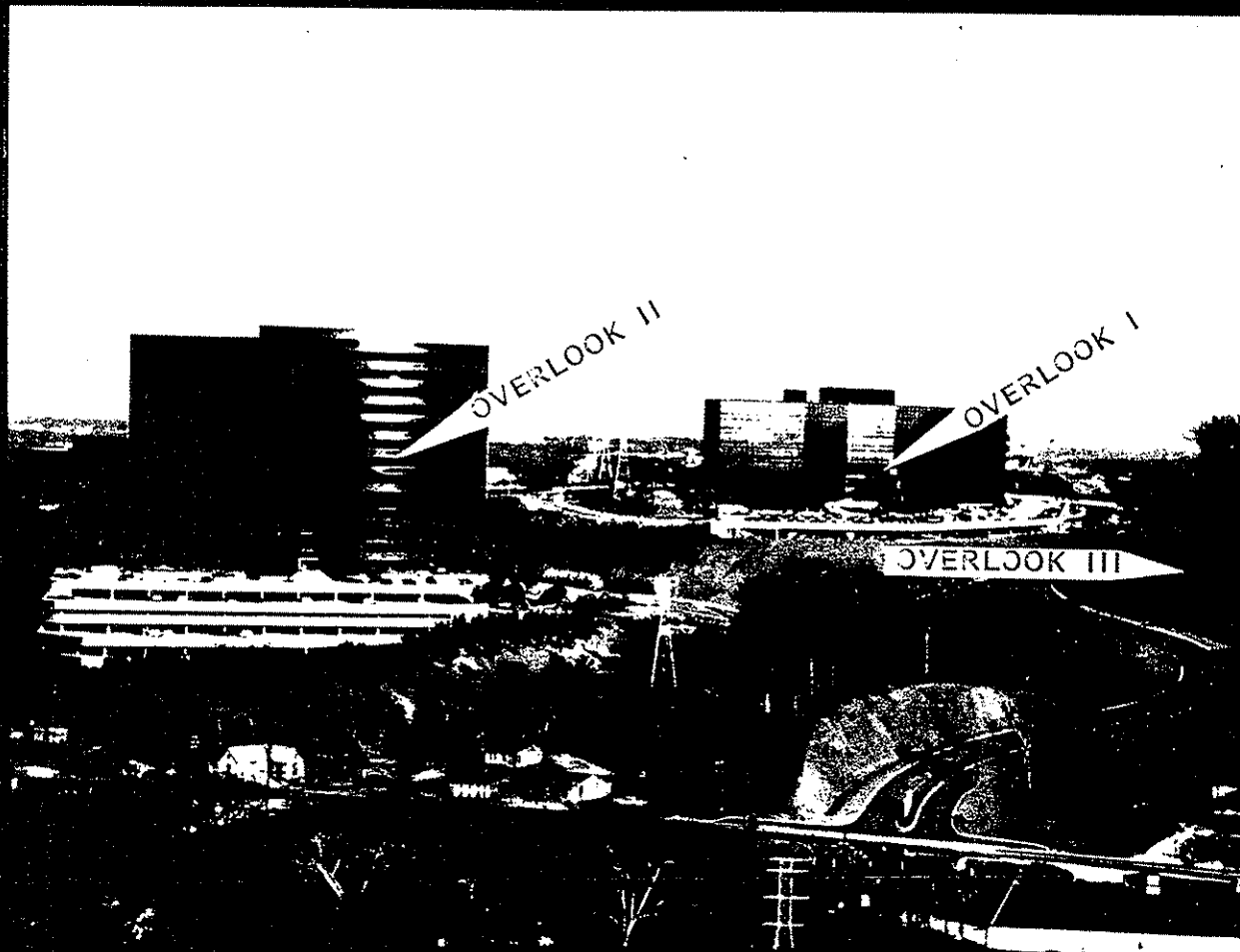
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Exhibit II-4
VIEW OF ATLANTA SKYLINE
FROM OVERLOOK



Autumn view from Overlook

Exhibit II-5A
AERIAL PHOTOGRAPH



VIEW LOOKING NORTH TOWARD OVERLOOK

Exhibit II-5B
AERIAL PHOTOGRAPH



VIEW LOOKING SOUTH TOWARD OVERLOOK

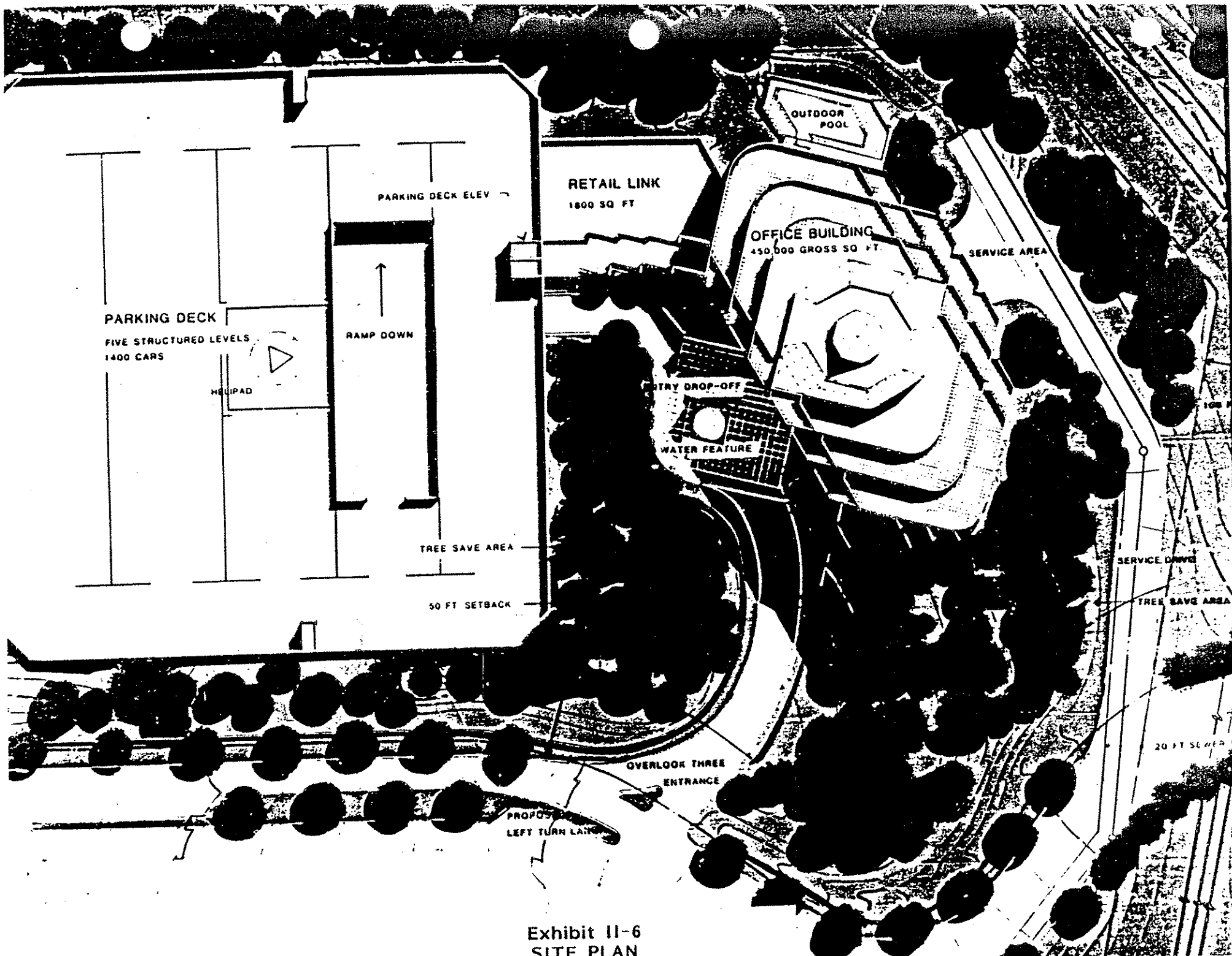


Exhibit II-6
SITE PLAN

Exhibit II-7
CROSS SECTION
BUILDING ELEVATION

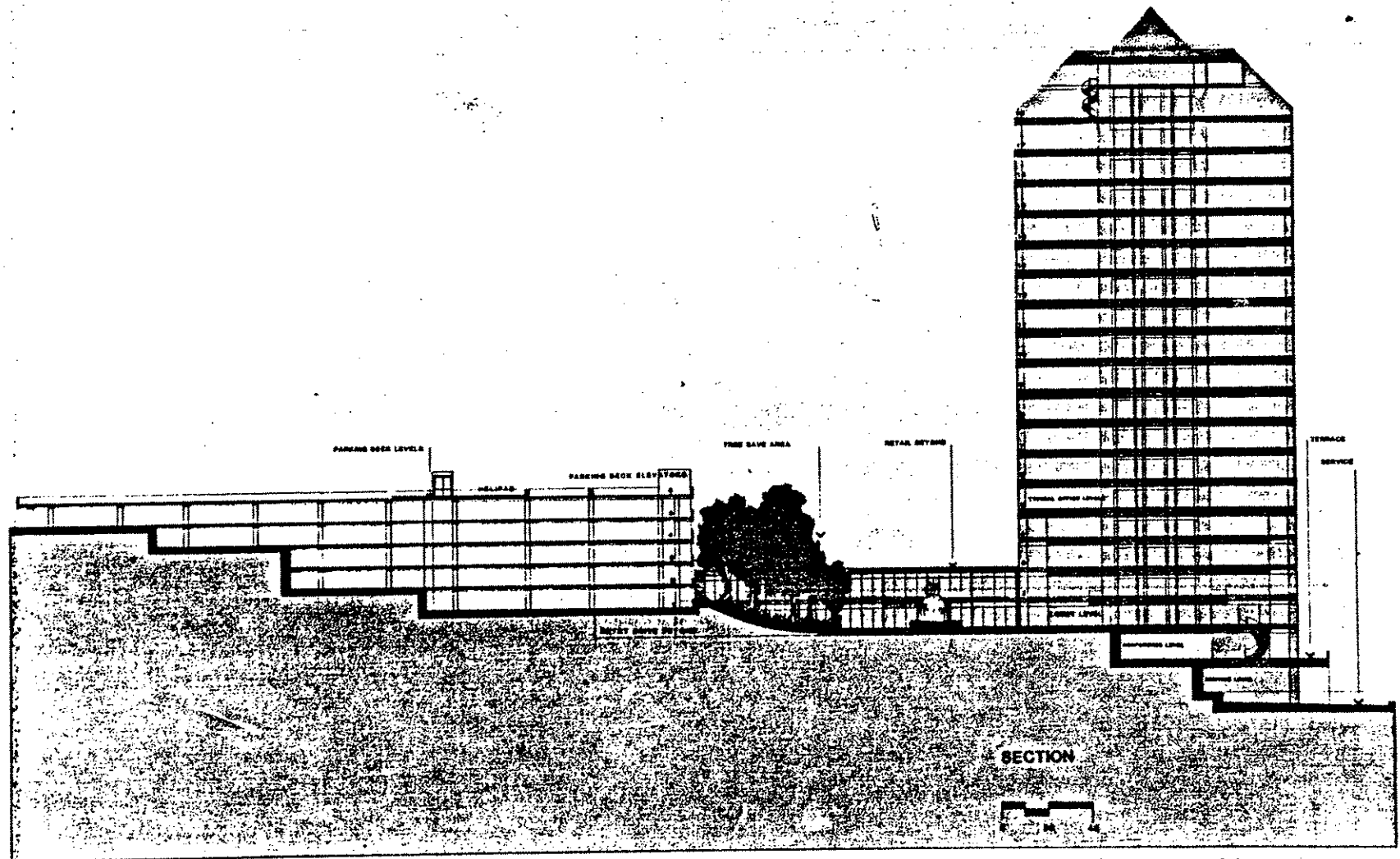


Exhibit II-8
BUILDING ELEVATION

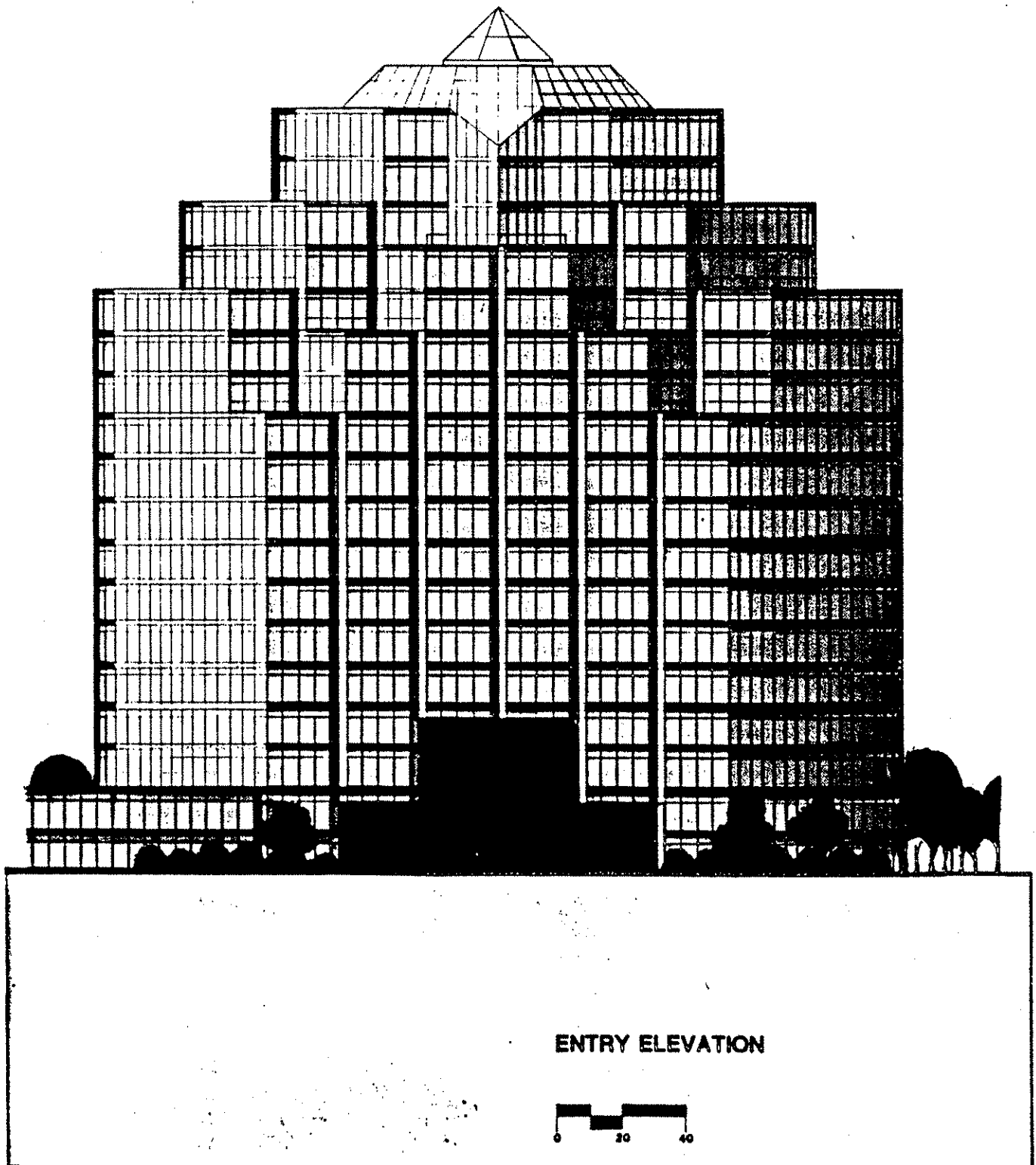


Exhibit II-9

PROJECT BUDGET

	<u>Totals</u>	<u>PSF</u>
Land Cost	\$ 8,325,000	\$18.50
Shell Construction and Parking Structure- See detailed breakdown on next page.	26,832,000	59.63
Tenant Finish - (Appx. \$12.50/Usable S.F.)	4,470,000	9.93
Architecture and Engineering	1,350,000	3.00
On-Site Overhead (1% of Total Project Cost)	650,000	1.44
Off-Site Overhead (3.5% of Total Project Cost)	2,275,000	5.06
Financing Fees	1,000,000	2.22
Real Estate Taxes (60 months)	825,000	1.83
Leasing Commissions - (5% comm. on 4-yr. leases)	2,000,000	4.44
Marketing Cost- (Promotional and Advertising costs over 60 months)	919,000	2.04
Interim Interest (11% for 24 months)	6,325,000	14.06
Contingency (4% of Total Project Cost)	2,600,000	5.78
Lease-up Deficit Cash Flows (36 month lease-up period)	7,429,000	16.51
Total	<u>\$65,000,000</u>	<u>\$144.44</u>

Exhibit II-9 (Continued)

OVERLOOK III
CONSTRUCTION BUDGET ITEMIZED BREAKDOWN

General Conditions	\$ 1,270,399
Equipment	738,000
Site Work	1,352,276
Excavation/Backfill	95,000
Concrete Structure	3,753,262
Misc. Steel	404,000
Rough Carpentry	93,730
Masonry	135,000
Marble/Granite Interior	887,705
Marble Exterior	887,995
Glass, Glazing and Curtain Wall	3,368,281
Roofing and Waterproofing	191,818
Doors, Frames, Hardware	164,295
Drywall and Acoustical	127,098
Carpet/Flooring	9,000
Paint/Wallcovering	90,000
Toilet Partitions/Accessories	103,988
Window Treatment	119,310
Signage and Graphics	40,000
Elevators	1,415,709
Plumbing/HVAC	1,980,900
Fire Protection	337,500
Electrical	1,383,785
Landscaping	250,000
Hardscape	137,350
Waterfeature	100,000
Restaurant	1,008,300
Health Club	578,043
Conference Center	204,075
Parking Deck	3,577,679
Contractor's Fee	1,027,502
Contingency	1,000,000
<hr/>	
Total	\$26,832,000

III. THE MARKET OVERVIEW

III. MARKET OVERVIEW

A. INTRODUCTION

Office development in suburban Atlanta is concentrated in three distinct office markets in the northern half of the metropolitan area. The Buckhead/Lenox area is a multi-tenant market with excellent access to executive housing. The North Central market is a freeway-oriented office market surrounding a regional shopping center. This market is dominated by large, corporate tenants. The Northwest market is geographically dispersed with concentrations of office development oriented around natural features such as river views and mountain tops and freeway intersections. This market has attracted financial and professional corporations as well as several large corporate space users.

B. THE ATLANTA OFFICE MARKET

Since the 1974-75 recession, the Atlanta economy has grown at an impressive rate, and office absorption has reached record levels. The significant trends in the Atlanta market are summarized in Exhibit III-1 and Exhibit III-2.

The Northwest office market absorbed 7,600,000 square feet of office space between 1976 and 1984. This represents 26% of the 29,000,000 square feet of office space absorbed in the Atlanta area during the same period. Between 1976 and 1984, the North Central office market absorbed 7,600,000 square feet (26% of the total) and the Buckhead/Lenox area absorbed 3,700,000 square feet (13% of the total). Although the Northwest and North Central office markets have absorbed virtually the same amount of space over the past nine years, the vacancy rates in the North Central market have been much more stable. This has resulted primarily because of several large buildings being brought on line simultaneously in the Northwest market which caused temporarily higher vacancy rates.

Exhibit III-3 is a summary of the Atlanta office submarkets as of the end of 1984, and Exhibit III-4 is a map depicting the various submarkets described in the previous exhibit. The Northwest submarket had 6,400,000 square feet of first class office space, 12% of which was vacant. This compares

very favorably with the other Atlanta submarkets. In fact, the Northwest submarket had the highest net absorption of 925,000 square feet in 1984. At this time there is 2,500,000 square feet of new office space under construction in this office market compared to 2,900,000 square feet of office space under construction in the North Central submarkets. The average rental rate for office space under construction in the Northwest submarket is \$19.00 per square foot, compared to the average rental rates of \$20.19 in the North Central submarket, \$21.51 in Buckhead/Lenox, and \$22.50 in the Downtown office market. Thus it appears that the Northwest submarket should continue to be very competitive in the Greater Atlanta office market.

C. COMPETITIVE MARKET SURVEY

Piedmont Realty Advisors recently surveyed 21 buildings in the Northwest office submarket which would be considered competitive with the proposed subject property. Of these, five were under construction and contained a total square footage of 893,669 square feet, of which 80% was available for lease. Eight buildings were completed in 1984 and are consequently still in the lease-up period. The 1984 buildings contain a total of 1,831,588 square feet, and 68% of this space was available. Eight of the buildings surveyed were over one year old, and these buildings contain 1,608,906 square feet and enjoy a 95% occupancy. This survey is summarized in Exhibit III-5, and Exhibit III-6 shows the location of each of these properties on a vicinity map.

The rental rates in these buildings ranged from a low of \$13.50 for older low-rise office space to a high of \$22.00 per square foot in the Galleria 200 building, and \$23.00 per square foot in the Wildwood II building. Rental concessions in this market range from 0 to 18 months with 3 to 6 months being the norm.

Atlanta leasing agents concur that the Galleria Office Complex sets the competitive standard for office space in an "urban setting" while the Overlook Office Park sets the competitive standard for the "suburban setting" in Northwest Atlanta. However even with different environmental themes, these two projects compete directly with one another. Galleria 200 was completed in mid-1984 while the Overlook II building was completed in March 1985. Both properties are currently 50% leased which implies that the Overlook II competes very well with the Galleria 200 project. In the Galleria complex there is land available for Galleria 300, a proposed 432,000 square foot office building. At this time the project is on hold, but it should be constructed during the next five years, and consequently, it should be competitive with the Overlook III property.

The properties north of I-285 and west of I-75 have desirable natural settings but have decidedly inferior access when compared to the subject property. The Circle 75 buildings have excellent exposure but are architecturally inferior to the quality office product in the Galleria and Overlook Office Parks. Consequently, these buildings have lower rental rates, higher vacancy rates, and the highest rent concessions. The Cumberland Center on Hargrove Road, which is just north of the subject property, should be leased-up while Overlook III is under construction. However, competition can be expected from an additional 500,000 square feet of office space which is planned for the future development of this site. Once again, the Cumberland Center has inferior exposure and accessibility when compared to the subject property.

The Lake Park properties and Park Center properties on U.S. 41 are low-rise suburban properties, and consequently while their occupancies are a good, their rental rates are relatively low. These properties should not be direct competition with the subject property.

Potentially the greatest competition from Overlook III could come from office developments on the vacant land on the east and west sides of Overlook. Zoning would allow the west tract to contain 750,000 square feet and the east tract to contain 470,000 square feet. However, the size and timing of Overlook III should inhibit the immediate development of either site.

D. CONCLUSION

Overlook I and Overlook II provide the best indication of Overlook III's probable success. Overlook I was able to achieve full occupancy within 12 months of completion, and Overlook II has achieved 50% pre-leasing at the time of initial occupancy. Both of these properties were leased in competitive environments, and Overlook II was leased with direct competition from Galleria 200. This experience suggests that the prospects are excellent for Overlook III achieving its pro forma occupancy levels within the 36-month lease-up period. Furthermore, the pro forma rental rates which begin at \$22.00 in 1987 and should average \$24.75 by mid-1990 appear reasonable and achievable when compared to current market rental rates of \$13.50 to \$23.00 per square foot.

Exhibit III-1

ATLANTA OFFICE MARKET

HISTORIC ABSORPTION

YEAR	ATLANTA AREA	NORTHWEST	NORTH CENTRAL	BUCKHEAD/LENOX
1976	2,000,000	278,908	557,955	320,000
1977	2,800,000	858,626	403,114	659,601
1978	2,600,000	342,723	621,484	154,819
1979	1,700,000	332,376	552,205	141,374
1980	3,200,000	727,895	898,538	539,618
1981	3,700,000	990,597	1,100,053	428,387
1982	4,200,000	1,200,000	900,000	435,000
1983	4,300,000	1,379,300	999,834	387,521
1984	4,607,000	1,456,103	1,609,513	593,194
<hr/>				
TOTALS	29,107,000	7,566,528	7,642,696	3,659,514

Source: Coldwell Banker

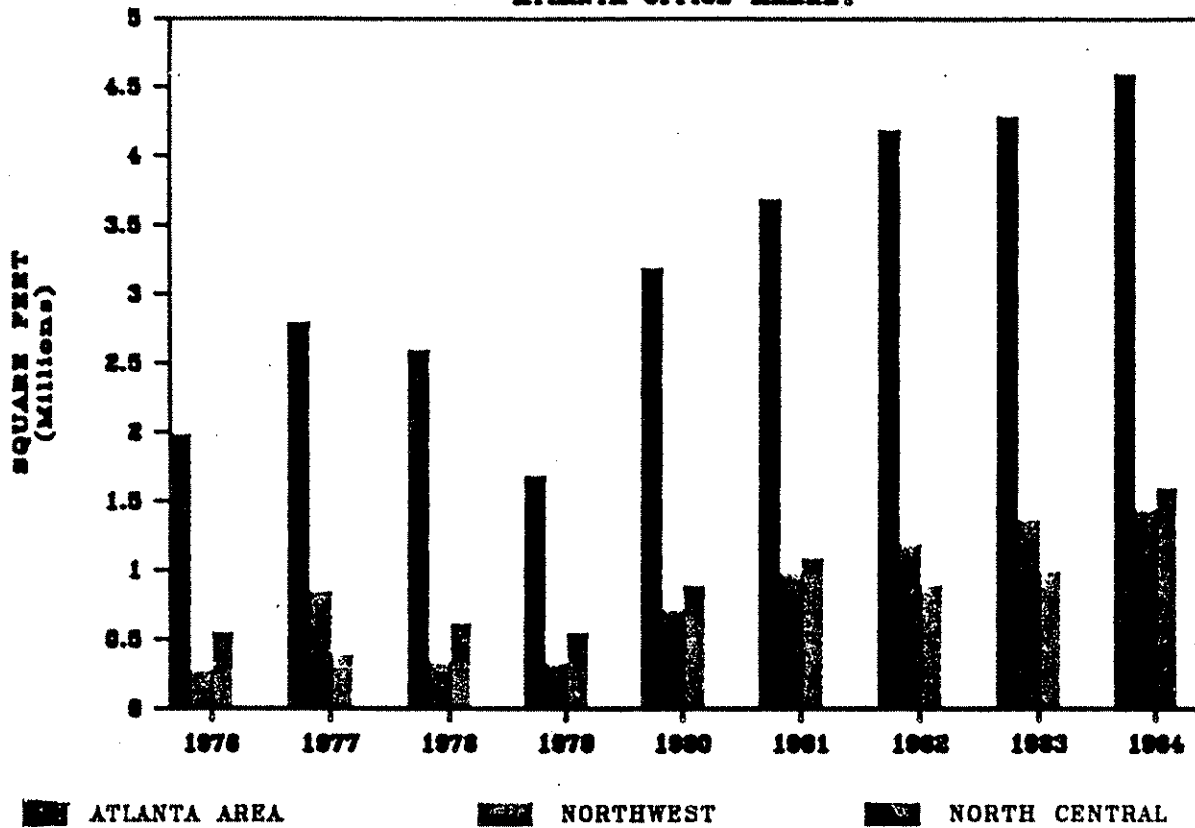
HISTORIC VACANCIES

YEAR	ATLANTA AREA	NORTHWEST	NORTH CENTRAL	BUCKHEAD/LENOX
1979	11.6	4.7	1.0	5.8
1980	9.8	5.5	2.0	17.6
1981	11.9	6.0	3.5	6.5
1982	16.7	15.0	5.0	20.0
1983	13.0	8.7	4.7	10.9
1984	12.5	13.0	8.8	6.9

Source: Coldwell Banker and Cushman Wakefield

HISTORIC ABSORPTION

ATLANTA OFFICE MARKET



HISTORIC VACANCIES

ATLANTA OFFICE MARKET

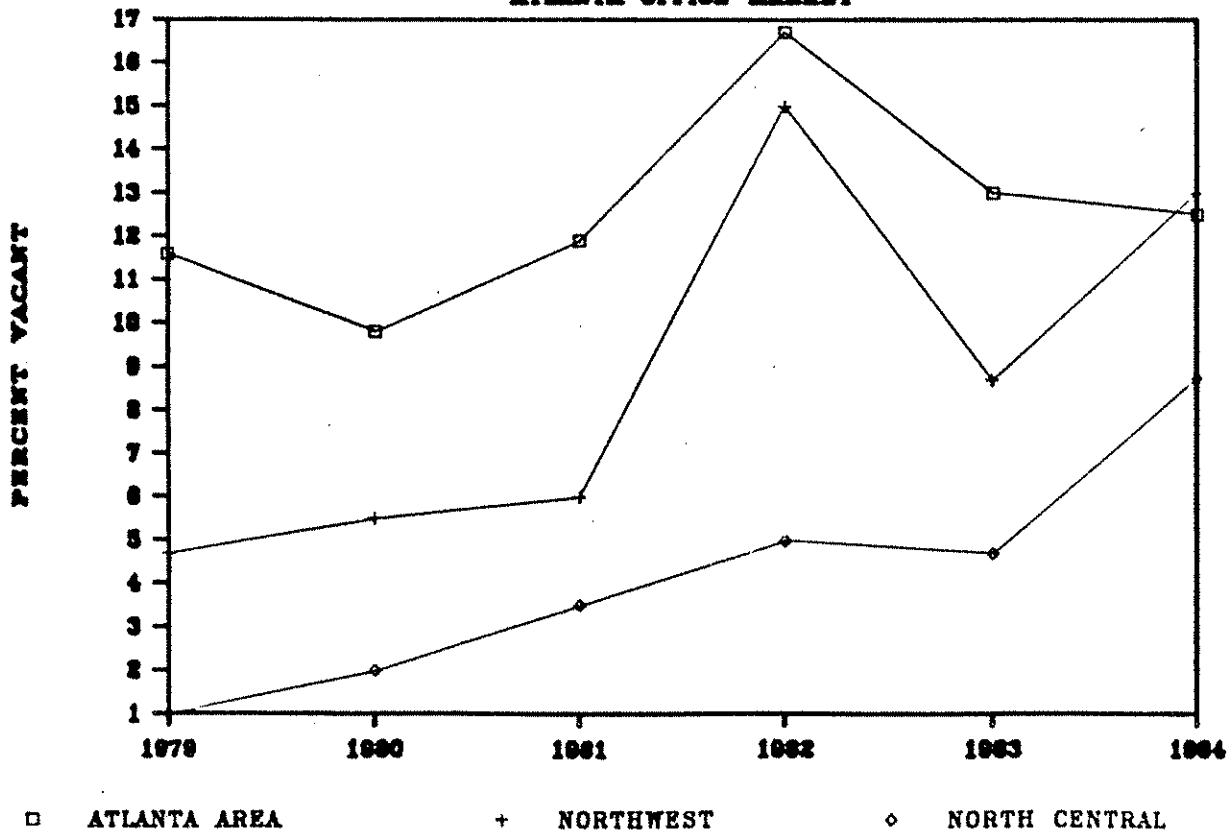


Exhibit III-3
ATLANTA OFFICE SUBMARKETS
December, 1984

SUB MARKET	TOTAL S.F.	% VACANT	1ST CLASS SPACE		AVERAGE RENTAL	UNDER CONSTRUCTION TOTAL S.F.	AVERAGE RENTAL	LAST TWELVE MONTHS	
			TOTAL S.F.	% VACANT				NET ABSORPTION	AVG. RENTAL RATE CHANGE
01* NORTHWEST	7,174,261	12.6%	6,416,066	12.0%	\$12.62	2,516,687	\$19.07	924,564	\$2.74
02 MARIETTA/I-285/ROUTE 3	251,350	11.8%	139,150	21.2%	\$13.37	281,000	\$16.92	33,794	\$1.63
03 MARIETTA/I-285/ROUTE 3	116,320	4.1%	68,200	0.0%	\$14.50	0	\$0.00	6,569	\$1.00
04 NO.GA 400 & SANDY SPRINGS	528,010	25.7%	468,010	22.6%	\$14.82	562,000	\$19.08	112,384	\$2.18
05** NO.GA 400 & SANDY SPRINGS	719,650	12.4%	203,600	27.3%	\$14.63	0	\$0.00	40,619	\$1.40
06** LOWER GEORGIA 400	1,393,736	7.0%	981,928	5.7%	\$15.45	296,000	\$18.72	185,296	(\$0.08)
07** PERIMETER CENTER AREA	5,914,330	17.8%	5,386,005	18.4%	\$19.02	2,674,305	\$20.35	757,074	\$3.44
08 NORTHEAST PERIMETER	880,109	8.7%	0	0.0%		104,200	\$18.00	(14,516)	\$0.62
09 PEACHTREE CORNERS/ GWINNETT PLACE MALL	2,056,473	18.0%	1,515,700	21.4%	\$13.62	941,408	\$15.65	148,868	\$0.62
10 N.E. EXPRSWY.AT PERIMETER	1,180,117	9.2%	0	0.0%		123,200	\$14.50	24,024	(\$0.79)
11 NORTHEAST EXPRESSWAY	3,807,467	12.3%	2,849,187	11.2%	\$13.49	105,000	\$15.00	102,388	\$0.61
12 LOWER ROSWELL ROAD AND	126,544	20.3%	19,800	0.0%	\$11.03	0	\$0.00	(35,504)	(\$1.19)
13 NORTHWEST EXPRESSWAY	942,734	3.2%	646,285	1.4%	\$13.99	0	\$0.00	6,669	\$0.00
14 DOWNTOWN	10,081,942	18.6%	8,533,695	17.1%	\$18.13	428,694	\$22.50	133,657	(\$0.13)
15 MIDTOWN	2,560,042	13.2%	980,072	20.1%	\$18.17	0	\$0.00	225,518	\$4.97
16 BROOKWOOD	1,073,258	21.4%	127,530	8.6%	\$12.25	0	\$0.00	754	\$1.30
17 BUCKHEAD/LENOX SQUARE	5,093,705	9.4%	3,860,229	7.8%	\$17.80	1,209,659	\$21.51	338,720	\$1.53
18 NORTHLAKE	2,082,500	11.0%	1,491,549	12.2%	\$13.49	30,000	\$13.25	56,609	\$1.39
19 DECATUR & S.E. ATLANTA	757,331	18.5%	413,159	28.3%	\$14.76	0	\$0.00	82,445	\$2.16
20 DECATUR & S.E. ATLANTA	371,786	12.0%	0	0.0%		0	\$0.00	31,489	\$0.06
21 SOUTHWEST ATLANTA	1,181,849	20.7%	257,350	20.7%	\$13.96	0	\$0.00	9,996	(\$0.03)
TOTAL	48,293,514	14.4%	34,357,515	14.5%	\$12.62	9,272,153	\$19.35	583,540,728	\$1.37

NOTE *: SUBJECT SUBMARKET

** : THESE SUBMARKETS TOGETHER FORM THE NORTH CENTRAL MARKET AREA

SOURCE: CARTER & ASSOCIATES, INC.

Exhibit III-4
ATLANTA OFFICE SUBMARKET MAP

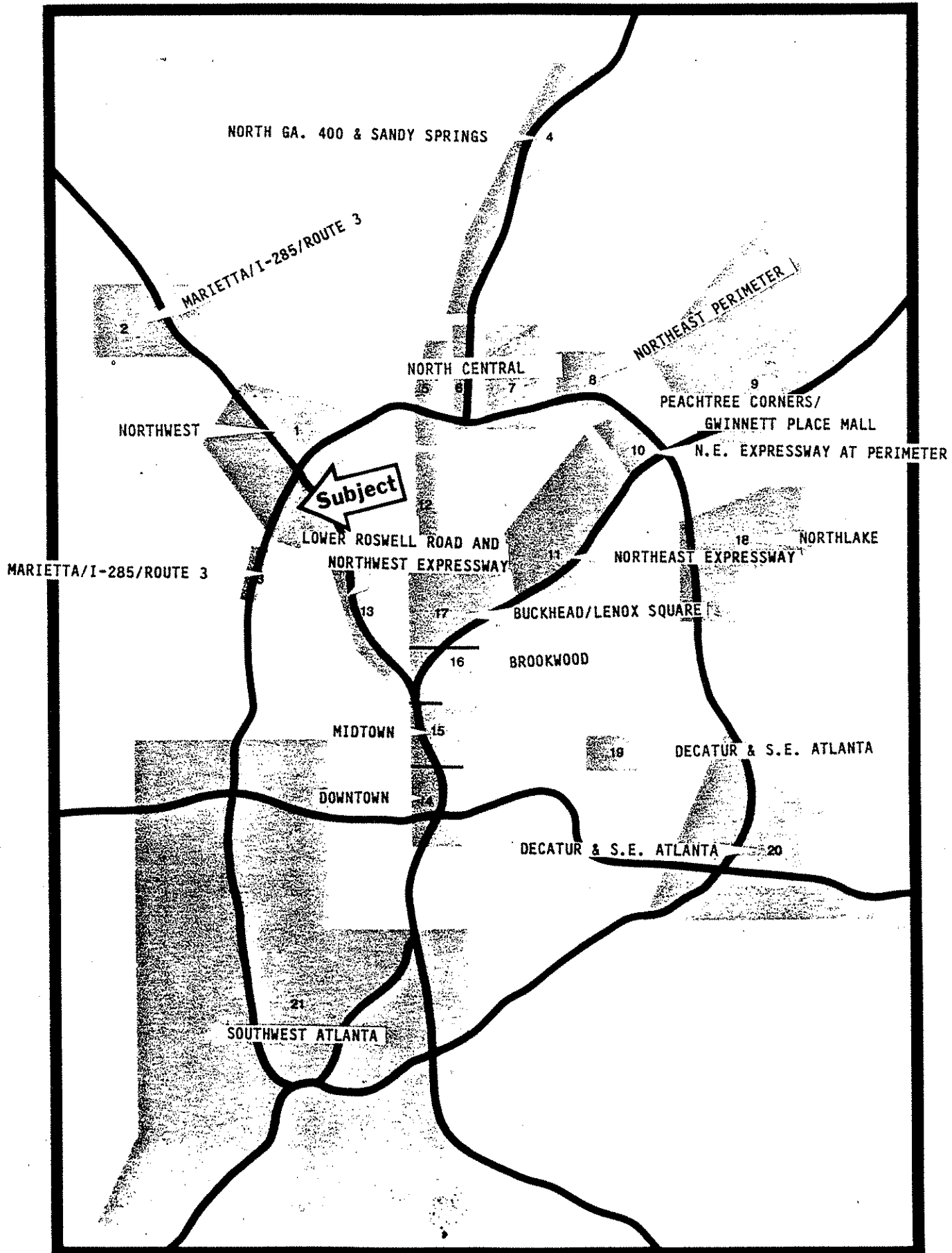


Exhibit III-5
OVERLOOK OFFICE MARKET STUDY
March 26, 1985

MAP #	DEVELOPER/BROKER PROPERTY NAME/ADDRESS	RENTAL RATE	MINIMUM TERM	ESCALATION	BUILD-OUT ALLOWANCE	TOTAL S.F. NRA	PERCENT LEASED	MAX/MIN AVAILABLE	FUTURE PLANS	DATE OPEN

UNDER CONSTRUCTION										

1.	WILDWOOD II 2500 WINDY RIDGE PKWY. JENNIE SPEARS (577-5400)	\$21.00- \$23.00	3 YRS.	CPI + PASS THRU BASE YEAR 1986	PER INDIV. TENANT	295,000	33%	196,700/ 800	600,000/ 700,000	5/85
2.	1899 POWERS FERRY ROAD NYGARRD PROPERTIES CINDY (955-2342)	\$17.00/ \$18.00	3 YRS.	1/2 CPI + OPER. EXP. PASS THRU	\$8.00/UNFIN. BLW CEILING TILES, LIGHTS ON FLOOR	86,669	10%	77,669/ 800		8/85
3.	POWERS FERRY LANDING 6198 POWERS FERRY ROAD TIM (955-1258)	\$17.00/ \$17.50	3 YRS.	CPI + DIR. EXP PASS THRU 9-5	\$8.00/UNFIN. BLW. CEILING TILE ON FLR.	150,000	35%	60,000 1,000	150,000 PHASE II ADJACENT	10/85
4.	210 INTERSTATE NORTH INTERSTATE NORTH ASSOC. CANDICE FLIGG (955-0842)	\$18.50 \$19.00	3 YRS.	CPI W/9% CAP	\$10/R BELOW FNSHD CELNG TILES ON FLR ELEC.	137,000	0	137,000 1,000		10/15/85
5.	1000 PARKWOOD CIRCLE THE OXFORD GROUP MILLIE (952-7000)	\$19.00/ \$21.00	3 YRS.	35% CPI + PASS THRU	\$7.50 BLW WORK LETTER	225,000	10%	APX. 180,000 500	NONE	5/85
					TOTAL	893,669				

Exhibit III-5
OVERLOOK OFFICE MARKET 3Y
March 26, 1985

MAP #	DEVELOPER/BROKER PROPERTY NAME/ADDRESS	RENTAL RATE	MINIMUM TERM	ESCALATION	BUILD-OUT ALLOWANCE	TOTAL S.F. NRA	PERCENT LEASED	MAX/MIN AVAILABLE	FUTURE PLANS	DATE OPEN

EXISTING - LESS THAN 12 MONTHS OLD										

6.	200 GALLERIA PKWY. TRAMMEL CROW COMPANY MR. LEITHEAD (955-1300)	\$22.00	3 YRS.	-	\$8.12/USABLE \$7.00 RNTBLE BLW.LTS,TILE ELEC.ON FLR.	432,000	50%	85,000 640	432,000	6/1/84
7.	2100 RIVEREDGE PKWY. WILMA REALTY JAMI (953-4600)	\$18.50- \$21.50	3 YRS.	% OF CPI + DIR.OP.EXP. PASS THRS	WORK LETTER	266,000	10%	1,000		3/1/85
8.	OVERLOOK II 2839 PACES FERRY ROAD CROW TERRILLIGER DAVID DICK 433-2418	\$18.50- \$21.50	3 YRS.	CPI	\$8.00 BELOW CEILING	268,000	50%	134,000 1,000	SUBJECT	3/15/85
9.	LAKE PARK 2300 LAKE PARK DRIVE LINCOLN PROPERTIES JOE CROWE (262-3405)	\$14.50	3 YRS.	PASS THRU ABOVE \$3.40 50% CPI	\$6.25/R +BELOW CELING LITES ON FLR.	88,000	60%	30,000/ 1,000		10/1/84
10.	CUMBERLAND CENTER 3065 HARGROVE ROAD POPE & LAND ENT. BROWN EDWARDS (952-6195)	\$19.00/ \$21.00	3 YRS	CPI W/ NEGO. CAP	\$8.50/UNFIN BELOW CILING TILE, HVAC IN PLACE	165,000	15%	100,000 CONTIG. 800	500,000 IN 2 PHASES	1/1/85
11.	1600 PARKWOOD CIRCLE THE CITY GROUP CHET WATKINS (956-1919)	\$19.50	3 YRS.	50% CPI + CPST PASS TH ABOVE \$3.60	\$7.50/R BELOW CELNG. TILE, LITES IN PLACE	151,584	12%	133,400/ 500		2/15/85
12.	PARK CENTER 2401 LAKE PARK DRIVE RIDGWAY DEVELOPMENT RUTH MCQUARY (433-0033)	\$16.90/ \$17.50	3 YRS.	35% CPI + PASS THRU 1985 BASE	\$8.00/U BLW CEILING W/ LIGHTS/TILES	93,004	20%	29,000(1) 56,000(2) 750	NONE	11/1/84
13.	900 CIRCLE 75 PKWY. FRANKLIN PROP. CO. NANCY MARTIN (952-0075)	\$17.50- \$21.00	3 YRS.	25% CPI+ PRO RATA PASS TH ABOVE \$4.20	\$8.00/UNFIN BELOW FNSHD CEILNG	368,000	30%	525,700	SEV.BLDGS. WHEN PRSENT IS 50% LEASE	12/84
TOTAL						1,831,588				

Exhibit III-5
OVERLOOK OFFICE MARKET SURVEY
March 26, 1985

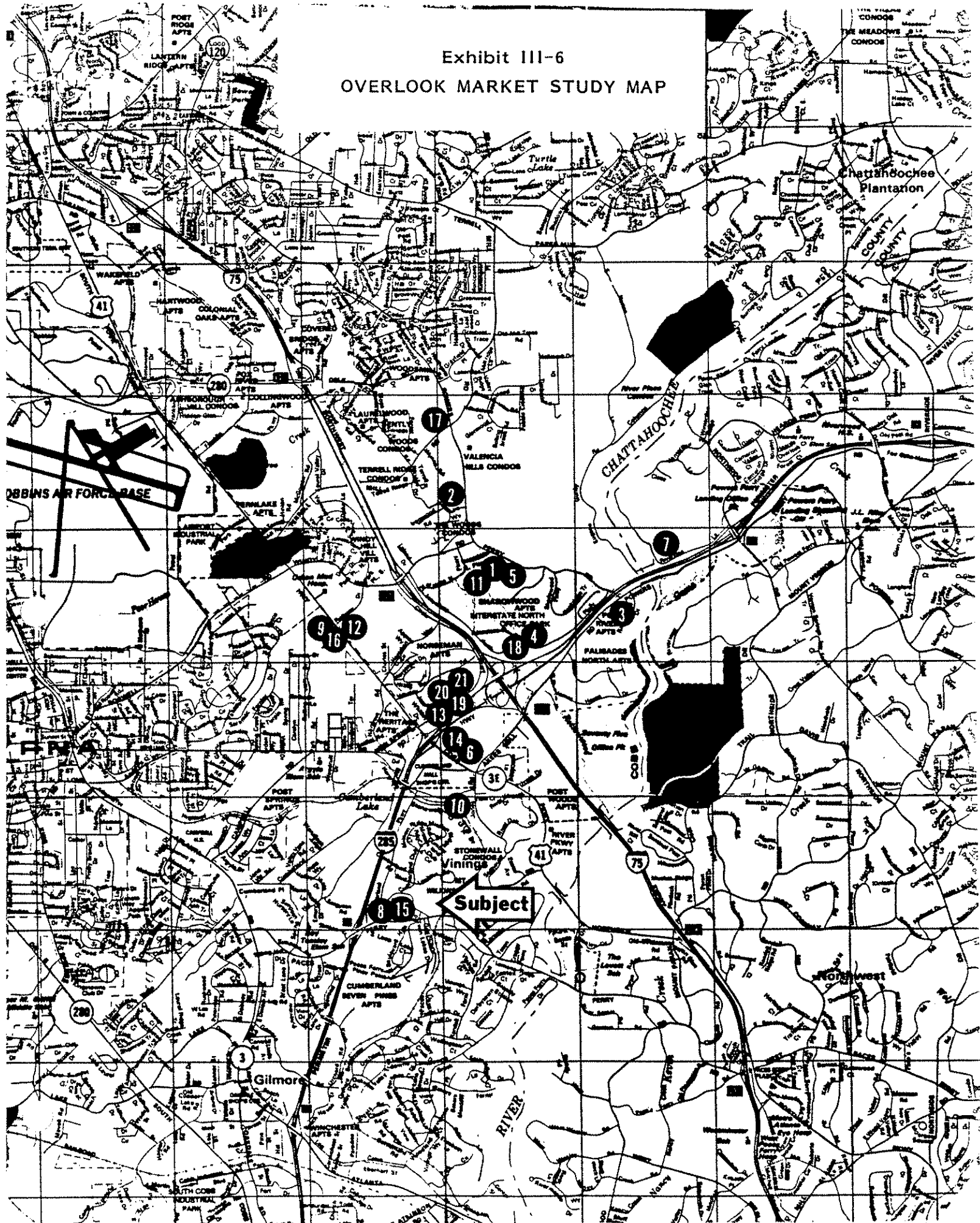
MAP #	DEVELOPER/BROKER PROPERTY NAME/ADDRESS	RENTAL RATE	MINIMUM TERM	ESCALATION	BUILD-OUT ALLOWANCE	TOTAL S.F. NRA	PERCENT LEASED	MAX/MIN AVAILABLE	FUTURE PLANS	DATE OPEN

	EXISTING - OVER 12 MONTHS OLD									

14.	100 GALLERIA PKWY. TRAMMEL CROW COMPANY MR. LEITHEAD (955-1300)	\$19.00	3 YRS.	CPI W/ 10% CAP	AS IS BASIS	410,000	100%	-0-	N/A	2/82
15.	OVERLOOK I 2849 PACES FERRY ROAD DAVID DICK (433-2418)	\$16.50	3 YRS.	CPI	\$7.00	137,661	95%	6,883		1982
16.	LAKE PARK 2400 LAKE PARK DRIVE LINCOLN PROP. CO. JOE CROWE (951-0200)	\$13.50	3 YRS.	PASS THRU ABOVE 3.30 + \$6.00 BELOW 50% CPI CEILING		102,000	99.4%	600		5/82
17.	GOVERNOR'S RIDGE 1640 POWERS FERRY ROAD O'NEILL GRIFFIN DEVL. KIM (952-4500)	\$16.00	3 YRS.	LOCAL ATL. CPI W/ 10% CAP	WORK LETTER	297,740	82%	12,182/500	NONE	1983
18.	300 INTERSTATE NORTH INTERSTATE NORTH ASSOC. MARY ANNE (955-0842)	\$13.50/ \$14.00	3 YRS.	CPI WITH 9% CAP	\$6.00 AVG. INDIV. BASIS	152,000	98%	-	NONE	1968
19.	4501 CIRCLE 75 PKWY. CORPORATE FORUM EQUITEC SCOTT SIMS (952-0565)	\$13.00	3 YRS.	STANDARD DIR. OP EXP. LIBERAL PASS THRUS WORK LETTER		167,195	90%	12,000 800	-	1981
20.	1000 CIRCLE 75 PKWY. FRANKLIN PTY. CO. CHAR FORTUNE (952-0075)	\$13.75/ \$14.00	3 YRS.	25% CPI + PRO RATA PASS THRUS	NEGOTIABLE	85,310	97%			1973
21.	1100 CIRCLE 75 PKWY. FRANKLIN PTY. CO. CHAR FORTUNE (952-0075)	\$16.75	3 YRS.	25% CPI + PRO RATA PASS THRUS	N/A	257,000	100%			1981
TOTAL						1,608,906				

Source: Piedmont Realty Advisors

Exhibit III-6
OVERLOOK MARKET STUDY MAP



IV. THE BORROWER/DEVELOPMENT TEAM

IV. BORROWER/DEVELOPER

A. BACKGROUND

In 1966, Trammell Crow acquired the Overlook Office Park tract. Initially, multi-family development was scheduled for the entire site, and three apartment complexes were successfully developed by the Crow-Terwilliger Company east of the office park. In the late 1970's it became apparent that the Overlook site should be used for office development, but at that time Trammell Crow began the nearby Galleria project. Mr. Crow decided to dispose of the land rather than develop two competing projects. However, J. Ronald Terwilliger, President of Crow-Terwilliger Company (a Trammell Crow Residential Company), persuaded Trammell Crow to allow his firm to develop the Overlook Office Park as an exception to its primary mission of residential development.

The final agreement provided that the Crow-Terwilliger Company would develop and lease the Overlook Office Park in competition with the Galleria project, but that the Trammell Crow Company would manage the buildings after completion. The result has been two successful projects for Trammell Crow in the Northwest market with operational efficiency gleaned from competing leasing firms and a common management firm.

B. THE TRAMMELL CROW ORGANIZATION

Trammell Crow is the largest private developer in the United States. He has divided his development efforts and real estate holdings into three major companies:

Residential:	Trammell Crow Residential Companies
Commercial:	Trammell Crow Company
Market Centers and Hotels:	Crow Family Companies

See Exhibit IV-1 for a diagramatic presentation of his organizational structure.

1. Trammell Crow Residential Companies

The residential companies were formed almost 20 years ago. Today with gross assets that exceed a billion dollars, the Trammell Crow Residential Companies is one of the largest residential developers in the United States with properties that span the nation. Real estate activities are primarily conducted by four groups: the Crow-Terwilliger Company, the Chasewood Company, the Crow-Teague Companies, and the Crow Development Company.

Products range the entire spectrum of residential development from apartments, condominiums, duplexes, and single-family homes to major planned-unit developments. The company has also developed large-scale mixed-use projects in conjunction with the Trammell Crow Company and the Crow Family Companies.

2. The Trammell Crow Company

The Trammell Crow Company is a vast, private real estate development and investment organization. The company develops and leases warehouse, office and retail space in more than 70 U.S., European and South American markets.

Since its formation more than 35 years ago, the firm has developed in excess of \$6 billion worth of property, mainly warehouses, shopping centers and suburban high-rise office buildings. The company has developed expertise in every aspect: site selection, design, financing, construction, leasing, tenant occupancy, and ongoing property management. In addition to its own portfolio, the company also manages hundreds of properties for major investors. The company participates as development partners in joint ventures with financial institutions and other investors.

Among the more notable Trammell Crow Company developments are Diamond Shamrock Tower, Caltex Corporation Headquarters Building, San Jacinto Tower, LTV Center and 2001 Bryan Tower in Dallas, Texas; Embarcadero Center, San Francisco, California; Charlotte Plaza, Charlotte, North Carolina; Parkcade Tower, San Diego, California; the Galleria, Atlanta, Georgia; and 1800 West Loop in Houston, Texas.

3. Crow-Family Companies

Chief among the Crow Family Companies is the Dallas Market Center Company, a leader in the field of trade mart and hotel development, among other activities. The company's expertise has made the 8,500,000 square foot Dallas Market Center the largest wholesale trade center in the country. The complex includes the World Trade Center, the Apparel Mart, Market Hall, the Furniture Mart and the INFOMART. Collectively, these serve several industries, including men's and women's apparel, home furnishings, gifts, computers, electronics and many others. Additional trade mart developments are located in New York, Boston, and Houston.

Crow Hotel Companies has developed numerous prestigious hotel properties and related services. Among these properties are the Anatole in Dallas, the Wyndham Hotels in Dallas, Austin and Houston, the Waverly in Atlanta and the Hamilton in Chicago.

4. Crow-Terwilliger Company

As one of the four Trammell Crow Residential Companies, Crow-Terwilliger is responsible for residential development in twenty-four states east of the Mississippi, and currently this company is active in twenty-two cities in nine states. See Exhibit IV-2, Figure 1.

Since its formation in 1979, Crow-Terwilliger Company has grown rapidly. In 1980 it developed one project of 280 units representing \$8,300,000 in construction, and in 1985 it expects to begin construction on more than 6,000 housing units representing over \$300,000,000 in development. See Exhibit IV-2, Figure 2.

The Crow-Terwilliger Company also developed, constructed, and leased Overlook I in 1980-1982 and Overlook II in 1983-1985. As mentioned earlier, the Overlook Office Park is an exception to its primary mission of residential development.

Like other Crow Companies, the Crow-Terwilliger Company is organized with regional partners who have full hands-on responsibility. In every development partnership each partner at every level (Crow-Terwilliger, senior, and regional) will have an ownership interest. See Exhibit IV-2, Figures 3 and 4. At year end 1984, Crow-Terwilliger Company had total assets of \$12 million of which \$11 million was liquid. The company had a net worth of \$11.5 million.

C. DEVELOPMENT TEAM

1. Developer:

Crow-Terwilliger Company

J. Ronald Terwilliger, President
Ronald J. Gafford, Executive Vice President
Randy J. Pace, Vice President and Treasurer

2. General Contractor:

Crow-Terwilliger Construction Company with construction management services by Holder Management Services

W.J. Blane, Jr., President

3. Architectural Services:

The project architect, Smallwood, Reynolds, Stewart and Stewart, is one of the South's largest architectural firms, and has been responsible for more than 13.5 million square feet of commercial building space in Atlanta and the Southeast during just the last five years. Using a team approach, the firm has progressively grown since its organization in 1979 to a staff of over one hundred talented professionals to provide planning, architecture, interior design and landscape architecture. The firm is recognized today for its substantial experience in designing buildings that meet the high standards clients demand.

4. Site Planning and Landscape Architecture:

Laubmann-Reed is responsible for site planning and landscape architecture and has extensive experience in master planning and site design of major projects throughout the United States and the Middle East. As a result of twenty years of experience, Laubmann-Reed has developed effective and creative methods to solve various site related problems and has effectively worked and coordinated their efforts with local and international contractors and consultants.

5. Leasing:

Crow-Terwilliger Company

David H. Dick, Director of Marketing

6. Property Management

Trammell Crow Company. The Company leases and manages 140,000,000 square feet of commercial property through 45 offices nationwide.

D. CONCLUSION

While it is unusual for a Trammell Crow Residential Company to undertake an office project like Overlook III, the previous experience of the individuals, combined with the development team's experience with Overlook I and II, indicate that the development team for Overlook III is highly qualified with proven performance and abilities.

**Exhibit IV-1
THE TRAMMELL CROW ORGANIZATION**

TRAMMELL CROW COMPANY

1984 Construction Starts \$1.4 Billion
Gross Assets \$6 Billion
J. McDonald Williams
Managing Partner
Joel Peterson
Partner/Chief Financial Officer
Philip Norwood
Partner/Administration
101 Operating Partners

53 Offices

Albuquerque	Chicago	Kansas City	Oklahoma City	San Antonio
Atlanta	Cincinnati	Las Vegas	Orange County	San Diego
Arlington, TX	Dallas/4	Little Rock	Orlando	San Francisco
Austin	Denver	Los Angeles	Pasadena	Santa Fe
Baltimore	Dusseldorf	Louisville	Phoenix	Sao Paulo
Baton Rouge	Fort Worth	Memphis	Portland	Seattle
Birmingham	Frankfurt	Miami	Richmond	Tampa
Boise	Hobbs	Milwaukee	Roswell, NM	Tucson
Boston	Houston	Minneapolis	St. Louis	Tulsa
Charlotte	Jackson, MS	New Orleans	Salt Lake City	Washington D.C.

Office Buildings

23,680,900 square feet

Shopping Centers

6,207,849 square feet

**Service Centers
Industrial Parks**

128,147,864 square feet

**TRAMMELL CROW
RESIDENTIAL COMPANIES**

Denny Alberts
President
Michael Crow
Executive Vice President

CGT COMPANIES

Property Management
Apartments 28,000 units
Shopping Centers 3,800,000 sq. ft.
Apartment Development
Apartment Brokerage
Tom Teague, President

CROW DEVELOPMENT COMPANY

Lot Development
Single Family Housing
David Bagwell, President

CHASEWOOD COMPANY

Apartment Development
Condominium Development
Charles Holbrook, President

CROW-TERWILLIGER COMPANY

Apartment Development
Condominium Development
Apartment Brokerage
J. Ronald Terwilliger, President

CROW FAMILY COMPANIES

**DALLAS MARKET
CENTER COMPANY**

Trammell S. Crow, Chairman
Lucy Crow Billingsley, President

**Dallas
Communications Complex
at Las Colinas**
Joe Pope, President

Dallas Market Center

World Trade Center
Apparel Mart
Market Hall
Furniture Mart
InfoMart

Crow Hotel Companies

Kirk Kinzell
Allen Cullum
Peter Streit

Miscellaneous

Lincoln Property Company
Crow Foody
Carter & Associates
Medical City
Agriculture
Linpro (NE)

NOVEMBER 1984

Figure 1

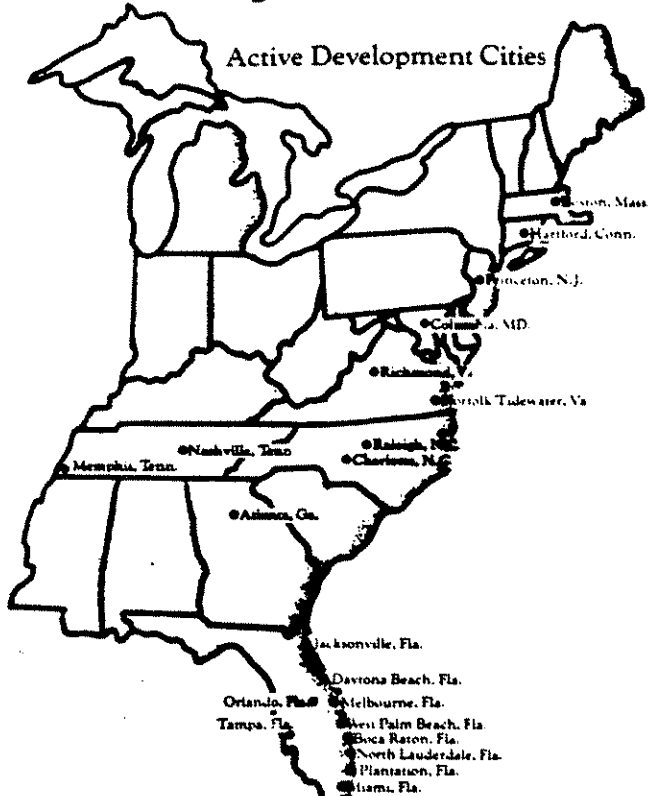


Figure 2

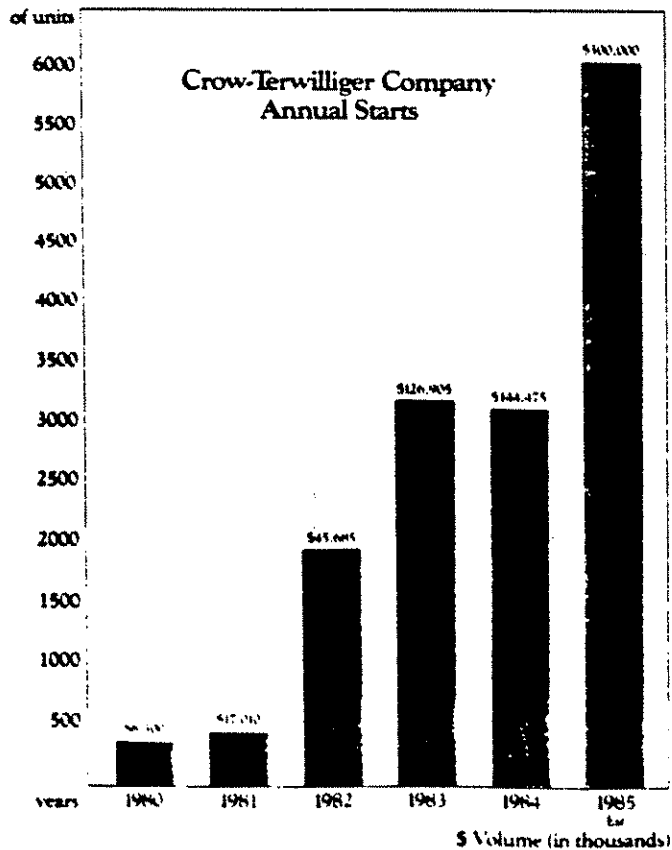


Figure 3

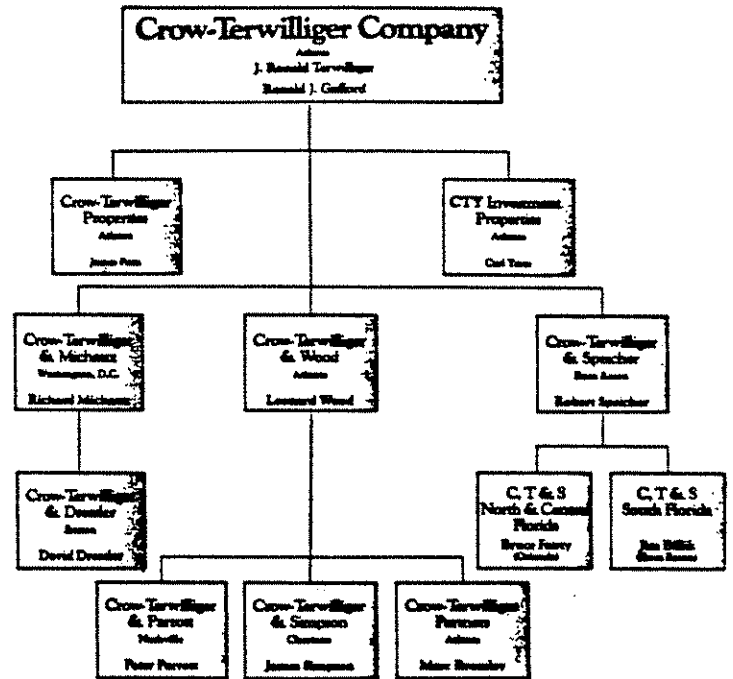
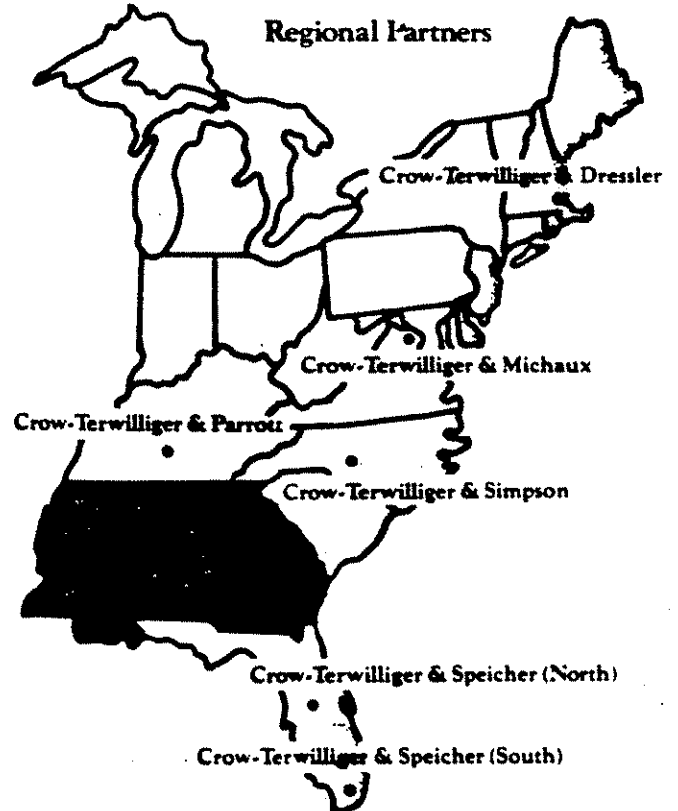


Figure 4



V.

THE 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 a senior security position of a traditional mortgage debt. The participating mortgage of Overlook III will be fully collateralized by a first lien on the land and improvements.

One feature of this application is different from the others presented to the Committee. The master lease has been substituted with a second mortgage on the property which will effectively guarantee the interest payments to the lender during the lease-up period. In optimistic and most likely scenarios the second mortgage will be fully amortized during the lease-up period. However in a pessimistic scenario, the second mortgage may have an outstanding balance at the end of the lease-up period in which case three things could happen:

1. The borrower could pay off the outstanding balance;
2. USF&G or an affiliate could pay off the outstanding balance and obtain an equity interest in the property; or
3. The second mortgage would go into default and the lender would foreclose on the property.

Considering that Trammell Crow has never had a foreclosure and the quality of the Overlook III, the likelihood of the third event occurring is very small.

At this time BA Mortgage of Georgia is preparing a second mortgage application which should be substantially in accordance with the terms and conditions outlined in Appendix B.

The determination of the annual additional interest is modified slightly because the borrower expects to sign full service leases as well as leases with direct expense pass-throughs. The full service leases will contain escalations based on the gross rental rate which should cover increased operating expenses as well as provide for a real increase in net rental income. Twenty-three percent (23%) of the escalations are allocated as operating expense reimbursements so the lender receives 40% of the increased rental income after the 23% deduction is made. The next section further explains this calculation.

B. RETURN

The detailed mortgage terms are summarized in Exhibit I-1, and the pro forma income and expenses are presented in Exhibit V-1. The cash flows which contribute to the loan yield include:

- * Base debt service on the loan which will provide a cash return of 11% on the lender's investment of \$65,000,000 (\$7,150,000 per year).
- * Additional interest from operations is 40% of the annual gross income including expense reimbursements and escalations in excess of a base amount after an operating expense deduction equal to 23% of collected income. The operating expense allocation reduces the participation in increased gross income to 30.8% (40% of 77%), but the gross income is increased because expense reimbursements are considered as income. The base amount will equal the annualized collected gross income including expense reimbursements and escalations at the end of the 36-month lease-up period, but in no event will the base amount exceed \$9,750,000, and in no event will the base amount be less than the breakeven rent level. The breakeven rent level is calculated by dividing the annual interest payment by .77 since 23% of the rents are expected to cover operating expenses.
- * Additional interest from the sale of property which is equal to 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 mortgage if the property is not sold before the loan is called, refinanced, or matures.
- * Prepayment fee which is equal to 3% in the 11th year of the loan and decreasing 1/2% per year to 1% in years 15 and 16 and no prepayment fee thereafter. In the event of a sale of the property (approved by the lender) between years 10 and 16, the prepayment fee is 1%. No prepayment is permitted during the first ten years of the loan.

Additional safeguards to the lender include:

- * Physical holdbacks of \$4,470,000 for tenant improvements and \$2,000,000 for leasing commissions.
- * Real estate tax holdback of \$675,000 which should cover the real estate taxes during the 36-month lease-up period.
- * Marketing holdback of \$561,000 which provides an allowance for advertising and promotional expenditures for the property during the 36-month lease-up period.

- * Economic holdback of \$8,764,000 which will be disbursed at a rate of \$1.90 per \$1.00 of annualized gross income collected in excess of \$5,131,579 (50% occupancy).
- * A debt coverage ratio which will be a minimum of 1.05. (See Exhibit V-1.)
- * A loan to value ratio which will be a maximum of 83% (See Exhibit V-2.)
- * A commitment fee of \$1,300,000; \$650,000 in cash paid upon acceptance of the commitment to a mutually acceptable escrow agent; and \$650,000 in an irrevocable letter of credit which will be refunded to the borrower upon execution of a tri-party agreement. The commitment fee will be earned upon receipt of a satisfactory appraisal and upon execution of a tri-party agreement among the borrower, lender, and a construction lender as well as execution of a second mortgage agreement among the borrower, lender and BA Mortgage, or another mutually acceptable second mortgage lender.
- * Leasing standards incorporated in the commitment provide the lender with the ability to approve lease terms and conditions which do not meet minimum leasing standards.
- * Initial funding of the loan will occur only after the property has been constructed according to 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.
- * All legal aspects of the investment transaction will be handled by Piper Marbury.

Cash flows from the operations were estimated using the assumptions outlined in Exhibit V-3. The cash flows are shown in Exhibit V-4, and the yield for this investment given a 12 year holding period is estimated to be 14.4%. The cash flows used in the yield calculation are presented in Exhibit V-4.

C. RISK

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

The market risk occurs if the property cannot achieve its pro forma rent levels during the 36-month lease-up period. This could be caused either by a decreased demand for, or an oversupply of office space in the Northwest Atlanta office market. The risks are (1) that the City of Atlanta cannot sustain its current level of growth, (2) that the Northwest office market cannot capture its share of the office market, and (3) that Overlook Office Park cannot obtain its market share of the Northwest office market. However, the Atlanta economy seems to be well diversified with prominent firms in growth industries and, the Northwest office market should continue to be a preferred location for office users, especially as over-building and congestion occur in the North Central market and Buckhead/Lenox. Overlook III will have the advantage of attracting tenants from Overlook I and Overlook II in a office park which is complete with the Vinings Inn and Conference Center. The projected rent levels are somewhat aggressive, but the competitive advantages of Overlook III should enable it to get rents near the top of the market. The current range of first class office rents in the Northwest market from \$19.00 to \$21.00 today would be \$21.35 to \$24.72 in two years and \$25.43 to \$29.44 in five years assuming a 6% growth rate. Considering the 24 month construction period and 36 month lease-up period, there is a very high likelihood that Overlook III will achieve its pro forma rental rates during the next five years.

As an additional safeguard, Piedmont has further conditioned the market risk in several ways. If the pro forma rental rates are not achieved during the lease-up period, the threshold amount for the annual participation will be based on the rents actually in place at the time. Also, the loan amount will be reduced since the economic holdback is fully funded only if the property achieves its pro forma rental levels within the lease-up period.

The operational risk occurs if the property cannot be efficiently marketed and managed and consequently the additional interest does not materialize. However, the Trammell Crow Company, the property manager, is one of the largest and most successful property management companies in the United States. The Crow-Terwilliger Company has demonstrated its ability to lease Overlook I and pre-lease Overlook II in a very competitive Northwest Atlanta market. Consequently, the operational risk is minimal in this project.

The default risk is also minimal in this investment since Trammel Crow and his companies have never defaulted on a real estate project. However, in the event of default the collateral for the loan will be a well-constructed and efficient office building located in a completed office park with a unit cost of \$144.00 per gross square foot or \$155 per square foot of net rentable area.

The interest rate risk occurs due to the forward commitment nature of the loan. Initial funding will not occur until the second or third quarter of 1987, and full funding could take up to 36 months thereafter. If interest rates increase in this time due to expectations of inflation, the real return would be insured due to the participating features of this mortgage. On the other hand, if interest rates decrease before the initial funding occurs, the borrower will be locked in to a tri-party agreement with the construction lender, and the real return to USF&G will increase accordingly.

D. CONCLUSIONS AND RECOMMENDATIONS

Overlook III with its spectacular views, dramatic architecture, and excellent accessibility should become the market standard for first class office space in suburban Atlanta. Overlook I and Overlook II have established the market acceptance of the site and generated the leasing momentum which should help to insure Overlook III's success. A slowdown in the Northwest office market should be expected sometime during the next five years. However, this five year time frame should provide ample time for Overlook III to be built and leased successfully. The capital budget, holdbacks, and second mortgage financing also provide adequate funds for the property's operation during this time. In the event the property does not achieve its rent expectations, the flexible deal structure of the participating mortgage further insures that the expected yields will be realized by the lender.

Even with a strong office market and quality office product, the most important factor in the eventual success of Overlook III is its sponsorship. The Crow-Terwilliger Company as the developer, contractor, and leasing agents, and the Trammell Crow Company as the property manager, provide proven and experienced sponsorship. Trammell Crow and his companies have been developing successful office projects throughout the United States and especially in Atlanta, Georgia. Overlook III should be another Trammell Crow success story.

Therefore, we recommend that the Real Estate Investment Committee of the United States Fidelity & Guaranty Company approve the issuance of the commitment for a first mortgage of \$65,000,000 for the Overlook III office project under the terms and conditions outlined in this report.

Exhibit V - 1

PRO FORMA INCOME AND EXPENSES

GROSS INCOME

			Totals	PSF Rentable
Office Rent				
33.00%	138,600 Sq. Ft. @	\$22.05	3,056,130	
52.00%	218,400 Sq. Ft. @	23.55	5,143,320	
15.00%	63,000 Sq. Ft. @	25.05	1,578,150	
	Escalations during Lease-up		485,558	
Total Income			10,263,158	24.44
Less: VACANCY ALLOWANCE @	5.00%		513,158	
EFFECTIVE GROSS INCOME			9,750,000	24.44

Less: OPERATING EXPENSES @ 23 % of Effective Gross

Cleaning	16%	355,049		0.89
Electricity	24%	535,034		1.34
Water & Sewer	1%	30,521		0.08
Labor - General	4%	88,906		0.22
General Bldg. Supplies	1%	24,946		0.06
Security Contract	3%	70,216		0.18
Landscaping	5%	100,956		0.25
Rest Room Supplies	2%	39,140		0.10
Other General Building	1%	20,450		0.05
Elevator	3%	65,685		0.16
Repairs & Maintenance	5%	104,306		0.26
Management Fee	15%	339,394		0.85
Administrative	10%	222,811		0.56
Real Estate Taxes @	11%	245,086		0.61
Total Expenses @	100%	2,242,500	2,242,500	5.62

NET OPERATING INCOME 7,507,500 18.82

Less: MORTGAGE PAYMENT

65,000,000 loan @ 11.00% interest 7,150,000 17.92

CASH FLOW \$357,500 0.90

Indicated DEBT COVERAGE RATIO

N.O. I. divided by Mortgage Payment 1.05

Exhibit V-2
VALUATION ANALYSIS

Cost Approach

Improvements Cost (Exhibit II-9)	\$56,675,000
+Land Value @ \$18.50/PSF Bldg. (Exhibit V-2A)	8,325,000
<u>+Developer Profit @ 10%</u>	<u>6,500,000</u>
Estimated Value	\$71,500,000

Direct Sales Comparison Approach

Gross Income Multiplier Method (Exhibit V-2C) \$ 9,750,000 X 8	\$78,000,000
Net Income Multiplier Method (Exhibit V-2C) \$ 7,507,000 X 10.3	\$77,327,250

Capitalized Income Approach

Present Value of Cash Flows @ 14%	\$ 5,192,331
<u>+Present Value of Equity Reversion @14%</u>	<u>8,313,359</u>
Estimated Equity Value	13,505,689
<u>+Original Loan Amount</u>	<u>65,000,000</u>
Estimated Equity Value Rounded to	\$78,505,689 78,500,000

Correlation of Value Estimates

The three approaches to value indicate a range of values from \$71,500,000 to \$78,500,000. In the correlation of value estimates little weight is given to the cost approach because it reflects primarily historic costs. The direct sales approach is considered a good indication of value because it estimates value as a multiple of collected income. The capitalized income or discounted cash flow approach is considered the best indication of value because it reflects a reasonable estimate of the property's earning power on an annual cash basis over the next 12 years. Therefore, the value of the subject property when it is built and leased is estimated to be:

\$78,000,000

Indicated Loan to Value Ratio: 83%

Exhibit V-2A
LAND COMPARABLES

MAP #	LOCATION	GRANTOR-GRANTEE	DATE/ SALE	INDICATED PRICE	ACRES	DENSITY SF/ACRE	PRICE PER ACRE	PRICE PER SF/BLDG
1	East Side Hargrove Road & NE Side Stillhouse Road Cobb County	A.J. Land, Jr. to Cumberland Center Assoc.	09/83	\$ 2,976,000	9.92	16,500	\$300,000	\$18.04
2	N/S Interstate North Parkway LL 1010 & 1031, 17th District Cobb County	James B. Cummings to Petersen Hill #1 Ltd.	04/84	\$ 4,974,000	10.80	41,667	\$460,574	\$11.05
3	900 Circle 75 Cobb County	B.F. Saul REIT to 900 Corporation	07/83	\$2,100,000	7.42	49,596	\$283,019	\$ 5.70
4	SE & NE Cor. Northside Dr. and Interstate North Parkway	Powers Ferry Prop., et al to Powers Pointe Ofc. Assoc.	01/83	\$ 5,050,000	11.74	24,000	\$430,153	\$17.92
5a	NW Cor. Ashford-Dunwoody & Meadow Lane, DeKalb County	Laing Properties to Mutual Life Ins. Co. of NY	03/84	\$12,295,500	37.12	16,000	\$331,237	\$20.70
5b	North Side Ashwood Parkway LL's 349,350 - 18th District DeKalb County	Mutual Life Ins. Co. of NY to Ashwood Joint Venture	03/84	\$ 3,500,000	10.00	17,860	\$350,000	\$19.60
6a	NW Cor. I-285 and Peachtree Dunwoody Road Fulton County	Landmark Group Prys to Landmark Twenty-Six Ltd.	06/83	\$ 4,780,000	12.10	18,000 (32,000)	\$395,041	\$21.95 (\$12.35)
6b	South Side Hammond Drive and Aruba Circle, Fulton County	Various Grantors to Landmark Group Properties Corporation	02/84- 03/84	\$ 6,485,000	16.04	32,000	\$404,302	\$12.63

The above land sales indicate that subject property could be conservatively valued today at \$18.50 per square foot of building area. As a further support of this price, the property to the east of the subject has been offered for sale for \$20.00 per square foot and a contract near that figure is pending.

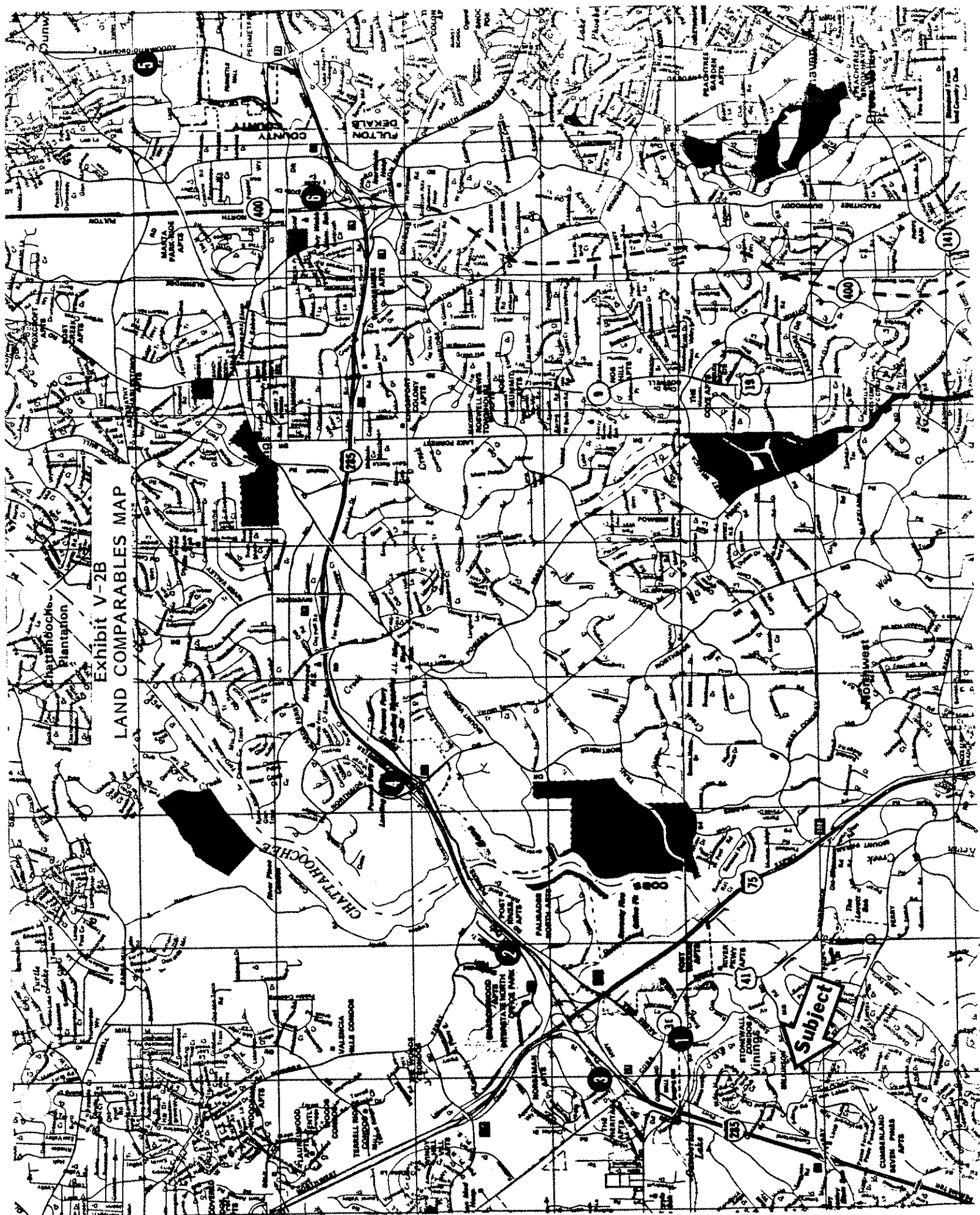


Exhibit V-2C
DIRECT SALES COMPARISON APPROACH

The appropriate units of comparison in the Direct Sales Approach are the Gross Income Multiplier, the Net Income Multiplier, and the price per square foot of rentable area. A sample of major office building sales that have occurred in the Southeast over the last three years indicates a range of Gross Income Multipliers from 7.05 to 9.44. Considering the upside potential, as well as the durability of the income stream, a Gross Income Multiplier of 8.0 is appropriate for this property. With an operating expense ratio of 23% the Net Income Multiplier is 10.3%. Therefore, the estimated property values using these multipliers and the pro forma incomes from Exhibit V-1 are as follows:

Effective Gross Income:	\$ 9,750,000
X <u>Gross Income Multiplier:</u>	<u>8</u>
Indicated Value:	\$78,000,000 (\$186 per rentable square foot)

and

Net Operating Income:	\$ 7,507,500
X <u>Net Income Multiplier:</u>	<u>10.3</u>
Indicated Value:	\$77,327,250 (\$184 per rentable square foot)

Piedmont is not aware of any historic sales in the Atlanta market in the \$185 per square foot range, but the historic increases in value suggest that this unit value is realistic in the next five years.

Exhibit V-3
CASH FLOW ASSUMPTIONS

Lease-up Period:

- * 36-month lease-up period after initial funding.
- * Building is 25% pre-leased at shell completion, and first tenants begin paying rent six months after move-in. Pre-lease tenants receive 6 to 12 months free rent.
- * Building is 48% leased 12 months after completion, 78% leased 24 months after completion, and 95% leased 36 months after completion.

Rental Rate Assumptions:

- * First 33% of the building leased at \$22.05 with full CPI escalation and no operating expense stops.
- * Next 52% of the building leased at \$23.55 with full CPI escalation and no operating expense stops.
- * Last 15% of the building leased at \$25.05 with full CPI escalation and no operating expense stops.
- * CPI projected to increase 6% annually.
- * Annualized CPI escalation collected at end of lease-up period is \$485,558.

Operating Expenses:

- * Operating expenses expected to be 23% of collected income at 95% occupancy.
- * Operating expenses during lease-up reflect fixed and variable occupancy costs and the funding of real estate taxes and marketing expenses from mortgage holdbacks.

Mortgage Funding and Interest Payments:

- * Initial mortgage funding of \$48,530,000
- * Periodic disbursements of holdbacks as building is leased which equal \$3,302,000 in year 1, \$7,238,000 in year 2, and \$5,930,000 in year 3.
- * Interest payments based on 11% of outstanding monthly balance.

Exhibit V-3 (Continued)

Second Mortgage Assumptions:

- * Interest rate of 2% over prime rate. Prime rate assumed to average 13% during lease-up.
- * Outstanding balance 12 months after initial funding is \$4,989,000, 24 months after is \$2,719,000, and 36 months after is 0.
- * Highest balance of \$5,456,000 occurs 15 months after initial funding, and balance is completely amortized in the 28th month of lease-up.

Sales Assumptions:

- * Current value of \$78,000,000 increasing at 6% annually for 12 years.
- * Sales expenses equal to 2% of the gross sales price.
- * Lender receives 50% of the difference between the net sale price and the outstanding loan balance.

Exhibit V - 4

SUMMARY OF CASH FLOWS

YEAR	1	2	3	4	5	6	7	8	9	10	11	12	Sale (1)
Gross Potential Income	Scheduled Monthly During			10,700,074	11,342,078	12,022,603	12,743,959	13,508,596	14,319,112	15,178,259	16,088,955	17,054,292	
Less: Vacancy	36 Month Lease-up Period			535,004	567,104	601,130	637,198	675,430	715,956	758,913	804,448	852,715	
Effective Gross Income	1,620,000	5,496,270	8,843,895	10,165,070	10,774,974	11,421,473	12,106,761	12,833,167	13,603,157	14,419,346	15,284,507	16,201,577	
Less: Operating Expenses	659,078	1,281,015	1,918,740	2,337,966	2,478,244	2,626,939	2,784,555	2,951,628	3,128,726	3,316,450	3,515,437	3,726,363	
Net Operating Income	960,922	4,215,255	6,925,155	7,827,104	8,296,730	8,794,534	9,322,206	9,881,538	10,474,431	11,102,896	11,769,070	12,475,214	
Less: Debt Payment	5,565,000	6,067,000	6,939,000	7,277,842	7,465,692	7,664,814	7,875,882	8,099,615	8,336,772	8,588,159	8,854,628	9,137,086	
Total Cash Flow	(4,604,078)	(1,851,745)	(13,845)	549,262	831,038	1,129,720	1,446,324	1,781,923	2,137,658	2,514,738	2,914,442	3,338,129	145,105,942

(1) Current Value of \$ 78,000,000 increasing at 6 % annually for 12 years
less 2 % sales expenses.

Exhibit V - 5

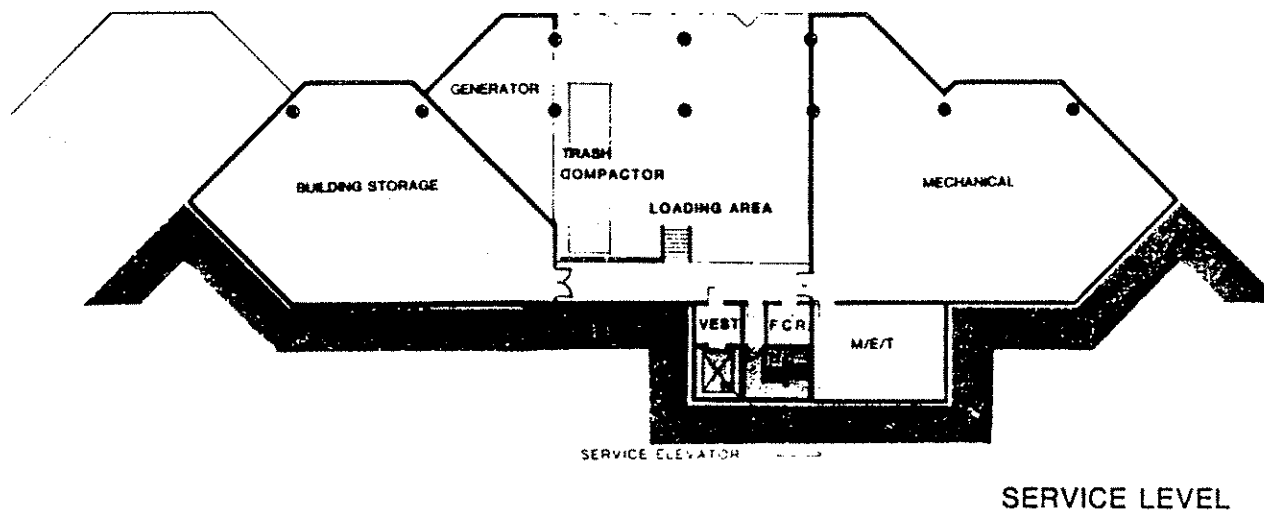
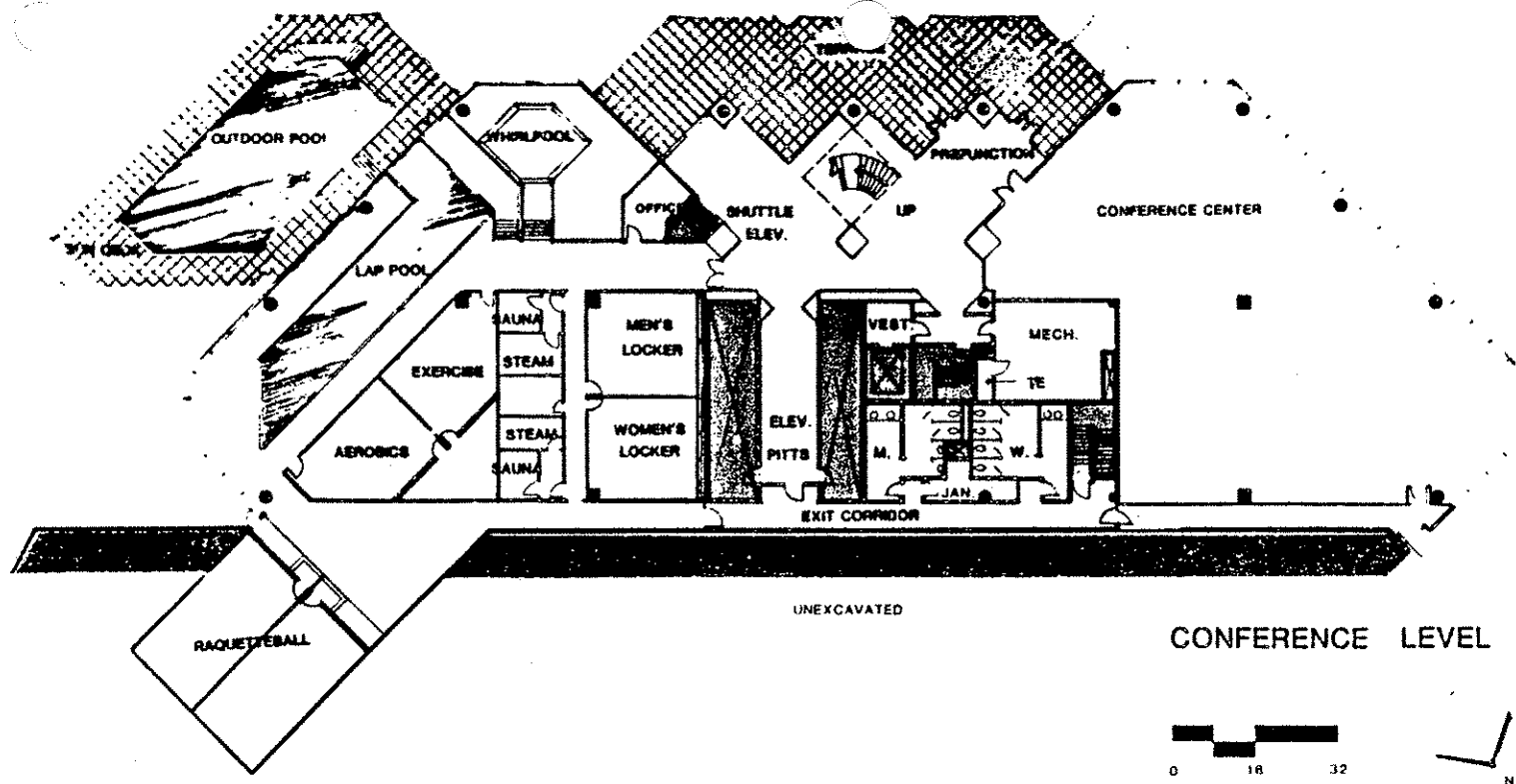
INVESTOR'S YIELD SUMMARY

Year	Annual Debt Service	Additional Interest - Operations	Loan Balance	Additional Interest - Sale (1)	Total
1	\$5,565,000	\$0			\$5,565,000
2	6,067,000	0			6,067,000
3	6,939,000	0			6,939,000
4	7,150,000	127,842			7,277,842
5	7,150,000	315,692			7,465,692
6	7,150,000	514,814			7,664,814
7	7,150,000	725,882			7,875,882
8	7,150,000	949,615			8,099,615
9	7,150,000	1,186,772			8,336,772
10	7,150,000	1,438,159			8,588,159
11	7,150,000	1,704,628			8,854,628
12	\$7,150,000	\$1,987,086	\$65,000,000	\$40,052,971	\$114,190,057
Estimated Yield		14.4% (2)			

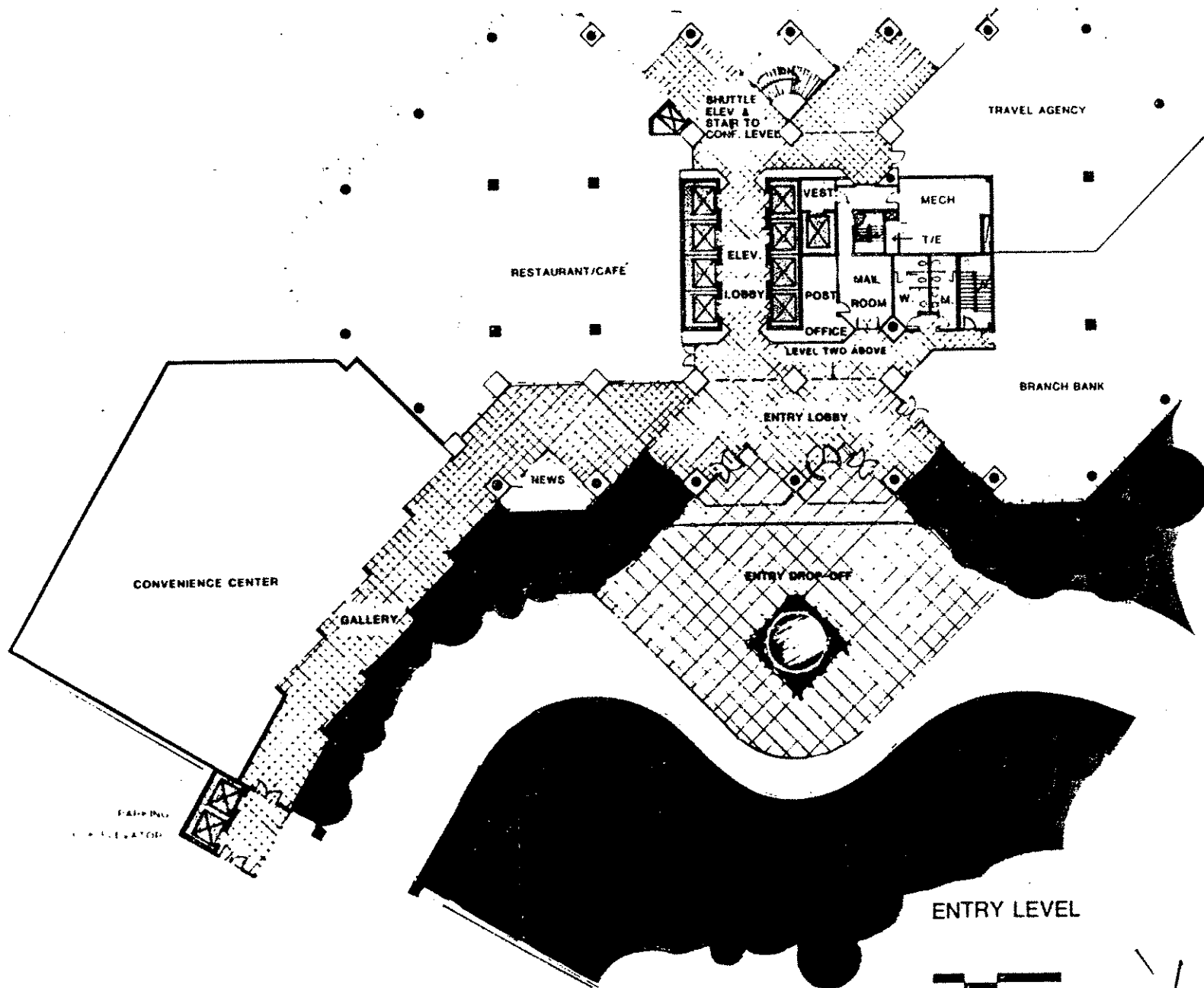
(1) Net Sales Price of \$145,105,942 less the outstanding loan balance, equals a residual of \$80,105,942 of which the lender receives 50 %. \$65,000,000

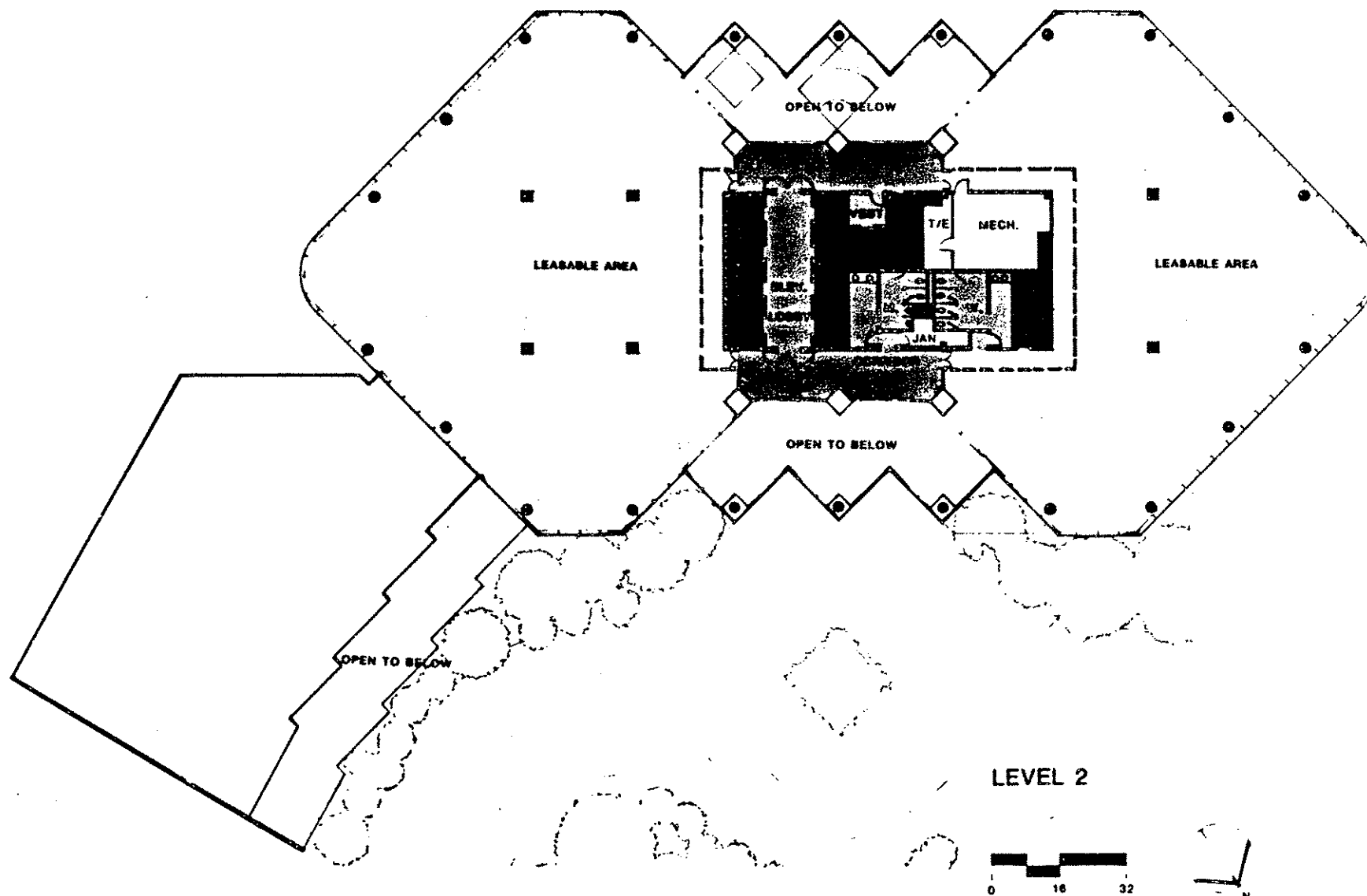
(2) Internal rate of return calculated using \$ 48,530,000 as the investor's initial funding which is followed by additional funding in years 1, 2, & 3 of \$3,302,000 , \$7,238,000 , \$5,930,000 respectively.

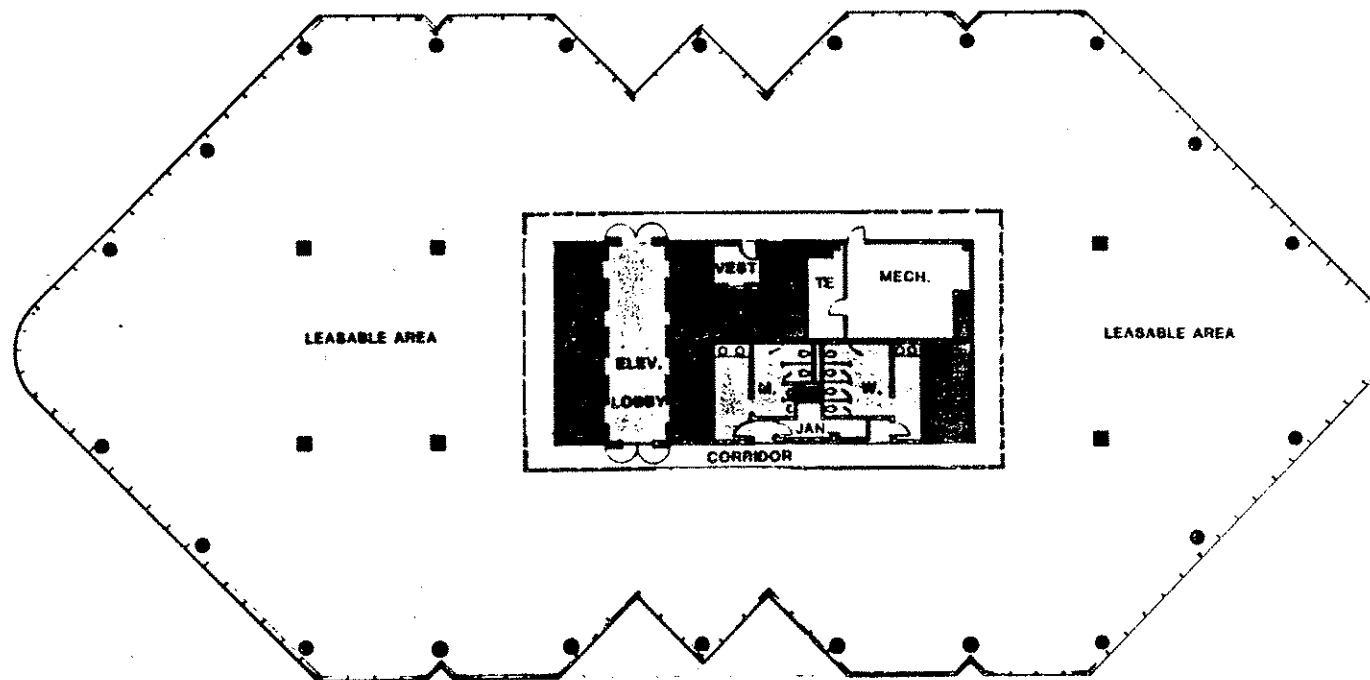
Appendix A
FLOOR PLANS



Appendix A

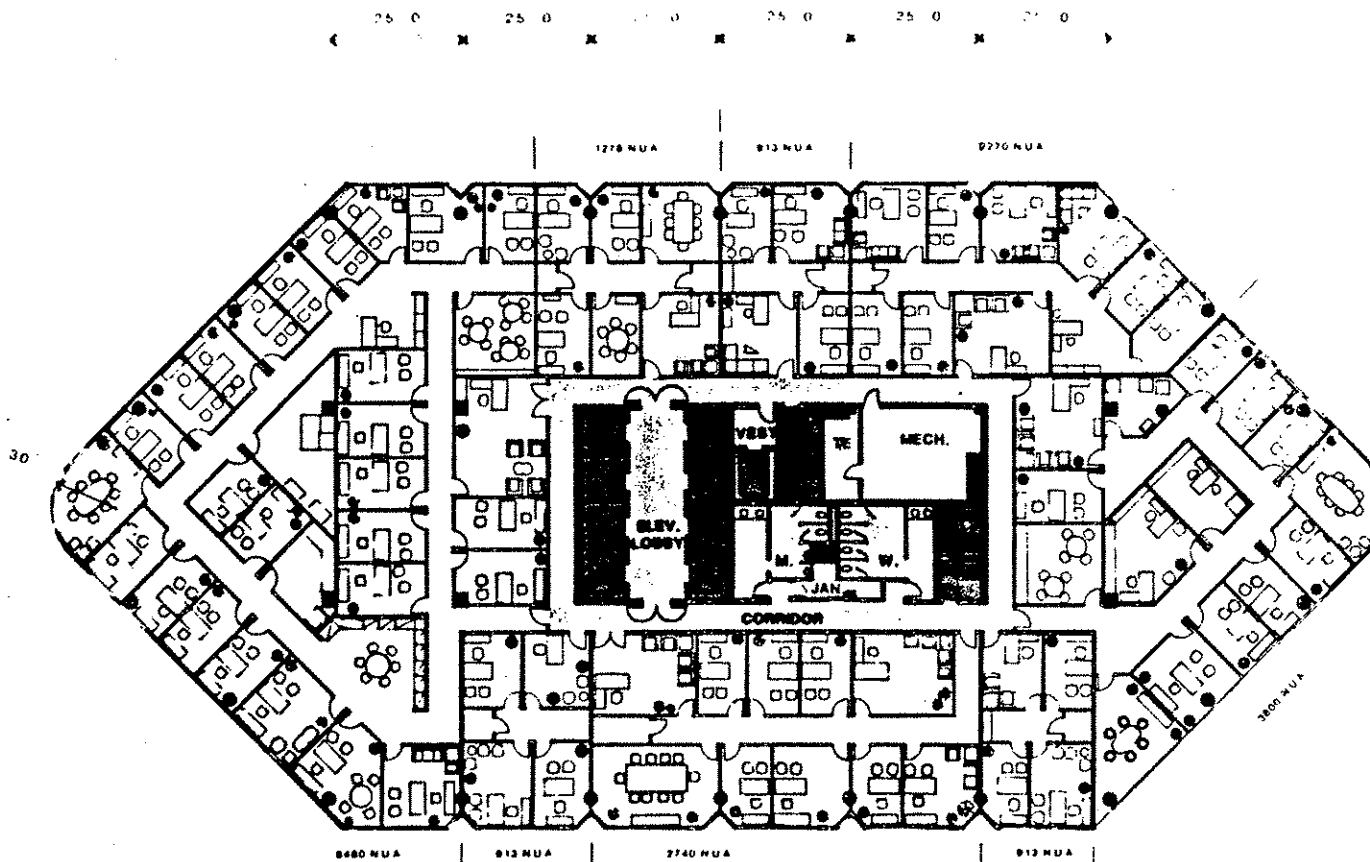






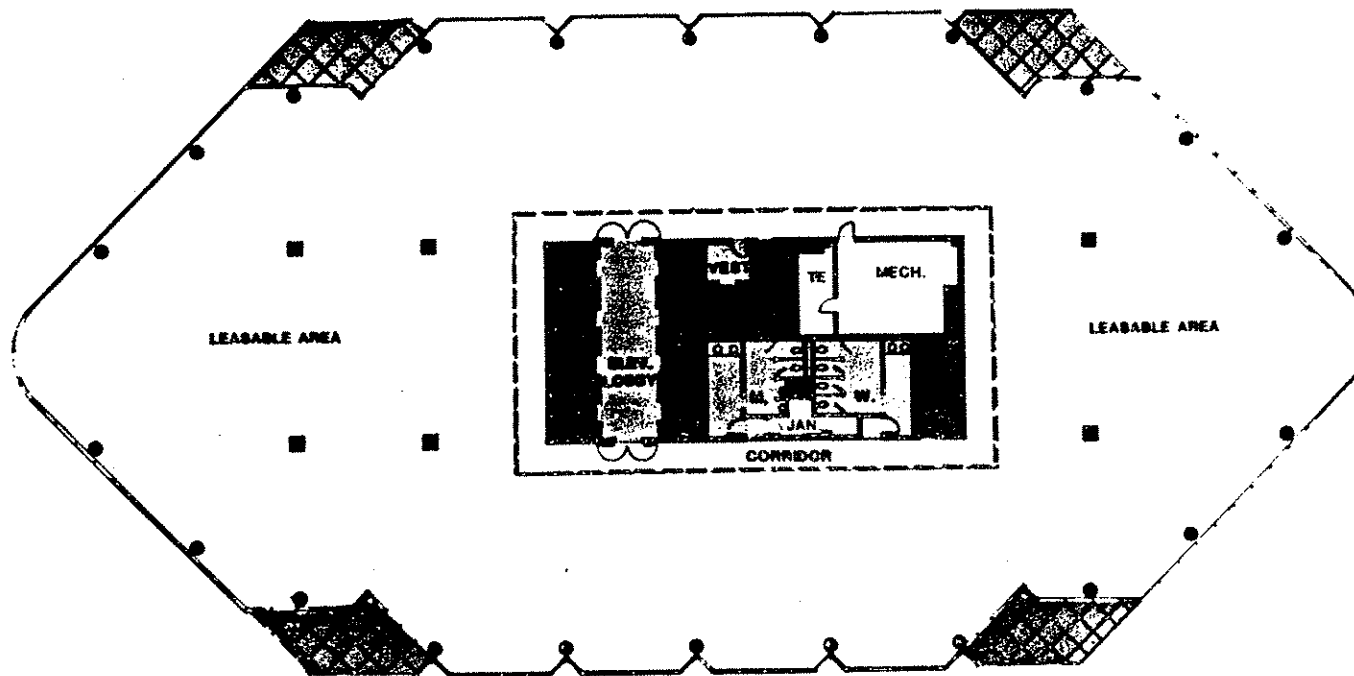
LEVELS 3-4





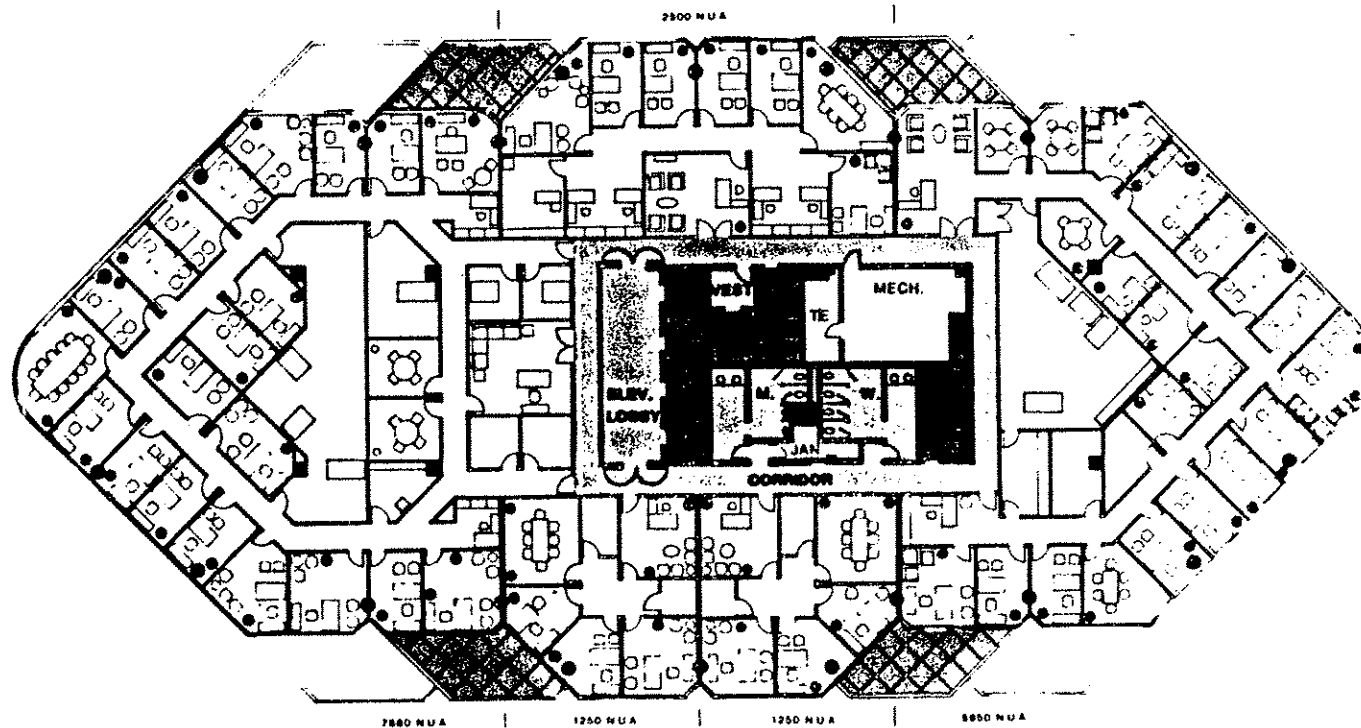
LEVELS 5-11





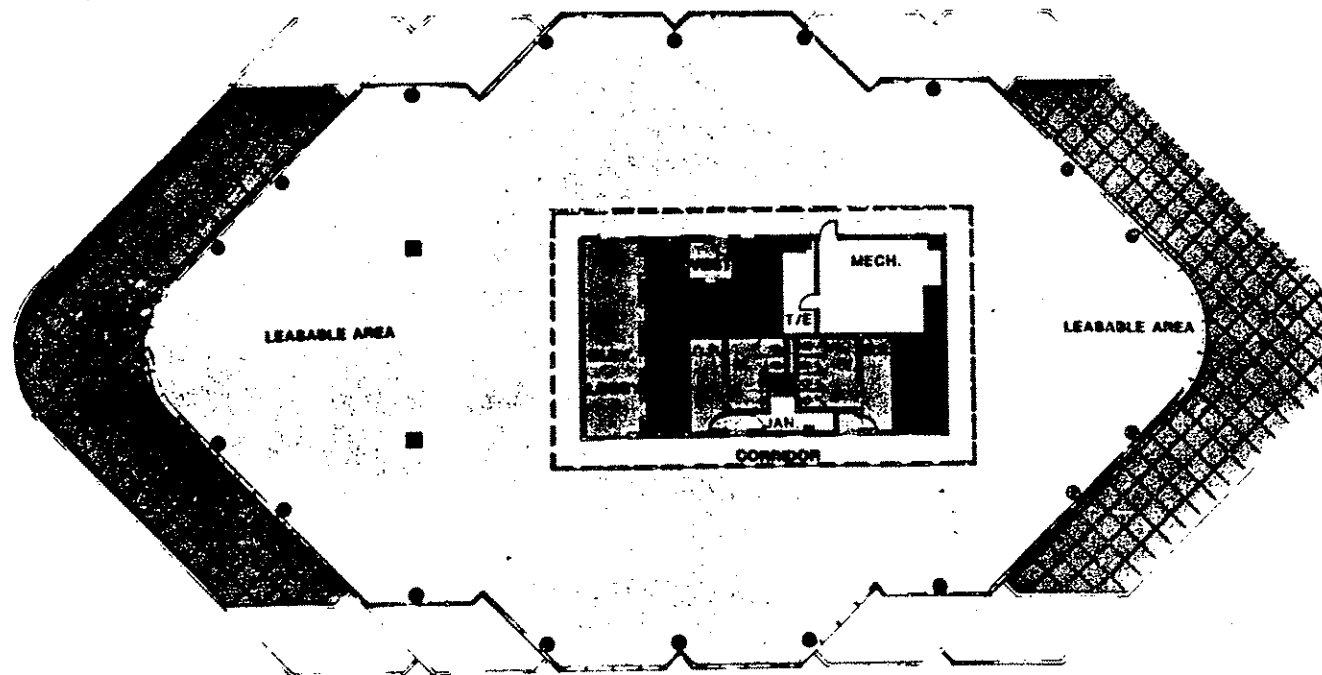
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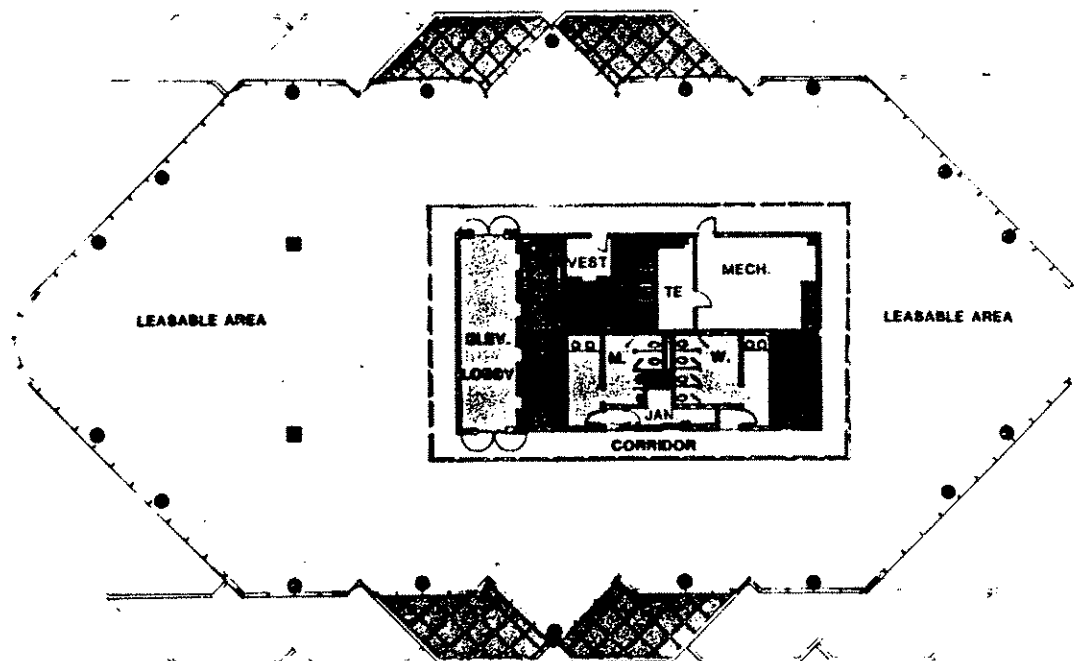
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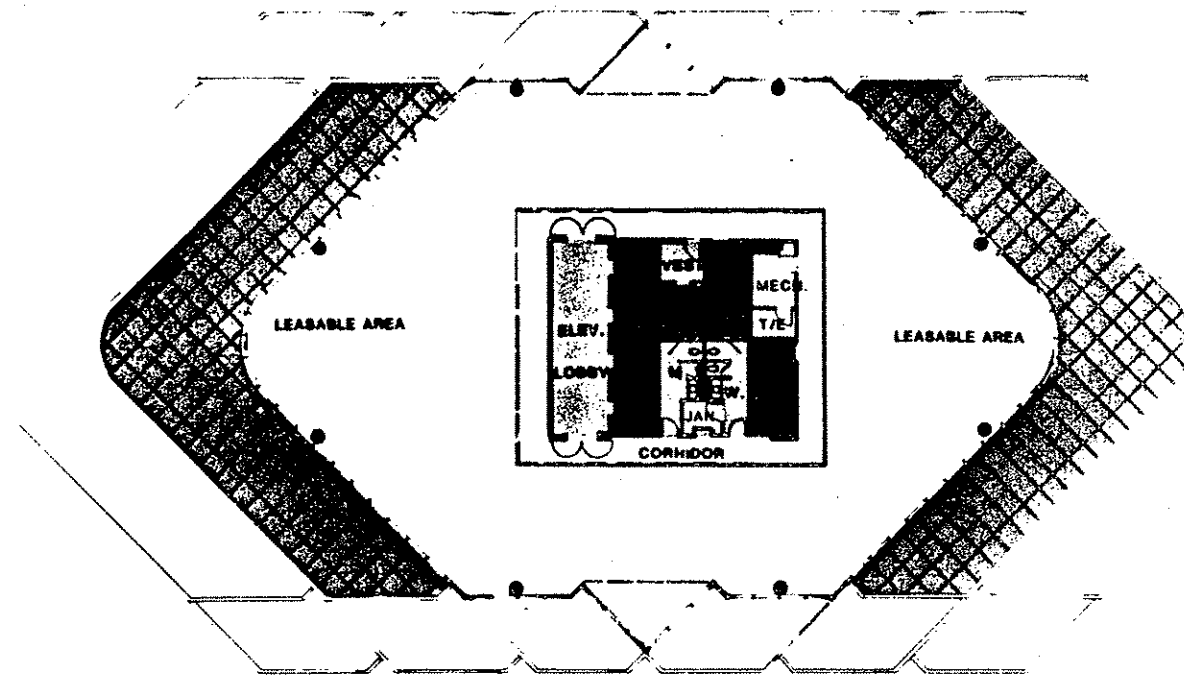
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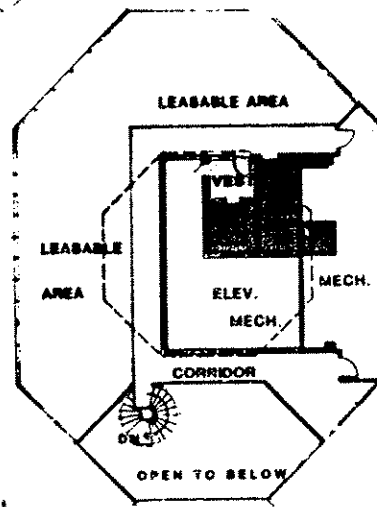
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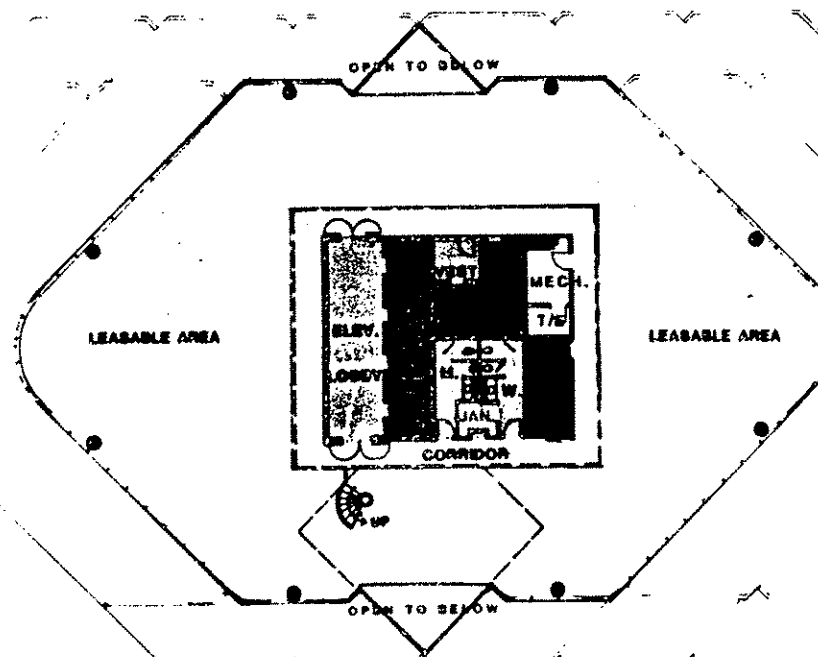


LEVEL 17





LOFT



LEVEL 18



Appendix B
SECONDARY MORTGAGE FINANCING

Appendix B

PIEDMONT REALTY ADVISORS

1150 CONNECTICUT AVENUE, N.W.

SUITE 705

WASHINGTON, D.C. 20036

202-822-9000

March 20, 1985

Mr. Floyd Rush, Jr.
President
BA Mortgage of Georgia
Suite 495, 57 Executive Park South
Atlanta, Georgia 30329

Mr. Richard A. Booth
Vice President
BA Mortgage of Georgia
Suite 495, 57 Executive Park South
Atlanta, Georgia 30329

Re: Second Mortgage Financing
Overlook III
Atlanta, Georgia

Gentlemen:

We have successfully negotiated a mortgage application with the Crow-Terwilliger Company for first mortgage financing on Overlook III, a proposed 450,000 square foot office tower in Atlanta. The terms and conditions of the loan have been approved by USF&G Realty Company and the commitment documents are now being drafted. Enclosed with this letter is a copy of the mortgage application.

As we discussed last Friday, an important part of USF&G's financing agreement is the second mortgage financing provided by BA Mortgage. I have explained the terms and conditions of your second mortgage to Ron Terwilliger and Randy Pace as follows:

Loan Amount:	A maximum of \$13,764,000, total outstanding balance of first and second mortgages not to exceed \$70,000,000.
Interest Rate:	2 points over prime
Origination Fee:	2-4 points
Term:	36 months
Initial Funding:	30 days after first mortgage initial funding.
Use of Funds:	Pay first mortgage interest payments.

Messrs. Floyd Rush and Richard A. Booth
March 20, 1985
Page Two

**Second Mortgage
Repayment:**

During the term of the loan all first mortgage economic holdbacks to be paid directly to second mortgagee and all cash flows from property are to be paid to the second mortgagee as long as an outstanding balance exists.

Recoursability:

Non-recourse to the Borrower.

Prepayment:

Loan can be repaid by Borrower any time without penalty.

**First Mortgagee
Concessions:**

First mortgagee to subordinate additional interest to second mortgagee in the event of foreclosure.

Additional Information: Borrower to provide BA Mortgage with a line item breakdown of operating expenses projected monthly for the 36 months following funding.

Purchase Option:

USF&G Realty will have an option to purchase an equity position in the property by paying off any outstanding second mortgage balance remaining at the end of the second mortgage term.

At this time it is necessary for BA Mortgage to prepare a second mortgage application incorporating the above terms and conditions. After having reviewed the enclosed application, please call me so that we can discuss any necessary clarifications and coordinate our schedules.

Thank you for your cooperation.

Sincerely,

Daniel B. Kohlhepp (cc)
Daniel B. Kohlhepp
Vice President

DBK:clg

Enclosure

cc: J. Ronald Terwilliger

bcc: Don McPherson
Bob Zerbst