

**UNITED STATES FIDELITY
AND GUARANTY COMPANY**

**REAL ESTATE INVESTMENT
PORTFOLIO**

1988 Annual

**USF&G Realty Advisors, Inc.
1010 North Glebe Road, Suite 800
Arlington, Virginia 22201
(703) 522-6200**

As of December 31, 1988

Realty Advisors, Inc.

May 4, 1989

Real Estate Investment Committee Members
United States Fidelity & Guaranty Company
100 Light Street, 34th Floor
Baltimore, Maryland 21202

Dear Committee Members:

Attached is the December 31, 1988 Operating Report for the United States Fidelity & Guaranty Real Estate Investment Accounts.

At the end of 1988, USF&G's non-HUD and non-special investment asset management responsibilities included fifteen properties with commitments totaling \$238,607,100.

During the fourth quarter, six properties (Guest Quarters, Silo Bend, Boulden II, Silo Bend Land, Hampton Courts, and Penderbrook Apartments) were provided initial funding of \$102,300,472.60 on commitments totaling \$110,049,000. Subsequent fundings for these and other properties accounted for total quarterly fundings of \$105,260,921.10.

The fifteen funded properties under USF&G Realty Advisors' management have shown an annualized inception-to-date internal rate of return of 12.31% before extraordinary gains/losses or adjustment for inflation. The same properties have shown an annualized inception-to-date internal rate of return of 9.68% (adjusted for inflation) before extraordinary gains/losses.

If you have any questions regarding this report or the performance of your loans and/or investments, please contact either Dan Kohlhepp or me.

Very truly yours,



Michael W. Jones
Chief Financial Officer

MWJ/emp
Attachment

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Current Quarter Returns

	Cost		Investment Values		
	Quarter Annualized	YTD Annualized	Quarter Annualized	YTD Annualized	Holding Period Return (3)
Participating Mortgage:					
Net Interest Income (1)	8.99%	8.94%	8.97%	8.90%	
Non-Recurring Income	-0.08%	-0.18%	-0.08%	-0.18%	
	8.91%	8.76%	8.89%	8.72%	10.63%
Equity Investments:					
Net Operating Income (2)	1.84%	3.14%	1.59%	2.73%	
Non-Recurring Income	0.10%	0.23%	0.09%	0.20%	
	1.94%	3.37%	1.68%	2.93%	10.95%
Debt-Equity Investments:					
Net Operating Income	5.53%	4.90%	5.53%	4.90%	
Non-Recurring Income	0.54%	0.82%	0.54%	0.82%	
	6.07%	5.72%	6.07%	5.72%	17.35%
Income From Operations					
Net of Expenses	6.90%	7.00%	6.69%	6.78%	12.31% (4)
Extraordinary Items:					
Gain/Loss on Sale of Assets	0.00%	0.00%	0.00%	0.00%	0.00%
Net Income	6.90%	7.00%	6.69%	6.78%	12.31%

(1) Accrued interest income net of service fees, asset management fees, and legal fees.

(2) Accrued net income from operations (before depreciation and amortization), less asset management fees and legal fees

(3) IRR from initial funding to present, including appreciation (assuming all appreciation end of current quarter), forfeited fees, and termination penalties. Appreciation is reported only upon independent MAI appraisal. As of December 31, 1988, total appreciation of \$5,942,592 (Tysons Corner Center) has been recognized. No forfeited fees and/or termination penalties have been recognized.

(4) The real (adjusted for inflation) annualized rate of return before extraordinary gains/losses for the holding period net of operating expenses is 9.68%.

UNITED STATES FIDELITY & GUARANTY COMPANY
Real Estate Investment Account
Operating Budget

	Quarter Ending 12/31/88	Total 1988
<hr/>		
INCOME:		
Operating Income: (1)		
Mortgage Interest Paid	2,477,911.67	4,920,541.11
Mortgage Interest Accrued	285,367.98	402,171.40
Income From Equity Investments	258,858.99	714,080.66
Income From Debt Equity Investments	10,744.42	10,744.42
<hr/>		
Total Operating Income	3,032,883.06	6,047,537.59
Other Income: (2)		
Commitment Fees	98,000.00	742,166.00
Application Fees	88,000.00	210,840.00
Land Partnership Fees	120,000.00	120,000.00
<hr/>		
Total Other Income	306,000.00	1,073,006.00
TOTAL INCOME	3,338,883.06	7,120,543.59
EXPENSES:		
Real Estate Operating Expenses:		
Advisory Fees (3)	450,296.45	1,397,687.64
Loan Servicing Fees	11,685.11	31,864.14
Legal, Engineering & Other Expenses	0.00	0.00
<hr/>		
Total Expenses	461,981.56	1,429,551.78
NET INCOME FROM OPERATIONS	2,876,901.50	5,690,991.81
Gain/Loss on Sale of Assets (4)	0.00	128,717.00
<hr/>		
NET INCOME	2,876,901.50	5,819,708.81

- (1) Income and expenses are shown on the accrual basis of accounting. Expenses do not include the underlying cost of USF&G funds.
- (2) Application and commitment fees are reported as income when received by USF&G
- (3) Asset management fees are based on a negotiated percentage (typically .75%) of funds invested or committed to investments. Figures reported include asset management fees for both funded and unfunded properties.
- (4) Income includes \$128,717 which was USF&G's share of a 2.1 acre land sale in Longview Executive Park - Phase II.

FELLOWSHIP WEST BUSINESS PARK

Operations

12/31/88

Occupancy: 70%
 Asking Rent: \$9.50 - \$10.50
 (100% Office Finish)

Income Statement:

	1988 Blue Book <u>Proforma</u>		1988 <u>Actual</u>	
	<u>\$</u>	<u>\$/SF</u>	<u>\$</u>	<u>\$/SF</u>
Gross Income	\$1,979,893	\$10.87	\$551,576	N/A
Vacancy @ 5%	<u>98,995</u>	<u>0.54</u>	<u>N/A</u>	<u>N/A</u>
Effective Gross Income	\$1,880,898	10.33	\$551,576	N/A
Operating Expense	<u>37,618</u>	<u>0.22</u>	<u>307,260</u>	<u>N/A</u>
Net Operating Income	\$1,843,280	\$10.11	\$244,316	N/A
Debt Service	<u>1,625,938</u>	<u>8.92</u>	<u>1,381,602</u>	<u>N/A</u>
Cash Flow	<u>\$ 217,342</u>	<u>\$1.19</u>	<u>(\$1,137,286)</u>	<u>N/A</u>
Debt Coverage Ratio	1.13		.18	

Update:

Funding Status

Funding Date: January 26, 1987

Amount Funded: \$12,509,475.60

Remaining Holdback:
 Tenant Improvements/
 Economic Holdback

\$ 3,740,524.40

Total Commitment: \$16,250,000.00

FELLOWSHIP WEST BUSINESS PARK

Operations (Cont'd.)

In a letter agreement of June 29, 1988, USF&G consented to the modification of the existing terms of the mortgage on Fellowship West. A "pay and accrue" plan for interest payments commenced along the following schedule:

	<u>Minimum Pay Rate</u>	<u>Accrual Rate</u>
July 27, 1988 - June 30, 1989	5.0%	5.75%
July 1, 1989 - December 31, 1989	8.0%	2.75%
January 1, 1990 and thereafter	9.5%	1.25%

In addition, default provisions were enacted requiring 95% leasing, 95% occupancy, and full payment of rents as of December 31, 1988, March 1, 1989, and December 31, 1989, respectively.

The property was reappraised on 2/1/89 at \$18,300,000 by Coldwell Banker. This was an increase from the \$15,750,000 "as-is" appraisal of June 6, 1988.

In a meeting on March 17, 1989, Rouse & Associates discussed with USF&G Realty Advisors their attempt to refinance the property. USF&G, in a letter agreement of March 28, 1989, agreed to temporarily waive leasing and occupancy default provisions in order to facilitate the refinancing. In consideration for the waiver, the Borrower agreed to provide annual audited financial statements and monthly operating statements, as well as to seek advance approval, from USF&G, of all third party loans and payments.

Leased space decreased to 70% from 72% during the fourth quarter, 1988.

New lease:

<u>Tenant</u>	<u>Area(sf)</u>	<u>Term</u>	<u>Contract Rental Rate</u>
N. J. Bell	4,445	5 Years	\$12.58

However, two tenants vacated the property:

<u>Tenant</u>	<u>Area(sf)</u>	<u>Contract Rental Rate</u>	<u>Annual Rental Revenues</u>
Jewel	3,500	\$12.47	\$43,645.00
IDS	4,423	\$12.69	\$56,127.87

Tenant demand for office and floor space remains active in the Fellowship market area, but competition between lessors also remains high.

GUEST QUARTERS HOTEL

Operations

	<u>Proforma</u>	<u>Actual</u>
<u>12/31/88</u>		
Occupancy:	57%	29.8%
Average Rate:	\$130.00	\$81.35
	1988 Blue Book Proforma (1) <u>\$</u>	Annualized 1988 Actual (2 Months) (1) <u>\$</u>
Gross Income	\$8,618,900	\$3,263,292 (2)
Operating Expenses	3,176,023	2,960,172
Administrative Expenses	2,357,725	3,693,966
Land Lease	200,000	246,984
Net Operating Income	\$2,885,152	(\$3,637,830)
Debt Service	<u>\$2,600,000</u> (3)	<u>\$2,541,984</u>
Cash Flow	<u>\$ 285,152</u>	<u>(\$6,179,814)</u>
Debt Coverage Ratio	1.11	N/A

(1) Proforma projections were for one year. The actual opening occurred on November 10, 1988 yielding less than two months of operation. December occupancy (29.8%) is not considered representative of the performance of the property, a fact confirmed by significant increases in occupancy in subsequent months (51.0% in January, 1989 and 66.5% in February, 1989), and the average room rate (\$116.84 in January, 1989 and \$108.71 in February 1989). Therefore, the actual data presented for 1988 is for information purposes only. Comparison of the data is not appropriate at this time.

(2) Annualized figures are based on 2 months of operation multiplied straight line.

(3) Based on full funding.

GUEST QUARTERS HOTEL

Update:

Funding Status

Funding Date: November 3, 1988

Amount Funded at 12/31/88: \$24,185,477.11

Remaining Holdback:
Working Capital Escrow \$1,814,522.89

Total Commitment \$26,000,000.00

LONGVIEW EXECUTIVE PARK

Operations

12/31/88

Occupancy:

99.27%

Asking Rent:

\$13.25

One-story building

	1988 Blue Book Proforma (1)		1988 Actual(1)	
	<u>\$</u>	<u>\$/SF</u>	<u>\$</u>	<u>\$/SF</u>
Gross Possible Income	\$3,995,500 (2)	\$16.75	\$1,537,082	N/A
Vacancy @ 5%	<u>199,775</u>	<u>0.84</u>	<u>N/A</u>	<u>N/A</u>
Effective Gross Income	\$3,795,725	\$15.91	\$1,537,082	N/A
Operating Expenses	<u>827,545</u>	<u>3.47</u>	<u>655,718</u>	<u>N/A</u>
Operating Income	\$2,968,180	\$12.44	\$881,364	N/A
Debt Service	<u>2,470,000</u> (3)	<u>10.36</u>	<u>2,047,684</u>	<u>N/A</u>
Cash Flow	<u>\$ 498,180</u>	<u>\$ 2.08</u>	<u>(\$1,166,320)</u>	<u>N/A</u>
Debt Coverage Ratio	1.20		.43	

(1) Proforma projections were for one year. The project was funded on 4/13/88. Therefore, the data presented is for information purposes only. Comparison of the data is not appropriate at this time.

(2) Proforma rent of \$13.00 for the one-story office and \$18.00 for the mid-rise office.

(3) Reflects loan amount of \$26,000,000 based on most likely cash projections.

LONGVIEW EXECUTIVE PARK

Operations (Cont'd.)

Update:

Funding Status

Funding Date: April 13, 1988

Amount Funded at 12/31/88: \$25,678,842.48

Remaining Holdback:

Tenant Improvements	\$ 43,910.00
Leasing Commissions	0
Primary Economic Holdback	0
Secondary Economic Holdback	1,520,087.32
Approved Operating Expenses	<u>1,357,160.20</u>

Total Commitment \$ 28,600,000.00

USF&G has also provided a forward commitment to purchase Phase II land (approximately 7.8 acres) for the lesser of actual costs or \$3.91 million. Rouse & Associates contracted with National Cash Register to sell 2.1 acres of this land at a price which provided a net profit to USF&G of approximately \$120,000.

In a letter of February 8, 1989 to Bill Bone of Rouse & Associates, USF&G Realty Advisors indicated that the remaining secondary economic earnout of \$494,367.28 will be funded upon confirmation that all tenants are in occupancy and paying rent. Secondary economic earnout will be funded at \$5.60 for each dollar of annualized gross income in excess of \$3,711,160. As of February 8, 1989, \$1,419,112.68 of primary and secondary earnout had been funded. It is projected that the final \$494,367.28 of secondary earnout will be funded when PHH begins paying rent on or before June 1, 1990.

In addition, in a letter of February 14, 1989 to Bill Bone, USF&G Realty Advisors acknowledged that it will approve funding of 50% of the anticipated \$1,306,050.17 remaining in the operating reserve (\$653,025.09) when sustained positive income after debt service is realized and all tenants are in occupancy and paying rent. The payment is projected to occur during May, 1990.

BOULDEN/COMMERCE COURT - PHASE I

Operations

12/31/88

Occupancy: 97.17%

Income Statement:

	1988 Blue Book Proforma		1988 Actual	
	<u>\$</u>	<u>\$/SF</u>	<u>\$</u>	<u>\$/SF</u>
Gross Income	\$1,603,828	\$ 5.32	\$ 608,909	N/A
Vacancy	<u>71,227</u>	<u>0.24</u>	<u>N/A</u>	<u>N/A</u>
Effective Gross Income	\$1,532,601	5.08	\$ 608,909	N/A
Operating Expense	<u>52,796</u>	<u>0.18</u>	<u>123,056</u>	<u>N/A</u>
Net Operating Income	\$1,479,805	4.90	\$ 485,853	N/A
Debt Service	<u>1,220,700</u>	<u>4.05</u>	<u>\$ 589,433</u>	<u>N/A</u>
Cash Flow	<u>\$ 259,105</u>	<u>\$ 0.85</u>	<u>(\$103,580)</u>	<u>N/A</u>
Debt Coverage Ratio	1.21		.83	

- (1) Proforma projections were for 12 months. The project was funded on June 30, 1988. Therefore, the data is presented for information purposes only. Comparison of the data is not appropriate at this time.

Update:

Funding Status

Funding Date: June 30, 1988

Amount Funded at 12/31/88: \$11,981,271.10

Remaining Holdback:

Tenant Improvements/

Leasing Commissions

Boulden Building 0

Commerce Court Buildings \$1,740,828.90

Lease-Up Interest 0

Total Commitment \$13,722,100.00

BOULDEN/COMMERCE COURT - PHASE I

Operations (Cont'd.)

A \$650,000 increase in USF&G's commitment was requested by the Borrower during the summer of 1988 in order to provide funds for the purchase of 4.6217 acres of additional land adjacent to the Commerce Court property. At that time, a lease for 44,458 square feet to CIGNA had been proposed, but the property lacked the potential tenant's requirement of 5 parking spaces per 1,000 square feet of leased area. Rouse & Realty Advisors personnel projected that a \$12.76 per square foot CIGNA rental rate would cover all associated costs, as well as carrying costs for the balance of the Property. Rouse & Associates negotiated a \$12.76 lease. Thus, approval by USF&G was recommended, and the increase was approved in March, 1989.

BOULDEN INTERSTATE PARK - PHASE II

Operations

12/31/88

Occupancy: 15.26%

Income Statement:

	First Year Blue Book Proforma	
	<u>\$</u>	<u>\$/SF</u>
Gross Possible Income	\$1,308,915	\$4.93
Vacancy @ 5%	<u>65,446</u>	<u>0.25</u>
Effective Gross Income	\$1,243,469	\$4.68
Operating Expenses (1)	<u>55,956</u>	<u>0.21</u>
Net Operating Income	\$1,187,513	\$4.47
Debt Service	<u>1,024,480</u>	<u>3.86</u>
Cash Flow	<u>\$ 163,033</u>	<u>\$0.61</u>

Proforma Debt Coverage Ratio 1.16

(1) Buildings will be leased triple net. Expenses reflect structural reserves, management fees, and refit expenses.

As the project was funded 12/22/88, no comparison of proforma to actual results for 1988 is considered appropriate.

Update:

Funding Status

Funding Date: December 22, 1988

Amount Funded at 12/31/88: \$ 7,248,277.60

Remaining Holdback:

Shell Construction \$ 329,448.10

Tenant Finish/Leasing \$2,523,203.46

Commissions

Lease Up Interest \$ 683,070.84

Total Commitment \$10,784,000.00

BALLSTON CORPORATE CENTER

Operations

12/31/88

Leased %: 98.45%
 Asking Rent: \$24.00 - \$26.00

	1st Year Blue Book Proforma		1988 Actual	
	\$	\$/SF	\$	\$/F
Net Rents	\$3,384,898	\$24.31	\$338,577	N/A
Expense Reimbursement	N/A	N/A	26,304	N/A
Other Income	N/A	N/A	21,784	N/A
Effective Gross Income	\$3,384,898	\$24.31	\$386,665	N/A
Operating Expenses	742,500	5.33	191,871	N/A
Net Operating Income	\$2,642,398	\$18.98	\$194,794	N/A
Debt Service	2,375,000	17.06	928,092	N/A
Cash Flow	\$ 267,398	\$1.92	(\$733,298)	N/A
Debt Coverage Ratio	1.11		.21	

The proforma projections are for the first year of operation. As the project was funded after shell completion in July, 1988, actual 1988 results reflect only five months of operations. In addition, the bulk of tenants were subject to rental abatement during 1988. Therefore, although the actual information is presented for information purposes, comparison of the data is considered inappropriate at this time.

Update:

Funding Date: July 25, 1988

Amount Funded at 12/31/88: \$20,650,926.19

Remaining Holdback:

Shell Construction	\$ 163,250.38
Tenant Finish	\$ 2,063,000.00
Leasing Commissions	\$ 575,245.87
Primary Economic Holdback	\$ 700,000.00
Secondary Economic Holdback	\$ 2,000,000.00
Interest Reserve	\$ 847,577.56
Total Commitment	<u>\$27,000,000.00</u>

TYSONS CORNER

Operations

12/31/88

Leased %:	93.48%
Asking Rent:	\$42.00

Income Statement:

	<u>1988 Actual</u> <u>Total Partnership</u>	<u>\$/SF</u>	<u>USF&G</u> <u>5% Share</u>
Revenues			
Base Rent	\$11,837,937	\$6.84	\$591,897
Percentage Rent	2,223,602	1.28	111,180
Expense Recoveries	7,848,257	4.53	392,413
Interest & Other	<u>499,887</u>	<u>0.29</u>	<u>\$ 24,994</u>
Total Revenues	\$22,409,683	12.94	1,120,484
Expenses			
Operating Expense	\$ 7,787,021	\$4.50	\$ 389,351
Property Taxes	3,083,575	1.78	154,179
Interest Expense	3,307,094	1.91	165,355
Lerner Development Fee	<u>891,628</u>	<u>.52</u>	<u>44,581</u>
Total Expenses	<u>\$15,069,318</u>	<u>\$8.71</u>	<u>\$753,466</u>
Property Cash Flow	<u>\$ 7,340,365</u>	<u>\$4.23</u>	<u>\$367,018</u>

Update:

Funding Status

Joint Venture Summary

Initial USF&G Equity	
Contribution	\$ 7,799,000
Construction Loan Take-Out	
Commitment	<u>7,900,000</u>
 Total Commitment	 <u>\$15,699,000</u>

The renovation and expansion program was completed on schedule and under budget. The purpose of this program was to enhance the shopping center's competitive position in the market by adding a Nordstrom's department store, 200,000 square feet of lower-level shop space, and improving traffic flow and parking at the center. Nordstrom's took occupancy in March, 1988, and the lower-level mall opened in October, 1988. In addition, an agreement has been negotiated with Lord & Taylor to become the fifth anchor tenant at Tysons. Lord & Taylor is building a 120,000 square foot store on the north end of the regional mall, scheduled to open April, 1990.

TYSONS CORNER

Update (Cont.d.)

The stabilized value of the shopping center after the completion of the expansion program was \$442.6 million, according to a December 31, 1988 appraisal of the property by Sudler Marling, Inc. The appraisal also reflected a \$15,000,000 market value for the 6.3132 acres of excess developable land.

Two proposals were presented at the March 7, 1989 meeting of Tysons Corner partners. The first proposal was payment of the \$165 million construction loan which matures October 30, 1989, by pro rata equity contribution by each partner. In addition, an increase in the development fee from \$2,784,420 to \$4,000,000 was recommended. This increase reflected the increased scope of work above original projections. Both measures received favorable consideration, and will probably be approved by the partners upon receipt of requested documentation.

During the fourth quarter of 1988, the partnership remitted cash flow of \$25,584 representing USF&G's 5% interest. Cash distributions for all of 1988 totaled \$294,339.

USF&G OFFICE BUILDING

Operations

12/31/88

Leased %: 96.04%
Asking Rent: \$12.00

1988
Blue Book
Proforma 1988
Actual

Income Statement:

	\$	\$/SF (2)	\$	N/A
Gross Possible Income (1)	\$316,250	\$12.16	\$195,112	N/A
Vacancy @ 5%	<u>7,475</u>	<u>0.29</u>	<u>N/A</u>	<u>N/A</u>
Effective Gross Income	\$308,775	\$11.87	\$195,112	N/A
Operating Expenses	<u>84,500</u>	<u>3.25</u>	<u>72,459</u>	<u>N/A</u>
Net Operating Expenses	\$224,275	\$ 8.62	\$122,653	N/A
Debt Service	<u>163,967</u>	<u>6.31</u>	<u>\$159,560</u>	<u>N/A</u>
Cash Flow	<u>\$ 60,309</u>	<u>\$ 2.31</u>	<u>(\$36,907)</u>	<u>N/A</u>
Debt Service Coverage:	1.37		.77	

(1) Gross Possible Income reflects the weighted rental average of \$11.50 psf for USF&G lease and \$13.00 psf on the unleased space.

(2) Based on an area of 26,000 square feet.

The deviation in actual cash flow from proforma results from (1) an actual weighted average rent of \$11.75 per square foot, (2) free rental periods associated with leases signed during 1988, and (3) total leased area (per leases) of 24,550 square feet as opposed to 26,000 square feet actual building size.

Update

Joint Venture Summary:

Initial USF&G Contribution	\$475,000
USF&G Contributions as of 12/31/88	\$590,000
Remaining Holdback Developer's Fee	<u>\$ 35,000</u>
Total Commitment	<u>\$ 625,000</u>

USF&G OFFICE BUILDING

Operations (Cont'd.)

Subsequent to 12/31/88, USF&G agreed to provide the permanent financing for the repayment of the construction loan to First National Bank of Louisville. At the March 31, 1989 closing, USF&G also contributed its remaining \$35,000 in committed equity contributions as payment to J. T. Sims of his developer's fee upon breakeven occupancy. (Receipt of the fee was waived by the developer and applied against his obligation to fund \$62,500 in operating deficits.)

INTERNATIONAL CENTRE III

Operations

In February, 1989, Ryan Properties signed a lease with AT&T Communications, Inc. for 230,000 net rentable square feet of office space for a twenty year term and providing for a net annual base rental in the amount of \$16.86/square foot during years one through ten and \$19.62/square foot during years eleven through twenty.

A \$38,000,000 equity joint venture has been agreed upon by Ryan Properties, Inc. and ASB Capital Management, Inc. as trustee for the International Brotherhood of Electrical Workers. The equity joint venture structure provides that IBEW will be a limited partner in the joint venture and will receive 60% of the cash flow and sale proceeds. USF&G is a 25% limited partner in International Centre III Ltd., which is the general partner in the joint venture. Consequently, USF&G will have 10% interest (25% of Ryan's remaining 40% interest) in the cash flow and sale proceeds of the fully developed property.

Construction is expected to begin in the spring of 1989, at which time USF&G's equity capital and preferred return will be repaid from the first construction draw.

At December 31, 1988 total equity contributions equal \$2,490,025. USF&G need not make any additional contributions until tenants are in occupancy of 95% of the building.

MERCHANTS FESTIVAL

Operations

12/31/88

Actual Occupancy: 93.06%

	1988 Blue Book Proforma		1988 Actual	
	\$	\$/SF	\$	\$/SF
Revenues:				
Rental Income	\$1,955,537	\$12.79	\$1,263,242	N/A
Reimbursement & Other	<u>224,422</u>	<u>1.47</u>	<u>116,912</u>	<u>N/A</u>
Total	\$2,179,959	\$14.26	\$1,380,154	N/A
Operating Expenses	\$ 292,883	\$ 1.92	\$ 155,157	N/A
Real Estate Taxes	*		53,201	N/A
Management Fees	<u>\$ 78,221</u>	<u>0.51</u>	<u>65,062</u>	<u>N/A</u>
Net Operating Income	\$1,808,855	\$11.83	\$1,106,734	N/A
Debt Service	<u>1,513,800</u>	<u>9.90</u>	<u>927,789</u>	<u>N/A</u>
Cash Flow	<u>\$ 295,055</u>	<u>\$ 1.93</u>	<u>\$ 178,945</u>	<u>N/A</u>
Debt Coverage Ratio	1.19		1.19	

*Included in operating expenses.

Proforma projections were for one year. The funding date was May 12, 1988. Therefore, actual 1988 results represent a little over seven months of operation. In addition, delinquent tenants were removed from the center. Therefore, actual results are presented for information purposes only. Comparison to the proforma projections is inappropriate at this time.

Update:

Funding Status

Funding Date: May 12, 1988

Amount Funded at 12/31/88 \$6,200,000

Remaining Holdback:
Tenant Improvements/
Economic Holdback

0

Total Commitment \$6,200,000

ATLANTA TECHNOLOGY CENTER

Operations

12/31/88

Leasing %:

61.86%

Asking Rent:

\$9.50 - \$13.50

	1988 Blue Book Proforma (1)		1988 Actual (1)	
	\$	\$/SF	\$	\$/SF
Net Rents	\$1,421,070	\$7.22	\$432,967	N/A
Reimbursements	0		47,793	N/A
Effective Gross Income	\$1,421,070	\$7.22	\$480,760	N/A
Operating Expenses	165,343	0.84	157,287	N/A
Net Operating Income	\$1,255,727	\$6.38	\$323,473	N/A
Debt Service	1,102,000	5.60	345,906	N/A
Cash Flow	\$ 153,727	\$0.78	(\$22,433)	N/A
Debt Coverage Ratio	1.14		.93	

- (1) The proforma projections are for the first year of operation. As the project was funded in September, 1988, actual 1988 results reflect only four months of operations. Therefore, the actual information is presented for information purposes only, and comparison of the data is considered inappropriate at this time.

Update:

Funding Status

Amount Funded at 12/31/88:	\$14,143,949.24
Plus Holdbacks:	
Initial Equity	\$9,000.00
Tenant Finish	793,467.00
Leasing Commissions	174,180.00
Earnout	2,079,403.76
Total Commitment	<u>\$17,200,000.00</u>

ATLANTA TECHNOLOGY CENTER

Operations (Cont'd.)

During the fourth quarter, 1988, leased space increased to 62% from 52% as of the end of the third quarter. The new leases are detailed (by tenant) below:

<u>Tenant</u>	<u>Area</u>	<u>Term (Mos.)</u>	<u>Contract Rental Rate</u>	<u>Effective Rental Rate</u>
Simon Marketing (expansion)	1,661	36	\$13.50	\$13.50
Special Environmental Services	1,158	36	\$13.50	\$13.50
Rick Roberts & Associates	765	42	\$13.50	\$12.61
Sheffield & Company	635	36	\$13.50	\$13.50
Medi Physics	5,968	60	\$10.51	\$10.51
Georgia Power	8,000	84	\$10.89 (1)	\$10.89

(1) Average contract rental rate over term of lease.

Also during the fourth quarter, a lease termination agreement was signed with Koolvent Aluminum Products resulting in a loss of 4,000 square feet of space. Under terms of the agreement, Koolvent forfeited their \$3,090.00 security deposit and agreed to pay an additional \$38,000. \$19,000 has been paid in cash and a \$19,480 promissory note (due during 1989) was received.

PENDERBROOK APARTMENTS

Operations

12/31/88

Occupancy: 86.56%
Asking Rent: \$675 - \$940/Mo./Unit

	1st Year Proforma \$	Annualized 1988 Actual (2 Mos.) (1) \$
Gross Income	\$4,173,502	\$3,557,012
Vacancy @ 5%	<u>207,095</u>	<u>N/A</u>
Effective Gross Income	\$3,966,407	\$3,557,012
Operating Expenses	<u>1,246,150</u>	<u>1,027,362</u>
Net Operating Income	\$2,720,257	\$2,529,650
Debt Service	<u>1,900,000</u>	<u>1,900,000</u>
Cash Flow	<u>\$ 820,257</u>	<u>\$ 629,650</u>
Debt Service Coverage	1.43	1.33

(1) Actual amounts are annualized based upon the audited results of operations from November 10, 1988 through December 31, 1988.

Update:

The entire \$20,000,000 in loan proceeds and the entire \$15,350,000 equity joint venture commitment amount were fully funded on the November 10, 1988 initial funding date.

Under the terms of the joint venture commitment, USF&G is to receive a 9.5% cumulative preferred return on its outstanding capital contributions. As of December 31, 1988, USF&G's unpaid preferred return was \$210,636.11 on outstanding capital contributions of \$15,350,000. During the fourth quarter of 1988, Penderbrook Apartments showed net cash flow of \$30,727.20. On March 17, 1989 USF&G Realty Advisors billed for this cash flow in payment of USF&G's preferred return. A distribution of \$30,727.20 will result in an outstanding preference return balance of \$179,908.91 as of December 31, 1988. At each anniversary of the closing date (November 10, 1988) the outstanding preference return balance will be added to invested capital for purposes of calculating the cumulative preferred return.

SILO BEND INDUSTRIAL PARK

Operations

12/31/88

Occupancy: 94.78%
Asking Rent: \$4.22

Income Statement:

1989
Blue Book
Proforma

	<u>\$</u>	<u>\$/SF</u>
Gross Income	\$1,673,359	\$3.89
Vacancy @ 5%	<u>83,668</u>	<u>.19</u>
Effective Gross Income	\$1,589,691	\$3.70
Operating Expenses	<u>105,538</u>	<u>.25</u>
Net Operating Income	\$1,484,153	\$3.45
Debt Service	<u>1,353,750</u>	<u>3.15</u>
Cash Flow	\$130,403	\$0.30

Debt Coverage Ratio 1.10

Note: No actuals shown due to December, 1988 funding date.

Update:

Funding Status

Amount Funded at 12/31/88: \$24,051,195 - (\$13,963,695 Building, \$10,087,500 Land)

Plus Remaining Holdback:

Tenant Improvements/ Economic Holdback	\$ 23,500	
Tenant Leasing & Leasing Commissions	\$ 568,805	
Interest Reserve	\$ 120,000	
Development Costs	\$1,182,500	(Land)
Real Estate Tax	<u>244,000</u>	(Land)

Total Commitment \$26,190,000

HAMPTON COURT APARTMENTS

Operations

12/31/88

Occupancy: 94.03%
Asking Rent: \$370 - \$620/Mo./Unit

	1st Year Proforma \$	1988 Annualized Actual (2 Mos. & 13 Days) USF&G Ownership \$
Gross Income	\$1,588,643	\$1,433,529
Vacancy @ 5%	(79,439)	N/A
Effective Gross Income	\$1,509,204	1,433,529
Operating Expenses	(613,080)	(534,253)
Net Operating Income	\$ 896,124	\$ 899,276
Less Debt Service	(540,000)	(603,000)
Plus NOI Guarantee	\$ 147,869	144,724
Cash Flow	\$ 503,993	\$ 441,000

The annualized 1988 actual data presented above is comparable to the proforma data because, even though USF&G only owned the property for two months, the seller guarantees a 9% return on total cost before debt service. This 9% return on total cost guarantee (backed by a letter of credit) translates to a guarantee of \$87,000 in monthly net operating income for 36 months. Thus, regardless of future fluctuations in actual operating revenues and expense data, USF&G is assured an \$87,000 per month net operating income.

USF&G Realty Advisors projects that the net operating income guarantee payments will remain in effect for the foreseeable future, due during the short term, to a minor decrease in occupancy and, in the long term, to recent ground breaking of an apartment project on the adjacent site.

TARA BRIDGE APARTMENTS

Operations

12/31/88

Occupancy: Construction 85% complete at 12/31/88
Asking Rent: \$415 - \$600/Mo./Unit

Income Statement:

	<u>1st Year</u> <u>Proforma</u>
	<u>\$</u>
Gross Possible Income	\$1,459,798
Vacancy @ 5%	<u>72,990</u>
Effective Gross Income	\$1,386,808
Operating Expenses	<u>485,383</u>
Net Operating Income	\$ 901,425
Debt Service	<u>743,447</u>
Cash Flow	<u>\$ 157,978</u>

Proforma Debt Coverage Ratio: 1.21

Update:

USF&G has signed a four-party agreement reflecting an \$8,160,000 HUD-insured first mortgage and an equity joint venture in the amount of \$975,000 (a total investment of \$9,135,000) for Tara Bridge in Clayton County, Georgia. Tara Bridge is a 220-unit project being developed by a joint venture of NHP and Maschmegur-Pollack, Inc. USF&G will receive a coupon rate on the debt of 8.5% (8.75% before .25% GNMA fee) that is fully insured by the U.S. Government, a cumulative preferred return on the equity contribution of 9.5%, and will participate in 50% of the net cash flow and 50% of the residual value of sale.

Earlier problems resulting from drainage onto the property from the adjacent property, and turnover with the framing subcontractor, appear to have been resolved.

The construction was approximately 85% complete at the end of 1988. Only two buildings, #17 and #18, required additional interior construction at that time. Subsequent to year-end, leasing has proceeded well, with 145 units leased (76%) and 91 units occupied (48%) out of the 190 units completed as of April, 1989.

BOWLING BROOK APARTMENTS

Operations

12/31/88

Occupancy: Construction 25% complete at 12/31/88

Asking Rent: \$625 - \$740/Mo./Unit

Income Statement:

	1st Year (1) <u>Proforma</u>
	<u>\$</u>
Gross Possible Income	\$2,018,296
Vacancy @ 4%	<u>80,732</u>
Effective Gross Income	\$1,937,564
Operating Expenses	<u>602,252</u>
Net Operating Income	\$1,335,313
Debt Service (2)	<u>1,174,178</u>
Cash Flow	<u>\$ 161,135</u>

Proforma Debt Coverage Ratio: 1.14

(1) Proforma per 12/01/87 appraisal.

(2) Debt service calculated on actual loan amount and terms.

Update:

On March 29, 1988, USF&G issued a letter of commitment reflecting a \$12,375,500 HUD-insured first mortgage and an equity joint venture in the amount of \$900,000 (a total investment of \$13,275,500) for Bowling Brook Farm, a 216 unit apartment project in Savage, Maryland. The project is being developed by Hammond Branch-I Limited Partnership, a Maryland limited partnership of which James R. Knott Development Corporation is the sole general partner. USF&G, a subsidiary, or affiliate will make a \$900,000 equity investment through the purchase of a limited partnership interest in Hammond Branch-I Limited Partnership and will loan \$12,375,500 in funds (fully insured by the U. S. Government) at a coupon rate of 9.0% (9.25% before GNMA fee). USF&G will also receive a cumulative preferred return of 10% on the equity contribution, and will participate in 50% of the net cash flow and 50% of the residual sale value.

The property was approximately 25% complete at the end of 1988. Subsequent to year-end, construction has progressed to 63% complete with 13 units leased, as of April, 1989. All units are estimated to be completed by August, 1989.

LAKE CROSSING APARTMENTS

Operations

12/31/88

Occupancy: Construction 95% complete at 12/31/88
Asking Rent: \$625 - \$740/Mo./Unit

Income Statement:

	<u>1st Year</u> <u>Proforma</u>
	<u>\$</u>
Gross Possible Income	\$2,041,389
Vacancy @ 5%	<u>102,069</u>
Effective Gross Income	\$1,939,320
Operating Expenses	<u>678,762</u>
Net Operating Income	\$1,260,558
Debt Service (2)	<u>1,106,103</u>
Cash Flow	<u>\$ 154,454</u>
Proforma Debt Coverage Ratio:	1.14

Update:

Lake Crossing Apartments is a previously committed 300 unit, \$13,393,700 HUD-insured mortgage and equity joint venture (\$12,004,900 debt, \$1,388,800 equity) similar in structure to Tara Bridge apartments.

Construction at the property was 95% complete at the end of 1988. Leasing as of April, 1989 is at approximately 30%.

ON-SITE VISITS:

During the fourth quarter, USF&G Realty Advisors, Inc. conducted on-site visits of the following properties.

Property -----	Number of Visits -----
Fairgate at Ballston	6
Boulden/New Castle	1
Boulden II	1
Fellowship West	0
Longview	0
International Centre	0
Merchants Festival	2
Guest Quarters	2
USF&G Building	1
Atlanta Technology Center	2
Penderbrook Apartments	4
Tysons Corner	6
Hampton Court Apartments	3
Silo Bend	2
Meadowbrook	6
Bristol Bay	2

INVESTMENT PERFORMANCE SUMMARY - COST
UNITED STATES FIDELITY & GUARANTY COMPANY
Period Ending December 31, 1988

Asset Description	Initial Funding Date	Cost	Annualized			Annualized			Holding Period Return (%) Including Appreciation
			Current	Income	App	Year-To-Date (%)	Total		
Mortgages (1):									
Fellowship West (3)	01/26/87	12,509,475.60	9.79	0.00	0.00	9.69	0.00	9.69	10.45
Longview Executive Park I	04/13/88	25,678,842.48	8.59	0.00	0.00	8.59	0.00	8.30	9.41
Boulden/New Castle	06/30/88	11,981,271.10	8.86	0.00	0.00	8.86	0.00	9.06	11.05
Fairgate at Ballston	07/25/88	20,650,926.20	8.43	0.00	0.00	8.43	0.00	8.45	9.15
Guest Quarters Ft. Lauderdale	11/03/88	24,185,477.11	9.37	0.00	0.00	9.37	0.00	9.37	4.81
Silo Bend	12/07/88	13,963,698.00	9.24	0.00	0.00	9.24	0.00	9.24	20.72
Boulden II	12/22/88	7,248,277.60	9.13	0.00	0.00	9.13	0.00	9.13	18.71
Total Mortgages:			8.99	0.00	0.00	8.99	0.00	8.94	10.63
Equity Investments (2):									
Tysons Corner	01/30/85	7,803,908.00	(2.28)	0.00	0.00	(2.28)	0.00	2.88	18.88
USF&G Office Building	10/30/86	590,000.00	(2.92)	0.00	0.00	(2.92)	0.00	(4.17)	(5.58)
International Centre III	01/02/87	2,490,025.00	(3.28)	0.00	0.00	(3.28)	0.00	(1.29)	(0.24)
Merchants Festival	05/12/88	6,200,000.00	1.02	0.00	0.00	1.02	0.00	2.05	2.33
Silo Bend Land	12/07/88	10,087,500.00	(0.28)	0.00	0.00	(0.28)	0.00	(0.28)	12.43
Hampton Courts	10/19/88	11,725,000.00	8.15	0.00	0.00	8.15	0.00	8.15	12.17
Total Equity Investments			1.84	0.00	0.00	1.84	0.00	3.14	10.95
Debt-Equity Investments:									
Atlanta Technology Center	09/07/88	14,143,949.24	6.65	0.00	0.00	6.65	0.00	4.17	13.04
Penderbrook Apartments	11/10/88	35,350,000.00	5.08	0.00	0.00	5.08	0.00	5.08	19.08
Total Debt-Equity Investments:			5.53	0.00	0.00	5.53	0.00	4.90	17.35
Total Real Estate Assets:			6.79	0.00	0.00	6.79	0.00	6.86	12.31

Continued on next page

INVESTMENT PERFORMANCE SUMMARY - COST
UNITED STATES FIDELITY & GUARANTY COMPANY
Period Ending December 31, 1988

NOTE: Returns are shown on an annualized basis.

- (1) Income represents mortgage interest revenue as well as USF&G's share of income from operations net of service fees and asset management fees. Application/commitment fees are not included in calculating quarterly and year-to-date returns.
- (2) Income represents USF&G's share of net income from operations before depreciation and amortization net of operating costs and asset management fees.
- (3) Although Fellowship West shows a current rate of return of 9.79% and a year-to-date rate of return of 9.69%, these rates are subject to significant change. The property was funded in January 1987, and is not yet fully leased. Furthermore, even when fully leased, the property will not realize proforma rental rates.

INVESTMENT PERFORMANCE SUMMARY - INVESTMENT VALUE
UNITED STATES FIDELITY & GUARANTY COMPANY
Period Ending December 31, 1988

Asset Description	Initial Funding Date	Cost	Investment Value	Annualized Current Quarter Return (%)			Annualized Year-To-Date (%)		
				Income	App	Total	Income	App	Total
Mortgages:									
Fellowship West (2)	01/26/87	12,509,475.60	12,804,082.87 (3)	9.57	0.00	9.57	9.28	0.00	9.28
Longview Executive Park I	04/13/88	25,678,842.48	25,678,842.48	8.59	0.00	8.59	8.30	0.00	8.30
Boulden/New Castle	06/30/88	11,981,271.10	11,981,271.10	8.86	0.00	8.86	9.06	0.00	9.06
Ballston	07/25/88	20,650,926.20	20,650,926.20	8.43	0.00	8.43	8.45	0.00	8.45
Guest Quarters Ft. Lauderdale	11/03/88	24,185,477.11	24,185,477.11	9.37	0.00	9.37	9.37	0.00	9.37
Silo Bend	12/07/88	13,963,695.00	13,963,695.00	9.24	0.00	9.24	9.24	0.00	9.24
Boulden II	12/22/88	7,248,277.60	7,248,277.60	9.13	0.00	9.13	9.13	0.00	9.13
Total Mortgages:		116,217,965.09	116,512,572.36	8.97	0.00	8.97	8.90	0.00	8.90
Equity Investments (1):									
Tysons Corner	01/30/85	7,803,908.00	13,746,500.00	(1.29)	0.00	(1.29)	1.64	0.00	1.64
USF&G Office Building	10/30/86	590,000.00	590,000.00	(2.92)	0.00	(2.92)	(4.17)	0.00	(4.17)
International Centre III	01/02/87	2,490,025.00	2,490,025.00	(3.28)	0.00	(3.28)	(1.29)	0.00	(1.29)
Merchants Festival	05/12/88	6,200,000.00	6,200,000.00	1.02	0.00	1.02	2.05	0.00	2.05
Silo Bend Land	12/07/88	10,087,500.00	10,087,500.00	(0.28)	0.00	(0.28)	(0.28)	0.00	(0.28)
Hampton Courts	10/19/88	11,725,000.00	11,725,000.00	8.15	0.00	8.15	8.15	0.00	8.15
Total Equity Investments:		38,896,433.00	44,839,025.00	1.59	0.00	1.59	2.73	0.00	2.73
Debt Equity Investments:									
Atlanta Technology Center	09/07/88	14,143,949.24	14,143,949.24	6.65	0.00	6.65	4.47	0.00	4.47
Penderbrook Apartments	11/10/88	35,350,000.00	35,350,000.00	5.08	0.00	5.08	5.08	0.00	5.08
Total Debt Equity:		49,493,949.24	49,493,949.24	5.53	0.00	5.53	4.90	0.00	4.90
Total Real Estate Assets:		204,608,347.33	210,845,546.60	6.59	0.00	6.59	6.65	0.00	6.65

Continued on next page

INVESTMENT PERFORMANCE SUMMARY - INVESTMENT VALUE
UNITED STATES FIDELITY & GUARANTY COMPANY
Period Ending December 31, 1988

NOTE: Quarterly returns are shown on an annualized non-compounded basis and are based on net income from operations (before depreciation and amortization, net of operating costs and management fees) and end of the period investment value. Application/commitment fees are not included.

- (1) Equity investment income represents USE&G's share of net income from operations before depreciation and amortization.
- (2) Although Fellowship West shows a current rate of return of 9.79% and a year-to-date rate of return of 9.50%, these rates are subject to significant change. The property was funded in January 1987, and is not yet fully leased. Furthermore, even when fully leased, the property will not realize proforma rental rates.
- (3) Fellowship West investment value equals total loan fundings as of December 31, 1988 plus accrued, unpaid interest of \$294,607.27

INVESTMENT INVENTORY REPORT
UNITED STATES FIDELITY & GUARANTY COMPANY
As of December 31, 1988

Asset Description	Investment Type	Property Type	Building Size	Acquisition Date	----- (M's) -----			Amount Committed as % of Total Portfolio (1)
					Amount Committed	Amount Funded	Investment Value	
MORTGAGE INVESTMENTS:								
FUNDED:								
Fellowship West Business Park Mt. Laurel, NJ	Participating Mtg.	Service Center	182,200 SF	01/26/87	\$16.250	\$12.509	\$12.509	2.0%
Longview Executive Park - Phase I Hunt Valley, MD	Participating Mtg.	Office Buildings	258,180 SF	04/13/88	\$28.600	\$25.679	\$25.679	3.6%
Boulden Interstate Park - Phase I and Commerce Court New Castle, DE	Participating Mtg.	Light Industrial Service Ctr.	301,674 SF	06/30/88	\$13.722	\$11.981	\$11.981	1.7%
Fairgate at Ballston - Phase I Arlington, VA	Participating Mtg.	Office Building	139,228 SF	07/25/88	\$27.000	\$20.651	\$20.651	3.4%

(1) The percentage committed is based on an \$800.0 million total portfolio for the entire USF&G real estate investment program.

THIS SCHEDULE CONTINUED ON NEXT PAGE

INVESTMENT INVENTORY REPORT
UNITED STATES FIDELITY & GUARANTY COMPANY
As of December 31, 1988

Asset Description	Investment Type	Property Type	Building Size	Funding Date	---(M's)---			Amount Committed as % of Total Portfolio (1)
					Amount Committed	Amount Funded	Investment Value	
MORTGAGE INVESTMENTS: (Continued)								
FUNDED: -----								
Guest Quarters Galleria Hotel Ft. Lauderdale, FL	Participating Mtg.	All-Suite Hotel	234-Suites 240,000 SF	11/3/88	\$26.000	\$24.185	\$24.185	3.3%
Boulden Interstate Park - Phase II New Castle County, DE	Participating Mtg.	Light Industrial/ Bulk Warehouse	265,500 SF	12/22/88	\$10.784	\$7.248	\$7.248	1.3%
Silo Bend Industrial Park Tampa, Florida	Participating Mtg.	Bulk Warehouse	430,100 SF	12/07/88	\$14.800	\$13.964	\$13.964	1.9%
TOTAL MORTGAGES FUNDED AND COMMITTED:					\$137.156	\$116.217	\$116.217	17.1%

(1) The percentage committed is based on an \$800.00 million total portfolio for the entire USF&G real estate investment program.

THIS SCHEDULE CONTINUED ON NEXT PAGE.

INVESTMENT INVENTORY REPORT
UNITED STATES FIDELITY & GUARANTY COMPANY
As of December 31, 1988

Asset Description	Investment Type	Property Type	Building Size	Funding Date	----- (M's) -----			Amount as % of Total Portfolio (1)
					Amount Committed	Amount Funded	Investment Value	
EQUITY INVESTMENTS:								
FUNDED:								
Tysons Corner Center McLean, VA	5% Equity Investment	Regional Mall	1,914,400 SF	01/30/85	\$15.699	\$7.804	\$13.747	2.0%
USF&G Office Building Louisville, KY	75% Equity Joint Venture	Office Building	26,000 SF	10/30/86	\$0.625	\$0.590	\$0.590	0.1%
International Centre III Minneapolis, MN	25% Equity Joint Venture	Land/Future Office	600,000 SF	01/02/87	\$3.200	\$2.490	\$2.490	0.4%
Merchants Festival Atlanta, GA	75% Equity Joint Venture	Neighborhood Shopping Center	152,820 SF	05/13/88	\$6.262	\$6.200	\$6.200	0.8%
Silo Bend Industrial Park Tampa, Florida	25% Equity Land Joint Venture	Bulk Warehouse	98.2 Acres	12/07/88	\$11.390	\$10.088	\$10.088	1.4%
TOTAL EQUITIES FUNDED AND COMMITTED:					\$37.176	\$27.172	\$33.115	4.6%

NOTES:

(1) The percentage committed is based on an \$800.00 million total portfolio for the entire USF&G real estate investment program.

THIS SCHEDULE CONTINUED ON NEXT PAGE

INVESTMENT INVENTORY REPORT
UNITED STATES FIDELITY & GUARANTY COMPANY
As of December 31, 1988

Asset Description	Investment Type	Property Type	Building Size	Funding Date	---(M's)---			Amount as % of Total Portfolio (1)
					Amount Committed	Amount Funded	Investment Value	
EQUITY INVESTMENTS:								

FUNDED:								

Tysons Corner Center McLean, VA	5% Equity Investment	Regional Mall	1,914,400 SF	01/30/85	\$15.699	\$7.804	\$13.747	2.0%
USF&G Office Building Louisville, KY	75% Equity Joint Venture	Office Building	26,000 SF	10/30/86	\$0.625	\$0.590	\$0.590	0.1%
International Centre III Minneapolis, MN	25% Equity Joint Venture	Land/Future Office	600,000 SF	01/02/87	\$3.200	\$2.490	\$2.490	0.4%
Merchants Festival Atlanta, GA	75% Equity Joint Venture	Neighborhood Shopping Center	152,820 SF	05/13/88	\$6.262	\$6.200	\$6.200	0.8%
Silo Bend Industrial Park Tampa, Florida	25% Equity Land Joint Venture	Bulk Warehouse	98.2 Acres	12/07/88	\$11.390	\$10.088	\$10.088	1.4%
TOTAL EQUITIES FUNDED AND COMMITTED:					\$37.176	\$27.172	\$33.115	4.6%

NOTES:

(1) The percentage committed is based on an \$800.00 million total portfolio for the entire USF&G real estate investment program.

THIS SCHEDULE CONTINUED ON NEXT PAGE

INVESTMENT INVENTORY REPORT
UNITED STATES FIDELITY & GUARANTY COMPANY
As of December 31, 1988

Asset Description	Investment Type	Property Type	Building Size	Funding Date	---(M's)---			Amount Committed as % of Total Portfolio (1)
					Amount Committed	Amount Funded	Investment Value	
DEBT-EQUITY INVESTMENTS:								
FUNDED:								
Atlanta Technology Center	50% Equity/ \$11,600,000 Mortgage	Service Center/ Office	196,851 SF	09/07/88	\$17.200	\$14.144	\$14.144	2.2%
Penderbrook Apartments	50% Equity/ \$20,000,000 Mortgage	Multi-Family Apartments	424 Units	11/10/88	\$35.350	\$35.350	\$35.350	4.4%
TOTAL DEBT-EQUITIES FUNDED AND COMMITTED:					\$52.550	\$49.494	\$49.494	6.6%

(1) The percentage committed is based on an \$800.00 million total portfolio for the entire USF&G real estate investment program.

THIS SCHEDULE CONTINUED ON NEXT PAGE

INVESTMENT INVENTORY REPORT
UNITED STATES FIDELITY & GUARANTY COMPANY
As of December 30, 1988

Asset Description	Investment Type	Property Type	Building Size	Funding Date	----- (M's) -----			Amount Committed as % of Total Portfolio (1)
					Amount Committed	Amount Funded	Investment Value	
IV DIRECT ACQUISITIONS								
FUNDED:								
Hampton Courts Apartments Columbia, SC	100% Equity	Multi-Family Apartments	276 Units	10/19/88	\$11.725	\$11.725	\$11.725	1.5%
Total					\$11.725	\$11.725	\$11.725	1.5%
TOTAL DIRECT ACQUISITIONS:								
					\$11.725	\$11.725	\$11.725	1.5%
PROGRAM INVESTMENTS FUNDED AND COMMITTED:								
					\$238.607	\$204.608	\$210.551	29.8%

(1) The percentage committed is based on an \$800.00 million total portfolio for the entire USF&G real estate investment program.

INVESTMENT BY ENTITY REPORT
UNITED STATES FIDELITY & GUARANTY COMPANY
As of December 31, 1988

	Committed (\$M)			Investment Value (\$M)			
	Amount	USF&G	USF&G	Investment Value	USF&G	USF&G	F&G Life
	Committed	Company	Realty, Inc.	Company	Realty, Inc.	Ins. Co.	F&G Life
PARTICIPATING MORTGAGES							
Mortgages Funded:							
Fellowship West	\$16.250	\$13.333	\$2.917	\$12.509	\$10.264	\$2.245	\$5.341
Longview Executive Park I	\$28.600	\$22.651		\$25.679	\$20.338		\$5.341
Boulder Interstate Park	\$13.722	\$6.861		\$11.981	\$5.991		\$5.990
Phase I and Commerce Court							
Fairgate at Ballston	\$27.000	\$13.500		\$20.651	\$10.325		\$10.326
Guest Quarters	\$26.000	\$13.000		\$24.185	\$12.093		\$12.092
Boulder II	\$10.784	\$5.392		\$7.248	\$3.624		\$3.624
Silo Bend	\$14.800	\$7.400		\$13.964	\$6.982		\$6.982
TOTAL MORTGAGES	\$137.156	\$82.137	\$2.917	\$116.217	\$69.616	\$2.245	\$44.355
							\$0.000

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INVESTMENT BY ENTITY REPORT
UNITED STATES FIDELITY & GUARANTY COMPANY
As of December 31, 1988

	-----Committed (\$M)-----				-----Investment Value (\$M)-----			
	Amount Committed	USF&G Company	USF&G Realty	F&G Life Ins. Co.	F&G Life F&G Life	USF&G Company	USF&G Realty, Inc.	F&G Life F&G Life
EQUITY INVESTMENTS								
Equity Investments Funded:								
Tyson's Corner Center	\$15.699			\$15.699				\$12.297
USF&G Office Building	\$0.625		\$0.625			\$0.590		\$0.590
International Centre	\$3.200		\$3.200			\$2.490		\$2.490
Merchants Festival	\$6.262			\$6.262		\$6.200		\$6.200
Silo Bend (Land)	\$11.390			\$11.390		\$10.088		\$10.088
TOTAL EQUITIES	\$37.176	\$0.000	\$3.825	\$33.351	\$0.000	\$3.080	\$28.585	\$0.000

THIS SCHEDULE IS CONTINUED ON NEXT PAGE.

INVESTMENT BY ENTITY REPORT

As of December 31, 1988

Committed (\$M)-----

DEBT-EQUITY INVESTMENTS:

Debt-Equity Investments Funded:

**Atlanta Technology Center
Penderbrook Apartments**

DIRECT ACQUISITIONS

Direct Acquisitions Funded:

Hampton Courts

MORTGAGE LOAN DETAIL
UNITED STATES FIDELITY & GUARANTY COMPANY
As of December 31, 1988

	Application and Commitment Fees	Interest Rate	Current Pay Rate	-----Participation----- Operations	Sale	Lock-In Period	Call Option
Fellowship West	\$162,500	10.75%	5.00% (6)	50.00% (1)	50%	7 Years	12th Year
Guest Quarters	\$260,000	10.00%	10.00%	40.00% (2)(3)	50%	10 Years	15th Year
Ballston Corporate Ctr. I	\$270,000	9.50%	9.50%	50.00% (2)	60% (4)	7 Years	12th Year
Longview Executive Park I	\$286,000	9.50%	9.50%	50.00% (2)	50% (5)	7 Years	12th Year
Boulden/New Castle I	\$137,221	9.75%	9.75%	50.00% (2)	50%	7 Years	12th Year
Boulden II	\$107,840	9.50%	9.50%	50.00%	50%	7 Years	12th Year
Silo Bend Mortgage	\$148,000	9.50%	9.50%	50.00% (2)	50%	5 Years	10th Year
Total	\$1,371,561						

- (1) Participation in increases above pro forma gross income.
- (2) Participation in net cash flow generated by property.
- (3) Additional interest from operations also includes 3% of gross suite revenue.
- (4) Sale participation could be 80% depending upon release of purchase contract on Phase II land.
- (5) Sale participation could be 70% depending on release of purchase contract on Phase II land.
- (6) Accrued interest is to be offset by cash flow from operations

EQUITY INVESTMENT DETAIL
UNITED STATES FIDELITY & GUARANTY COMPANY
As of December 31, 1988

	<u>USF&G Position</u>	<u>Venture Purpose</u>	<u>Percent Ownership</u>	<u>Priority Return On Equity</u>
Tysons Corner Center	General Partner	Retail Ownership	5%	N/A
USF&G Office Building	General Partner	Office Ownership	75%	8%
International Centre	Limited Partner	Office Development	25%	10%
Merchants Festival	General Partner	Retail Ownership	75%	10%
Silo Bend Land	Limited Partner	Warehouse Land Development	25%	10%
Hampton Courts	Owner	Apartment Ownership	100%	N/A

DEBT-EQUITY INVESTMENT DETAIL
UNITED STATES FIDELITY & GUARANTY COMPANY
As of December 31, 1988

Equity Portion	USF&G Position	Venture Purpose	Percent Ownership	Priority Return On Equity
Atlanta Technology Center	General Partner	Office/Service Center Ownership	50%	9.5%
Penderbrook Apartments	General Partner	Multi-Family Ownership	50%	9.5%(1)

Debt Portion	Application and Commitment Fees	Interest Rate	Current Pay Rate	-----Participation----- Operations	Sale	Lock-In Period
Atlanta Technology Center	\$172,000	9.50%	9.50%	N/A	N/A	5 Years
Penderbrook Apartments	353,500	9.50%	9.50%	N/A	N/A	5 Years
Total	\$525,500					

(1) USF&G also gets 14% yield preference at sale before (50%) distribution of balance of proceeds to each partner.