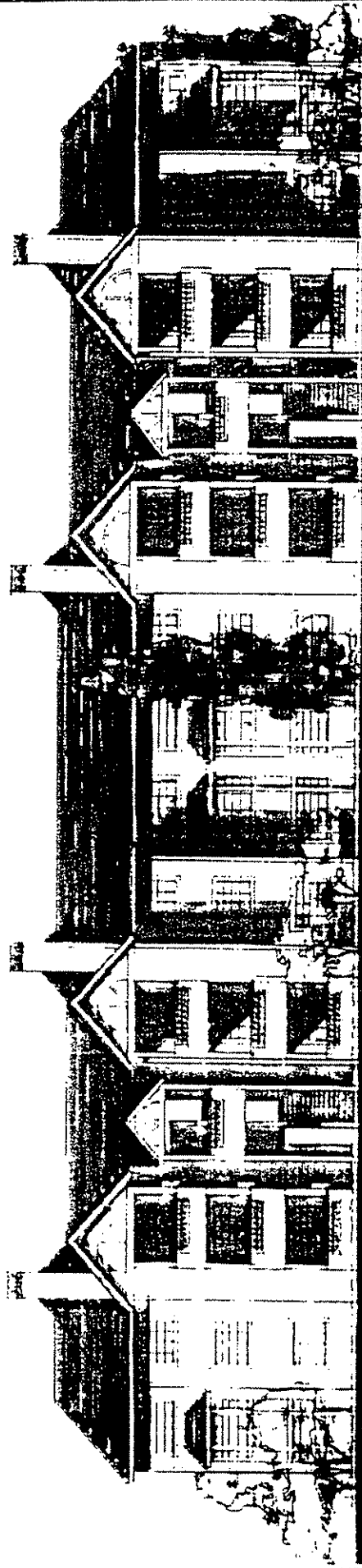


BAY COURT AT
HARBOUR POINTE APARTMENTS
SNOHOMISH COUNTY, WASHINGTON

USF&G Realty Advisors, Inc.
1010 North Glebe Road
Arlington, Virginia 22201

(703) 522-6200

Bay Court
at
Harbour Pointe



BAY COURT AT HARBOUR POINTE
SEATTLE, WASHINGTON
TABLE OF CONTENTS

	PAGE NO.
Text	1-13
EXHIBITS	
SECTION I - APPLICATION LETTER	
I-1 Application letter	14-27
SECTION II - PROPERTY	
II-1 Regional Location Map	28
II-2 Site Vicinity Map	29
II-3 Site Location Map	30
II-4 Harbour Development Plan	31
II-5 Site Plan	32
II-6 Floor Plans	33
II-7 Building Elevations	34
II-8 Project Budget	35
II-9 Map of Rerouting Chennault Beach Road	36
SECTION III - MARKET	
III-1 Employment Trends	37
III-2 Seattle PMSA Employment by Industry, 1988	38
III-3 Population Trends	39
III-4 Snohomish County New Multifamily and Single Family Units	40
III-5 Historic Rent Trends, Snohomish County	41
III-6A-C Competitive Rental Survey for 1 Bedroom, 2 Bedrooms and 3 Bedrooms	42-44
III-7 Competitive Rental Survey Map	45

III-8	Summary of Competitive Multifamily Developments Under Construction and Proposed in the Immediate Area	46
III-9	Proposed Projects Map	47
III-10	Snohomish County Annual Absorption and Occupancy	48
III-11	Absorption Analysis	49

SECTION IV - BORROWER/DEVELOPER

IV-1	Northwest Development Team	50
------	--------------------------------------	----

SECTION V - RISK AND RETURN

V-1A	Pro Forma Income and Expense Assumptions Conservative Case	51
V-1B	Pro Forma Income and Expense Assumptions Most Likely Case	52
V-1C	Pro Forma Income and Expense Assumptions Optimistic Case	53
V-2A	Cash Flow Summary Conservative Case	54
V-2B	Cash Flow Summary Most Likely Case	55
V-2C	Cash Flow Summary Optimistic Case	56
V-3	Valuation Analysis	57
V-4	Comparable Apartment Sales Chart	58
V-4A	Comparable Apartment Sales Map	59
V-5	Comparable Land Sales Chart	60
V-5A	Comparable Land Sales Map	61
V-6A	Investor's Yield Summary Conservative Case	62
V-6B	Investor's Yield Summary Most Likely Case	63
V-6C	Investor's Yield Summary Optimistic Case	64
V-7	Sensitivity Analysis	65

Realty Advisers, Inc.

INVESTMENT MEMORANDUM

To: USF&G Realty Investment Approval Committee
From: Diane Olmstead
Date: August 14, 1989
Subject: Bay Court At Harbour Pointe Apartments
Snohomish County, Washington

Enclosed for your review is an Investment Report on Bay Court at Harbour Pointe Apartments ("Bay Court") which is a to-be-built, 420 unit multifamily development in the northern suburbs of Seattle, Washington. Construction is scheduled to begin in October 1989 with completion anticipated in the first quarter of 1991. The developer is the Trammell Crow Residential Company ("Crow") who has its regional headquarters in Bellevue, Washington. Total project costs are \$24,120,000 and funding is projected to occur in April 1991. Exhibit I-1 is a copy of the executed application letter which summarizes the transaction.

THE PROPERTY

LOCATION

Bay Court Apartments will be located in southwest Snohomish County 30 miles North of Seattle, in the Harbour Pointe master planned community (See Exhibit II-1). The development is just south of the city Mukilteo and bordered by the Puget Sound to the east.

Interstates 5 and 405, the two primary north/south interstate highways, are approximately six miles from the subject. Access from the subject to these interstates is provided via Harbour Pointe Boulevard and Chennault Beach Drive to the Mukilteo Speedway (Route 525) which intersects with the interstates to the south (See Exhibit II-1). Driving time to the subject property is ten minutes from the city of Everett, five minutes from the high-tech corridor and 25 minutes from Seattle. The Seattle-Tacoma airport is located 45 minutes south of the subject. Paine Field, a local airfield, is one-half mile north of the site. Alderwood Mall and Everett Mall, the two primary shopping areas in Everett and north Seattle, are both approximately 10 minutes away by automobile. Boeing's Everett plant which employs 20,000 people is a five minute drive to the north (See Exhibit II-2). An aerial photograph of the surrounding area is presented in Exhibit II-3.

The Harbour Pointe master planned community totals 2,000 acres and includes land for multifamily, single family, retail, business park and light industrial uses. There will be a total of approximately 3,375 residential units in Harbour Pointe when the entire project is completed, of which 2,000 are single family and 1,375 are multifamily. A total of 1,200 single family homes are already existing and occupied with 800 more homes to be completed (See Exhibit II-4). All 800 undeveloped lots are already either sold or under contract. There are no single family lots remaining for sale in the entire Harbour Pointe planned community. Houses range in price from of \$120,000 to of \$450,000. Many homes will have views of Puget Sound, the Olympic Mountains, and approximately 500 lots will be located on the 18-hole championship public golf course.

MEMO

Property Name: Bay Court at Harbour Pointe Apartments
Product Type: Apartments (Garden), 420 Units, 407,334 sq. ft.
Location: Chennault Beach Drive and Harbour Pointe Boulevard
Snohomish County, Washington
Loan Amount: \$24,120,000
Development Stage
Cube Calculation: Building Development for apartment project in West
in the building development stage: (indication: high) 2.63%

Investment Structure:

- 1) Term -- 10 years
- 2) Guarantees/LOC's -- Crow must pay all negative cash flows during first 24 months of the loan.
- 3) Funding Contingencies -- Fund at certification of occupancy when gross collected monthly rental income achieves breakeven level (\$230,720) or Letter of Credit required for difference between gross collected income and breakeven income.
- 4) Holdbacks -- None
- 5) Interest Rate -- 9.5%
- 6) Pay rates/Terms -- Year 1 and 2, greater of 7% or net operating income (NOI); Year 3 and 4, greater of 8.5% or NOI; Year 5, greater of 9% or NOI; Year 6-10, 9.5%.
- 7) Yield maintenance -- 12.1%
- 8) Percentage Interest -- 50/50
- 9) Other Salient facts --
 1. Yield Maintenance Feature of minimum additional interest clause may not exceed 75% of the Borrower's 50% share.
 2. Maximum accrual is up until loan-to-value equals 95%.

Key Ratio's at stabilization:

- 1) Cash on Cash -- 9.8%
- 2) Cash on Cost -- 9.8%
- 3) Debt Coverage -- 1.00
- 4) Loan to Value -- 94%
- 5) Yield (IRR) -- 12.1%
- 6) Unit Mix -- 20% one bedroom; 52% two bedroom; 21% three bedroom; 7% three bedroom townhouses
- 7) Other -- parking 1.8 spaces/unit

Assumptions:

- 1) Rent -- \$.69 psf or \$670 per unit (1991)
- 2) Vacancy -- 26.6% year 1, 5% thereafter
- 3) Operating Expenses -- \$2,574 per unit (1991)
- 4) Growth rates -- 5% income; 5% expenses
- 5) Capitalization Rate -- 9.0%
- 6) Other -- other income @ \$24.34 per unit per month (includes garage, carport income and forfeitures).

The Harbour Pointe development was started in the early 1970's by Daon Corporation. The property was later sold to BCE Development, Inc., which completed the majority of the residential portion of the master planned development. Just recently, the remaining undeveloped land, primarily the business park, retail and industrial land, sold to Harbour Pointe Limited Partnership, a joint venture between Weyerhaeuser and Roger Belanich. This partnership also developed 300 acres in the Bothell High Tech corridor "Canyon Park" project. This latest sale to the Harbour Pointe Limited Partnership will facilitate completion of the commercial development portion of the overall community, resulting in additional future job growth in the Harbour Pointe area. The projected build-out period for the commercial and industrial section of the park is five to seven years.

Bay Court Apartments will be along an 18-hole golf course and across the street from a new public school. Hiking and jogging trails will be located throughout the community. The proposed marina will provide excellent access for boaters to Puget Sound. Possession Bar, a prime sports fishing area attracting thousands of fishermen on weekends, is ten minutes from the marina.

The path of growth in the Seattle region is to the north of the city. Expansion has pushed north as a result of limited land available for development in and around Seattle as well as the growth of jobs along "The Technology Corridor". The Technology Corridor is a series of five business parks located along I-405 and I-5 between Bothell and Everett. Currently 122 companies, most of them high technology, are situated in the Technology Corridor. One of the largest, Honeywell's Marine Systems Division employing 1,200 people, is located in the Harbour Pointe development.

THE SITE

The site area contains 34.85 gross acres and 27.15 useable acres. It is irregular in shape and has a level to gently rolling topography. The site is heavily wooded with mature trees.

The property is positioned on the east side of Harbour Pointe Boulevard and southwest of the proposed Chennault Beach Road. Principal access is via Harbour Pointe Boulevard, a two-way, four-lane paved arterial with concrete curbs and sidewalks on both sides of the streets. Chennault Beach Road extends from Harbour Pointe Boulevard easterly to the Mukilteo Speedway.

Chennault Beach Road is proposed to be reconstructed by the developers of Harbour Pointe. Chennault Beach Road will make up the northeast border of the subject site, currently however, it bisects the property (See Exhibit II-9). The road work will be constructed simultaneously with the subject and completed within a forty five day period. The county owns Chennault Beach Road and has filed for street vacation. Crow will not close on the land until the contracts are signed and bonded.

A small portion of the southeast corner of the site is within the 100 year HUD flood plain. This area is proposed to make up a portion of Goose Lake adjacent to the golf course. All utilities are available to the site. The subject site will be temporarily connected to the Alderwood sewer district until the Olympus Terrace district develops additional sewer capacity. Environmental impact studies were undertaken and have been approved by appropriate county government agencies. There is a fairway easement varying in width from approximately 50 to 75 feet along the south boundary of the subject site adjoining the golf course. This is not expected to have negative impact on the project. Zoning for the subject allows a combination of 24 units per acre and 12 units per acre. The site plan has been designed to give many units views of either the golf course, courtyard area or woods. The site plan is presented in Exhibit II-5.

THE IMPROVEMENTS

Bay Court will consist of 26, wood-frame buildings containing 420 apartment units, a 5,400 square foot clubhouse/leasing office/recreation center. The buildings will be either two story or combination three story/two story buildings, with most units sharing a common breezeway. Parking will be provided for 758 cars of which 64 will be garages and 174 carports (1.8 spaces per unit).

The project offers seven different floor plans of one, two and three bedroom units. The unit mix will be:

<u>Number</u>	<u>Unit</u>	<u>Size</u>
40	One bedroom/one bathroom	637
42	One bedroom/one bathroom	714
116	Two bedroom/two bathroom	854
60	Two bedroom/two bathroom	982
44	Two bedroom/two bathroom	1,112
88	Three bedroom/two bathroom towns	1,233
30	Three bedroom/three bathroom	1,215

Unit amenities will include full size washers and dryers, fireplaces, outside decks or patios, European style kitchen and bath cabinetry, frost free refrigerators, self cleaning ranges, dishwashers, and vaulted ceilings with ceiling fans in top floor units. Unit finishes will have textured and painted drywall partitions and ceilings, carpet and vinyl flooring. Unit floor plans are shown in Exhibits II-6A through II-6I.

There are 26 buildings with a gross building area including decks and storage area of 443,868 square feet and rentable living area of 407,334 square feet. The density is 15.47 units per acre. The buildings will be built on concrete foundations with a cedar siding exterior, and insulated metal frame windows (See Exhibit II-7 for Building Elevations). Roof will be sloped with composition shingles. Heavy soundproofing and adequate insulation will be provided in walls (R-11 Rating) and roof (R-30 Rating). Heating in the apartments will be supplied by electric baseboard heaters in the bedroom and recessed wall-mounted, forced air electric heaters throughout the living area. The apartments will not have air conditioning. Air conditioning is not typical for residential units in the Seattle region.

The project concept is to service the needs of both families and singles. Project amenities will consist of a main clubhouse which includes a fitness center; large screen television; two outdoor heated swimming pools; an outdoor whirlpool, a recreational center that coordinates children's activities and provides evening social activity and sports equipment; outdoor basketball/sport court; children's play area; outdoor picnic areas with barbecue grills; and a car care facility.

PROJECT BUDGET

The Project Budget is presented in Exhibit II-8. It is anticipated that USF&G Corporation ("USF&G") will provide total capital of \$24,120,000 in the form of a participating first mortgage. The total represents a unit cost of \$57,429 or \$59.21 per rentable square foot. Land costs total \$3,300,000 or \$7,857 per unit and \$8.10 per rentable square foot. Direct construction costs are \$15,106,000 or \$35,967 per unit or \$37.08 per rentable square foot. Contingency costs are part of direct costs and make of 2% of the total or \$302,120 or \$719 per unit and \$.74 per rentable square foot. Indirect costs are \$5,714,000 or \$13,605 per unit and \$14.03 per rentable square foot.

CONCLUSION

Bay Court will be an excellent quality, family oriented, multifamily project that is well located in the rapidly growing Harbour Pointe Planned Unit Development. The project's location within a planned unit development and accessibility to employment centers and recreational will make it highly desirable. Unit mix is well designed to accommodate the market needs, and project amenities are well designed for children as well as adults.

THE MARKET OVERVIEW

SEATTLE PRIMARY METROPOLITAN STATISTICAL AREA (SEATTLE PMSA)

The Seattle PMSA is comprised of Snohomish County, King County and the city of Seattle. The eastern borders of the two counties extend from the Cascade Mountains on the east to the shores of Puget Sound on the west. The population for the PMSA is 1,862,000 currently and is projected to be 1,890,000 by 1990. Population has grown at an annual compounded rate of 1.6% from 1980 to 1990 and is projected to grow at a compound annual rate of 1.8% from 1990-2000 (See Exhibit III-3). Employment between 1980 to 1990 has grown at a compound annual rate of 2.2%; employment growth between 1990 to 2000 is projected to be at a compound annual rate of 2.0% (See Exhibit III-1). The unemployment rate in the region is 4.6%, lower than the U.S. average of 5% and the Washington State average of 6%.

Growth in the trade and service sectors has been rapid, and these are the largest economic sectors in Seattle (24% and 23% respectively), followed by manufacturing and government services (See Exhibit III-2). Major employers in the region include Boeing, University of Washington, City of Seattle, Group Health Cooperative, U.S. West Communications, Seafirst Corporation, Port of Seattle and Metro. Total employment in the region is 1,066,000 with an overall rate of growth from 1980 to 1989 of 21.9%. This area has experienced the most rapid rate of employment growth of any other major metropolitan area in the nation.

Boeing, the largest aircraft manufacturer in the world, employs 107,000 statewide. It is the largest employer and has been the largest contributor to Seattle's employment growth. Each job at Boeing is estimated to create two Boeing related jobs. Therefore, employment directly and indirectly related to Boeing equals twenty percent of the workforce. Boeing is the leading exporter in the Seattle region. The Everett plant, which is located one quarter mile from the subject property, produces both 747's and 767's. It has an estimated backlog of 389 planes on order, production of which is expected to extend to the mid 1990's. The current estimated value of plane backlog at Boeing is \$75 billion. Total open market orders for jet airplane deliveries amount to \$420 billion through the year 2005 (1989 dollars). The demand reflected in these orders is 70% for airline expansion and 30% for airplane replacement. Delivery dollars will average \$30 billion per year through 2005, which is 130% higher than the 1970 to 1988 average. The Port of Seattle, which employs approximately 1,100 persons, plays an important role in international trade and has grown in significance in the overall Seattle economy. It is the fourth largest port in the United States in terms of waterborne cargo value and the 19th largest container port in the world. Its growth has resulted from the fact that Seattle is located two hours closer to the Far East than any other major West Coast port. From 1986 to 1987, the value of exports flowing through the Port of Seattle increased by 20 percent, or \$7.8 billion -and the growth trend is accelerating. In the second quarter 1988, exports jumped 56% over the same period in 1987, with 90% of the commodities produced in this region.

SNOHOMISH COUNTY MARKET OVERVIEW

Population and Employment

Total population in Snohomish County is currently 419,000 and is projected to be 429,000 by 1990 (See Exhibit III-3). Snohomish County, which includes the cities of Everett, Mukilteo, Edmonds and Lynnwood, currently has 22.5% of the population in the Seattle PMSA. Total employment is projected to be 153,800 by 1990, an increase of 37,218 jobs from 1980. New jobs are estimated to be 51,600 from 1990 to 2000, which represents an increase of 38.6% over new jobs created from 1980 to 1990. Employment in Snohomish County is expected to grow at a faster rate than both King County and the Seattle PMSA (see Exhibit III-1). Major employers in Snohomish County are Boeing, Twin City Foods, John Fluke Manufacturing Company ELDEC Corp., Scott Paper Company, Honeywell, Inc., and Hewlett-Packard Company.

The Boeing Company is in Paine Field and dominates employment in the area with aircraft manufacturing. Since the beginning of May 1989, Boeing has hired about 4,000 additional employees and is expected to hire an additional 6,000 employees over the next year. Boeing has purchased 200 acres north of its plant to relocate business functions and 68 acres south of the plant to add capacity for pre-delivery preparation of aircraft. John Fluke Manufacturing Company, makers of precision electronic equipment, relocated in 1981 from a 35-acre site in Mountlake Terrace to a 355-acre site in Everett next to Boeing.

A U.S. Navy Port is currently under construction in Everett for a thirteen ship battle group led by the nuclear-powered aircraft carrier U.S.S. Nimitz. The naval base is expected to be completed in late 1991 and is expected to employ 7,433 military personnel and 1,098 civilians. There is no military housing plan for the navy base employees, therefore, this influx of navy personnel is expected to create a housing demand of 20,000 housing units from mid 1991 to 1995.

Intermec plans to build a 400,000 square foot production facility to expand current capacity manufacturing bar coding devices. The Bayliner, the county's largest manufacturer of pleasure boats has preliminary plans to build a plant in the vicinity.

The high technology corridor extends from the King County line north to Mukilteo City along Interstate 405 and Highway 525, the Mukilteo Speedway. Canyon Park Business Center and Harbour Pointe are situated along these corridors. Major tenants located in these planned developments include Microsoft, NcoRx, GTE, Honeywell, Egghead Software, Intermec and Circuit Graphics. Other major technology firms in the corridor, but not in established parks, include ELDEC Corporation and Advance technologies. Both Digital Equipment Corporation and Bucker Aerospace will be located in the corridor in the near future. Upon completion of the corridor development, almost 20 million square feet of office, warehouse and industrial space will be provided with over 34,000 jobs. Noteworthy regional specialties in the area include manufacture of sports clothing and equipment, commercial fishing and forest products. Major employers in these specialties include Generra, Chutes, Britannia, Weherhaeuser and Simpson Timber. Fishermen Terminal remains the West Coast's premier fishing homeport.

Housing

In the last few decades, Snohomish County has experienced substantial transition from rural to urban uses as a direct result of the area's job growth. Multifamily inventory in 1980 totaled 26,215 units and increased by 17,930 units resulting in a year end 1988 inventory of 44,145 units. This represents an overall increase of 68.4% over the eight-year time frame and translates to an annual compounded growth rate of 6.7% (See Exhibit III-4).

The majority of multifamily housing units were constructed from 1985 through 1988 with 11,760 permits issued. The overall occupancy level averaged 96.2% during this time frame despite the increased amount of new construction. The current occupancy level is 96.7%. Average annual increases in rents since the Fall 1986 to Spring 1989 range from 5.2% to 8.3%, with an average of 6.5% (analyzing Spring 1989). Average absorption of new apartment units has been 37 units per month in Snohomish County.

Planned community developments in the Greater Seattle area have become popular since the Mid-70's. Two planned communities have been developed in Snohomish County-- Harbour Pointe and Mill Creek. Harbour Pointe, which comprises 2,000 acres, began development in 1978 offering and planning many amenities such as 500 acres of open space, a saltwater beach, a 340-slip marina, and a 150-acre golf course. Home prices range from \$125,000 to over \$300,000. Mill Creek is a 1,400 acre development which began developing in 1975. It has an 18-hole golf course and home prices range from \$165,000 to \$535,000.

COMPETITIVE RENTAL SURVEY

Eight properties are considered as comparable to the subject in several respects to the subject. The competitive rental survey and corresponding map can be found in Exhibits III-6a through III-6c and Exhibit-7. Unit mix, amenities, rental rates and construction dates are listed on this survey.

Comparable #1: Harbour Village is within the Harbour Pointe PUD, on southeast corner of Harbour Pointe Boulevard and Chennault Beach Drive. This complex, once completed, will contain 136 units. Currently 106 units are completed and leased. Two more buildings containing 30 units are expected to be delivered within the next several months. Construction of this project began during the fall of 1988. The developer has been slow to deliver units with many construction delays. The average unit size is 857 square feet and the current average rent per square foot is \$.69. This project obtains \$15.00 for carports but has no garage. The developer of this project is Beardsley Development out of Oregon, Washington. This complex is inferior to the subject in regard to physical construction, and amenity package.

Comparable #2: Stonegate Park is on the east side of 35th Avenue West, south of 148th Street. Constructed in 1988, this complex contains 361 units and is currently 90% leased (still undergoing initial lease-up). The average unit size is 859 square feet and the average rent per square foot is \$.71. This project obtains \$15.00 for carports and \$75.00 for garages. The developer of this project is Bay Ridge Development, local developers. This project is similar to the subject in regard to both unit and on-site amenity package. Construction quality is also similar. This comparable has better visibility than the subject from the roadway and direct access to Route 99. However, the subject is within a PUD and offers good schools and an attractive and quiet living environment.

Comparable #3: Mallard's Cove is on the northeast side of Airport Road, east of Pacific Highway. This complex was constructed in 1986 and contains 198 units. Current occupancy is 97%. The average unit size is 832 square feet and the average rent per square foot is \$.63. The developer of this project is Triad Development Inc. This complex is inferior in regard to construction and amenities. This project has better visibility but it is not situated within a PUD.

Comparable #4: Sutter's Square is along the north side of Airport Road, north of Comparable #3. This 94 unit project was completed in 1988 and is 100% leased. The average unit size is 752 square feet and the average rent per square foot is \$.67. The developer of this project is also Triad Development Inc. This project is inferior in regard to physical construction and on-site amenities. Units are substantially smaller. Although the project has better visibility from a main roadway, it is not situated within a PUD.

Comparable #5: Fulton's Landing is on the west side of 3rd Avenue, Southeast. This complex has 248 units and was constructed by Trammell Crow in 1988. The project leased an average of 40 units per month and is currently 95% leased. The average unit size is 733 square foot and the average rent is \$.71 per square foot. This complex is within several blocks of the Everett Mall and Interstate 5 and is therefore superior to the subject in location. The subject offers larger units and better amenities.

Comparable #6: Silver Lake Heights is on the east side of Route 527 and overlooks a lake. This project contains 200 units and was constructed in 1988. Developed by Henry Mueller (Seattle local), the project is currently 96% leased. The average unit size is 843 square feet and average rent is \$.65 per square foot. This project is inferior in regard to construction, unit sizes and PUD amenities.

Comparable #7: Village at Silver Lake is adjacent to Comparable #6 (South) and does not have direct lake views from units. This complex contains 192 units and has a current occupancy rate of 91%. The average unit size is 937 square feet, and the average rent is \$.63 per square foot. The developer of this project is Metco Development (Seattle Local). This project has inferior on-site amenities. Visibility along a main roadway is superior but the subject's location within a PUD offsets this.

Comparable #8: Countrywalk Apartments is 164th and 36th Avenue, west of Interstate 5. The project contains 220 units and is currently 96% leased. Lease-up to stabilized occupancy was achieved in a period of eight months. The average unit size is 905 square feet and the average rent is \$.68 per square foot. The developer of this project is Northward Development. This project has good construction, visibility and access. Unit amenities are similar. This project is most comparable to the subject.

Bay Court's pro forma monthly rental rate of \$669 or \$0.69 per square foot compares to the comparable properties average monthly rent of \$564 or \$0.68 per square foot. Although its average monthly rental rate is currently \$100 above the market, Bay Court will offer much larger unit sizes (970 square feet versus 840 square feet) including a higher percentage of three bedroom units. Its location within a desirable planned unit development and it is located within five minutes of Boeing, the area's largest employer. The average unit size in the subject property is 16% larger than the average unit size of the comparables. Given the competitive attributes of the subject coupled with the demographics of the local area, Bay Court should have no difficulty achieving these rental rates in 1991.

PROPOSED MULTIFAMILY DEVELOPMENTS

In Snohomish County, 704 units are in final construction phase/initial lease-up, 2,083 units are under construction, and 6,635 units are proposed for development within the next two years. Of the total proposed units, 936 units have building permits, 640 units are currently pending and 5,059 have no permits.

The Seattle market has a number of barriers to entry, which include traffic moratoriums, sewer moratoriums, and time consuming environmental requirements. A traffic moratorium has been imposed along Route 527 since the beginning of 1989. Which is expected to remain in effect for a minimum of one and one half years. No building permits will be issued until traffic congestion is resolved. Further, a sewer moratorium has been imposed in Mukiteo City freezing the issue of building permits due to lack of sewer capacity. The sewer moratorium is expected to remain in effect for a minimum of one and one half to two years. As a result of these constraints, it is anticipated that a minimum of 1,948 units will not be built within the next two years, thus reducing the proposed supply to 4,687 units. It is anticipated that more proposed project will not be built due to these conditions as well as normal project attrition.

Of the proposed projects, there are a total of 2,357 units under construction or proposed that are directly competitive with the subject property. Of these, 1,215 are under construction and 1,142 are proposed. Exhibit III-8 lists these complexes and the corresponding location map is presented in Exhibit III-9.

ABSORPTION ANALYSIS

Analysis of historical employment growth, population growth and multifamily housing units for the period 1980 through 1988 was performed to determine the projected demand for multifamily units in the market area. The result of this analysis indicates that for every 1,000 of population growth during this time period, an average of 245 units were constructed. Based on historical employment statistics, one additional job created a 2.45 growth in population. Job growth in Snohomish from 1990 to the year 2000 is anticipated to be 51,600, resulting in a total population estimate of 126,420 persons. Applying the factor of 245 units for every 1,000 of additional population growth, shows an estimated total multifamily unit demand of 31,042 units over the ten-year period. Annual demand is therefore projected to be to 3,104 units (See Exhibit III-11).

Vacancies are expected to range from 2.3% to 4.0% through mid 1990. New supply coming on the market could create a possible vacancy of 7.2% during the third quarter of 1990, but thereafter vacancy levels are expected to decline. Vacancy projections, however, do not include the impact of the Navy Base in Everett which is expected to create a substantial demand for housing units during the early 1990's. In addition, the postponement of additional units due to the sewer moratorium was not considered. When these two factors are considered, then vacancy is not expected to exceed 6.4% in the third quarter 1990.

Analysis of absorption rates for eight complexes indicate an average absorption pace of 37 units per month. Absorption for the subject property is conservatively projected to be 20 units per month or less than 1% of market share per month. The Bay Court complex has unique attributes that will make it successful at competing for market share.

CONCLUSION

Snohomish County is experiencing substantial employment and population growth thereby creating a strong demand for multifamily housing. Seattle has been successful at diversifying its economic base with the addition of the Port of Seattle, the high technology corridor, and the Navy Base. The economic outlook for Seattle is strong over the next five years, and the opportunity is available to participate in the benefits of this economic expansion during its early stages. Economic projections for Bay Court use rental rates currently being achieved in the marketplace by competitive apartment complexes. This project is expected to be leased to 95% occupancy within 12 months after completion. The subject property presents an excellent opportunity to be a part of this growing marketplace given its strategic location in a PUD, amidst substantial new development and growing employment activity.

BORROWER/DEVELOPER

Trammell Crow Company has been developing real estate for the last forty years and has grown to become the largest real estate development firm in the United States. It has developed property valued in excess of \$14 billion. Landmark projects have included Embarcadero Center in San Francisco, Trammell Crow Center and the InfoMart in Dallas, the Milwaukee Theater District and the Atlanta Galleria.

The Company's portfolio today includes office buildings, warehouses and industrial parks, shopping centers, single and multifamily residential communities, hotels, and mixed-use projects in over 90 U.S. markets and several countries overseas. They do their own site selection, design financial construction and property management. Trammell Crow Company's residential activities date from the mid-1960's.

To date, over 1,000 residential projects valued at more than \$9 billion have been developed in some 60 U.S. cities. Housing starts for 1987 and 1988 were approximately 23,000, and the Company was ranked the nation's #1 residential builder for 1985, 1986, 1987 and again in 1988. A description of the Northwest development team is in Exhibit IV-1

THE RISK AND RETURN

A. Investment Structure

The proposed investment is a \$24,120,000 participation first mortgage. The significant features of this investment structure are:

- . Accrual feature in years 1 through 5
- . A 24-month "Negative Cash Flow Guaranty"
- . Appraisal Contingency of \$27,100,000 (89% loan to value)
- . Minimum Additional Interest Clause (yield maintenance) of 12.1% (IRR)

The ten year, nonamortizing mortgage will bear interest at the rate of 9.5% and have a pay rate schedule as follows:

<u>Loan Year</u>	<u>Pay Rate</u>
1-2	Greater of 7% or net operating income
3-4	Greater of 8.5 or net operating income
5	Greater of 9% or the net operating income
6-10	9.5%

After the expiration of the operating deficit guarantee period, Borrower may accrue interest on the Loan until the loan-to-value ratio equals 95%. If the loan-to-value ratio exceeds 95% in any one year, Borrower may elect to (1) pay debt service at the interest rate of (9.5% or (2) pay down the principal of the Loan so that the outstanding principal plus the projected accrual for the next 12 month period produce a loan-to-value ratio (based on the current market value) under 95%, or (3) prepay the Loan plus accrual in its entirety with no prepayment penalty. The loan-to-value ratio shall be determined annually based on an appraisal to be performed by an MAI designated appraiser which is acceptable to USF&G. Net cash flow from operations will be split 50/50 between USF&G and Crow, and net sale proceeds will be shared 50/50 subject to USF&G's 12.1% Minimum Additional Interest clause. The loan will be closed to prepayment through year 5 and may be prepaid without penalty from years 6 to 10. USF&G shall have the option to call the loan after the 5th year.

SF&G's initial funding of \$24,120,000 will occur after issuance of certificates of occupancy and the earlier of (a) monthly effective gross income of \$230,720, or (b) issuance of a letter of credit equal to twelve (12) times the difference between \$230,720 and the previous month's income. Any cost savings resulting from soft cost items will be available to fund operating deficits prior to using Crow's Operating Deficit Guarantee for the first 24 months. Funds remaining at the end of the twenty four months will be funded 50% to Crow.

VALUATION

PRO FORMA INCOME AND EXPENSES

Assumptions for pro forma income and expenses for Bay Court at Harbour Pointe are presented in Exhibits V-1A through V1-C which represent the "Conservative" case the "Most Likely" case and the "Optimistic" case. All three are based on a stabilized year of 1992 with 26.6% vacancy projected for the first loan year. The Most Likely case projections are based on average rents of \$.69 per square foot per month starting in 1991 or \$670 per unit per month. Other assumptions include \$24.45 per unit per month in additional income (garages, carports, unit features and miscellaneous income), and \$2,572 per unit in operating expenses (\$2.65 per square foot). Rents and expenses are inflated 5% per year. Vacancy is 5% per year. Net operating income is capitalized at 9% in the eleventh year. Assumptions for the "Conservative" case are identical to the Most Likely case but assume 10% vacancy throughout the holding period. Assumptions for the "Optimistic" Case are identical to the Most Likely case except assumes rental rates start at \$.71 per square foot or \$690 per unit per month. The cash flows are presented in Exhibits V-2A through V-2C for each case type.

The debt service coverage ratio for the stabilized year in the Conservative and Most Likely cases is 1.00, and the Optimistic case indicates a debt service coverage ratio of 1.04. The low debt coverage ratio is due to the pay rate structure, i.e. the greater of net operating income or the scheduled pay rate. For instance, the actual cash returns projected for the Conservative, Most Likely and Optimistic cases in year 2 are 9.0%, 9.8% and 9.9% respectively while the required pay rate in year 2 is only 7% for each case.

PRELIMINARY VALUE ESTIMATE

The application letter contains an appraisal contingency which requires a market value at stabilized occupancy of at least \$27,100,000. USF&G Realty Advisors has received a current appraisal that is stating that the estimated stabilized market value of Bay Court at Harbour Pointe is \$28,350,000. Exhibit V-3 presents the Valuation Analysis for the proposed subject. The indicated loan-to-value ratio using the appraised value of \$28,350,000 is 85.1%. Exhibit V-4 is a list of five comparable apartment sales. Exhibit V-5 is a list of six comparable land sales.

RETURN

The returns for this investment are calculated over a ten-year holding period. The mortgage provides a five year lock-in period and a yield maintenance provision of 12.1%.

1. ANNUAL RETURNS

An accrual rate participation loan allows USF&G to receive a bookable annual return of 9.5% despite lower actual cash returns. USF&G's actual cash returns are based on the assumptions listed in Exhibit V-2A through V-2C for each case type. The cash flows contributing to USF&G's actual cash returns are:

$$\begin{aligned} &= \text{Base Interest} \\ &+ \text{Additional Interest from Operations} \\ &= \text{Total cash flow to USF\&G} \\ &\text{divided by } \text{Outstanding Capital} \\ &= \text{USF\&G annual cash return} \end{aligned}$$

USF&G will receive additional interest through its participation in the cash flow and residual. Actual annual cash returns to USF&G for two years two, six and ten for each economic case are:

	<u>Year 2</u>	<u>Year 6</u>	<u>Year 10</u>
Conservative	9.0%	10.4%	11.6%
Most Likely	9.8%	10.8%	12.1%
Optimistic	9.9%	11.0%	12.3%

2. ADDITIONAL INTEREST FROM SALE

Net sales proceeds will be used first to repay USF&G's outstanding loan balance (including accrued and unpaid interest) and second to split 50/50 between USF&G and Crow, subject however, to USF&G receiving a 12.1% internal rate of return (IRR). Crow will subordinate up to 87.5% of cash proceeds to split to USF&G's minimum additional interest requirement. Under the Most Likely, USF&G's outstanding loan balance (comprised of a loan and accrued interest) is \$24,723,000 and its cash proceeds from sale are \$7,901,023 (55% of net sales proceeds). Exhibit V-6 presents the Investor's Yield Summary.

3. YIELD ANALYSIS

The internal rate of return on USF&G's capital is that discount rate which equates the present value of the income stream to USF&G's total invested capital. The estimated nominal yield or internal rate of return (IRR) on USF&G's capital is 12.1% in the Most Likely case. This yield represents a 7.1% real or inflation adjusted IRR. (See Exhibit V-2A through V-2C):

The sensitivity of USF&G's internal rate of return to changes in inflation and terminal capitalization rates is presented in Exhibit V-7. Due to USF&G's Minimum Additional Interest clause (Yield maintenance), USF&G's nominal yield is never estimated to be less than 12.1%, and in a high inflationary, low capitalization environment, USF&G's nominal yield is estimated to be as high as 14.2% in the "Most Likely" case.

RISK

In the proposed participating mortgage, USF&G is exposed to all the risks associated with a real estate investment. The risks in this investment have been mitigated by conservative underwriting as well as specific provisions in the investment structure. Generally the risks can be divided into four categories: 1) market risk, 2) operational risk, 3) default risk, and 4) interest rate risk.

1. Market Risk

The market risk is considered the largest risk in this investment. Snohomish County currently has a strong, apartment market however there are a large number of units planned for future construction. The market risk arises if Bay Court at Harbour Pointe fails to achieve pro forma rents, occupancy levels and absorption as projected due to this additional supply. Snohomish County is experiencing strong employment and population growth which should allow healthy absorption of new units and maintain the market's momentum. Also, the subject has the competitive advantages of being well located in a desirable planned unit development, and being a high quality project. The risk is further mitigated by the investment structure since the mortgage will not be funded until the property achieves breakeven occupancy or until additional letters of credit are posted. Crow's two year operating deficit guarantee also provides security from the temporary effects of increased apartment supply.

2. Operational Risk

The operational risks for this investment are considered minimal. The management and leasing will be provided by Trammell Crow, which is a national development company that has been generating in the northwest since 1984. The quality construction and amenity packages of Crow's previous residential developments coupled with its leasing success provide tangible evidence of Crow's capability to successfully develop and operate Bay Court apartments. USF&G Realty

3. Default Risk

The risk of default is mitigated by the following features of the deal structure:

- a) The initial loan to value ratio is 85.1% as established by a current MAI appraisal
- b) Crow has a 24 month operating deficit guarantee. This guarantee will be collateralized with a letter of credit of funding occurs prior to the property reaching breakeven operating income.
- c) The pay rate provision allows for the debt to be serviced at rates that begin low in the early years of the investment and increase in conjunction with the cash flow. The structure also safeguards the investment from too much accrual over the term of the loan by limiting accrual up until the project has a maximum loan to value of 95% (as measured annually).

4. Interest Rate Risk

The interest rate risk is a result of this loan being a forward commitment. If interest rates rise it is most likely due to increased inflation. Increased inflation should lead to increased rental rates and expenses. USF&G will benefit in increased revenue due to its participation in both cash flow and residual; therefore its nominal yield should increase. If interest rates decrease, USF&G will benefit from the above market interest rate. The borrower will be locked into this transaction through a Tri-Party agreement with the construction lender. In periods of low inflation USF&G will see an increase in its real rate of return. If low inflation negatively impacts income and expense projections, then USF&G is secured by the yield maintenance provision of its minimum additional interest clause.

CONCLUSION AND RECOMMENDATIONS

Bay Court is a well designed 420 unit apartment complex that will be built within the Harbour Pointe planned unit development in Snohomish County. The Seattle economy as a whole, and Snohomish County in particular is going through a strong period of economic expansion. Job growth, while still heavily dependent on Boeing, is benefiting from the diversification of the economy through the Port of Seattle (and the existing trade related employment) as well as through the high technology industries locating north of Seattle in the high technology corridor. Boeing is reaching all time highs in demand with firm contract orders extending forward up to five and one half years. while Seattle is growing rapidly it has genuine constraints on growth resulting from natural barriers (such as mountains and the Puget Sound) as well as stringent environmental regulations. The subject property additionally benefits from the Snohomish County sewer and traffic moratoriums as well as from rapidly escalating land prices. The returns for this investment are considered adequate given the risks involved. Therefore, USF&G Realty Advisors recommends that the Realty Investment Approval Committee for the United States Fidelity and Guaranty Company approve the issuance of a commitment for a \$24,120,000 participating first mortgage under the terms and conditions outlined in Exhibit I-1.

If you have any question or would like to discuss this report prior to the August 21st Committee Meeting, please call me or Dan Kohlhepp.

Realty Advisors, Inc.

July 31, 1989

Mr. James Duwe
The Trammell Crow Company
300 120th Ave., N.E.
Building 7, Suite 200
Bellevue, Washington 98005

Re: Bay Court at Harbour Pointe
Southwest Everett, Washington

Dear Jim:

USF&G Realty Advisors, Inc. is prepared to recommend to its client Investment Committee that it issue a forward commitment for a participating mortgage loan ("Loan") subject to the terms and conditions described below:

Property: A proposed 420-unit garden apartment community to be known as Bay Court at Harbour Pointe Apartments, located on 27.15 acres consisting of 26 buildings, a leasing/clubhouse and one family recreation center. The buildings will be a combination of two and three story design. Units will include: 40, one bedroom/one bathroom of 637 square feet; 42, one bedroom/one bathroom of 714 square feet; 116, two bedroom/one bathroom of 854 square feet; 60, two bedroom/two bathroom of 982 square feet; 44 two bedroom/two bathroom of 1,112 square feet; 88 three bedroom two bathrooms of 1,233 square feet and 30 three bedroom/2 bathroom townhouse style units of 1,215 square feet. Units will include full size washers and dryers, fireplaces, outside decks or patios, European style kitchen and bath cabinetry frost free refrigerators, self cleaning ranges, dishwashers and vaulted ceilings and ceiling fans in top floor units.

Project amenities include: main clubhouse which includes a fitness center and large screen T.V., two outdoor heated swimming pools, an outdoor whirlpool, a recreational center that coordinates children's activities and provides evening social activity and provides sports equipment, outdoor half basketball court, children's play area including equipment, outdoor picnic areas with barbecue grills and a car care facility.

Parking will be provided for 758 cars of which 64 will be garages and 174 carports. (1.8 spaces per unit)

Location: Chennault Beach Road, Southwest,
Southwest Everett, Washington

Site: Approximately 27.15 acres, properly zoned for multifamily residential allowing average density of 15.47 units per acre. The site will have sewer capacity prior to initial funding and all permits necessary to begin construction other than building permits.

Personal: All personal property used in connection with the Property will act as additional security.

Borrower: A to-be-formed Trammell Crow Company ("Crow") Limited Partnership.

Mr. Jim Duwe
Page 2
July 31, 1989

Lender: USF&G Corporation ("USF&G")

Loan Amount: \$24,120,000

Interest Rate: 9.5% compounded monthly. The interest rate shall be applied to the original Loan amount, all subsequent disbursements and all accrued but unpaid interest.

Pay Rate: The pay rate shall be applied to the outstanding principal balance, all subsequent disbursements and all accrued but unpaid interest. Pay Rates will never exceed 9.5%

Pay rates will be as follows:

<u>Loan Year</u>	<u>Pay Rate</u>
1 - 2	Greater of 7% or the net operating income
3 - 4	Greater of 8.5% or the net operating income
5	Greater of 9% or the net operating income
6 - 10	9.5%

Recourse: Crow shall pay all negative cash flows during the first 24 months of the Loan, the Operating Deficit Guarantee Period. The term "Negative Cash Flow", shall mean the following: a) monthly gross collected income less b) the sum of approved operating expenses and monthly debt service at the pay rate as described above. Negative Cash Flow, if any, shall be calculated monthly. Otherwise, the Loan will be non-recourse to Borrower and its partners.

The operating deficit guarantee will be provided by the following guarantors: Trammell S. Crow, J. Ronald Terwilliger, J. McDonald Williams, Robert S. Speicher, Randy Pace, Paul Lehner, Robert Whitman, Robert L. BeVan.

Amortization: Not applicable, interest only.

Term: 10 Years

Call Option: Lender shall have the option to call the Loan anytime after 5 years. Lender shall give Borrower at least 180 days written notice of Lender's intent to call the Loan.

Prepayment: No prepayment before the fifth anniversary of initial funding. No prepayment penalty after the fifth anniversary of initial funding.

Commitment Fee: \$481,800; \$361,800 paid in cash which is earned upon acceptance of the Commitment and \$120,000 in an unconditional, irrevocable Letter of Credit in favor of Lender issued by a banking institution satisfactory to Lender, which will be refunded to Borrower after completion of the tri-party agreement described below.

**Tri-Party
Agreement:**

Crow must enter into a tri-party agreement with USF&G and the construction lender within 60 days of the signing of the commitment letter.

Funding:

The lesser of actual development costs or \$24,120,000 to be funded within 90 days of receipt of final certificate of occupancy for all buildings provided that gross collected monthly rental income equals \$230,720. However, Lender will permit Borrower to close at a gross collected monthly income level below \$230,720 if Crow delivers to Lender for the benefit of Lender an irrevocable letter of credit (the "Letter of Credit") in an amount equal to twelve times the difference between (A) \$230,720 and (B) the monthly rentals of the Property as evidenced by executed leases from tenants in occupancy and paying rent as of the month preceding the initial disbursement date. For purposes of this paragraph, gross collected monthly rental income shall exclude any rent concession (except for one month free rent which will be allowed up until the project receives its final certificate of occupancy) or premium charged for monthly services other than use of the rented premises (e.g. furniture rental). Gross collected monthly rental income from each applicable tenant shall, therefore, equal the annual total of such concessions or premiums subtracted from the annual rent due from such tenant divided by twelve. In addition, a tenant shall not be considered in occupancy and paying rent if such tenant has already given notice of termination of its lease. Lender will reduce the Letter of Credit quarterly in proportion to the total of executed leases by tenants in occupancy and paying rent during the last month of each quarter, and will release the Letter of Credit when such executed leases equal a total gross collected monthly rental income of at least \$230,720. Lender may make monthly draws on the then outstanding amount of the Letter of Credit if Crow is not performing under the Guaranty. Funding is to occur no later than 18 months from the executed date of the Loan commitment. Crow may get six one month extensions of the funding date by paying USF&G an additional \$20,100 monthly commitment fee.

All monthly net operating income collected prior to the funding of this loan will be used to pay the construction lender construction period interest.

Any cost savings resulting from soft cost items (See Exhibit A) will be available to fund operating deficits prior to using Crow's Operating Deficit Guarantee for the first 24 months. Funds remaining at the end of the twenty four months will be funded 50% to Crow.

**Additional
Interest:**

A. Operations:

Borrower shall pay Lender 50% of the annual net cash flow from operation of the Property. The term "Net Cash Flow" shall mean the excess of (a) collected gross income over (b) the sum of (i) actual and approved capital and operating expenses for the Property and, (ii) interest at the pay rate on the Outstanding Loan Balance. Additional interest payments are payable monthly.

B. Sale, Refinancing

or Maturity: At the time of sale, refinance or maturity, Lender shall receive as a first priority, return of its Outstanding Loan Balance and accrued and unpaid interest.

If borrower sells or refinances the Property, Borrower shall pay Lender 50% of the difference between (a) the net sales price for the Property (ie. the gross sales price less sales expenses not to exceed 3.5% of the gross sales price) or refinance proceeds, as applicable over (b) the Outstanding Loan Balance (less any accrued and unpaid interest), provided however, that Lender's annual yield (IRR) is equal to or greater than 12.1%. If Lender's yield is less than 12.1% the Minimum Additional Interest will be increased to an amount that provides Lender with a 12.1% annual yield. (See Exhibit D).

If the Property is not sold prior to the end of the loan term, Borrower shall pay Lender 50% of the difference between (a) appraised value for the Property over (b) the Outstanding Loan Balance (less any accrued and unpaid interest), provided however, that Lender's annual yield (IRR) is equal to or greater than 12.1%. If Lender's yield is less than 12.1% the Minimum Additional Interest will be increased to an amount that provides Lender with a 12.1% annual yield. (See Exhibit D)

Notwithstanding the above, minimum additional interest may not exceed seventy-five percent of Borrowers fifty percent share in sales proceeds.

Maximum Accrual: After the expiration of the operating deficit guarantee period, Borrower may accrue interest on the Loan up until the Loan-to-value ratio equals 95%. If the Loan-to-value ratio exceeds 95% in any one year, Borrower may elect to (1) pay debt service at the interest rate of (9.5%) or (2) pay down the principal of the Loan so that the outstanding principal plus the projected accrual for the next 12 month period produce a Loan-to-value ratio (based on the current market value) of under 95% or (3) prepay the Loan plus accrual in its entirety with no prepayment penalty. Loan-to-value ratio shall be determined annually based on an appraisal to be performed by an MAI designated appraiser which is acceptable to USF&G.

A. Leases Lender shall have the right to review and approve the Standard Form of Lease for the Property as outlined in Exhibit B.

B. Secondary Financing: Secondary financing is not permitted.

C. Budget Approval: During the term of the Loan, Borrower shall submit to Lender annual operating and capital budgets for the Property for Lender's review and approval.

D. Callable on Sale: If the property is sold or substantial partnership interests owned by Crow is sold prior to the end of the fifth year, the Loan shall be callable and subject to the prepayment penalty as defined in Exhibit C (Yield Maintenance Fee).

B. Sale, Refinancing

or Maturity: At the time of sale, refinance or maturity, Lender shall receive as a first priority, return of its Outstanding Loan Balance and accrued and unpaid interest.

If borrower sells or refinances the Property, Borrower shall pay Lender 50% of the difference between (a) the net sales price for the Property (ie. the gross sales price less sales expenses not to exceed 3.5% of the gross sales price) or refinance proceeds, as applicable over (b) the Outstanding Loan Balance (less any accrued and unpaid interest), provided however, that Lender's annual yield (IRR) is equal to or greater than 12.1%. If Lender's yield is less than 12.1% the Minimum Additional Interest will be increased to an amount that provides Lender with a 12.1% annual yield. (See Exhibit D).

If the Property is not sold prior to the end of the loan term, Borrower shall pay Lender 50% of the difference between (a) appraised value for the Property over (b) the Outstanding Loan Balance (less any accrued and unpaid interest), provided however, that Lender's annual yield (IRR) is equal to or greater than 12.1%. If Lender's yield is less than 12.1% the Minimum Additional Interest will be increased to an amount that provides Lender with a 12.1% annual yield. (See Exhibit D)

Notwithstanding the above, minimum additional interest may not exceed seventy-five percent of Borrowers fifty percent share in sales proceeds.

Maximum Accrual: After the expiration of the operating deficit guarantee period, Borrower may accrue interest on the Loan up until the Loan-to-value ratio equals 95%. If the Loan-to-value ratio exceeds 95% in any one year, Borrower may elect to (1) pay debt service at the interest rate of (9.5%) or (2) pay down the principal of the Loan so that the outstanding principal plus the projected accrual for the next 12 month period produce a Loan-to-value ratio (based on the current market value) of under 95% or (3) prepay the Loan plus accrual in its entirety with no prepayment penalty. Loan-to-value ratio shall be determined annually based on an appraisal to be performed by an MAI designated appraiser which is acceptable to USF&G.

A. Leases Lender shall have the right to review and approve the Standard Form of Lease for the Property as outlined in Exhibit B.

**B. Secondary
Financing:** Secondary financing is not permitted.

**C. Budget
Approval:** During the term of the Loan, Borrower shall submit to Lender annual operating and capital budgets for the Property for Lender's review and approval.

**D. Callable on
Sale:** If the property is sold or substantial partnership interests owned by Crow is sold prior to the end of the fifth year, the Loan shall be callable and subject to the prepayment penalty as defined in Exhibit C (Yield Maintenance Fee).

- E. Management** A management company satisfactory to Lender shall be designated by Borrower as property manager. The property manager shall be entitled to earn 5% of collected income. Lender approves the Trammell Crow Company as the property manager.
- F. Accountant:** The Borrower will engage an accounting firm satisfactory to Lender who shall perform an annual audit of the property, if required by Lender.
- G. Appraisal:** USF&G can require an annual appraisal to be performed on the property by an MAI designated appraiser who is approved by USF&G. The cost of the annual appraisal will be considered an allowable operating expense for the property.
- Contingencies:**
- A. Economic Due Diligence:** This letter is contingent upon USF&G Realty Advisors being satisfied with the result of its economic due diligence.
- B. Engineering:** Borrower will engage an inspecting engineer approved by the Lender to review the plans and specifications. Lender reserves the right to review and approve the scope and substance of the inspection. The cost of the engineering study will be paid by Borrower. USF&G must be satisfied with, and approve of, the result of the engineering review. An updated engineering review will be required prior to funding
- C. Environmental:** Lender shall have received an environmental study of the Property by a reputable engineering or environmental firm acceptable to Lender which demonstrates to Lender's reasonable satisfaction that there are no environmental hazards or hazardous or toxic materials existing upon or affecting the Property. The analysis will involve a physical inspection of the Property and a historic review of the previous uses of the land. All costs associated with the environmental study will be paid by Borrower.
- D. Committee Approval:** This Recommendation Letter must be approved by Lender's Investment Committee.
- E. Market Value Appraisal:** Lender will receive and approve a market value appraisal of the Property from an MAI-designated appraiser approved by Lender stating the market value of the Property assuming stabilized occupancy is at least \$27,100,000. The cost of the appraisal will be paid by the Borrower.
- F. Title and Survey:** Lender reserves the right to review and approve the condition of the title, title insurance and the property survey. All costs associated with the title, title insurance and survey will be paid by Borrower.
- G. Closing Costs:** All costs associated with the closing of the Property, including Lender's reasonable attorney's fees, will be paid by Borrower.

Mr. Jim Duwe
Page 6
July 31, 1989

H. General

Contractor: Lender reserves the right to approve the General Contractor. A Trammell Crow affiliated construction company is hereby approved.

If the terms outlined in this letter are acceptable, please sign below and return this letter with an application fee in cash in the amount of \$75,000 by August 4, 1989. The application fee should be wired to a custodial account. Please call me for wiring instructions. The application fee will be returned to Borrower if Lender does not issue a commitment according to the terms outlined in this letter. The application fee will be earned by Lender upon issuance of a commitment according to the terms outlined in this letter and will be credited against the commitment fee.

Sincerely,

Diane Olmstead
Vice President

Accepted:

By:

TC Residential Seattle LP
By: TC Residential Seattle II Inc,

Name

Date

Title

Jim Duwe 8/4/89
Vice-President

Exhibit A

SOURCES OF FUNDS -----	AMOUNT -----	\$/UNIT -----	\$/SF -----
PARTICIPATING 1ST MORTGAGE LOAN:	\$24,120,000	\$57,429	\$59.21
TOTAL SOURCES OF FUNDS:	24,120,000	57,429	59.21

USES OF FUNDS -----

LAND	3,300,000	7,857	8.10
DIRECT COSTS	15,106,000	35,967	37.08

INDIRECT COSTS:

LANDSCAPING	420,000	100	1.03
ARCHITECT AND ENGINEERING	200,000	476	0.49
LEGAL, CLOSING AND TAXES (SEE FOOTNOTE 12)	200,000	476	0.49
MARKETING (SEE FOOTNOTE 12)	250,000	595	0.62
FURNITURE/EQUIPMENT/MARKETING (SEE FOOTNOTE 12)	293,000	698	0.72
GENERAL CONTRACTOR'S FEE	932,000	2,219	2.29
DEVELOPER'S FEE	600,000	1,429	1.47
INTEREST AND CONSTRUCTION LOAN FEE (SEE FOOTNOTE 12)	2,457,200	5,850	6.03
USF&G COMMITMENT FEE	361,800	861	0.89
TOTAL USES OF FUNDS	\$24,120,000	\$57,429	\$59.21

- Interim income is anticipated from this project. All interim income will be used as an offset against the Interest and Construction Loan Fee line of this budget.
- After initial funding, money remaining in these line items (soft cost savings) will be available to fund operating deficits during the first 24 month operating deficit guarantee period prior to using Crow's operating deficit guarantee. At the end of 24 months, if any money is remaining in these categories, then 50% of the money will be funded to Crow and 50% of it will remain unfunded.

Exhibit B
STANDARD LEASE FORMS

Standard Lease Forms will include the following:

- Initial lease term not less than six months nor greater than 12 months;
- Security deposits not less than \$100;
- Stipulate any rent concessions, gifts or inducements given;
- Stipulate first month's rent payments net of all fees and deposits.

Standard Lease Forms will prohibit:

- Automatic refund of security deposit;
- Options for renewal of any kind;
- Occupancy of a unit without a lease in force.

Initial Rental Rates:

PROFORMA YEAR 1991

	<u># Units</u>	<u>Potential Monthly Rent</u>	<u>Total Net S.F.</u>	<u>PSF/MO</u>
1BR/1BA	40	20,580	637	.81
1BR/1BA	42	22,932	714	.76
2BR/1BA	116	70,035	854	.70
2BR/2BA	60	39,375	982	.67
2BR/2BA	44	31,878	1,112	.65
3BR/2BA Twnhsc	30	24,570	1,215	.67
3BR/2BA	<u>88</u>	<u>72,072</u>	<u>1,233</u>	<u>.66</u>
Total	420	\$281,442	407,334	.69

970 sq. ft.
(Avg.)

Exhibit C

MORTGAGE YIELD MAINTENANCE FEE CALCULATION

The Mortgage Yield Maintenance Fee at a specific time ("n" years) will be calculated as follows using a Treasury Note Rate which will be the yield on U.S. Treasury Notes that mature when the mortgage would have matured, i.e. Notes that mature in 10-n years:

times: Mortgage Balance in year n
Compound Amount of \$1, 9.5%, 10-n years

(A) Compound Amount at Interest Rate

times: Mortgage Balance in year n
Compound Amount of the Treasury Note Rate, 10-n years

(B) Compound Amount at Treasury Note Rate

less: (A) Compound Amount at Interest Rate
(B) Compound Amount at Treasury Note Rate

(C) Lost Interest from year n to year 10
times: Present Value of \$1, Treasury Note Rate, 10-n year

(D) Yield Maintenance Fee Due at year n

Exhibit D

CALCULATION OF THE MINIMUM ADDITIONAL INTEREST AT SALE, REFINANCING OR MATURITY

The Minimum Additional Interest is that amount which must be paid to Lender at sale, refinancing or maturity so that Lender's annual yield (IRR) is equal to 12.1%. The Minimum Additional Interest is calculated as follows:

	Lender's Initial Funding
+	Present Value of Lender's Subsequent Fundings @12.1%
-	Present Value of Lender's Annual Base Interest Payment @ 12.1%
-	Present Value of Lender's Annual Additional Interest from Cash Flow @ 12.1%
-	Present Value of Any Loan Repayments @ 12.1%
-	<u>Present Value of the Outstanding Loan Amount @ 12.1%</u>
=	Present Value of Minimum Additional Interest
x	<u>Compound of 12.1% to Date of Sale, Refinancing or Maturity</u>
=	Minimum Additional Interest

If Minimum Additional Interest is greater than 50% of the difference between (a) the net sales price for the property (i.e. the gross sales price less sales expenses not to exceed 3% of the gross sales price) over (b) the Outstanding Loan Balance (less any accrual or unpaid interest), then the Additional Interest Due shall be the Minimum Additional Interest.

The calculation of the Minimum Additional Interest is algebraically stated below where:

IF_0	=Initial Funding
SF_t	=Subsequent Funding in Loan Year t
12.1%	=Discount Rate or Required Minimum Yield
n	=Number of Years from Loan Closing to Sale, Refinancing, or Maturity
BI_t	=Base Interest Collected in Loan Year t
AI_t	=Additional Interest Collected in Loan Year t
R_r	=Loan Repayment (if any) in Loan Year t
OLB_n	=Outstanding Loan Balance in Loan (date of sale, etc.) Year n
MAI_n	=Minimum Additional Interest needed to provide a 12.1% yield (IRR) to Lender at Sale

(1) Present Value of the Loan Disbursed @ 12.1% = Present Value of the Cash Benefits Received @ 12.1%

$$(2) \quad IF_0 + \sum_{t=1}^n \frac{SF_t}{(1 + .121)^t} = \sum_{t=1}^n \frac{BL_t + AL_t + R_t}{(1 + .121)^t} + \frac{OLB_n}{(1 + .121)^n} + \frac{MAI_n}{(1 + .121)^n}$$

Rearranging Terms,

$$(3) \quad IF_0 + \sum_{t=1}^n \frac{SF_t}{(1 + .121)^t} - \sum_{t=1}^n \frac{BL_t + AL_t + R_t}{(1 + .121)^t} - \frac{OLB_n}{(1 + .121)^n} = \frac{MAI_n}{(1 + .121)^n}$$

So That,

$$(4) \quad MAI_n = (1 + .121)^n \left[IF_0 + \sum_{t=1}^n \frac{SF_t}{(1 + .121)^t} - \sum_{t=1}^n \frac{BL_t + AL_t + R_t}{(1 + .121)^t} - \frac{OLB_n}{(1 + .121)^n} \right]$$

Numerical Example if calculated for 12.1% IRR

Assumptions

Initial Funding	=	\$10,000
Subsequent Fundings	=	0
Base Interest Rate	=	9.5%
Base Interest Payments	=	950
Additional Interest From Cash Flow		
Year 1	=	0
Year 2	=	100
Year 3	=	100
Year 4	=	100
Year 5	=	100
Annual Loan Repayments	=	0
Net Sales Price in Year 5	=	15,000
Outstanding Loan Balance at Sale in Year 5	=	10,000

Calculation of Minimum Additional Interest

	Lender's Initial Funding	10,000
+	Present Value of Lender's Subsequent Fundings	
0		
-	Present Value of Base Interest Payments	
	Year 1: $950 \times 1/(1.121)^1$	(847.46)
	Year 2: $950 \times 1/(1.121)^2$	(755.98)
	Year 3: $950 \times 1/(1.121)^3$	(674.38)
	Year 4: $950 \times 1/(1.121)^4$	(601.59)
	Year 5: $950 \times 1/(1.121)^5$	(536.66)
-	Present Value of Additional Interest from Cash Flow	
	Year 1: $0 \times 1/(1.121)^1$	
	Year 2: $100 \times 1/(1.121)^2$	(79.58)
	Year 3: $100 \times 1/(1.121)^3$	(70.99)
	Year 4: $100 \times 1/(1.121)^4$	(63.33)
	Year 5: $100 \times 1/(1.121)^5$	(56.49)
-	Present Value of Annual Loan Repayments	(0)
-	Present Value of Outstanding Loan Balance at Sale	
	Year 5, $10,000 \times 1/(1.121)^5$	<u>(5,649.00)</u>
=	Present Value of Minimum Additional Interest at Sale	664.54
x	<u>Compound Amount of 1.121%, 5 Years: $(1.121)^5$</u>	<u>1.77022</u>
	Minimum Additional Interest Due	1,176.39

Calculation of Minimum Additional Interest (Continued)

Test: Is Minimum Additional Interest Due equal to or greater than 50% of cash proceeds?

Is $MAI \geq .50(15,000 - 10,000)$?

Is $1,176.39 \geq 2,500$? No

Therefore, Additional Due at Sale = 2,500.

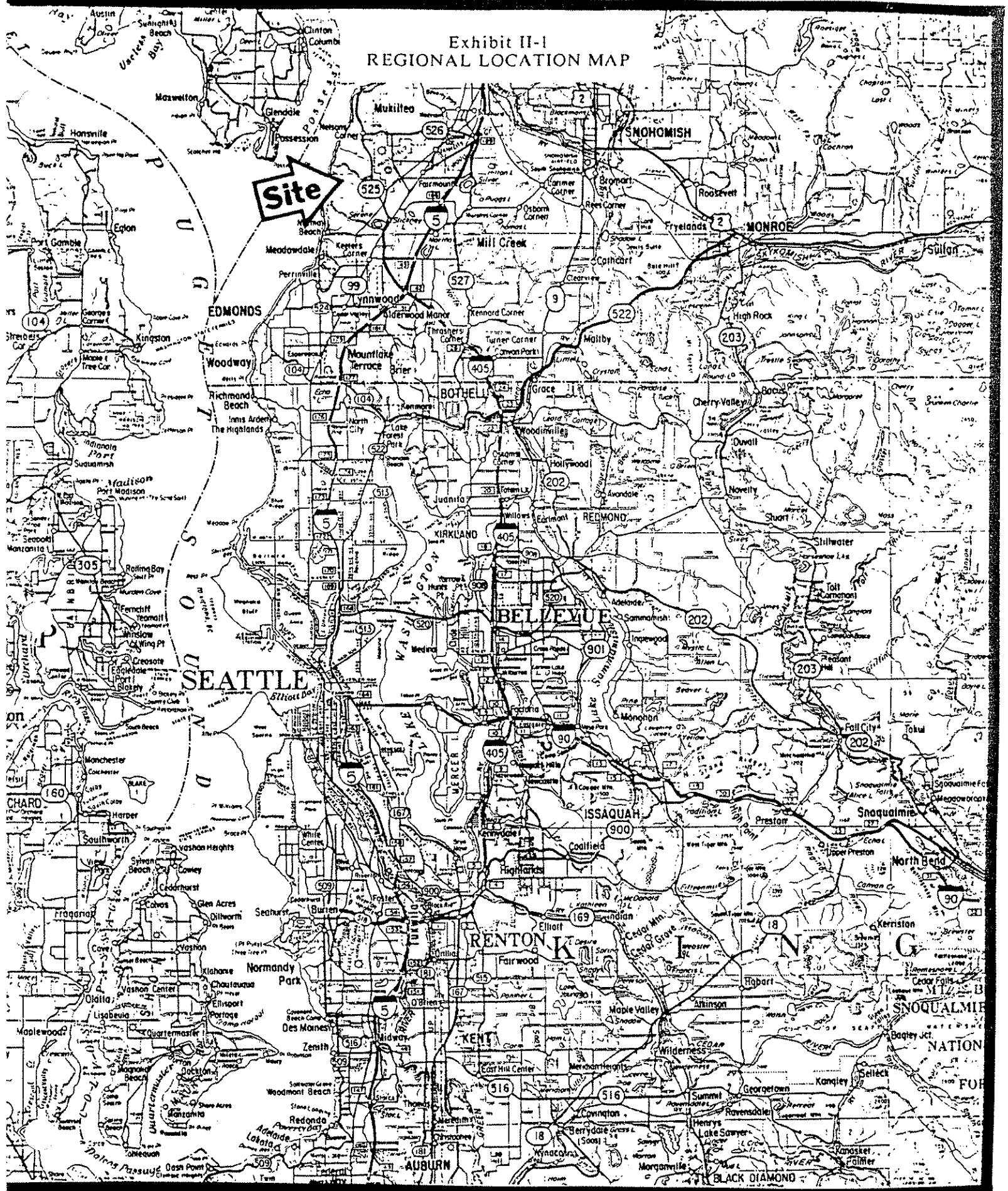
***Note:** To check the validity of this calculation, the Lender's yield (IRR) can be calculated separately as follows:

Year	0	1	2	3	4	5
- Initial Funding (10,000)						
- Subsequent Fundings		0	0	0	0	0
+ Base Interest	950	950	950	950	950	950
+ Additional Interest from Cash Flow	100	100	100	100	100	100
+ Loan Repayments		0	0	0	0	0
+ Outstanding Loan Balance					10,000	
+ Minimum Additional Interest at Sale						1,176.39

Lender's Cash Flow (10,000) 950 1,050 1,050 1,050 12,226.39

Lender's Yield (IRR)= 12.1%

Exhibit II-1
REGIONAL LOCATION MAP



3600
PRIEST POINT

P O S S E S S I O N

(Gedney Island)

S O U N D

EVERETT

MUKILTEO

Nelson's Corner

Casino Corner

Fairmount

Site

Lake

MEADOWDALE

COPYRIGHT KROLL MAP COMPANY, INC.

Exhibit II-3
SITE LOCATION MAP

FLUKE
MANUFACTURING

PUGET
SOUND

SR 526

SR 525

CHENAULT BEACH DR

HARBOR POINT BLVD
Site

TRONELWELL

MARINA
SITE

N

PICNIC

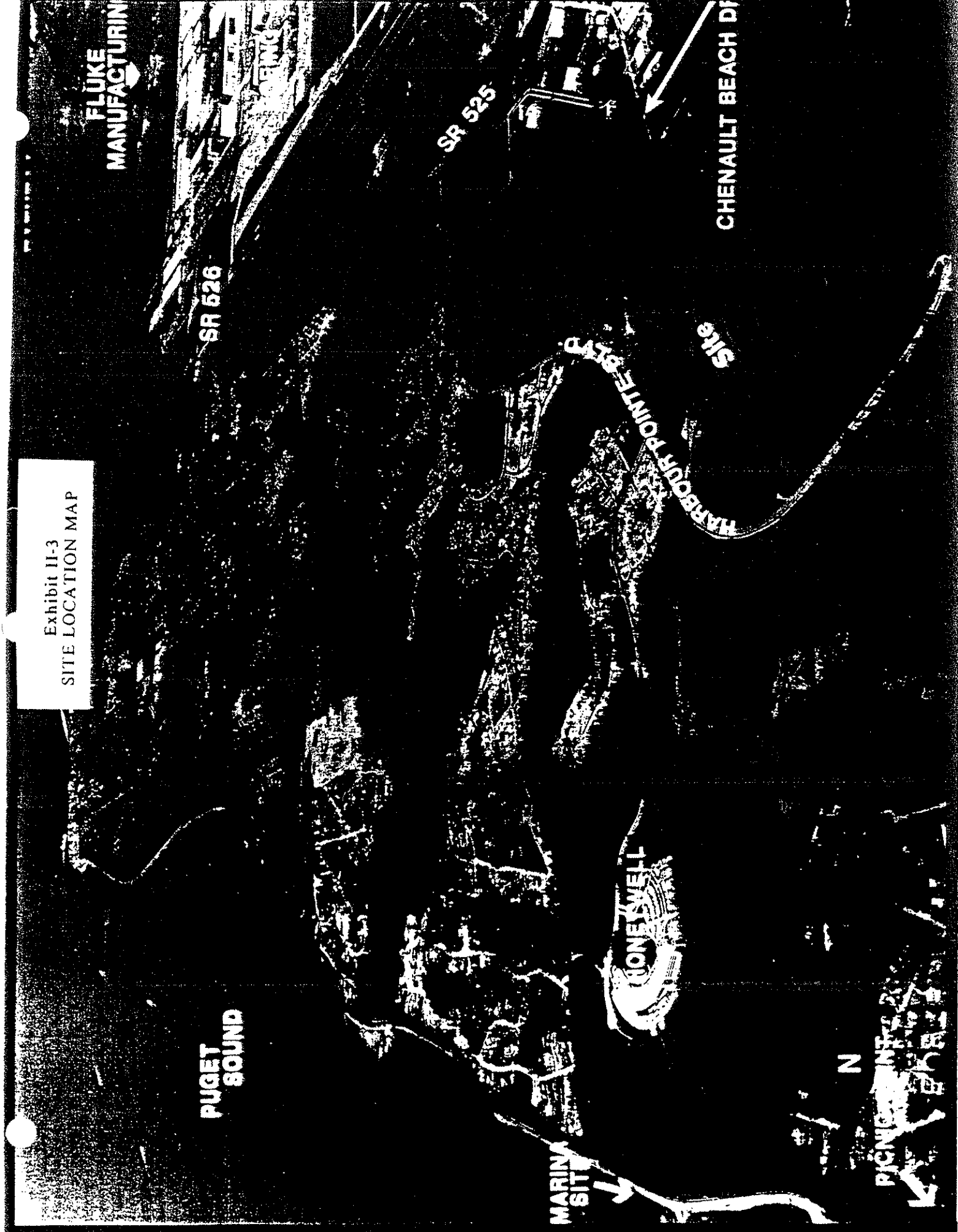


Exhibit II-4
HARBOUR POINTE DEVELOPMENT PLAN

JOHN FLUKE MFG.

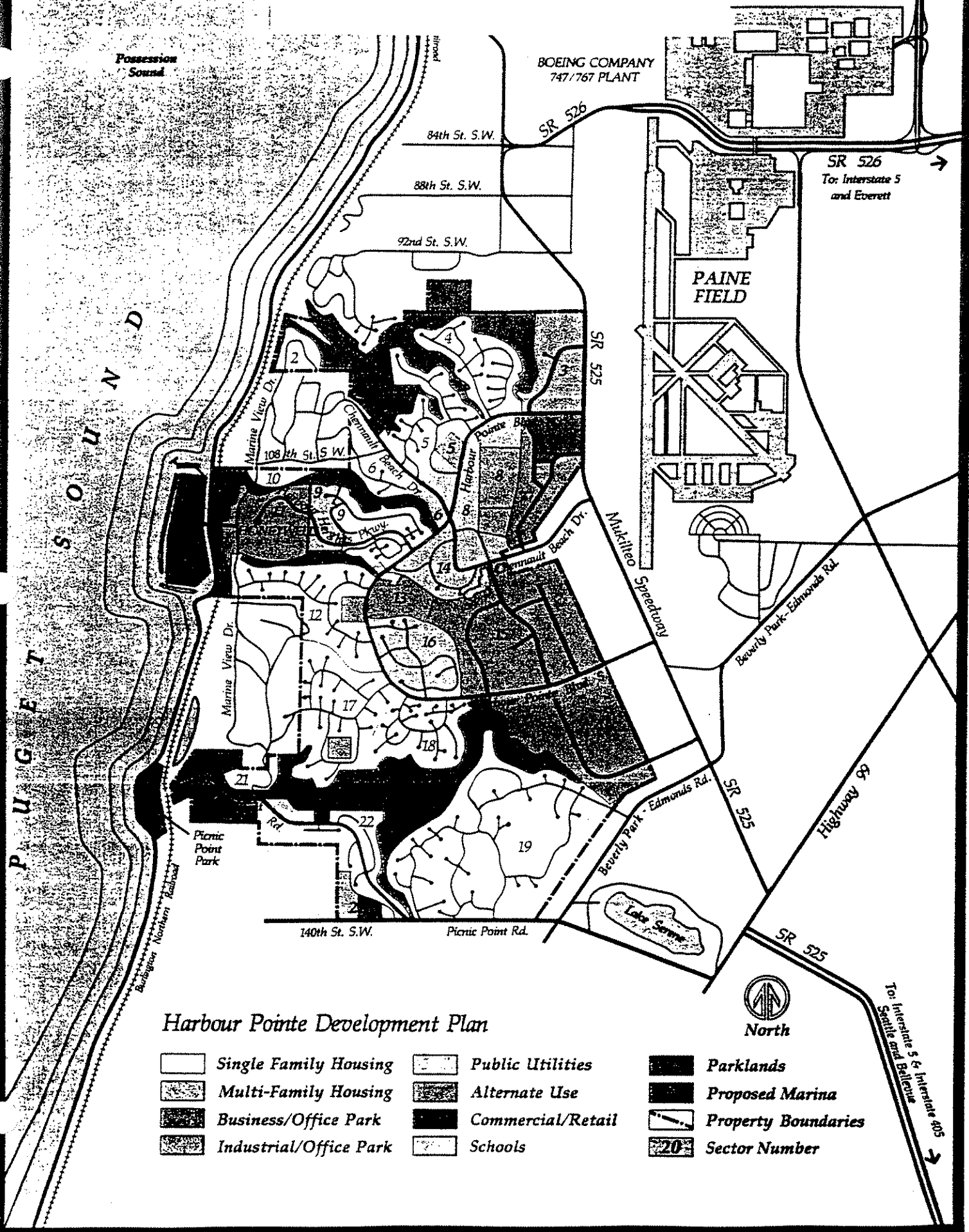
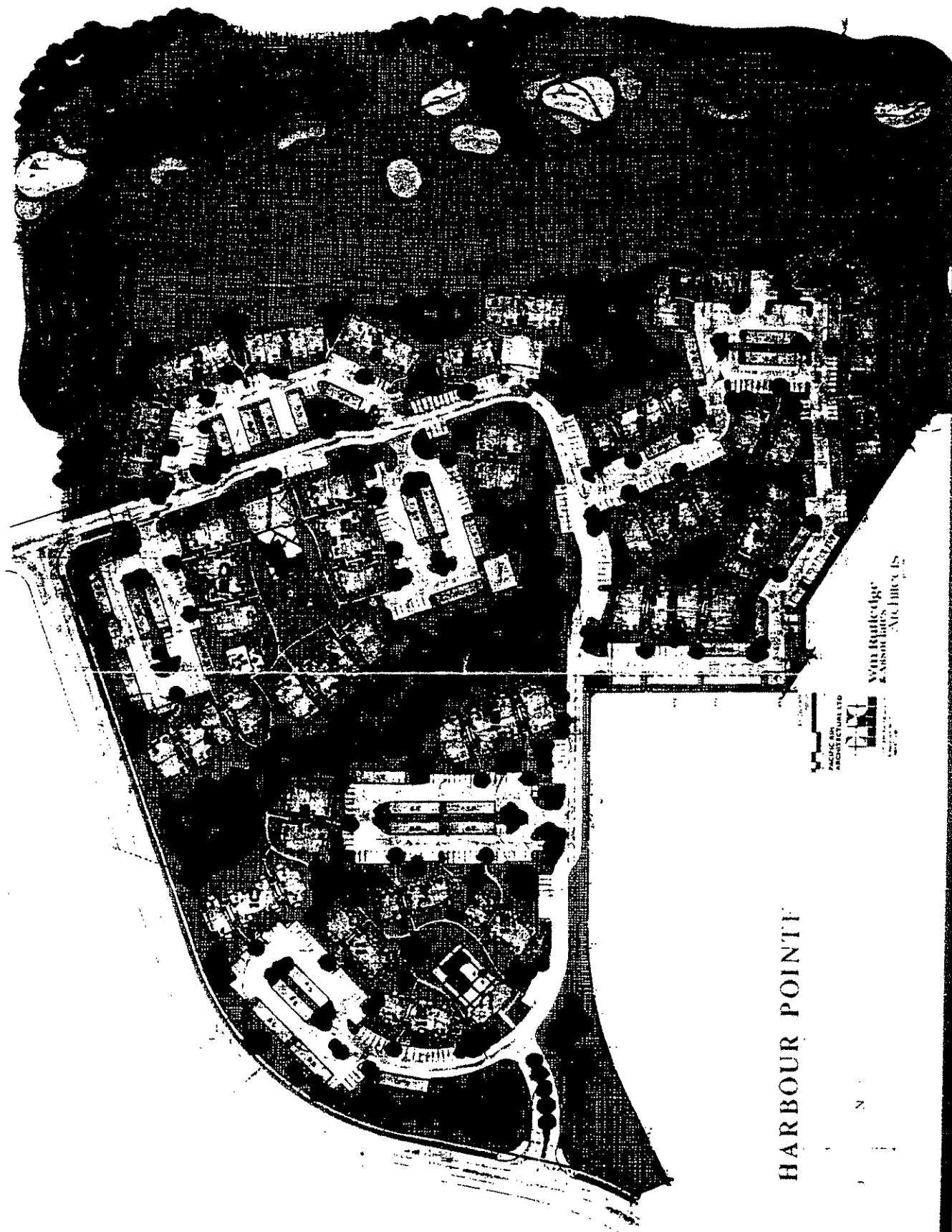


Exhibit II-5
SITE PLAN

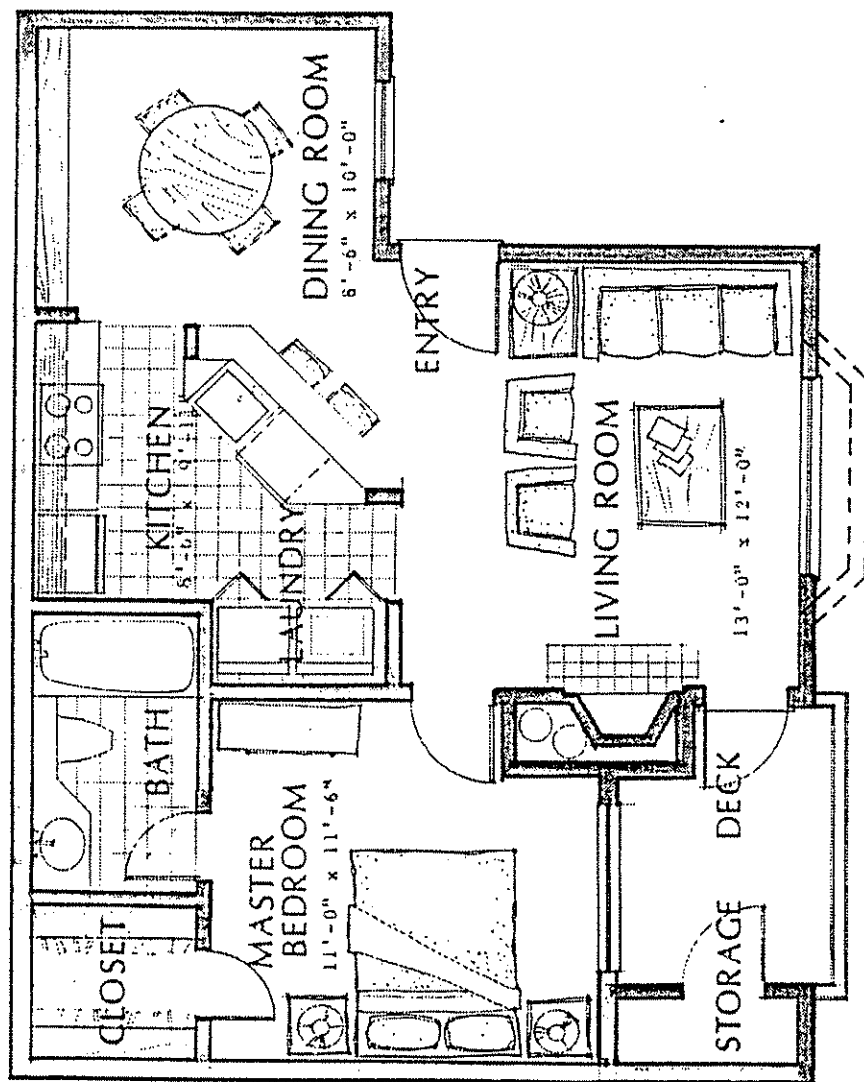


HARBOUR POINTE

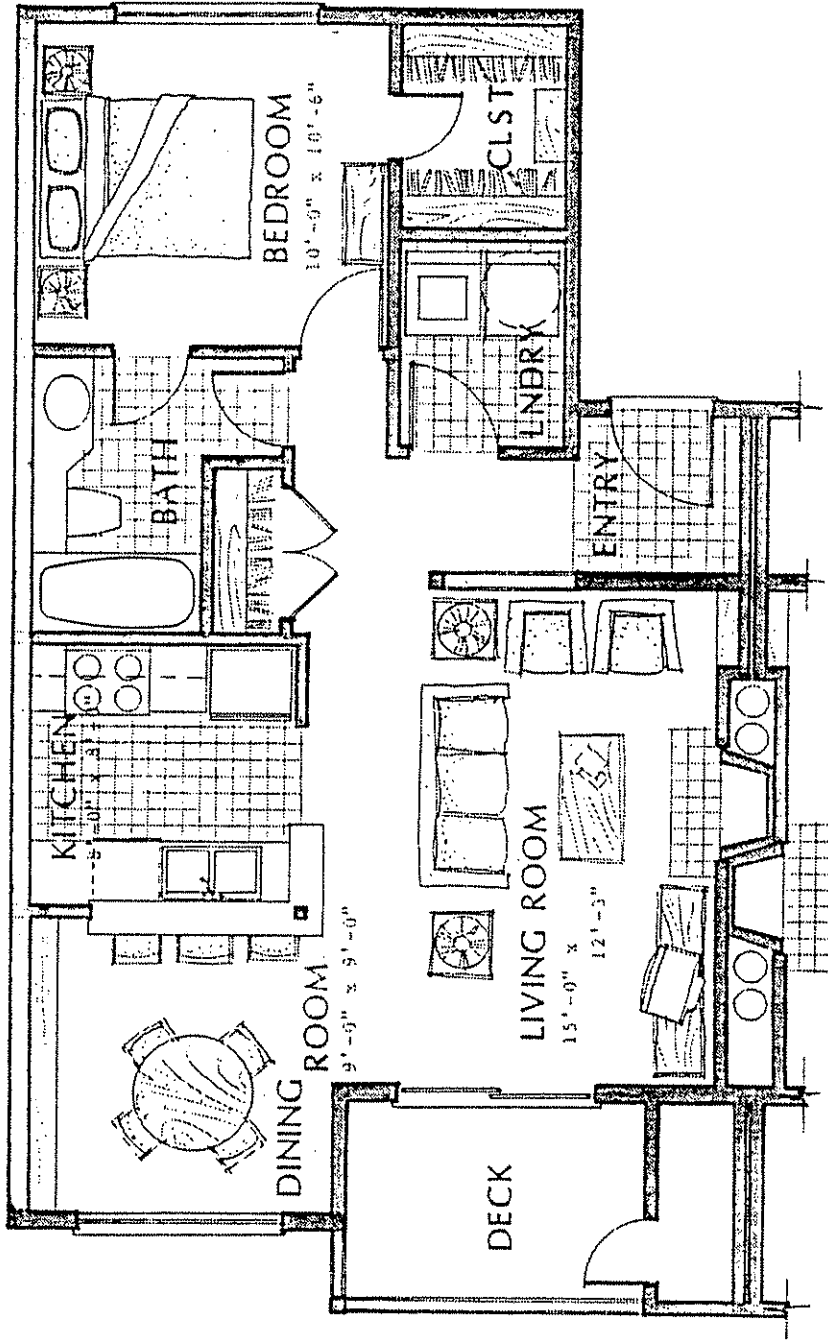


Von Ruediger
& Associates
Architects

Exhibit I-6a
FLOOR PLANS

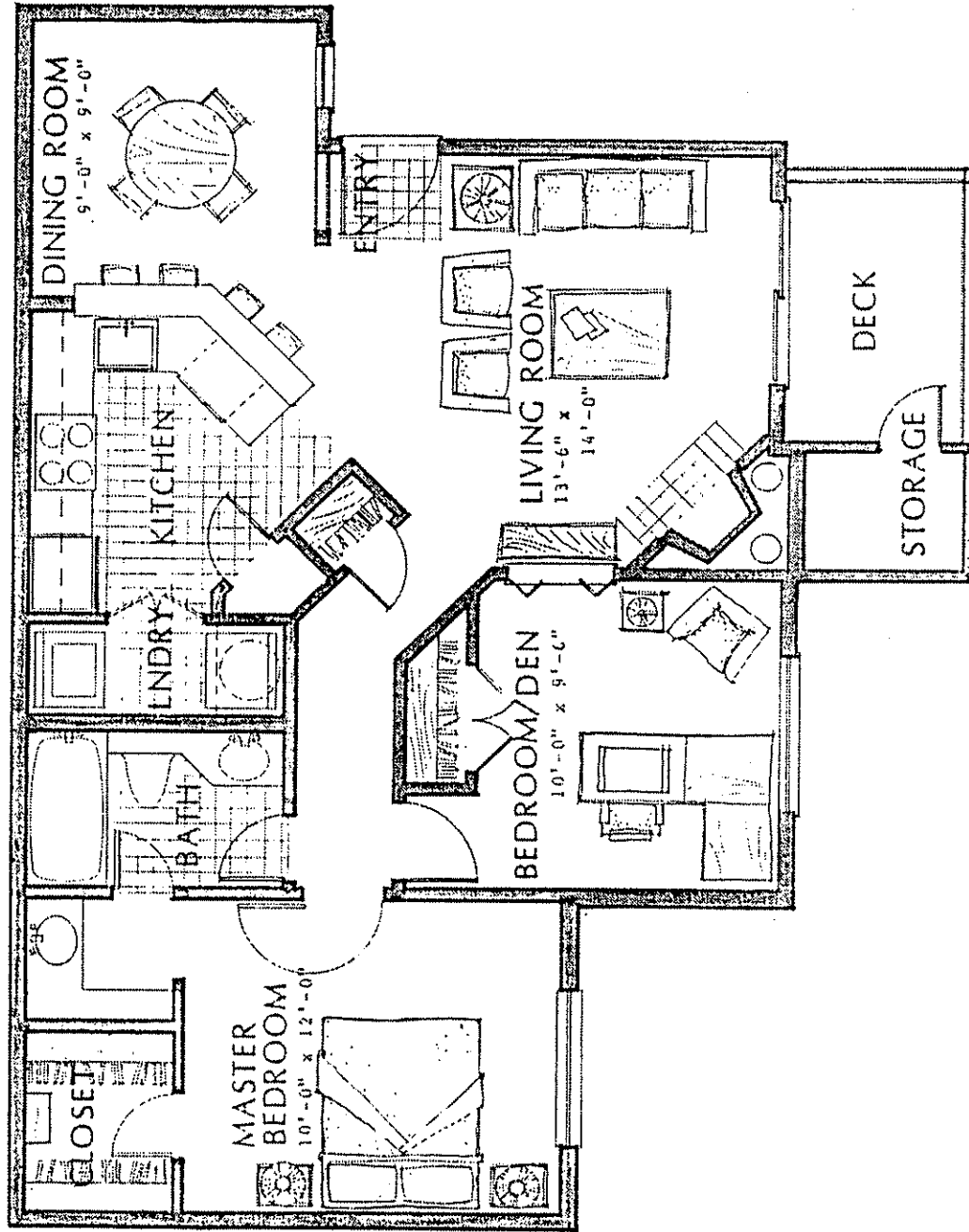


A3 1BED / 1BATH BACK-BACK



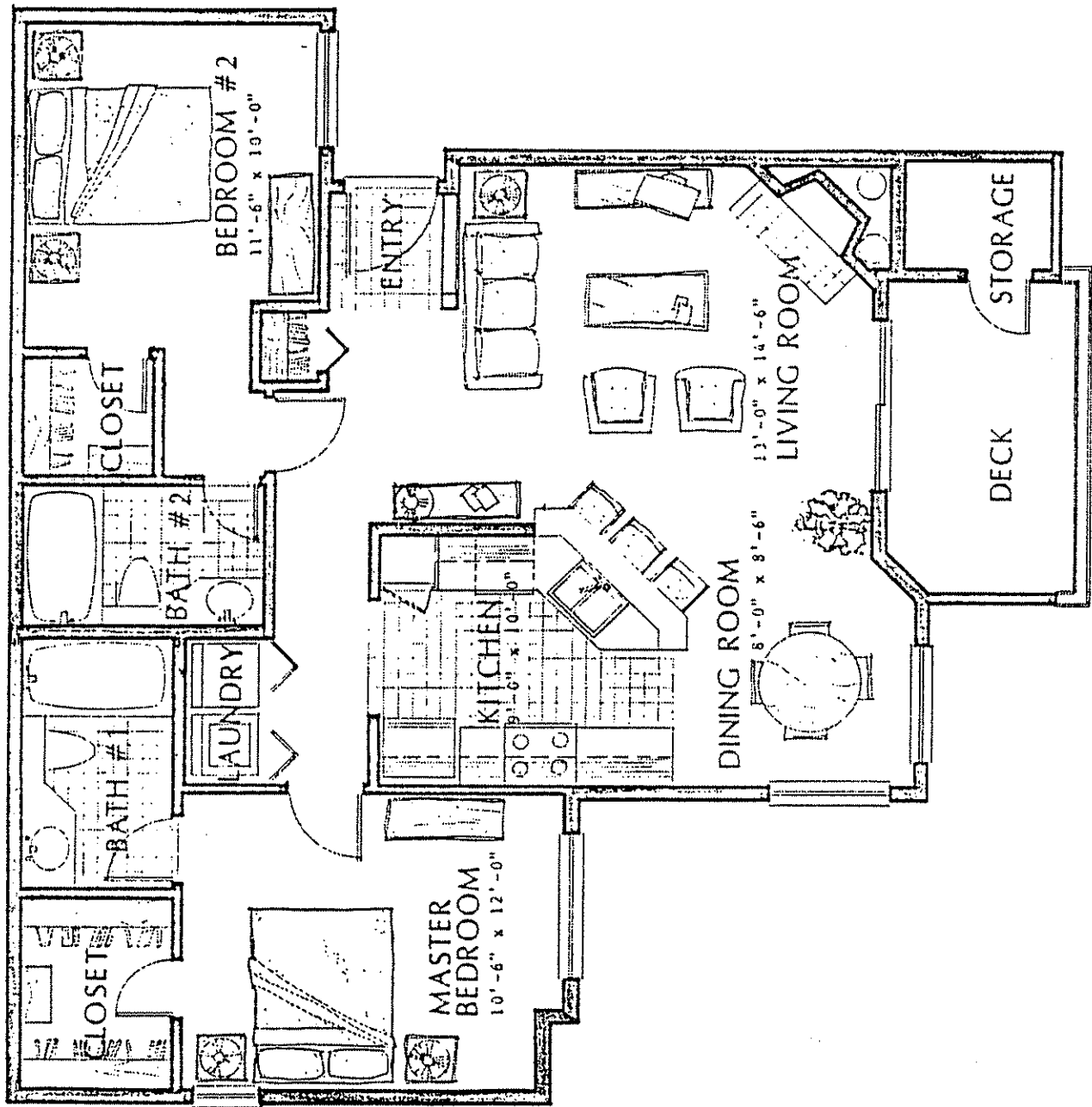
A6 1BED / 1BATH THRU UNIT

Exhibit II-6c
FLOOR PLANS



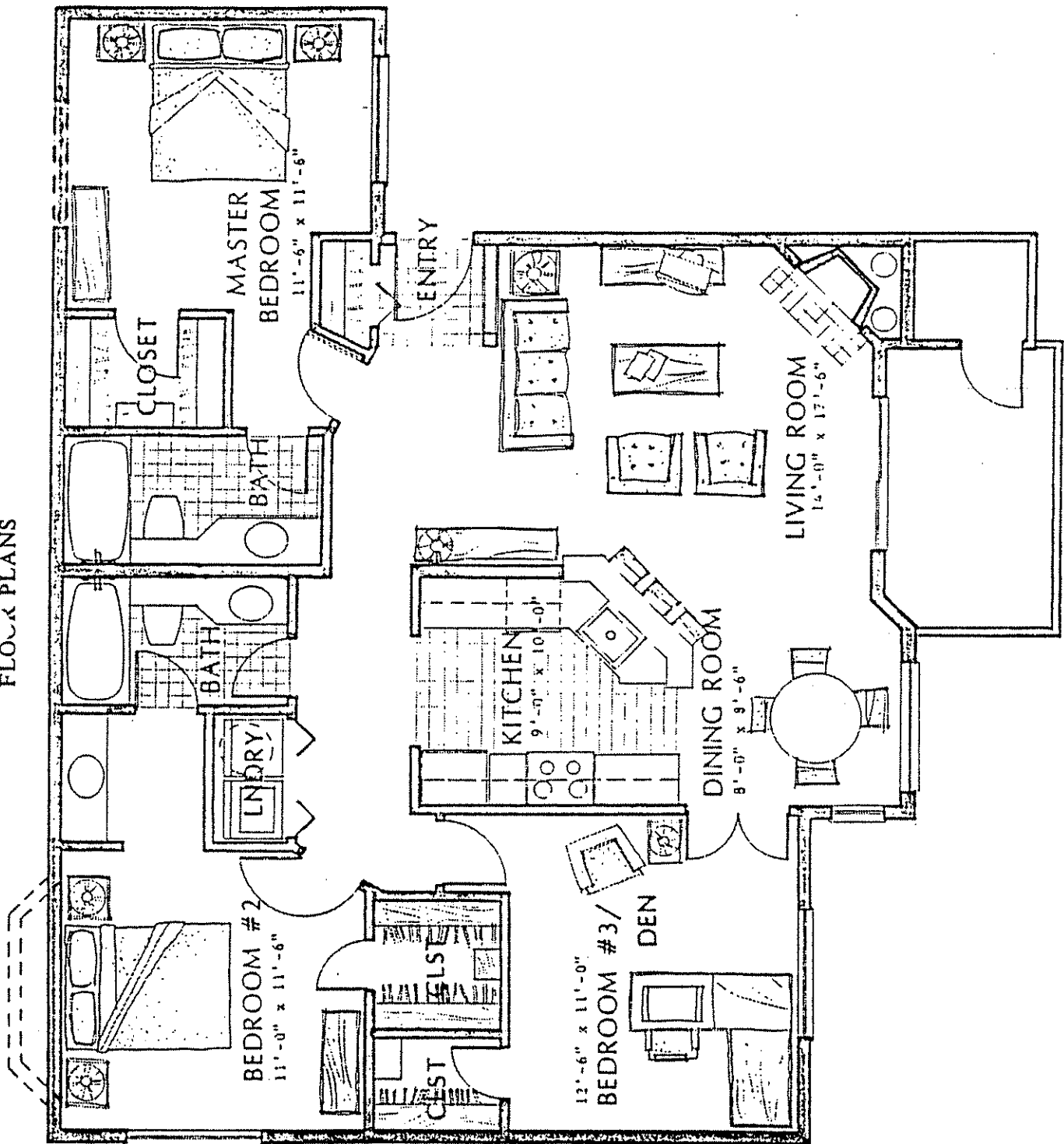
B7 2 BED / 1 BATH BACK-BACK

Exhibit II-6d
FLOOR PLANS



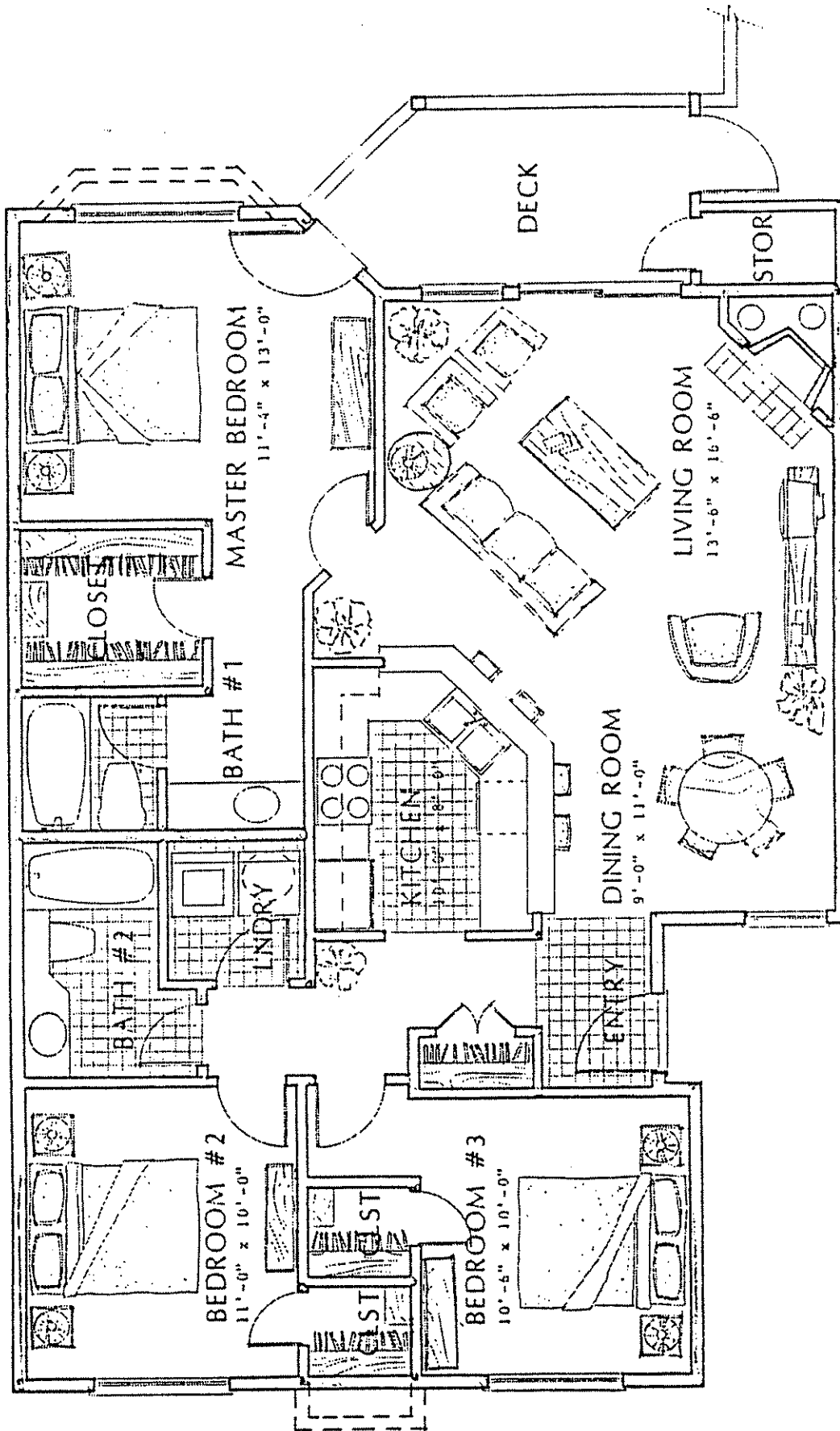
B4 2 BED / 2 BATH BACK-BACK

Exit II-6f
FLOOR PLANS



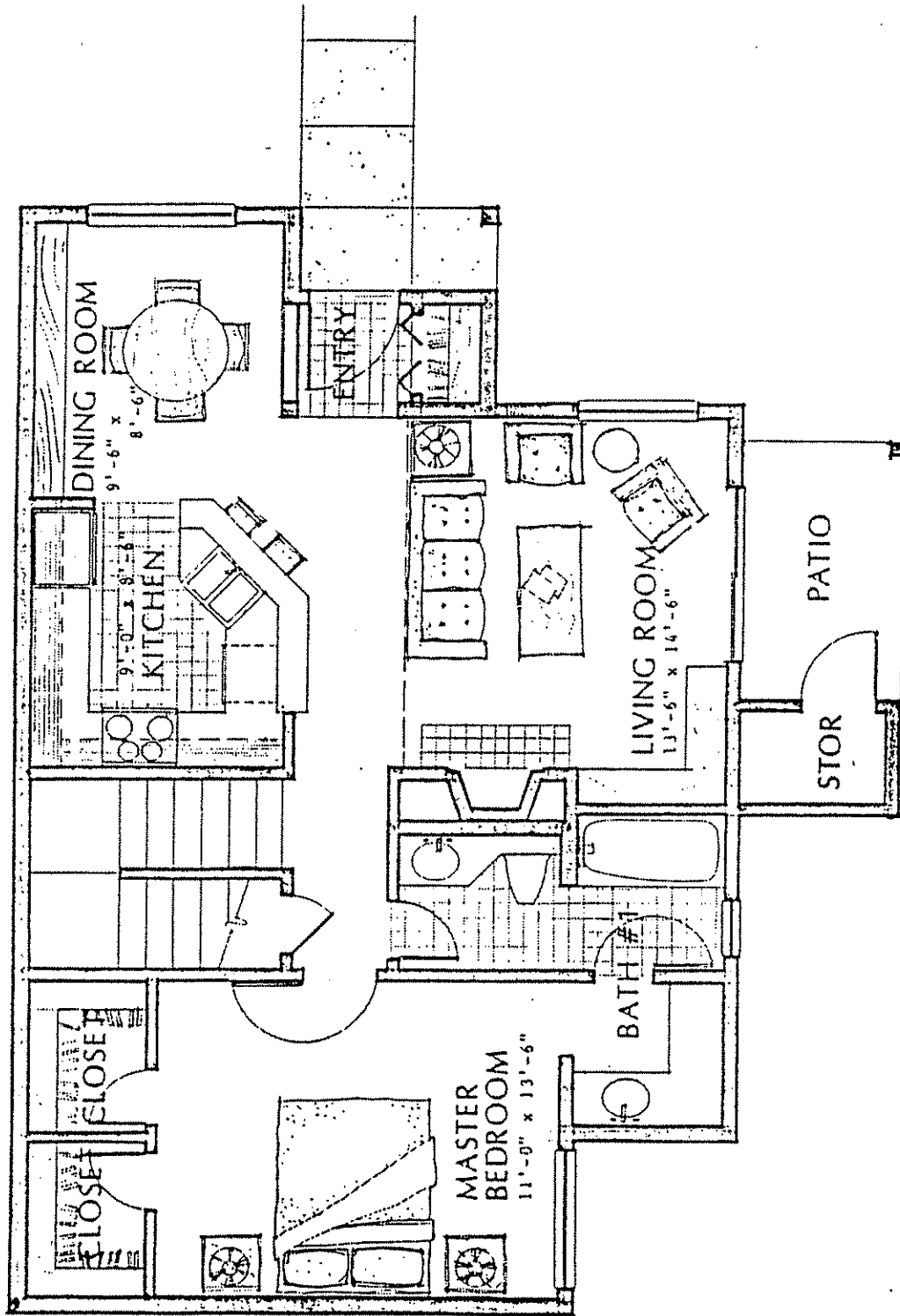
D3 3 BED 2 BATH BACK-BACK (END)

Exh. II-68
FLOOR PLANS



D4 3 BED / 2 BATH THRU UNIT

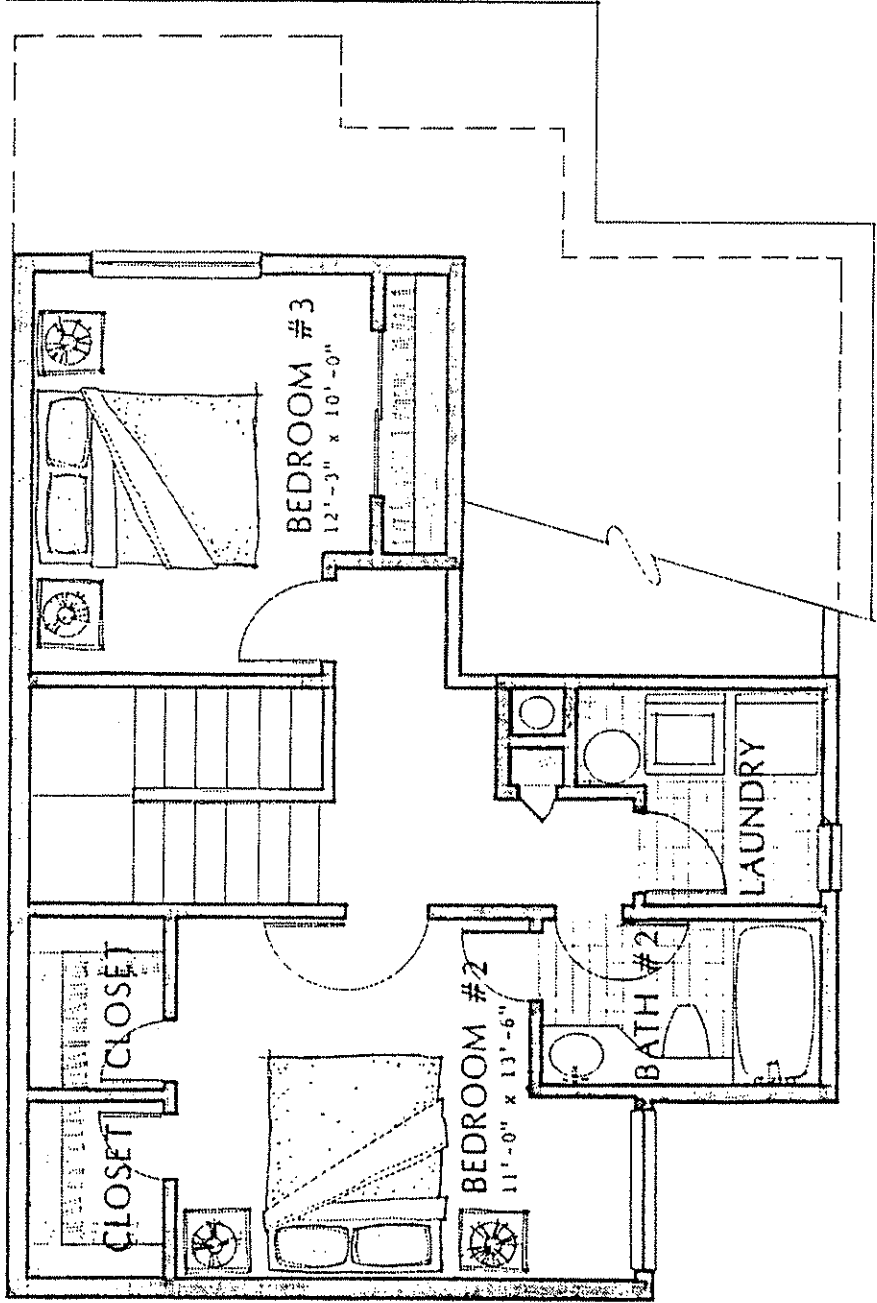
Exhibit II-6h
FLOOR PLANS



06 3 BED / 2 BATH TOWNHOUSE

LOWER FLOOR

Exhibit 11-61
FLOOR PLANS



D6 3 BED/2 BATH TOWNHOUSE

UPPER FLOOR

Exhibit . II-7 BUILDING ELEVATIONS

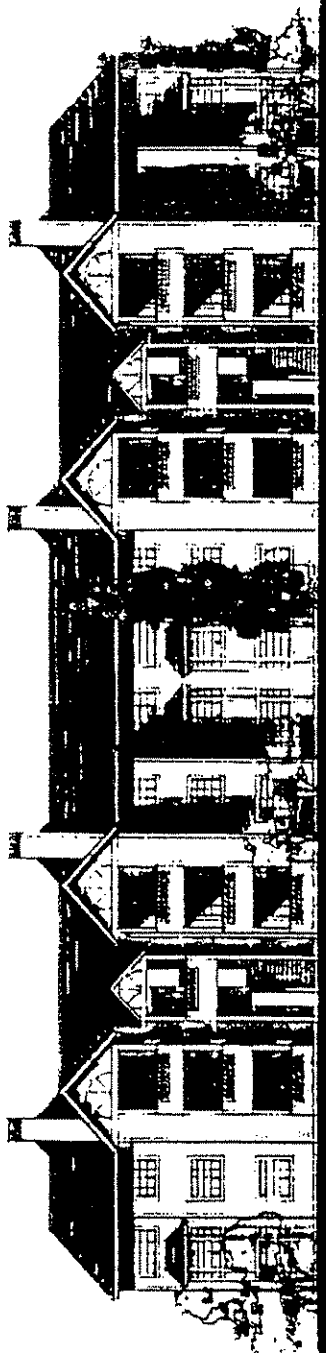
B7

B7

B7

B7

B7



NORTH ELEVATION

B7

B7

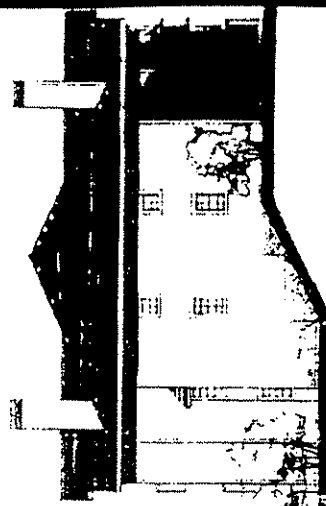
B7

B7

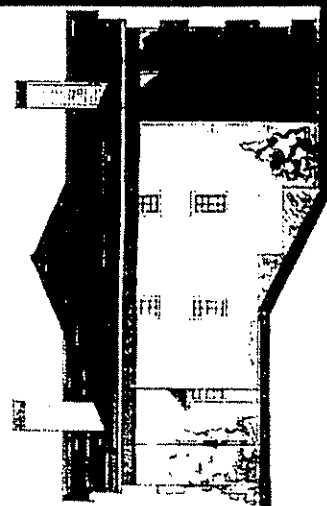
B7



SOUTH ELEVATION



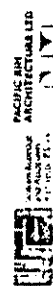
WEST ELEVATION



EAST ELEVATION

BAY COURT at Harbour Pointe 18 May 1987

SCALE: 1/8" = 1'-0"



PACIFIC RIM
ARCHITECTURE LTD.
4770 15th St.
Vancouver, B.C. V6P 1A1



Exhibit II-8
PROJECT BUDGET
BAY COURT AT HARBOUR POINTE

SOURCES OF FUNDS -----	AMOUNT -----	\$/UNIT -----	\$/SF -----
PARTICIPATING 1ST MORTGAGE LOAN:	\$24,120,000	\$57,429	\$59.21
TOTAL SOURCES OF FUNDS:	24,120,000	57,429	59.21
USES OF FUNDS -----			
LAND	3,300,000	7,857	8.10
DIRECT COSTS	15,106,000	35,967	37.08
INDIRECT COSTS:			
LANDSCAPING	420,000	100	1.03
ARCHITECT AND ENGINEERING	200,000	476	0.49
LEGAL, CLOSING AND TAXES (SEE FOOTNOTE #2)	200,000	476	0.49
MARKETING (SEE FOOTNOTE #2)	250,000	595	0.62
FURNITURE/EQUIPMENT/MARKETING (SEE FOOTNOTE #2)	293,000	698	0.72
GENERAL CONTRACTOR'S FEE	932,000	2,219	2.29
DEVELOPER'S FEE	600,000	1,429	1.47
INTEREST AND CONSTRUCTION LOAN FEE (SEE FOOTNOTE #2)	2,457,200	5,850	6.03
USF&G COMMITMENT FEE	361,800	861	0.89
TOTAL USES OF FUNDS	\$24,120,000	\$57,429	\$59.21

-
- Interim income is anticipated from this project. All interim income will be used as an offset against the Interest and Construction Loan Fee line of this budget.
 - After initial funding, money remaining in these line items (soft cost savings) will be available to fund operating deficits during the first 24 month operating deficit guarantee period prior to using Crow's operating deficit guarantee. At the end of 24 months, if any money is remaining in these categories, then 50% of the money will be funded to Crow and 50% of it will remain unfunded.

Exhibit II-9
MAP ILLUSTRATING REROUTING OF CHENNAULT BEACH ROAD

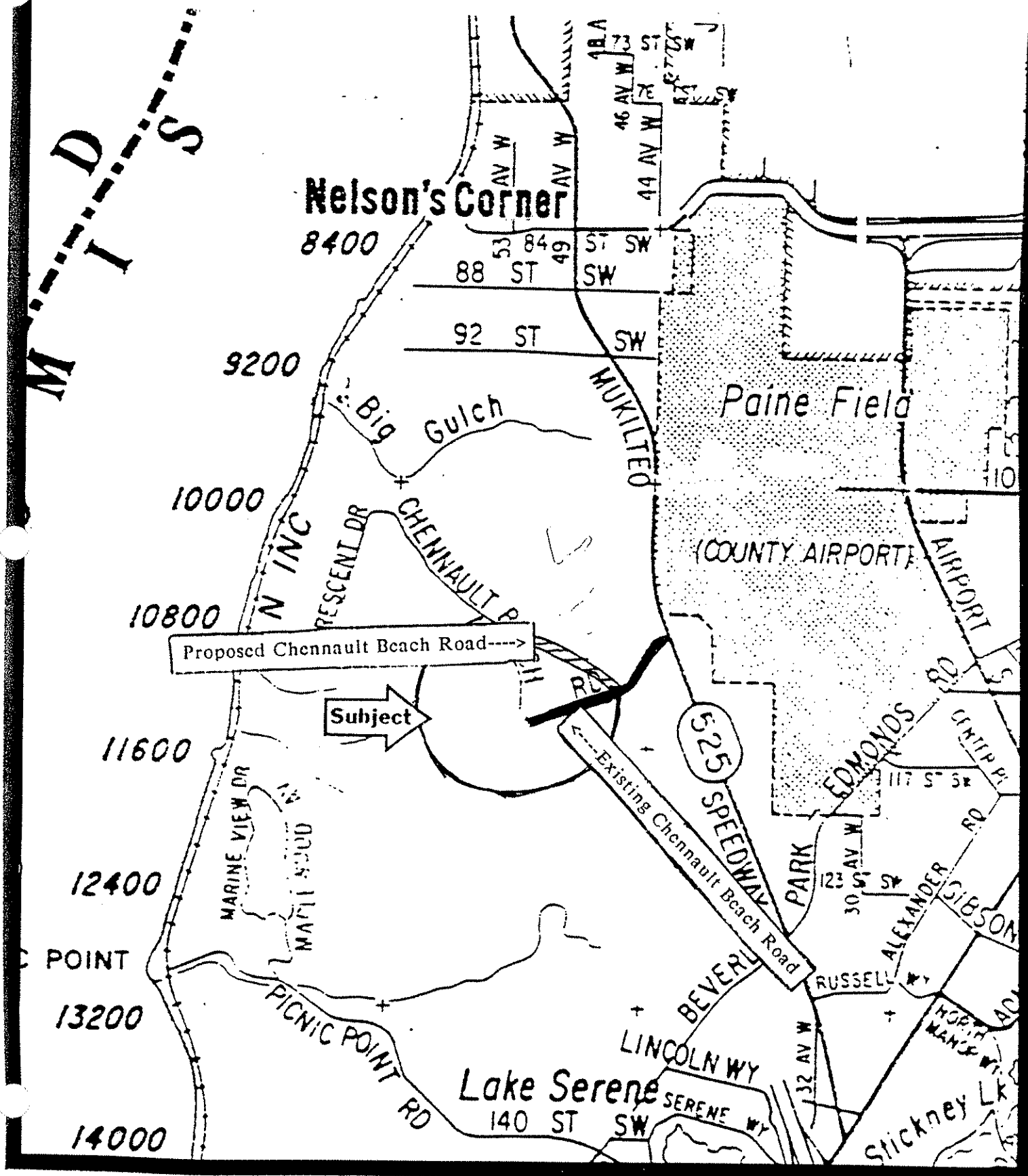


EXHIBIT III-1
EMPLOYMENT TRENDS

YEAR	SEATTLE PMSA*		KING COUNTY		SNOHOMISH COUNTY	
	AMT.	Absolute Inc. from period.	% Inc. from prior period	AMT.	Absolute Inc. from period	% Inc. from p period
1970	591,102			509,346		
1980	874,603	283,501	48.0%	758,021	248,675	48.8%
1990	1,087,000	212,397	24.3%	933,200	175,179	23.1%
2000	1,328,600	241,600	22.2%	1,123,200	190,000	20.4%
2020	1,797,300	468,700	35.3%	1,500,100	376,900	33.6%

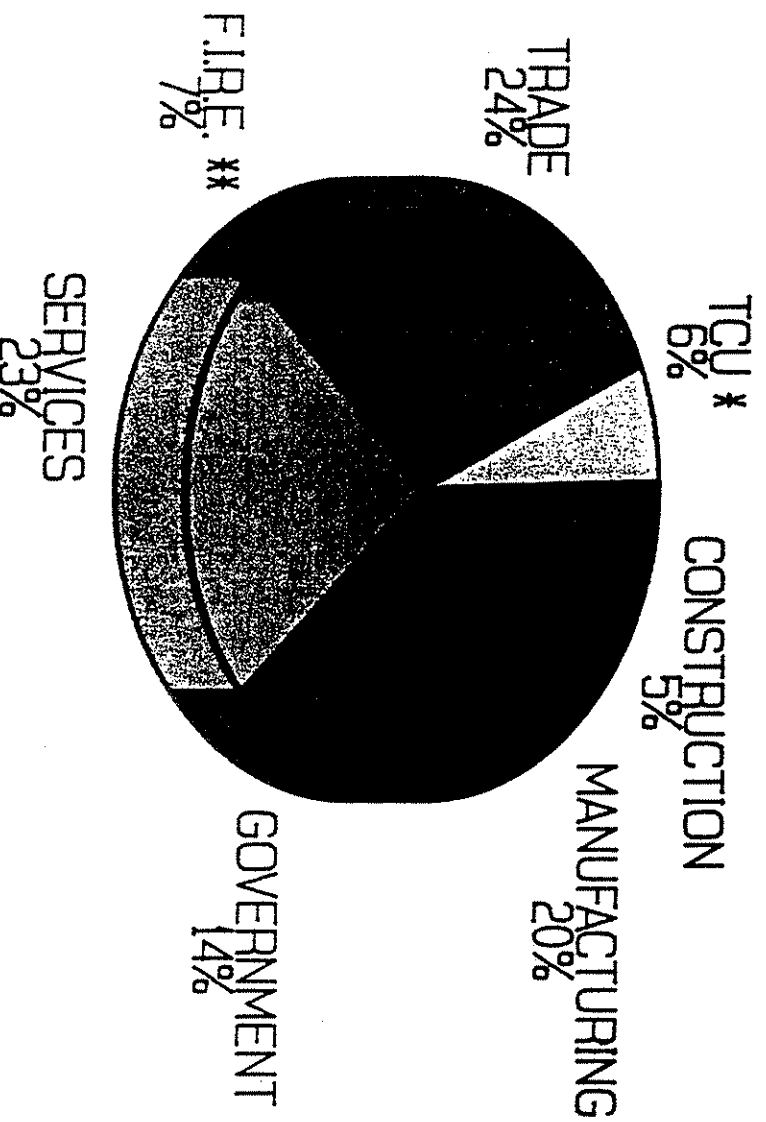
COMPOUND ANNUAL INCREASES:

YEARS						
1970-1980:	4.0%		4.1%		3.6%	
1980-1990	2.2%		2.1%		2.8%	
1990-2000:	2.0%		1.9%		2.9%	
2000-2020	1.5%		1.4%		1.9%	

* Primary Metropolitan Statistical Area.

SOURCE: Puget Sound Council of Governments, 1988.

SEATTLE PMSA EMPLOYMENT BY INDUSTRY, 1988



Source: WA State Employment Sec. Dept.

- * Transportation Communications, and Utilities
- ** Finance Insurance and Real Estate

EXHIBIT III-3
POPULATION TRENDS

YEAR	SEATTLE PMSA*			KING COUNTY			SNOHOMISH COUNTY		
	AMT.	Absolute Incr. from prior year	% Incr. from prior period	AMT.	Absolute Incr. from prior year	% Incr. from prior period	AMT.	Absolute Incr. from prior year	% Incr. from prior period
1970	1,424,823			1,159,587			265,236		
1980	1,607,474	182,651	12.8%	1,269,754	110,167	9.5%	337,720	72,484	27.3%
1990	1,890,000	282,526	17.6%	1,461,000	191,246	15.1%	429,000	91,280	27.0%
2000	2,253,400	363,400	19.2%	1,697,500	236,500	16.2%	555,900	126,900	29.6%
2020	2,903,000	649,600	28.8%	2,114,700	417,200	24.6%	788,300	232,400	41.8%

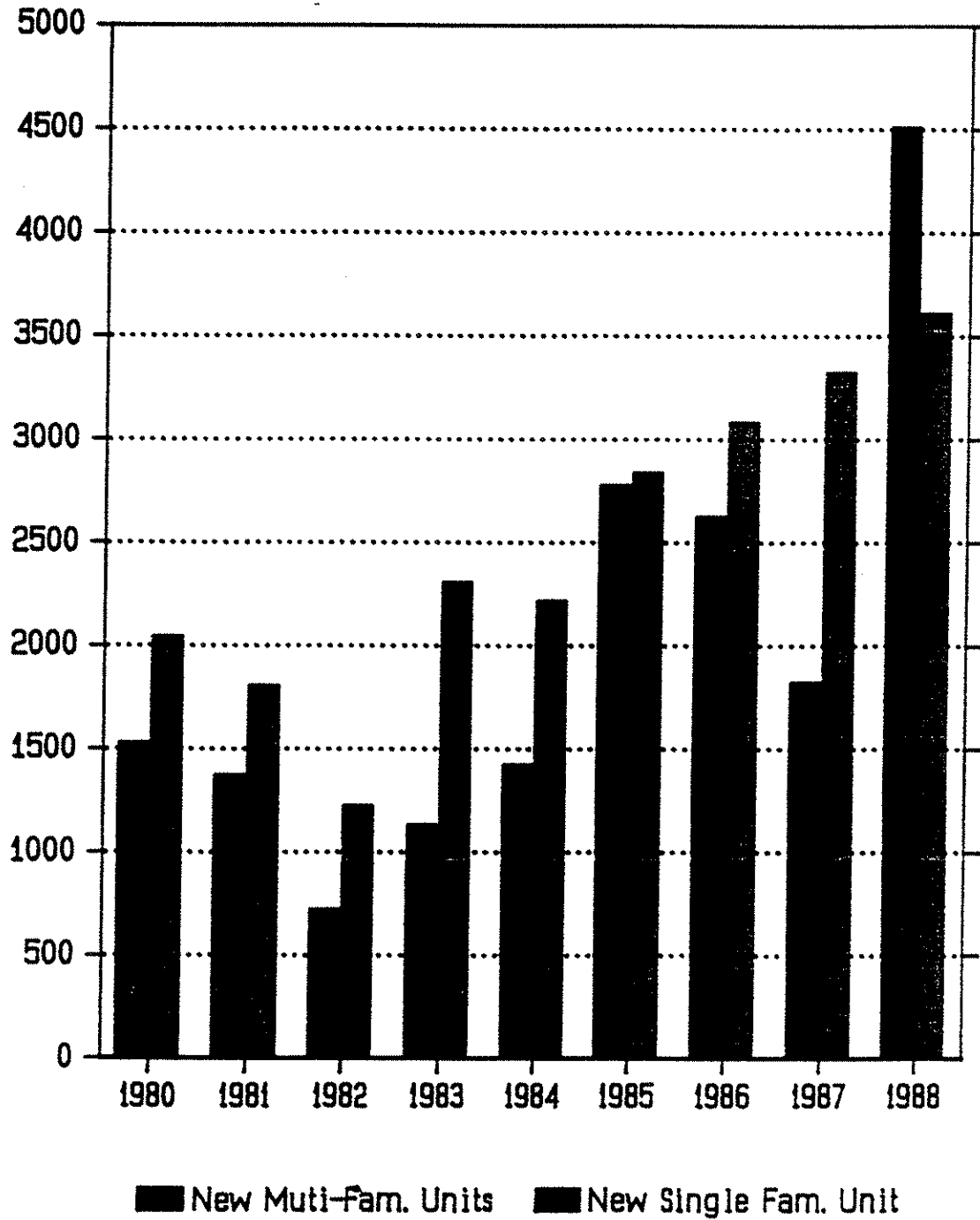
COMPOUND ANNUAL INCREASES:

YEARS	SEATTLE PMSA*	KING COUNTY	SNOHOMISH COUNTY
1970-1980	1.2%	0.9%	2.4%
1980-1990	1.6%	1.4%	2.4%
1990-2000	1.8%	1.5%	2.6%
2000-2020	1.3%	1.1%	1.8%

* Primary Metropolitan Statistical Area.
SOURCE: Puget Sound Council of Governments, 1988.

Exhibit III-4

SNOHOMISH COUNTY NEW MULTI-FAM. AND SINGLE FAM. UNITS



Source: Snohomish County Planning Division, 1989

EXHIBIT III - 5
HISTORIC RENT TRENDS
SNOHOMISH COUNTY

SUBMARKET AREA	ANNUAL ESTIMATED RENTAL INCREASES			
	FALL 1986	FALL 1987	FALL 1988	SPRING 1989 (1/2 YR. ONLY)
SOUTH EVERETT	11.7%	5.0%	6.7%	2.6%
EAST SNOHOMISH COUNTY	7.3%	5.0%	4.9%	2.9%
EDMONDS	3.9%	10.9%	10.8%	0.2%
CENTRAL EVERETT	6.8%	1.0%	15.0%	4.2%
LYNNWOOD	5.6%	3.3%	5.9%	5.1%
MOUNTLAKE TERRACE	8.2%	4.4%	7.9%	2.2%
SNOHOMISH COUNTY	7.2%	5.2%	8.3%	2.7%

Source: The Cain and Scott Apartment Vacancy Report, USF&G Realty.

SUBJECT AREA: SOUTH EVERETT

SUBJECT PROPERTY: BAY COURT AT HARBOUR POINT

UNIT TYPE: 1 BEDROOM

AMENITIES

* MONTHLY BASE RENT
** WASHER & DRYER CONNECTIONS ONLY
== UNDERGOING LEASE-UP

SUSPECT AREA: SOUTH EVERETT

SUSPECT PROPERTY: BAY COURT AT HARBOUR POINTE

UNIT TYPE: 2 BEDROOM, 2 BATHS

[illegible]

Monthly Base Rent.	## Undergoing lease-up
Washer & Dryer Connections only.	
Two Bed-room with one bath.	
Two bedroom with 1 1/2 baths.	

Exhibit III-6C

SUBJECT AREA: SOUTH EVERETT
 SUBJECT PROPERTY: BAY COURT AT HARBOUR POINTE
 UNIT TYPE: 3 BEDROOMS, 2 BATHS

MAP #	PROJECT	SQUARE FEET	NO. OF UNITS	MONTHLY RENT *	RENT/ SQ. FT.	YEAR BUILT	OCCUP. %	DISH W/ D W/ D W/ D W/ D	WASHER COMB.	VAULTED MICRO-CEILINGS	WAVE PLACE	FIRE PLACE	CLUB HOUSE	GARAGE	CAR PORT	JACUZZI ROOM	EXERCISE ROOM	SWIM POOL	TENNIS COURTS	VIEWS	OTHER
SUBJECT	BAY COURT AT HARBOUR POINTE	1,215	30	\$780	\$0.64	PROPOSED	N/A	X	X	X	X	X	X	X	\$75	X	X	X (2)	X	GOLF	SPORT COURT; CHILDREN'S PLAY AREA
1	HARBOUR VILLAGE	1,127	7	\$775	\$0.69	1988/89	78%#	X	X	X	X	X	X	X	\$15	X	X	X	X	RENTS VARY \$20 TO \$35 BASED ON LOCATION AND VIEW	
2	STONEGATE	1,011	80	\$725	\$0.72	10/88	90%#	X	X**	X	X	X	X	X	\$75	X	X	X (2)	RAQUET-BALL	FREE TELEPHONE AND BASIC CABLE	
3	MALLARDS COVE	1,095	48	\$625	\$0.57	1986	97%	X	X**	X	X	X	X	X	X	X	X	X	X	SOME UNITS HAVE LAKE VIEWS	
6	SILVER LAKE HEIGHTS	1,150	49	\$685	\$0.60	11/88	96%	X	X	X	X	X	X	X	X	X	X	X	X	UNITS HAVE LAKE VIEWS	
7	VILLAGE & SILVER LAKE	1,096	62	\$720	\$0.66	10/88	91%#	X	X	X	X	X	X	X	\$65	X	X	X	X	FREE BASIC CABLE FREE TANNING	

* Monthly Base Rent.

** Washer & Dryer Connections only.

Exhibit III-7
COMPETITIVE RENTAL SURVEY MAP

Trammell Crow
Company
Residential Division

3600
PRIEST POINT

POSSESSION

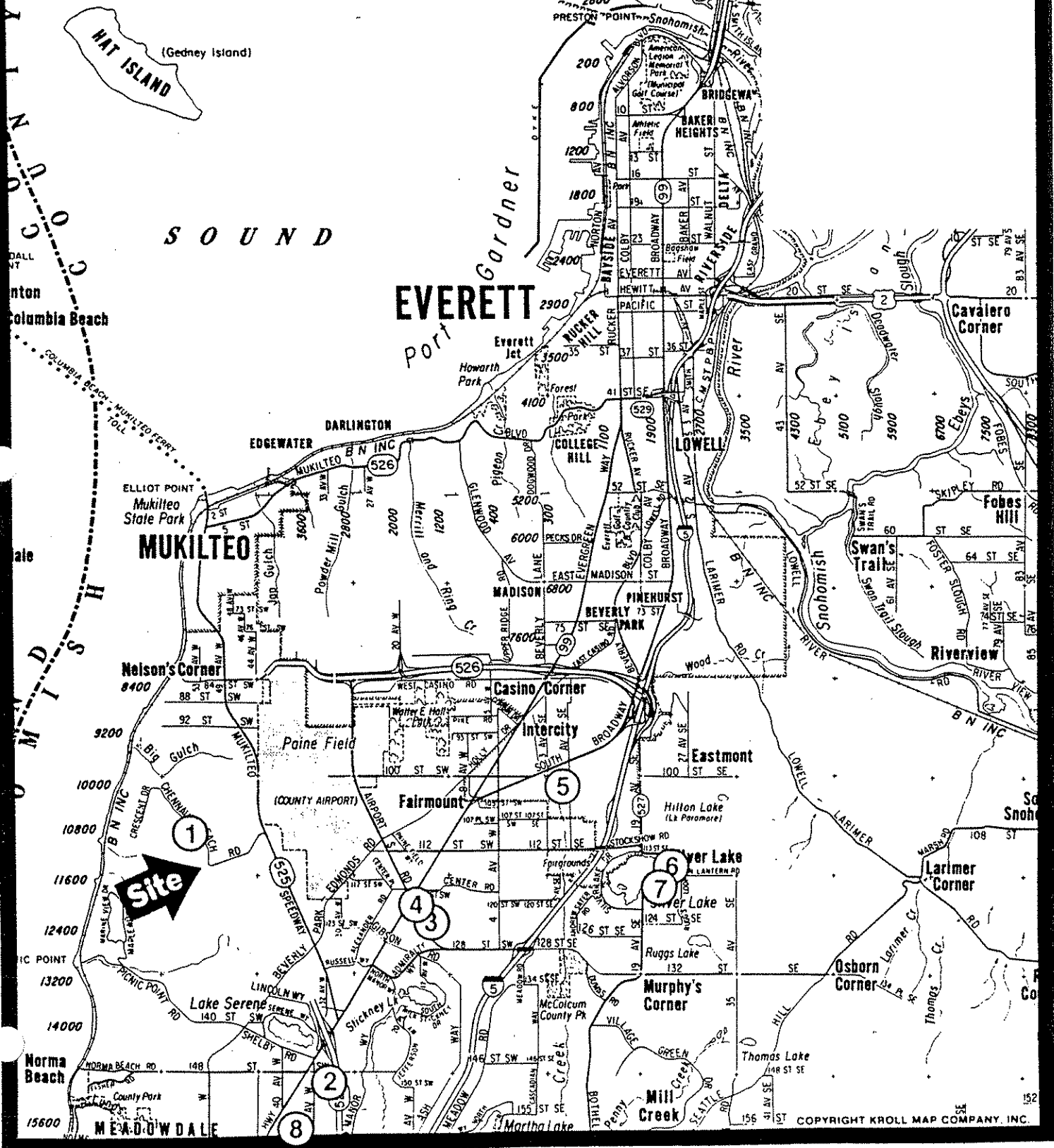


Exhibit III-8
SUMMARY OF COMPETITIVE MULTI-FAMILY DEVELOPMENTS
UNDER CONSTRUCTION AND PROPOSED IN THE IMMEDIATE AREA

Map No.	Name/Location	Units	Status	Developer
1	Harbour Village, Phase I 5300 Harbour Pointe Blvd.	136	Final Construction/ Initial Lease-up	Beardsley Development
2	Shadow Creek Ranch 811 112th Street, S.W.	216	Final Construction/ Initial Lease-up	Bay Ridge Development
3	Covington Farms 10115 Holly Drive	352	Final Construction/ Initial Lease-up	Triad Development
4	4th Avenue W., North of Center Road	123	Under Construction	Polygon
5	Casino Road and 18th Avenue, W.	168	Under Construction	Bay Ridge Development
6	West of 116th Avenue, S.E., North at 112th Street, SW	220	Under Construction	Lokey Development
7	Harbour Village, Phase II 5300 Harbour Pointe Blvd.	164	Proposed	Security Properties
8	Harbour Pointe Boulevard, Phase I North of 55th Pl. W.	294	Proposed	Triad Development
9	Harbour Pointe Boulevard, Phase II North of 55th Pl. W.	264	Proposed	Triad Development
10	Subject - Bay Court Harbour Pointe Boulevard and Chennault Beach Rd.	420	Proposed	Trammell Crow

Total Units 2,357

Summary -

Units in Final construction Phase/Initial Lease-up:	704
Units under construction	511
Units Proposed	1,142

Exhibit III-9
PROPOSED PROJECTS MAP

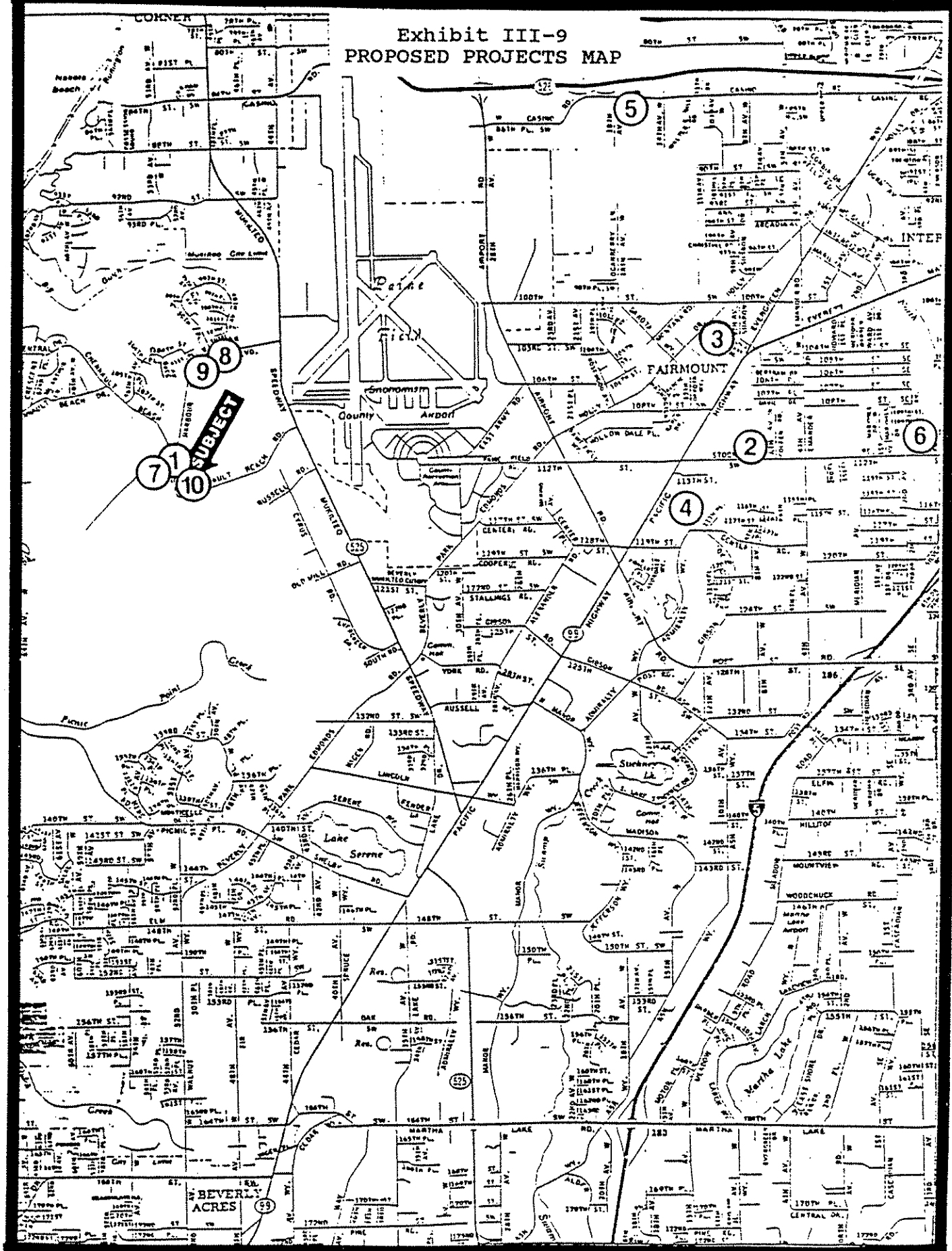
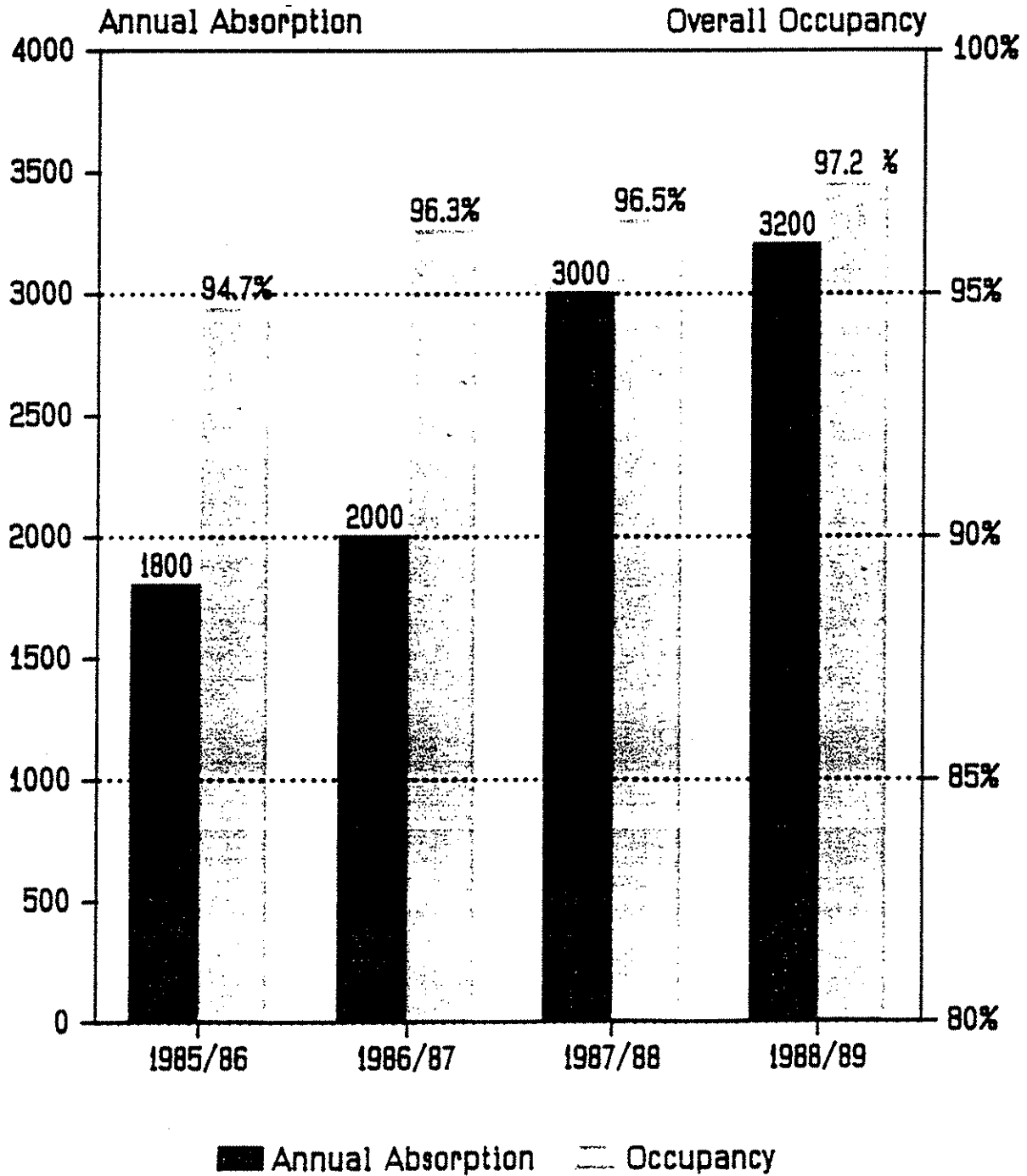


Exhibit III-10

SNOHOMISH COUNTY ANNUAL ABSORPTION AND OCCUPANCY



Rees and Associates, Inc.
USF&G Realty Advisors

EXHIBIT III-11
ABSORPTION ANALYSIS

A) SNOHOMISH COUNTY POPULATION GROWTH

Population - 1988	410,744
1980	(337,720)

Population Growth from 1980-1988	73,024
 Snohomish County Multi-Family Housing Unit Permits from 1980-1988:	 17,930
 Factor Derivation:	
73,024/1,000 persons =	73.02
17,930 units/73.02 =	245.55
Total Units Constructed Per 1,000 Growth in Population	245.55

B. SNOHOMISH COUNTY EMPLOYMENT GROWTH

Employment - 1988	146,356
1980	(116,582)

Employment Growth from 1980-1988	29,774
 Employment - 2000	 205,400
1990	(153,800)

Employment Growth from 1990-2000	51,600
Population Increase from 1980-1988	73,024
: Employment Increase from 1980-1988	29,774

= Future Population Growth Per Increase in one job factor:	2.45

C. PROJECTED MULTI-FAMILY DEMAND

Future Employment Growth	51,600
X Population Growth Factor	2.45

= Estimated Future Population Growth from 1990-2000	126,420
 Estimated Future Population Growth from 1990-2000	 126,420
: 1,000	126.42
X Units Per 1,000 Increase in Population Factor	245.55

= Total Multi-Family Unit Demand	31,042
 Annual Unit Demand (10 years)	 3,104
	=====

Exhibit IV-1
NORTHWEST DEVELOPMENT TEAM

SEATTLE DIVISION - EXECUTIVE PERSONNEL

ROBERT L. BeVAN: Division Operating Partner. Bob graduated from the University of Washington with a degree in Real Estate. Prior to opening the Seattle Residential office, Bob was President of L.B. Nelson Corporation Northwest, a diversified real estate development company. He was formerly a Vice President and Regional Manager for Levitt Residential Communities and in that capacity directed development of 3,000 residential units over a five-year period.

JAMES A. DUWE: Chief Financial Officer. Jim joined Trammell Crow in the spring of 1988. He is responsible for all financing and accounting related functions of the Seattle Division. This includes locating funding for all projects, related construction loans, joint ventures, land loans, lines of credit, letters of credit, financial reporting and ongoing relationships with financial partners. Prior to joining Trammell Crow, Jim was Vice President - Finance for Northwest Building Corporation, a Seattle based investment and development firm, concentrating in commercial real estate activities, where he was responsible for all finance related activities for a \$225 million portfolio. Prior to Northwest Building Corporation, Jim worked at Arthur Andersen and Company, a big eight accounting firm, specializing in partnership oriented industries such as real estate and oil and gas. Jim graduated from the University of Washington in 1987 and received his CPA certificate the same year.

KAREN ANDERSON-BITTENBENDER: Development Associate. Karen joined Trammell Crow in the summer of 1985. She is been responsible for managing the development functions of the Seattle Division including locating sites, negotiating agreements, market research and the obtaining of all governmental approvals for development. Prior to moving to Seattle, Karen worked for Winn Development Company of Boston as a project manager developing apartment projects in east coast cities. Prior to Winn Development Company, Karen was Director of Development for the City of Portland, Maine. This position involved major downtown projects including the Portland Art Museum, urban parks, hotel renovations and the rehabilitation of schools into apartments. Karen has a BA degree from the University of Hawaii and a Masters Degree from Case Western Reserve University. She is currently pursuing her MBA at Seattle University.

ROBERT C. SPEICHER: National Partner. Bob graduated from Georgia Tech and the Harvard Business School MBA program. Bob headed a variety of teams which provided consulting services on all aspects of resort community development. In 1975 he joined Arvida Corporation. As Corporate Vice President, he had direct responsibility for all of Arvida's residential development in Palm Beach County. In 1980, Bob joined Ron Terwilliger and Trammell Crow as president and Managing Partner of Crow, Terwilliger and Speicher, Inc. This company has approximately 9,000 high quality rental units valued at a half billion dollars. Bob became the Regional Partner with responsibility for residential and commercial development in Florida and the west Coast.

JOHN R. CARMICHAEL: Regional Partner. John is a 1973 graduate of Texas A&M University with a Masters Degree in Business from North Texas State University. He joined the Trammell Crow organization, Brentwood Properties (now Trammell Crow Residential Services), as a property manager upon graduation. He opened their first regional office in San Antonio, March 1987, and became Regional Vice President. Mr. Carmichael was previously with Chasewood, a Trammell Crow Residential Company, and became its operating partner, responsible for the development of new properties in San Antonio and Austin, Texas. John has directed the northwest region since it was started in 1982.

MAX L. GARDNER: Regional Chief Financial Officer. Max joined the Trammell Crow organization in 1988. Prior, he was Senior Vice President for East West Partners, developer of large scale planned communities in Virginia, North Carolina, Georgia and Washington, D.C.

He was directly responsible for all development activities for Brander Mill, a 2,600 acre mixed-use community in Richmond, Virginia. This development was recipient of the "Best Planned Community in America" award, presented by Better Homes and Gardens Magazine and the National Association of Home Builders. In addition, Max served as Chief Financial Officer for all divisions and projects. Prior to that, he worked with Arthur Andersen & Company in Atlanta, Georgia, where he specialized in Real Estate and Finance operations. Max graduated in 1973 from Duke University and received his Masters in Business from Georgia State University in 1977. He received his CPA Certificate in 1979.

NATIONAL PARTNERS

J. RONALD TERWILLIGER: National Managing Partner. Ron is a 1963 graduate of the United States Naval Academy and received his Masters Degree in Business Administration from Harvard University. Prior to joining the Trammell Crow Residential Companies, Mr. Terwilliger served as Vice President and Director of the Henry C. Beck Company, a real estate and construction firm. In 1978 Ron entered into partnership with Trammell Crow and formed Crow-Terwilliger Company with headquarters in Atlanta. In 1980 Crow-Terwilliger Company sold more condominium units in Dade County (Miami) than any other development company. In 1987, Mr. Terwilliger became overall National Partner for the residential company nationwide and is responsible for all residential development in 26 offices throughout the United States.

RANDY J. PACE: National Partner. Randy is responsible for company-wide financial administrative matters including financial reporting, risk management and tax planning. He joined the firm in 1984 as Vice President and CFO of Crow-Terwilliger Company where he was active in the financial management of Crow residential operations throughout the Eastern United States. In this capacity, Randy acquired experience in project financing and apartment dispositions.

SEATTLE CONSTRUCTION TEAM

TRC Seattle Construction Limited Partnership, the primary construction company for Trammell Crow Residential-Seattle Division, has completed or has under construction almost 1,500 units since its formation in 1985. The total construction value of projects completed and currently under construction is approximately \$35 million.

The construction company personnel include:

Grant Witherspoon	: Vice President 18 years of construction experience
Jay Lukan	: Construction Coordinator 6 years of construction experience
Rick Holt	: Superintendent 15 years of construction experience
Wally Blake	: Superintendent 26 years of construction experience
Jerry Powell	: Assistant Superintendent
Debye Sparrow	: Construction Administrator
Patti Ferguson	: Construction Secretary

The construction company also has two field clerks that have been with the company since the first project began construction in February, 1986.

With this wealth of experience, Trammell Crow Construction has built a reputation for completing its project on time and within budget.

SEATTLE PROJECT TEAM

A. ARCHITECT

William Rutledge and Associates was founded in 1971 and has grown to accommodate large corporate clients throughout the Northwest. WRA has been responsible for all work in architecture and planning phases of development. This includes single and multifamily, residential, industrial, commercial, and medical-dental projects, as well as master planning. The firm has been involved in office space planning, graphics design and construction management.

Multifamily projects by William Rutledge and Associates have been as large as 1,200 units. Currently, the firm is working on a 268-acre development in Auburn, Washington and several apartment projects in the Seattle, Olympia and Portland areas ranging from 127 units to 435 units in size.

B. ENGINEERING

Group Four, Inc. was founded in 1972 and employs approximately 40 people at their location in Lynnwood. Their main emphasis is in the private sector doing land development, single or multifamily and small commercial projects. Recent multifamily projects include Signature Point - 566 units in Kent, Fox Ridge - 220 units in Snohomish County and Lexington Downs - 340 units in King County. Group Four is also currently working on these single family projects: Discovery Crest - 144 lots in Snohomish County, Loc Estates - 110 lots and English Hills - 40 lots, both in King County.

C. PROPERTY MANAGEMENT

Trammell Crow Services Co. (TCSC) is a property management firm which currently manages over 80,000 apartment units. TCSC operates in 50 cities from Washington to Florida. To successfully manage \$3 billion in property, TCSC employs over 2,500 people. The management company's goal is to continually increase the value of each property it manages. In order to achieve this goal, they consistently maintain a high occupancy level. Rent are increased regularly and a premium is placed on complete maintenance. Personnel are thoroughly trained at all levels of management to insure each owner that a highly qualified management team is on the job every day.

Exhibit IV-2
COMPLETED PROJECTS - SEATTLE DIVISION

FULTON'S CROSSING

103 Everett Mall Way
Everett, WA 98204
256 Units

Completion Date: 12/86
Began Leasing: 8/86
Full Occup. Date (95%): 8/87
Currently Occupied: 98%
Under Lease: 99%

LOGANS'S RIDGE

6110 186th Place N.E.
Redmond WA 98052
258 units

Completion Date: 5/87
Began Leasing: 12/86
Full Occup. Date (95%): 9/87
Currently Occupied: 98%
Currently Under Lease: 99%

CHANDLER'S REACH

4250 Lake Sammamish
Parkway N.E.
Redmond, WA
166 Units

Completion Date: 10/87
Began Leasing: 7/87
Full Occup. Date (95%): 2/88
Currently Occupied: 92%
Currently Under Lease: 96%

FULTON'S LANDING

10220 Third Ave. SE.
Everett, WA 98204
248 Units

Completion Date: 6/88
Began Leasing: 3/88
Full Occup. Date (95%): 10/88
Currently Occupied: 96%
Currently Under Lease: 98%

THRASHER'S MILL

19928 Bothell Way S.E.
Bothell, WA 98102
214 Units

Completion Date: 12/88
Began Leasing: 8/88
Full Occup. Date (95%): N/A
Currently Occupied: 95%
Currently Under Lease: 97%

THE OVERLOOK AT MURRAY HILL

14505 S.W. Osprey
Beaverton, OR 97007
204 Units

Completion Date: 11/88
Began Leasing: 7/88
Full Occup. Date (95%): N/A
Currently Occupied: 92%
Currently Under Lease: 95%

UNDER CONSTRUCTION

CHARBONNEAU

1201 Boylston Avenue
Seattle, WA 98122
123 Units

Construction Started: 2/89
Est. Completion Date: 12/89
Est. Begin Leasing: 12/89

THE OVERLOOK AT CAUSEY LANE

90th & Causey Lane
Clackamas, OR 97045
276 Units

Construction Started: 6/89
Est. Completion Date: 8/90
Est. Begin Leasing: 1/90

Exhibit V-1A
ASSUMPTIONS TABLE
BAY COURT AT HARBOUR POINTE
CONSERVATIVE CASE

Debt:

Mortgage Amount -----	\$24,120,000
Interest Rate -----	9.5%
Pay Rate Schedule	
Year 1 & 2 -----	7.0%
Year 3 & 4 -----	8.5%
Year 5 -----	9.0%
Years 6 thru 10 -----	9.5%
Amortization -----	N/A
Number of Payments Per Year -----	12
Growth Rate - Income	5.0%
Growth Rate - Expenses	5.0%
Vacancy Allowance -----	26.6% in Year 1, 10% in year 2 and thereafter.

	Expense Amount	Exp. Amt. Per Unit	Exp. Amt. Per SF
Operating Expenses (1991):	-----	-----	-----
Fixed Expenses:			
Real Estate Taxes	\$231,000	\$550	\$0.57
Insurance	46,200	110	0.11
Total	\$277,200	\$660	\$0.68
Variable Expenses:			
Management Fee	\$166,320	\$396	\$0.41
Administrative	22,260	53	0.05
Marketing	54,600	130	0.13
Utilities	184,800	440	0.45
Payroll	279,300	665	0.69
Redecorating	23,100	55	0.06
Repairs & Maintenance	27,300	65	0.07
Landscaping	46,200	110	0.11
Total	\$803,880	\$1,914	\$1.97
Total Operating Expenses	\$1,081,080	\$2,574	\$2.65
Capitalization Rate on 11th year Net Operating Income -----			9.0%
Sales Expenses -----			3.5%

Exhibit V-1B
ASSUMPTIONS TABLE
BAY COURT AT HARBOUR POINTE
MOST LIKELY CASE

Debt:

Mortgage Amount -----	\$24,120,000
Interest Rate -----	9.5%
Pay Rate Schedule	
Year 1 & 2 -----	7.0%
Year 3 & 4 -----	8.5%
Year 5 -----	9.0%
Year 6 thru 10 -----	9.5%
Amortization -----	N/A
Number of Payments Per Year -----	12
Growth Rate - Income	5.0%
Growth Rate - Expenses	5.0%
Vacancy Allowance -----	26.6% in Year 1, 5% in year 2 and thereafter.

	Expense Amount	Exp. Amt. Per Unit	Exp. Amt. Per SF
Operating Expenses (1991):	-----	-----	-----
Fixed Expenses:			
Real Estate Taxes	\$231,000	\$550	\$0.57
Insurance	46,200	110	0.11
	-----	-----	-----
Total	\$277,200	\$660	\$0.68
	-----	-----	-----
Variable Expenses:			
Management Fee	\$166,320	\$396	\$0.41
Administrative	22,260	53	0.05
Marketing	54,600	130	0.13
Utilities	184,800	440	0.45
Payroll	279,300	665	0.69
Redecorating	23,100	55	0.06
Repairs & Maintenance	27,300	65	0.07
Landscaping	46,200	110	0.11
	-----	-----	-----
Total	\$803,880	\$1,914	\$1.97
	-----	-----	-----
Total Operating Expenses	\$1,081,080	\$2,574	\$2.65
Capitalization Rate on 11th year Net Operating Income -----			9.0%
Sales Expenses -----			3.5%

Exhibit V-1C
ASSUMPTIONS TABLE
BAY COURT AT HARBOUR POINTE
OPTIMISTIC CASE

Debt:

Mortgage Amount -----	\$24,120,000
Interest Rate -----	9.5%
Pay Rate Schedule	
Year 1 & 2 -----	7.0%
Year 3 & 4 -----	8.5%
Year 5 -----	9.0%
Year 6 thru 10 -----	9.5%
Amortization -----	N/A
Number of Payments Per Year -----	12
Growth Rate - Income	5.0%
Growth Rate - Expenses	5.0%
Vacancy Allowance -----	26.6% in Year 1, 5% in year 2 and thereafter.

	Expense Amount	Exp. Amt. Per Unit	Exp. Amt. Per SF
Operating Expenses (1991):	-----	-----	-----
Fixed Expenses:			
Real Estate Taxes	\$231,000	\$550	\$0.57
Insurance	46,200	110	0.11
Total	\$277,200	\$660	\$0.68
Variable Expenses:			
Management Fee	\$166,320	\$396	\$0.41
Administrative	22,260	53	0.05
Marketing	54,600	130	0.13
Utilities	184,800	440	0.45
Payroll	279,300	665	0.69
Redecorating	23,100	55	0.06
Repairs & Maintenance	27,300	65	0.07
Landscaping	46,200	110	0.11
Total	\$803,880	\$1,914	\$1.97
Total Operating Expenses	\$1,081,080	\$2,574	\$2.65
Capitalization Rate on 11th year Net Operating Income -----			9.0%
Sales Expenses -----			3.5%

Exhibit V-2A

CASH FLOW SUMMARY BAY COURT AT HARBOUR POINT CONSERVATIVE CASE

GROSS INCOME:

Floor Plan	Unit Type	# of Units	Living Area (SF)	1991 Mo. Rent Per Unit	1991 Mo. Rent Per SF	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
A3	1BR/1BA	40	637	\$515	\$0.81	\$246,960	\$259,308	\$272,273	\$285,887	\$300,181	\$315,190	\$330,950	\$347,498	\$364,872	\$383,116	\$402,272
A6	1BR/1BA	42	714	\$546	\$0.76	\$275,184	\$288,943	\$303,390	\$318,560	\$334,488	\$351,212	\$368,773	\$387,212	\$406,572	\$426,901	\$448,246
B7	2BR/1BA	116	854	\$604	\$0.71	\$840,420	\$882,441	\$926,563	\$972,891	\$1,021,536	\$1,072,613	\$1,126,243	\$1,182,555	\$1,241,683	\$1,303,767	\$1,368,956
B4	2BR/2BA	60	982	\$656	\$0.67	\$472,500	\$496,125	\$520,931	\$546,978	\$574,327	\$603,043	\$633,195	\$664,855	\$698,098	\$733,003	\$769,653
C3	2BR/2BA	64	1,112	\$725	\$0.65	\$382,536	\$401,663	\$421,746	\$442,833	\$464,975	\$488,224	\$512,635	\$538,267	\$565,180	\$593,439	\$623,111
D4	3BR/2BA-THSES.	30	1,215	\$819	\$0.67	\$294,840	\$309,582	\$325,061	\$341,314	\$358,380	\$376,299	\$395,114	\$414,869	\$435,613	\$457,394	\$480,263
D3	3BR/2BA	88	1,233	\$819	\$0.66	\$864,864	\$908,107	\$953,513	\$1,001,188	\$1,051,248	\$1,103,810	\$1,159,000	\$1,216,950	\$1,277,798	\$1,341,688	\$1,408,772
<hr/>																
+ OTHER INCOME						\$3,377,304	\$3,546,169	\$3,723,478	\$3,909,652	\$4,105,134	\$4,310,391	\$4,525,910	\$4,752,206	\$4,989,816	\$5,239,307	\$5,501,272
= GROSS INCOME						\$122,693	\$128,828	\$135,269	\$142,033	\$149,134	\$156,591	\$164,420	\$172,641	\$181,273	\$190,337	\$199,854
- VACANCY (26.6%, Yr. 1; 10% thereafter)						\$3,499,997	\$3,674,997	\$3,858,747	\$4,051,685	\$4,254,268	\$4,466,982	\$4,690,330	\$4,924,847	\$5,171,089	\$5,429,644	\$5,701,126
= EFFECTIVE GROSS INCOME						(932,049)	(367,500)	(385,875)	(405,168)	(425,427)	(446,498)	(469,033)	(492,485)	(517,109)	(542,964)	(570,113)
- OPERATING EXPENSES						\$2,567,948	\$3,307,497	\$3,472,872	\$3,646,516	\$3,828,841	\$4,020,284	\$4,221,297	\$4,432,362	\$4,653,980	\$4,886,680	\$5,131,014
- TAXES						(1,850,080)	(892,584)	(937,213)	(984,074)	(1,033,278)	(1,084,941)	(1,139,189)	(1,196,148)	(1,255,955)	(1,318,753)	(1,384,691)
= NET OPERATING INCOME						(231,000)	(242,550)	(254,678)	(267,411)	(280,782)	(294,821)	(309,562)	(325,040)	(341,292)	(358,357)	(376,275)
- DEBT SERVICE						1,486,858	2,172,363	2,280,981	2,395,031	2,514,782	2,640,521	2,772,547	2,911,174	3,056,733	3,209,570	3,370,048
= CASH FLOW (DEFICIT) ** OPERATIONS *						(1,688,400)	(2,172,363)	(2,280,981)	(2,373,459)	(2,373,459)	(2,373,459)	(2,373,459)	(2,373,459)	(2,373,459)	(2,373,459)	(2,373,459)
+ CASH FLOW GUARANTEE (TRANMELL CROW)						(201,532)	0	0	21,572	141,323	267,062	399,088	537,715	683,274	836,111	N/A
= CASH FLOW TO SPLIT						201,532	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
X USFEG'S PARTICIPATION						0	0	0	21,572	141,323	267,062	399,088	537,715	683,274	836,111	50%
= CASH FLOW TO USFEG						0	0	0	0	0	0	0	0	0	0	50%
LOAN-TO-VALUE RATIO						102.43%	98.24%	93.88%	89.41%	85.16%	81.10%	77.24%	73.56%	70.06%	67.06%	64.06%
DEBT COVERAGE RATIO						0.88	1.00	1.00	1.01	1.06	1.11	1.17	1.23	1.29	1.35	1.41

- PROJECTED SALES PRICE @ 9.0% CAP ON 11TH YEAR NOI	\$37,544,981
- SELLING EXPENSES (3.5%)	(\$1,310,574)
- UNPAID MORTGAGE BALANCE	(\$24,983,775)
- PREPAYMENT PENALTY	\$0
* CASH PROCEEDS TO SPLIT BEFORE YIELD MAINTENANCE PAYMENT	\$11,150,631
- USF&G'S SHARE (50% OF PROCEEDS)	\$5,575,315
- YIELD MAINTENANCE PAYMENT (TO ATTAIN 12.1% YIELD)	4,017,322
- TOTAL USF&G'S SHARE	\$9,592,637
- TRAMMELL CROW'S SHARE **	\$1,557,993

- PROJECTED SALES PRICE @ 9.0% CAP ON 11TH YEAR NOI
- SELLING EXPENSES (3.5%)
- UNPAID MORTGAGE BALANCE
- PREPAYMENT PENALTY

* CASH PROCEEDS TO SPLIT BEFORE YIELD MAINTENANCE PAYMENT

- USF&G'S SHARE (50% OF PROCEEDS)

- YIELD MAINTENANCE PAYMENT (TO ATTAIN 12.1% YIELD)

- TOTAL USFG'S SHARE

- TRAMMELL CROW'S SHARE **

* Deficit in the first year will be covered by interim income.

** Framrell Crow's sales proceeds are subordinate to USF&G receiving a yield (IRR) of 12.1%, not to exceed seventy-five percent of Gorr in sales proceeds.

[illegible]

Exhibit V-2B

CASH FLOW SUMMARY
BAY COURT AT HARBOUR POINT
MOST LIKELY CASE

GROSS INCOME:																								
Floor Plan	# of Units	Living Area (SF)	1991		1992	1993	1994	1995	1996	1997	1998	1999	2000	2001										
			Mo. Rent	Per SF																				
A3	40	637	\$515		\$259,308	\$272,273	\$285,887	\$300,181	\$315,190	\$330,950	\$347,498	\$364,872	\$383,116	\$402,272										
A6	42	714	\$546		\$275,184	\$288,943	\$318,560	\$334,488	\$351,212	\$368,773	\$387,212	\$406,572	\$426,901	\$448,346										
B7	116	854	\$604		\$840,420	\$882,441	\$926,563	\$972,891	\$1,021,536	\$1,072,613	\$1,126,243	\$1,182,555	\$1,241,683	\$1,303,767										
B+	60	982	\$656		\$472,500	\$496,125	\$520,931	\$546,978	\$574,327	\$603,043	\$633,195	\$664,855	\$698,098	\$733,023										
C3	44	1,112	\$725		\$382,536	\$401,663	\$421,746	\$442,833	\$464,975	\$488,224	\$512,635	\$538,267	\$565,180	\$593,439										
D+	30	1,215	\$819		\$294,840	\$309,582	\$325,061	\$341,314	\$358,380	\$376,299	\$395,114	\$414,869	\$435,613	\$457,394										
D3	88	1,233	\$819		\$864,864	\$908,107	\$953,513	\$1,001,188	\$1,051,248	\$1,103,810	\$1,159,000	\$1,216,950	\$1,277,798	\$1,341,688										

* OTHER INCOME					\$3,377,304	\$3,546,169	\$3,723,478	\$3,909,652	\$4,105,134	\$4,310,391	\$4,525,910	\$4,752,206	\$4,989,816	\$5,239,307	\$5,501,272									

* GROSS INCOME					\$122,693	\$128,828	\$135,269	\$142,033	\$149,134	\$156,591	\$164,420	\$172,641	\$181,273	\$190,337	\$199,854									

* VACANCY (26.6%, Yr. 1; 5% thereafter)					\$3,499,997	\$3,674,997	\$3,858,747	\$4,051,685	\$4,254,268	\$4,466,982	\$4,690,330	\$4,924,847	\$5,171,089	\$5,429,644	\$5,701,126									

* EFFECTIVE GROSS INCOME					(932,049)	(183,750)	(192,937)	(202,584)	(212,713)	(223,349)	(234,517)	(246,262)	(258,554)	(271,482)	(285,055)									

* OPERATING EXPENSES					\$2,567,948	\$3,491,247	\$3,665,809	\$3,849,100	\$4,041,555	\$4,243,633	\$4,455,814	\$4,678,605	\$4,912,535	\$5,158,162	\$5,416,070									

* TAXES					(850,080)	(892,584)	(937,213)	(984,074)	(1,033,278)	(1,084,941)	(1,139,189)	(1,196,148)	(1,255,955)	(1,318,753)	(1,384,691)									

* NET OPERATING INCOME					(231,000)	(242,550)	(254,678)	(267,411)	(280,782)	(294,821)	(309,562)	(325,040)	(341,202)	(358,357)	(376,275)									

* DEBT SERVICE					1,486,868	2,356,113	2,473,919	2,597,615	2,727,495	2,863,870	3,007,063	3,157,416	3,315,287	3,481,052	3,655,105									

* CASH FLOW (DEFICIT) -- OPERATIONS *					(1,688,400)	(2,348,685)	(2,348,685)	(2,348,685)	(2,348,685)	(2,348,685)	(2,348,685)	(2,348,685)	(2,348,685)	(2,348,685)	(2,348,685)									

* CASH FLOW GUARANTEE (TRAMWELL CROW)					(201,532)	7,428	125,234	248,930	378,810	515,185	658,378	808,731	966,602	1,132,367	N/A									

* CASH FLOW TO SPLIT					0	7,428	125,234	248,930	378,810	515,185	658,378	808,731	966,602	1,132,367	N/A									
X USFEG'S PARTICIPATION					50%	50%	50%	50%	50%	50%	50%	50%	50%	50%	50%									

* CASH FLOW TO USFEG					0	3,714	62,617	124,465	189,405	257,593	329,189	404,366	483,301	566,183										

LOAN-TO-VALUE RATIO						94.44%	89.94%	85.66%	81.58%	77.69%	73.99%	70.47%	67.12%	63.92%										

DEBT COVERAGE RATIO					0.88	1.00	1.05	1.11	1.16	1.22	1.28	1.34	1.41											

\$6,394,141

-TRAMMELL CROW'S SHARE ***

*** Trammell Crow's sales proceeds are subordinate to USF&G receiving a yield (IRR) of 12.1%, not to exceed seventy-five percent of Borrowers fifty percent share in sales proceeds.

ANNUAL RETURN ON CAPITAL

12.12

[illegible]

CASH FLOW SUMMARY
BAY COURT AT HARBOUR POINT
OPTIMISTIC CASE

69

- PROJECTED SALES PRICE @ 9.0% CAP ON 11TH YEAR NOI	\$41,992,867
- SELLING EXPENSES (3.5%)	(\$1,469,820)
- UNPAID MORTGAGE BALANCE	(\$24,723,000)
- PREPAYMENT PENALTY	\$0
= CASH PROCEEDS TO SPLIT BEFORE YIELD MAINTENANCE PAYMENT	\$15,802,047
- USF&G'S SHARE	\$7,901,023
- TRAMMELL CROW'S SHARE **	\$7,901,023

* Deficit in the first year will be covered by interim income.

* * * Frammell Crow's sales proceeds are subordinate to USFAC receiving a yield (IRR) of 12.1%, not to exceed seventy-five percent of Borrowers fifty percent share in sales proceeds.

USF&G YIELD ANALYSIS											

(24, 120, 000)											
INVESTED CAPITAL											
DEBT SERVICE											
CASH FLOW FROM OPERATIONS											
1,698,400	2,348,695	2,348,695	2,348,695	2,348,695	2,348,695	2,348,695	2,348,695	2,348,695	2,348,695	2,348,695	2,348,695
29,392	43,820	104,728	168,681	235,832	306,341	380,375	458,111	539,734	625,438	693,003	7,901,023
N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
RETURN OF ACCRUED AND UNPAID INTEREST											
RETURN OF CAPITAL											
N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
CASH PROCEEDS FROM SALE											

(24, 120, 000)	1,717,792	2,392,505	2,453,413	2,517,366	2,584,517	2,655,026	2,729,060	2,805,796	2,888,419	2,959,146	35,598,146
USF&G'S TOTAL CASH FLOW											

12.2%											
ESTIMATED YIELD (IRR)											
OUTSTANDING MORTGAGE BALANCE											
24,723,000	24,723,000	24,723,000	24,723,000	24,723,000	24,723,000	24,723,000	24,723,000	24,723,000	24,723,000	24,723,000	24,723,000
ANNUAL RETURN ON CAPITAL											
7.1%	9.9%	10.2%	10.4%	10.7%	11.0%	11.3%	11.6%	12.0%	12.3%	12.3%	12.3%

Exhibit V-3
VALUATION ANALYSIS*

Cost Approach:

	Reproduction costs 443,868 gross SF @ \$49.35	\$21,904,886
+	Land Value @ \$10,214 per unit (420 units)	\$4,290,000
+	Developer's Profit @ 10%	<u>2,619,489</u>
=	Estimated Value	\$28,814,375
	Rounded to:	\$28,800,000

Direct Sales Comparison Approach:

	Price Per SF Unit of Comparison	
	\$67,200 per unit x 420 =	28,224,000
	Rounded to:	28,200,000
	Effective Gross Income Multiplier	
	Analysis (EGIM)	
	EFF Gross Income \$3,496,054	
	EGIN <u>8.40</u>	
=	Estimated Value	\$29,366,854
	Rounded to:	\$29,400,000

Income Approach

	Direct Capitalization Method	
	Net Operating Income	\$2,480,663
:	Overall Capitalization Rate (OA)	<u>.0875</u>
=	Estimated Value	\$28,350,434
	Rounded to:	\$28,350,000

The prospective market value of the subject property at stabilized occupancy (estimated to be on June 1, 1991) will be:

Twenty-eight million three hundred fifty thousand dollars
(\$28,350,000)

Indicated loan-to-value ratio= 85.1%

* Based on MAI appraisal performed by Schueler, McKown and Keenan, Inc. located in Seattle, Washington.

Exhibit V-4
COMPARABLE APARTMENT SALES CHART

Map No.	Name/Location	Sales Date	Sales Price	# of Units	Size (SF)	\$/SF	\$/Unit	EGIM	OAR
1	Bellaire Place 16539 N.E. 35th Crescent Redmond, WA	12/88	\$13,580,000	197	186,988	\$72.20	\$68,528	8.41	9.06%
2	Sammanish View 16100 S.E. Eastgate Way Bellevue, WA	3/88	\$10,200,000	153	144,989	\$70.35	\$66,667	8.60	8.68%
3	Sammanish Crest Apts. 17810 S.E. 40th Place	6/88	\$4,000,000	52	57,890	\$69.10	\$76,923	8.55	8.70%
4	Surprise Lake Village 5926 N. Meridian Milton, WA	12/87	\$16,905,000	338	320,796	\$52.70	\$50,015	8.01	9.03%
5	Edmonds Highlands 23428 Edmonds Way Edmonds, WA	3/87	\$5,847,000	120	100,224	\$58.34	\$48,725	7.97	8.35%

Exhibit V-4A COMPARABLE APARTMENT SALES

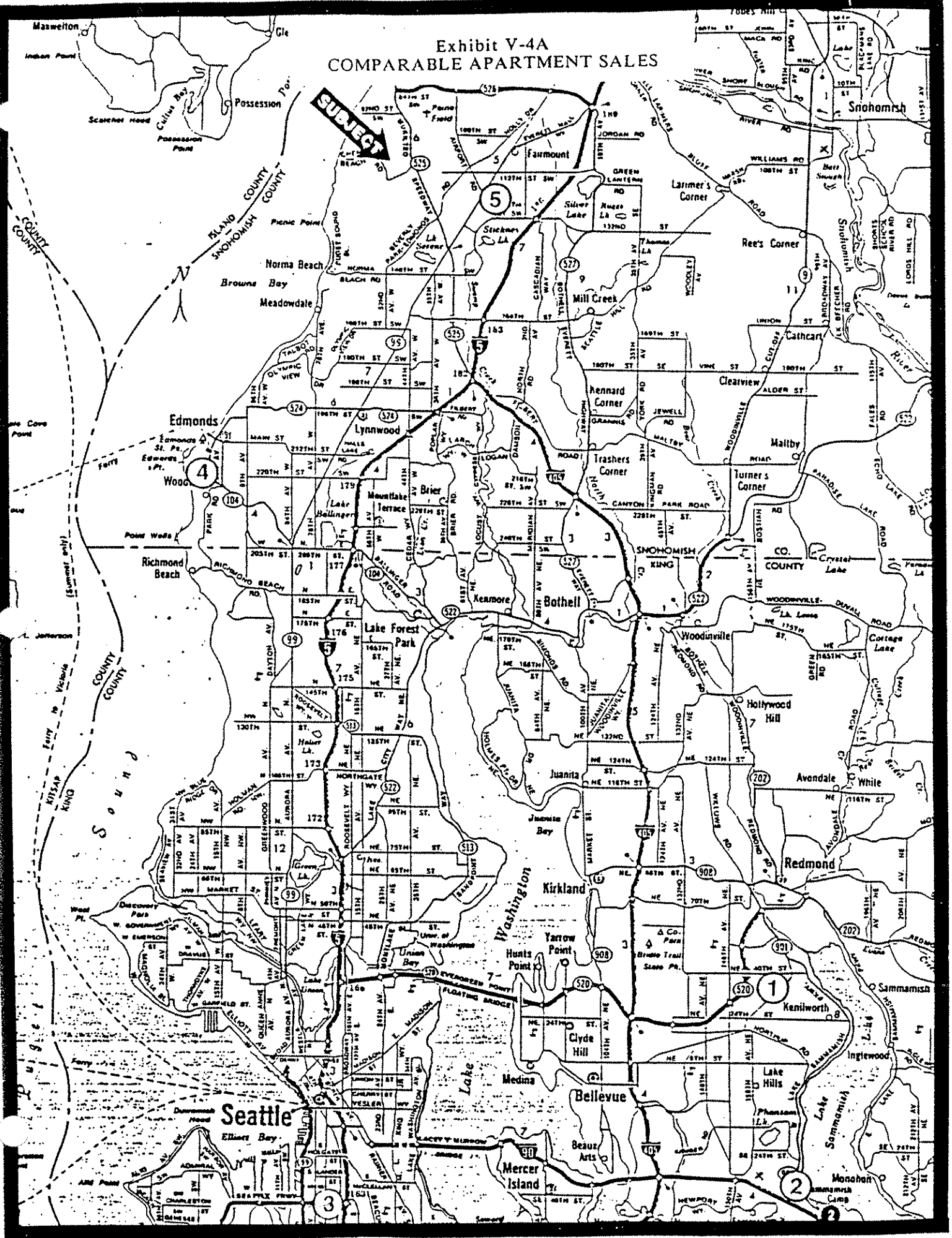


EXHIBIT V-5
COMPARABLE LAND SALES CHART

Map No.	Name/Location	Sales Date	Sales Price	Area (Acres)	# of Units	Price/ Unit	Comments
1	Bay Court (Subject) Chennault Beach Drive and Harbour Pointe Blvd.	1/89 Contract date	\$3,300,000	32+- (gross)	420	\$7,857	This site will have golf course views. This property is across the street from the subject, w/in the Harbour Pointe PUD.
2	Harbour Village-Phase II Chennault Beach Drive and Harbour Pointe Blvd.	1/89 Contract Date			164	\$8,100	This site will have golf course views.
3	Triad Development Harbour Pointe Blvd. just east of 52nd Place W.	12/88 Contract Date	\$3,550,000	44+- acres	558	\$6,362	This property is also proposed for development within the Harbour Pointe PUD. This site will not have golf course view.
4	Silver Lake Heights 2020 Lake Heights Drive	4/88	\$1,558,979	9.3	200	\$7,795	This site has lake view exposure.
5	Harbour Village, Phase I Harbour Pointe Blvd.	10/87	\$627,732	6.6	136	\$4,616	This site is situated across the street from the subject. This property has been developed with 106 apartment units, with an addition 30 units under construction.
6	Bayridge Properties NEC 112th and Silver Lake Road	2/89 Contract Date	\$3,233,310	24.41	400	\$8,083	

Exhibit V-5A COMPARABLE LAND SALES

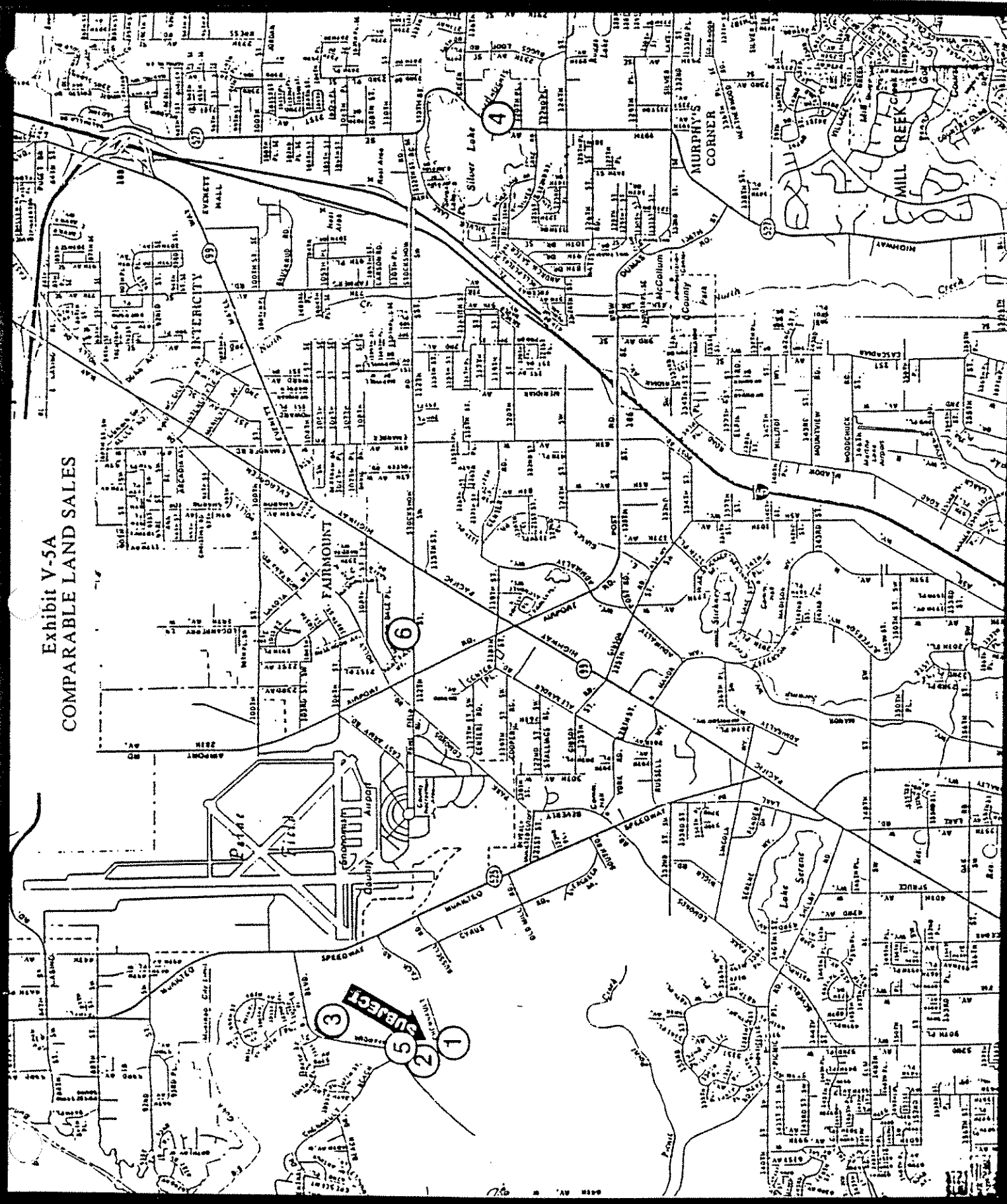


Exhibit V-6A

INVESTOR'S YIELD SUMMARY BAY COURT AT HARBOUR POINTE CONSERVATIVE CASE

Note:	(1)	(2)	(3)	(4)	
Loan Year	Annual Debt Service	Cash Flow From Operations	Outstanding Loan Balance	Cash Flow Flow Sale	Totals
-----	-----	-----	-----	-----	-----
1	1,688,400	0			1,688,400
2	2,172,363	0			2,172,363
3	2,280,981	0			2,280,981
4	2,373,459	10,786			2,384,245
5	2,373,459	70,661			2,444,120
6	2,373,459	133,531			2,506,990
7	2,373,459	199,544			2,573,003
8	2,373,459	268,858			2,642,317
9	2,373,459	341,637			2,715,096
10	2,373,459	418,055	24,983,776	9,592,637	37,367,928

Est. Yield (IRR): 12.1%

(1) Pay Rate Schedule:

Year 1-2 ----- the greater of 7.0% or the net operating income, not to exceed 9.5%.
 Year 3-4 ----- the greater of 8.5% or the net operating income, not to exceed 9.5%.
 Year 5 ----- Greater of 9% or the net operating income.
 Year 6-10 ----- 9.5%.

(2) USF&G receives 50% of the net cash flow from operations.

(3) Original Loan Balance = \$24,120,000

(4) USF&G's cash proceeds from sale is derived by subtracting the sum of USF&G's Outstanding loan balance from the net sales proceeds (\$36,134,407), multiplying the difference by 50%, subject to USF&G receiving it's 12.1% yield.

Exhibit V-6B

INVESTOR'S YIELD SUMMARY BAY COURT AT HARBOUR POINTE MOST LIKELY CASE

Note:	(1)	(2)	(3)	(4)	
Loan	Annual	Cash Flow	Outstanding	Cash Flow	
Year	Debt	From	Loan	Flow	
	Service	Operations	Balance	Sale	Totals
-----	-----	-----	-----	-----	-----
1	1,688,400	0			1,688,400
2	2,348,685	3,714			2,352,399
3	2,348,685	62,617			2,411,302
4	2,348,685	124,465			2,473,150
5	2,348,685	189,405			2,538,090
6	2,348,685	257,593			2,606,278
7	2,348,685	329,189			2,677,874
8	2,348,685	404,366			2,753,051
9	2,348,685	483,301			2,831,986
10	2,348,685	566,183	24,723,000	8,073,703	35,711,572

Est. Yield (IRR): 12.1%

(1) Pay Rate Schedule:

Year 1-2 ----- the greater of 7.0% or the net operating income, not to exceed 9.5%.
 Year 3-4 ----- the greater of 8.5% or the net operating income, not to exceed 9.5%.
 Year 5 ----- Greater of 9% or the net operating income.
 Year 6-10 ----- 9.5%.

(2) USF&G receives 50% of the net cash flow from operations.

(3) Original Loan Balance = \$24,120,000

(4) USF&G's cash proceeds from sale is derived by subtracting the sum of USF&G's Outstanding Loan Balance from the net sales proceeds (\$39,190,844), multiplying the difference by 50% (\$7,233,922), and adding the yield maintenance payment of \$839,781.

Exhibit V-6C

INVESTOR'S YIELD SUMMARY BAY COURT AT HARBOUR POINTE OPTIMISTIC CASE

Note:	(1)	(2)	(3)	(4)	
	Annual	Cash Flow	Outstanding	Cash Flow	
Loan	Debt	From	Loan	Flow	
Year	Service	Operations	Balance	Sale	Totals
-----	-----	-----	-----	-----	-----
1	1,688,400	29,392			1,717,792
2	2,348,685	43,820			2,392,505
3	2,348,685	104,728			2,453,413
4	2,348,685	168,681			2,517,366
5	2,348,685	235,832			2,584,517
6	2,348,685	306,341			2,655,026
7	2,348,685	380,375			2,729,060
8	2,348,685	458,111			2,806,796
9	2,348,685	539,734			2,888,419
10	2,348,685	625,438	24,723,000	7,901,023	35,598,146

Est. Yield (IRR): 12.2%

(1) Pay Rate Schedule:

Year 1-2 ----- the greater of 7.0% or the net operating income, not to exceed 9.5%.
 Year 3-4 ----- the greater of 8.5% or the net operating income, not to exceed 9.5%.
 Year 5 ----- Greater of 9% or the net operating income.
 Year 6-10 ----- 9.5%.

(2) USF&G receives 50% of the net cash flow from operations.

(3) Original Loan Balance = \$24,120,000

(4) USF&G's cash proceeds from sale is derived by subtracting the sum of USF&G's Outstanding Loan Balance from the net sales proceeds (\$40,525,047), multiplying the difference by 50%, subject to USF&G receiving its 12.1% yield.

Exhibit V-7

BAY COURT AT HARBOUR POINTE

SENSITIVITY ANALYSIS

Conservative Case - Assumes 10% Vacancy; 5% growth in income.

IRR Analysis

Overall Cap Rate	Growth Rate		
	3.0%	5.0%	7.0%
9.00%	12.1%	12.1%	12.9%
8.50%	12.1%	12.1%	13.2%
8.00%	12.1%	12.1%	13.5%

Most Likely Case - Assumes 5% Vacancy; 5% growth in income

IRR Analysis

Overall Cap Rate	Growth Rate		
	3.0%	5.0%	7.0%
9.00%	12.1%	12.1%	13.7%
8.50%	12.1%	12.2%	13.9%
8.00%	12.1%	12.4%	14.2%

Optimistic Case - Assumes 5% Vacancy; 3% growth in income 1st. year.

IRR Analysis

Overall Cap Rate	Growth Rate		
	3.0%	5.0%	7.0%
9.00%	12.1%	12.2%	13.9%
8.50%	12.1%	12.4%	14.2%
8.00%	12.1%	12.7%	14.5%