BROOK HIGHLAND DEVELOPMENT

BIRMINGHAM, ALABAMA

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

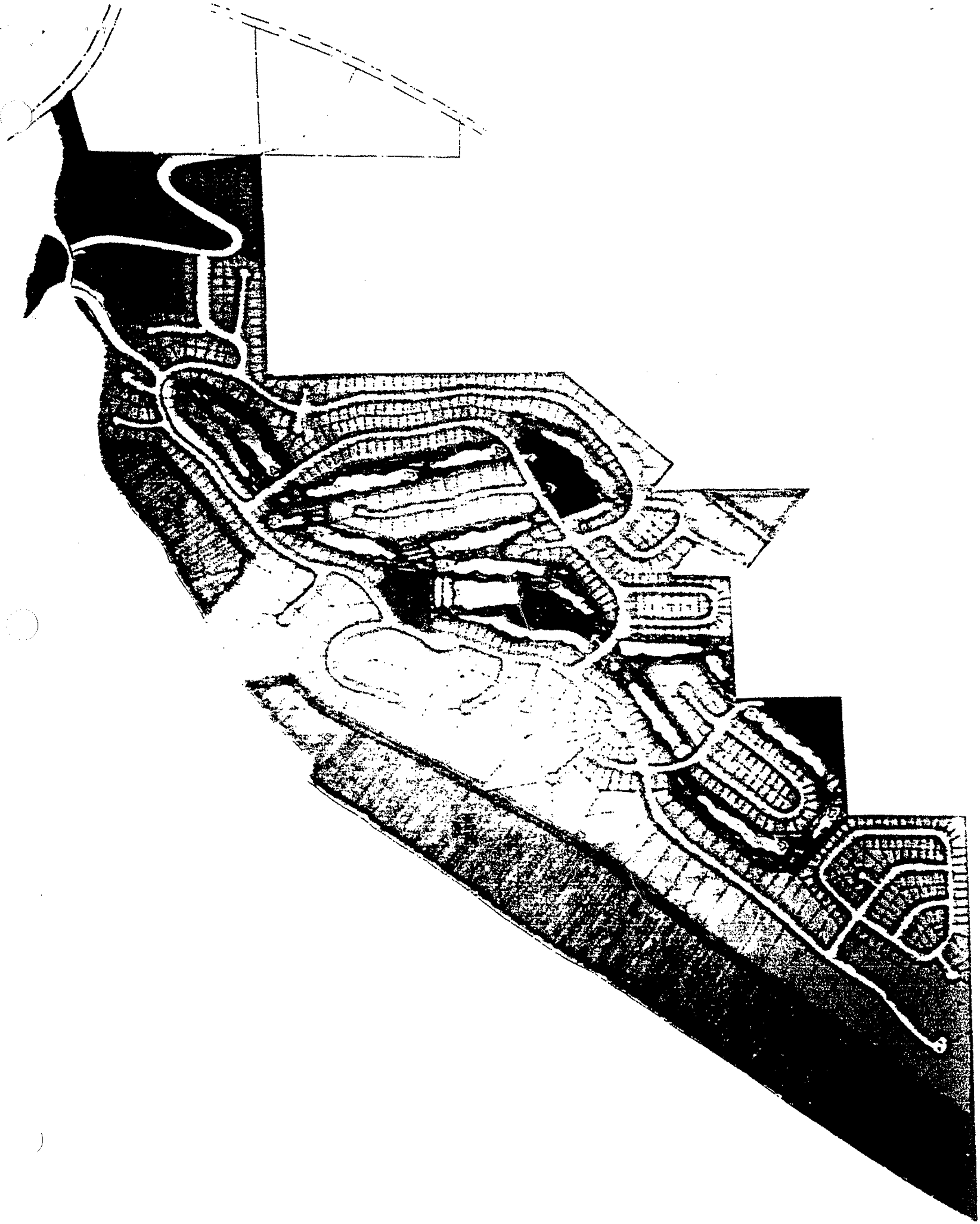


TABLE OF CONTENTS

I. INTRODUCTION

USF&G

1010 North Glebe Road, Suite 800
Arlington, Virginia 22201 • (703) 522-6200

Realty Advisors, Inc.

June 29, 1989

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

RE: Brook Highland
Birmingham, Alabama

Dear Sirs:

Enclosed for your review is an Investment Report on Brook Highland, a 1,838 acre mixed-use, planned unit land development located in northeast Shelby County, Alabama. The proposed transaction is structured as a participating mortgage for up to $15,500,000, which will be secured by the land. The application which summarizes the proposed investment is attached as Exhibit I-1.

The Property--The subject property consists of 1,838 acres of very hilly, physically attractive, densely vegetated land. It backs up to the Double Oak Mountain Range and affords some spectacular views. The project will be developed over a 14 year buildout and includes the following six areas of development: 1) a 1,050 golf and residential community yielding 943 lots; 2) a 175 acre golf course/country club parcel which is to be ground leased to a golf course developer; 3) a 370 acre parcel for estate lots yielding 342 lots; 4) a 75 acre parcel yielding 35 estate lots; 5) 65 acres for multifamily development; and 6) a 105 acre commercial parcel which is expected to be sold to NCNB at closing. Construction is scheduled to commence during the fall of 1989, with completion of the first phase of road infrastructure and lots at the end of 1990. Engineering and environmental studies are in process and are expected to be completed by the end of July, 1989. Zoning for the site is in process; USF&G will not close the proposed loan until proper zoning is in place, which is expected to be October, 1989.

The majority of USF&G's loan of $15,500,000 is the land acquisition cost of $12,725,000 or $6,923 per acre. The remainder of the budget consists of closing costs of $875,000 or $476 per acre and a contingency reserve of $1,900,000 or $1,034 per acre. Contingency costs can be used to pay approved marketing, infrastructure, and administration costs.

The Market--Shelby County is the fastest growing county within the Birmingham SMA. The county's current population has increased 48% over 1980, and projections for 1990 to 2000 project an annual growth rate of 2.9% per year. Population growth is being fueled by continued job expansion. Birmingham's economy has been strengthened through its diversification effort, which has led to new jobs in such areas as high-tech, telecommunications, finance, medicine, tourism, and retail. Major employers in the Birmingham area include the University of Birmingham Medical Center, the U.S. Government, Jefferson County Government, City of Birmingham, AL Power Co., South Central Bell, and Rust. Employment projections for Shelby County indicate an average annual growth rate of 4.9% from 1990 to 2000, which represents an annual increase of 1,830 persons per year.

Brook Highland is located in the 280 corridor, the largest suburban commercial office submarket in the Birmingham area, containing approximately 5.4 million square feet of space,(including owner occupied). Major businesses located there include: Rust International, BE&K Engineering, Bell Engineering, USF&G, EBSCO, and South Company Services. The maturation of this service corridor created a demand for skilled professionals in all fields, who turned to planned communities en masse, resulting in the capture of a substantial portion of the high income growth for the Birmingham area.

There are currently 706 lots available in six existing Planned Unit Developments. These six subdivisions are built out for the most part, with the exception of River Chase which has 400 potential lots, and Heather Wood which has 360 potential lots. There are three proposed Planned Unit Developments which have a potential of 3,293 lots. Total lots that will be available in Planned Unit Developments in Shelby County total 4,759 lots. Brook Highland has excellent access and superior amenities including a golf course, country club and lakes. Based on a study of population growth, employment growth, and historical single family absorption, we have determined that Brook Highland should capture 24% of annual market demand for lots in Planned Unit Developments. Therefore, we project our most likely absorption to be 110 lots per year. Our average lot price in our most likely scenario is $58,000 per lot. We have determined this pricing based on comparable lot sales in existing subdivisions, reflecting variations for location and amenity level.

The Borrower--The Borrower will be Daniel Corporation or an affiliated entity. The Daniel Corporation will guarantee USF&G's basic interest until project cash flows are sufficient to pay USF&G its 9% interest rate. Daniel's guarantee will be collateralized with an 18 month Letter of Credit covering 9% on the outstanding principal balance. At the end of the initial 18 month period, the Letter of Credit will be renewed for 12 month periods until the above requirement is satisfied.

The Daniel Corporation is a full service real estate company engaged in the development, ownership and management of office, retail, warehouse, multifamily properties, and land. Daniel Realty Corporation ("DRC"), a wholly owned subsidiary of Daniel, was founded in 1964, primarily to manage real estate assets of Daniel International Corporation. As a subsidiary of Daniel International and then Fluor Corporation, DRC broadened its scope and activities in the late 1970's to include fee management and development and ownership of operating properties, expanding its capital sources to include debt and equity from external sources. In August, 1986 the senior management of DRC founded Daniel Realty Company, a New York general partnership, which acquired all assets and operations of Daniel from the Fluor Corporation.

Daniel, which is headquartered in Birmingham, Alabama, has developed or acquired approximately 6 million square feet of office space, 6,500 apartment units, 5,300 acres of land development and 500 hotel rooms. Daniel currently focuses on key local markets, especially in the southeast and Mid Atlantic states, where it has an established presence. USF&G has had a long and successful relationship with Daniel through the Meadow Brook loans and the Meadow Brook sale. Daniel has performed well in the role of borrower, developer, and building manager.

The Risk and Return--The proposed investment is structured as a participating land loan for the purpose of acquiring and developing 1,873 acres of Planned Unit Development land. The participating first mortgage will be in the amount of $15,500,000, of which $13,600,000 will be funded at closing.

The remaining, $1,900,000 plus $727,000 of amortization received by USF&G at closing from the proceeds of the anticipated sale of the commercial land to NCNB will be held back for a 24-month period and dispersed quarterly, if needed, for the purposes of approved marketing, infrastructure, administration, and contingency costs. USF&G will receive a 9% basic interest rate which is paid currently and guaranteed by letters of credit from Daniel Corporation. USF&G will be repaid its capital on a prorata and pro forma basis during the land development. That is, if the rate of development and loan amortization should slow down and fall behind the pro forma amortization schedule, the loan must be reduced by the pro forma amortization through net sales proceeds as a priority over return of Daniel capital or cash flow splits. USF&G will receive, as additional interest, 25% of cash flow remaining after deduction for budgeted infrastructure and development costs and pro rate amortization of Daniel capital.

The proposed land loan provides the following safeguards that reduce USF&G's risk in the proposed land development: USF&G's loan is 50% of raw land value; USF&G's debt service is fully guaranteed and collateralized with letters of credit and paid currently; USF&G is repaid its capital over 8 years at the higher of prorata or pro forma amortization schedules; if sales slow down 50% below projections after the fifth year, USF&G has the right to call the loan. The market risk is the most significant risk of this project, since land developments are dramatically affected by market conditions as they pertain to absorption, sales price, and land appreciation. We feel that the market risks for this investment are mitigated by the positive demographics, the historical appreciation of land prices, the shortage of buildable land left in desirable neighborhoods, the expertise of the developer, and the deal structure. Finally, on a disaster case basis, USF&G would still have its principal balance amortized over 8 years, and receive its 9% interest rate, if the sales pace dropped to as low as 48 lots per year and land prices appreciated 5% per year, with a starting lot price of $67,375.

We have analyzed USF&G's yield on a conservative, most likely, and optimistic case basis. USF&G's yields range from a low of 16.27% in the conservative case at 5% growth, to a high of 24.6% for the optimistic case at 10% growth. USF&G's most likely return will range from 18.99% to 22.27% with 5 to 10% growth. This is sufficient return for the risks associated for this participation loan.

In conclusion, the proposed Brook Highland Project represents an excellent investment opportunity. The project is in the highest growth area of the metropolitan area, it has excellent access to Highway 280 which is the focal point of new job growth, and is a well planned, physically attractive Planned Unit Development which will offer residents much sought after amenities such as golf courses, country clubs, and lakes.

The investment structure is designed to protect USF&G's principle both through quick amortization and a low loan to value ratio, and to insure it a good bookable annual return, as well as a high overall yield in today's financial market. Therefore, USF&G Realty Advisors recommends that the Real Estate Investment Committee for the United States Fidelity and Guaranty Company approve the commitment of $15,500,000 for the participating mortgage on Brook Highland under the terms and conditions outlined in Exhibit I-1.

Sincerely,

Diane Olmstead
Vice President

USF&G
Realty Advisors, Inc.
1010 North Glebe Road, Suite 900
Arlington, Virginia 22201 • (703) 522-6200

June 29, 1989

Allan D. Worthington
Senior Vice President
The Daniel Corporation
1200 Corporate Drive,
P.O. Box 43250
Birmingham, Alabama 35243-0250

Re: Brook Highland Development
Birmingham, Alabama

Dear Al:

This letter summarizes the terms on which USF&G Realty Advisors is prepared to recommend to its client's Investment Committee to authorize the issuance of a commitment for a participating first mortgage loan on the property described below as part of the MeadowBrook capital re-deployment.

Property: **Brook Highland Development** -- an 1873-acre, mixed-use development.

Location: The east side of south Highway 280 across the highway from the Meadow Brook planned community, approximately nine miles southeast of Birmingham, Alabama in north Shelby County.

Land Area: Total land area is approximately 1873 acres of appropriately zoned and approved for commercial and residential mixed-use, planned-unit development.

Master Development Plan: The above described land is to be developed in accordance with the development plan attached as Exhibit B. It is currently envisioned that there will be six areas.

* **Area One:** A 1085-acre golf and residential community, yielding 942 lots. Average lot size should be .70 acres.
* **Area Two:** A 175-acre golf course/country club parcel which is to be pre-leased to a golf course developer.
* **Area Three:** A 370-acre parcel to be developed for estate lots, yielding 342 lots. Average lot size should be approximately .71 acres.
* **Area Four:** A 73-acre parcel yielding 35 estate lots. Average lot size should be 1.77 acres.

* **Area Five:** 65 acres which will be sold to a third party buyer to be used for multifamily development.

* **Area Six:** A 105-acre commercial parcel which is expected to be sold to NCNB.

* Of the total of 1,319 lots, one-third will be amenity lots, and two-thirds will be non-amenity lots.

Borrower: The Daniel Corporation or affiliated Partnership

Lender: USF&G

Loan Amount: $15,500,000 (see Exhibit A).

Interest Rate: 9.0%

Amortization: The Loan will be amortized on a prorata and pro forma basis in accordance with Exhibit C.

Term: 10 Years.

Release Provisions: Land parcels may be released from the mortgage by paying a "release price" as determined in Exhibit D.

Call Option: Lender may call the Loan anytime after the 5th anniversary of the initial funding upon 12 month's written notice, if there have been less than 60 lot sales during the prior 12-month period. If during the notice year, lot sales exceed 61, call option will be rescinded but not waived.

Recourse: With the exception of the 9.0% guarantee, secured by letters of credit from The Daniel Corporation, the Loan will be non-recourse to the Borrower.

Interest Guarantee: Daniel shall guarantee USF&G a 9% interest rate on its loan principal during the Interest Guarantee Period. This guarantee will be collateralized by a letter of credit. The Interest Guarantee Period will begin at initial funding and will last until the land sales generate a 9% interest payment after expenses for a full loan year. The letter of credit will be in an amount equal to the initial funding multiplied by .135 and will remain in effect for 18 months. After 18 months, the letter of credit will be reduced to the outstanding principal balance multiplied by 9% and will remain in effect until the Interest Guarantee Period is terminated.

All fundings subsequent to the initial funding will require a letter of credit to be posted on the same terms and conditions specified above.

A. Distribution of Net Sales Proceeds: Sales proceeds will be distributed as outlined in Exhibit E.

Priority 1 — USF&G will receive the higher of its prorata amortization (See Exhibit D) or Pro Forma amortization (See Exhibit C).

Not withstanding the above, if the actual cumulative loan amortization falls behind the pro forma amortization schedule (Exhibit C), then the difference between the two will be added into a given year's amortization as a priority over subsequent distribution priorities.

Priority 2 — All infrastructure costs will be deducted as per budget. These funds will be used as per budget to construct infrastructure for the next phase.

Priority 3 — If Daniel Corporation contributes its own capital to fund budget items (including USF&G debt service), they will be allowed to amortize their capital account on a prorata basis (as described for USF&G in Exhibit D) prior to the split of cash flow.

Priority 4 — The cash flow after interest and amortization is split with 25% going to USF&G and 75% going to Daniel Corporation.

Additional Interest: USF&G's additional interest is described in Priority 1 and 4 of Distribution of Net Sales Proceeds

Commitment Fee: $155,000; $155,000 which is earned and paid in cash upon acceptance of the commitment. No additional commitment fee will be due from Borrower at closing.

Initial Funding: $12,500,000 plus approved closing costs. Initial funding will occur within 90 days after USF&G commitment letter date.

Working Capital Reserve: It is expected that 105 +/- acres of commercial land adjacent to the subject property will be purchased by NCNB at the time of closing. Net proceeds from the sale, $4,523,085, (Sales price of $5,200,000 less loan amortization of $727,000) will be used for infrastructure as per budget in Exhibit E. If the NCNB sale does not occur, Daniel Corporation will invest $4,523,085 for infrastructure and operating expenses during the first 18 months of the loan. The amount invested by Daniel shall be returned to Daniel upon the sale of any of the commercial land as a second priority after payment of $727,000 of loan amortization to USF&G.

Holdbacks:

$3,000,000; adjusted downward for total redeployment closing costs (see Exhibit F) estimated to be $875,000, and adjusted upward for loan amortization for land sale to NCNB, $727,000); will be held back for a period of 24 months and disbursed on a quarterly basis for approved marketing, infrastructure costs, administration, contingencies, and closing costs according to the budget in Exhibit A.

All subsequent disbursements will be conditioned upon Daniel's posting of an additional letter of credit as described on page 2 paragraph 10 of this letter.

Any funds remaining after 24 months will not be disbursed.

Contingencies:

Economic Due Diligence:

The issuance of a commitment by the Lender to enter into this transaction is contingent upon the satisfaction of USF&G Realty Advisors with the result of its economic due diligence.

Lender Approval:

This application and the transaction contemplated herein must be approved by Lender's Investment Committee.

Plans and Specifications:

USF&G reserves the right to review and approve the plans and specifications for all land development, and to approve all major changes, modifications, or corrections to the plans during the development period. USF&G has 15 business days following receipt of the "front end" report from an approved inspecting engineer to approve or disapprove the plans and specifications and major changes, modifications, or corrections. Failure to respond within 15 days will be considered an approval. The costs of the engineering study will be paid for by the Borrower.

Prior to closing, the inspecting engineer will confirm in the "front end" report that the site plans in Exhibits A-1 and A-2 can be developed on the subject land, and that the number of lots and the breakdown of amenity and non-amentiy lots is consistent with the Development Plan outlined in this letter.

Zoning Approval:

Prior to closing, appropriate zoning must be approved by Shelby County, or any other governmental authority having zoning jurisdiction over the property which allows for full development of Master Plan as outlined in this letter, with no additional budget cost. (Other than the donation of land for public use or facilities, as the same may be considered by USF&G)

Environmental Report: Receipt of an environmental study of the Property by a reputable engineer or environmental firm acceptable to Lender which demonstrates to USF&G'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. In the event that the historic review indicates that toxic materials may exist in the soil, soil borings will be conducted at the Borrower's expense, and the results will be analyzed by a laboratory. All costs associated with the environmental study will be paid by Borrower.

Appraisal: The receipt of an appraisal of the Property by an MAI-designated appraiser approved by Lender stating that the current market value of the Property is at least $26,000,000.

Golf Course: USF&G anticipates that Daniel will lease Area 2 to a qualified golf course developer. The land lease will be pledged to USF&G by Daniel as additional collateral, and will not be encumbered by the USF&G morgage and will provide for subordination of Daniel's fee interest to golf course development financing. Prior to closing, Daniel will have selected, and USF&G will have approved, the developer and designer for the 18-hole golf course and country club. The developer will evidence both the expertise and track record to successfully develop the course, as well as well as the strength and ability to obtain the financing for the project.

Closing Costs: All costs associated with the closing of the Loan will be paid by Borrower.

Land Sales: USF&G reserves the right to approve all land sales to third parties that are at sales prices below 150% of prorata amortization per Exhibit D. Failure to respond within 15 business days after receipt of the sales contract shall be considered approval.

If the terms outlined in this letter are acceptable, please sign below and return this letter with an application fee in the amount of $50,000 by June 29, 1989. The application fee should be wired to a custodial account. Please call me for wiring instructions. The application fee will be returned if USF&G does not issue a commitment according to the terms outlined in this letter. The application fee will be earned by USF&G upon issuance of a commitment according to the terms outlined in this letter, and the commitment fee will be reduced by $50,000.

Sincerely,

Diane Olmstead
Vice President

Accepted:

________________ ________
By Date

____
Title

DO:clg
Attachments

Exhibit A
Source and Uses of Funds

Source:

USF&G Participating Loan	$15,500,000

Uses:

Land Purchase	$12,725,000
Closing Costs	875,000
Reserve Fund *	1,900,000
	$15,500,000

* Reserve Fund will be held back for a period of 24 months and disbursed on a quarterly basis as needed for approved budgeted marketing, infrastructure costs, administration, and contingencies.

EXHIBIT B

BROOK HIGHLAND DEVELOPMENT
LAND USE PLAN

AREA	1	2	3	4	5	6	
USE (ACRES)	RESID.	GOLF/ COUNTRY CLUB	RESID.	RESID.	MULTIFAMILY	COMMERCIAL	TOTALS
GROSS AREA:	1,085	175	370	73	65	105	1,873
LESS:							
RIGHT-OF-WAY	95	0	14	7	0	0	116
MOUNTAIN AREA	310	0	92	0	0	0	402
ENTRY	20	0	20	4	0	0	44
NET ACRES FOR SALE	660	175	244	62	65	105	1,311
NUMBER OF LOTS	942	0	342	35	0	0	1,319
LOTS PER ACRE	1.43		1.40	0.56			
AVERAGE LOT SIZE (ACRES)	0.70		0.71	1.77			

Exhibit C

Pro Forma Amortization Schedule

At Closing	727,000
Year 1	460,844
Year 2	1,841,707
Year 3	1,661,297
Year 4	1,760,975
Year 5	1,866,633
Year 6	1,978,631
Year 7	2,097,349
Year 8	1,205,563
Total	13,600,000

*Note: The loan will be amortized on a pro rata and pro forma basis. Amortization based on total funding of $13,600,000.

Exhibit D

Calculation of Prorata Amortization for Lot and Bulk Sales

1. Determine value for each area and what percent of value each area represents

2. Determine within each area the various lot types and the number and percentage that that lot type represents within the area.

   A. To determine prorata amortization per lot

   (Lot type % of Area Value x Area % of total Project Value) x USF&G Investment) ÷ Total number of lots of that type within area = prorata amortization per lot

   B. To determine Bulk Sale prorata amortization per acre:

   (Area % of total project Value x USF&G Investment) ÷ Area Acreage = prorata amortization

Example A

	Area	Acre	Per Cent Of Appraised Value	Total Appraised Value
	1	2	10%	100
	2	3	20%	200
	3	5	70%	700
Total		10	100%	1,000

However:
Area 1 has 3 lot types that equal 100% of Area 1 value:

	Numbered Lots	Lot Type	% of Area Value
	3	R	X%
	4	S	Y%
	1	T	Z%
Total	8		100%

To determine lot prorata amortization For Area 1 lot type R apply the formula:

(X% x 10%) x USF&G Investment ÷ 3 = prorata amortization per lot Type R

Example B
To determine prorata amortization per acre for bulk sale of Area 3 apply the formula:

(70% x USF&G Investment ÷ 5) = prorata amortization per acre

Exhibit E

Distribution of Sale Proceeds

	Gross Sales Proceeds
-	USF&G Interest Expense
-	Selling Expenses
-	Net Sales Proceeds
-	USF&G Amortization at the greater of Pro Forma (See Exhibit C) or Pro Rata (See Exhibit D)
=	Remaining Proceeds
-	Budgeted Infrastructure costs and other budgeted developmental costs
-	Daniel Prorata amortization of capital
=	Land Profit to split
-	25% USF&G
	75% Daniel

Exhibit F
Estimated Closing Costs
Brook Highland

1. Mortgagees Title Insurance Policy (assumes simultaneous issue of owner	$2,000
2. Recording Taxes	
(a) Deed ($4.4 mm cash consideration)	4,400
(b) Mortgage ($13.8 mm)	20,700
(c) Miscellaneous Recording Fees	2,000
3. Environmental/Soils Report (For loan closing only; does not include future costs)	
4. Survey (Initial survey only)	15,000
5. Appraisal	10,000
6. Engineering Report	10,000
7. Loan Commitment Fee to USF&G	155,000
8. Attorney Fees:	
(a) USF&G Attorneys	25,000
(b) Daniel Local Counsel	10,000
(c) Hunton & Williams	25,000
9. Reimbursement to Daniel of Previously Incurred Project-Related Expenses not to exceed:	4,250
TOTAL	$293,350

Closing Costs of Meadow Brook 100, 500, 1000

1. Owner and Mortgagee Title Insurance Policies	
(a) Meadow Brook 100,500,1200 ($36 mm @ .9)	32,400
(b) Miscellaneous Title Insurance Costs	5,000
2. Recording Taxes and Fees	
(a) Meadow Brook 100, 500 and 1200 Deeds ($19.5 mm)	19,500
(b) Meadow Brook 100, 500 and 1200 Mortgage ($16.5 MM)	24,750
(c) Miscellaneous Recording Costs	5,000
3. Environmental/Soils Reports for USF&G and New Lender	10,000
4. Survey (all three buildings)	15,000
5. Appraisal (for both USF&G and Lender	15,000
6. Engineering Report (for USF&G and Lender)	10,000
7. Loan and Joint Venture Commitment Fees:	
(a) USF&G (1% on $18.5 mm)	185,000
(b) New Lender (1% on 16.5 mm)	165,000
8. Attorney Fees:	
(a) USF&G	30,000
(b) New Lender	25,000
(c) Local Counsel	10,000
(d) Hunton & Williams	30,000
TOTAL	$581,650

TOTAL $875,000

II. THE PROPERTY

II. THE PROPERTY

A. INTRODUCTION

Brook Highland is a proposed 1,838-acre mixed-use, planned unit development in northeast Shelby County, Alabama. The development and management of the Brook Highland Planned Unit Development subdivision will be conducted by Daniel Corporation, a regional development and management company based in Birmingham, Alabama. Brook Highland is part of 2,570 acres that Daniel has under contract which is expected to close on August 15, 1989. Brook Highland consists of six areas of development as follows: 1) a 1,050-acre golf and residential community yielding 943 lots; 2) a 175-acre golf course/country club parcel which is to be pre-leased to a golf course developer; 3) a 370-acre parcel for estate lots yielding 342 lots; 4) a 75-acre parcel yielding 35 estate lots; 5) 65 acres for multifamily development; and 6) a 105-acre commercial parcel which is expected to be sold to NCNB at closing Construction is scheduled to commence during the fall of 1989, with completion of the first phase of road infrastructure and lots at the end of 1990. Engineering and environmental studies are in process and are expected to be completed by the end of July, 1989.

As a result of a zoning referendum passed in Shelby County on June 5, 1989, the property must go through a zoning process. Although a favorable result is anticipated, USF&G will not close the proposed loan on Brook Highland until proper zoning is in place. Closing is expected to be October, 1989.

B. LOCATION

As shown in Exhibit II-1, Brook Highland is located along the northern edge of Shelby County, 12 miles south of downtown Birmingham, Alabama in the Highway 280 corridor. The project is 20 minutes from the Birmingham Airport. The project enjoys excellent access from both Highway 280 and Highway 119.

As shown in Exhibit II-2, Shelby County is served by Interstate Highways 65, 59, and 20, and by U.S. Highways 78, 11, 280, and 31. A circumferential highway, I-459, opened in the spring of 1986. The county also has two interstate bus lines, approximately 90 major trucking companies, and five major rail lines. U.S. Highway 280 provides direct access to employment centers in both Shelby and Jefferson Counties. Interstate 65 via I-459 provides direct access to downtown Birmingham. Shopping and recreational facilities are also accessed by Highway 280, west of the subject.

Shelby County is the fastest growing county in the state of Alabama, as the path of suburban residential development has grown south from Birmingham both along the Montgomery Highway (Highway 31), through and beyond Hoover, and along the Highway 280 Corridor.

Historically, residential growth in the greater metropolitan Birmingham area first occurred to the northeast and southwest, as the topography of those areas were relatively flat and less expensive to develop. During this period, most of the housing being developed was for the "blue collar" market, which required smaller units with less amenities. In the 1950's, high-end residential growth began moving over the mountains to the south, where the air quality was better and the terrain more picturesque. It was during this time period that the "Over-The-Mountain" residential incorporations of Mountain Brook and Vestavia occurred and began to grow rapidly. During the next 25 years, those areas matured, and most of the land was developed.

In the early 1970's, the Inverness planned development was begun on the 280 Corridor just north of what is now Meadow Brook. Over the next ten years, Inverness successfully developed high-end, quality, residential lots with amenities such as a golf course, lakes, and natural areas. The demand far outstretched the rate of development which Inverness was undertaking, and soon the competitive areas of Shoal Creek and Riverchase were begun in the late 1970's and early 1980's.

The 280 Corridor grew to be the largest suburban commercial office submarket in the Birmingham area and contains approximately 5.4 million square feet of space, (including owner occupied). Major businesses located there include: Rust International, BE&K Engineering, Bell South Services, South Central Bell, E.F. Hutton, AT&T, Merrill Lynch, Combustion Engineering, USF&G, EBSCO, and South Company Services. The maturation of this service corridor created a demand for skilled professionals in all fields who turned to these planned communities en masse, resulting in the capture of a substantial portion of the high income growth for the Birmingham area.

The 280 Corridor/Northern Shelby County area has the third highest median income average in the Birmingham area and is projected to be the second highest by the year 2010. This projection, along with the continued rapid growth of the area, makes Brook Highland one of the most desirable large tracts of land in Alabama.

C. ADJACENT LAND USES

Aerial photographs of the subject property are listed as Exhibit II-3 and II-4. The subject site is situated on the northeast quadrant of the intersection of Highway 119 and Highway 280. North of the subject is a horse ranch and large estate residential development, ranging from five to 40-acre parcels used for primary residences. To the south of the subject is the Oak Mountain State Park, the largest park in the state. Additional scattered residential and commercial development lie between the park and the subject site. The western boundary is the area of most intense development with major retail, office, and planned residential communities underway. The eastern boundary of the property is the location of the Shoal Creek County Club, an exclusive residential community. Lot prices in this development range from $60,000 to $135,000 for estate lots. Amenities include a golf course, country and swim club, along with lake and mountain views. House values range from $250,000 to $700,000. A large amount of undeveloped land is situated directly southeast of the property.

D. THE SITE

The subject site consists of 1,838 acres and is covered with dense vegetation. The property topography is very hilly and has leveling in certain areas. It backs up to the Double Oak Mountain range along the eastern boundary running north and south affording some of the most spectacular mountain views. Entering Hugh Daniel Drive from Highway 280, the road curves around two lakes. Hugh Daniel Drive connects on the east with Dunnovant Valley Road which forms the southeasterly border of the site.

The site will permit dramatic views of the mountain range, lakes, and golf course from certain lot sites. The site plan creates a good marketing tool by taking advantage of the site's frontage along Highways 280 and 199, which are designated as commercial uses. The subject site once developed will represent an upscale, residential community with a golf course serving as a prime amenity to the project.

Public water and sewer are available from the City of Birmingham. The property is not currently zoned, since zoning was not required by Shelby County until a referendum was voted in on June 5, 1989. The developers are in the process of obtaining proper zoning for the subject. Steve Chambers, County Commissioner, indicated that zoning for Brook Highland, as currently master-planned, should be easy to obtain. It is expected that proper zoning of the project will be complete by October, 1989.

E. THE LAND DEVELOPMENT PLAN

The land development plan includes 6 areas, which are summarized below: (See Exhibit II-5) and 5)

- **Area One:** A 1085-acre golf and residential community, yielding 942 lots. Average lot size should be 1.15 acres.
- **Area Two:** A 175-acre golf course/country club parcel which is to be pre-leased to a golf course developer.
- **Area Three:** A 370-acre parcel to be developed for estate lots, yielding 342 lots. Average lot size should be approximatley 1.08 acres.
- **Area Four:** A 73-acre parcel yielding 35 estate lots. Average lot size should be 2 acres.
- **Area Five:** A 65-acre parcel which will be sold to a third party buyer to be used for multifamily development.
- **Area Six:** A 105-acre commercial parcel which is expected to be sold to NCNB.
- Of the total of 1,284 lots, one-third will be amenity lots, and two-thirds will be non-amenity lots.

F. SOURCES AND USES OF FUNDS

A sources and uses of funds statement is presented in Exhibit II-6. USF&G will provide the capital source of $15,500,000, as part of the redeployment of funds from the refinance of MeadowBrook 100, 500, and 1000 buildings. The funds will be provided in the form of a participating loan which includes a nine percent guaranteed interest payment.

The individual uses of funds are shown in II-6. Major categories for the land development include $6,923 per acre for land acquisitions, $476 per acre for closing costs, and $1,033 per acre for contingency. Contingency costs can include marketing, infrastructure costs, and administration.

G. CONCLUSION

The Brook Highland planned development lies adjacent to key employment centers, public as well as private amenities, and upper-end residential areas. The land use plan consists of complimentary uses designed to create a sense of total community necessary to draw a significant amount of residential absorption. With Brook Highland's size, topography, location, and amenity package it can take advantage of the projected growth of the I-280 corridor of Shelby County.

Exhibit II-1
REGIONAL LOCATION MAP

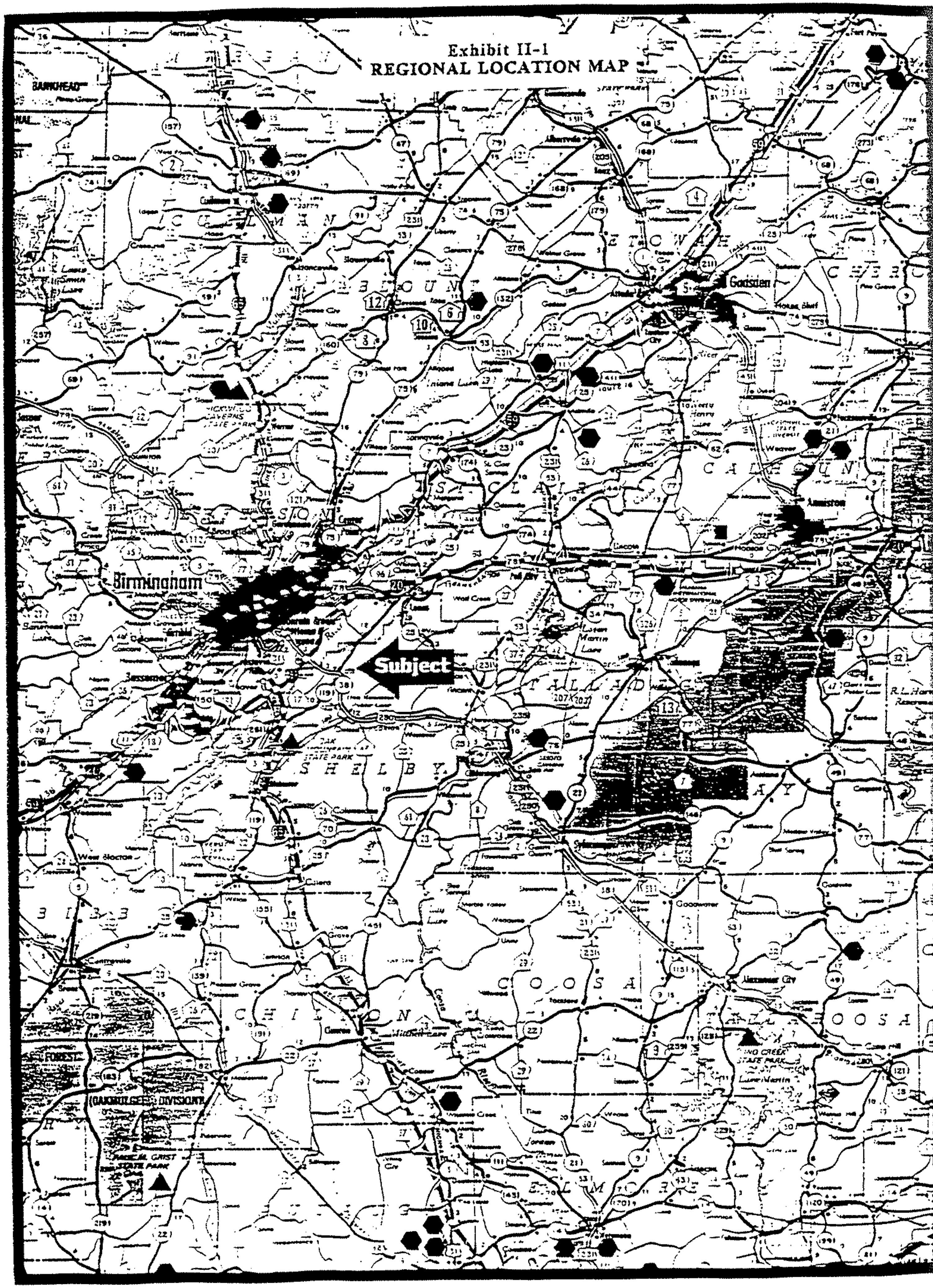


Exhibit II-2
SITE VICINITY MAP

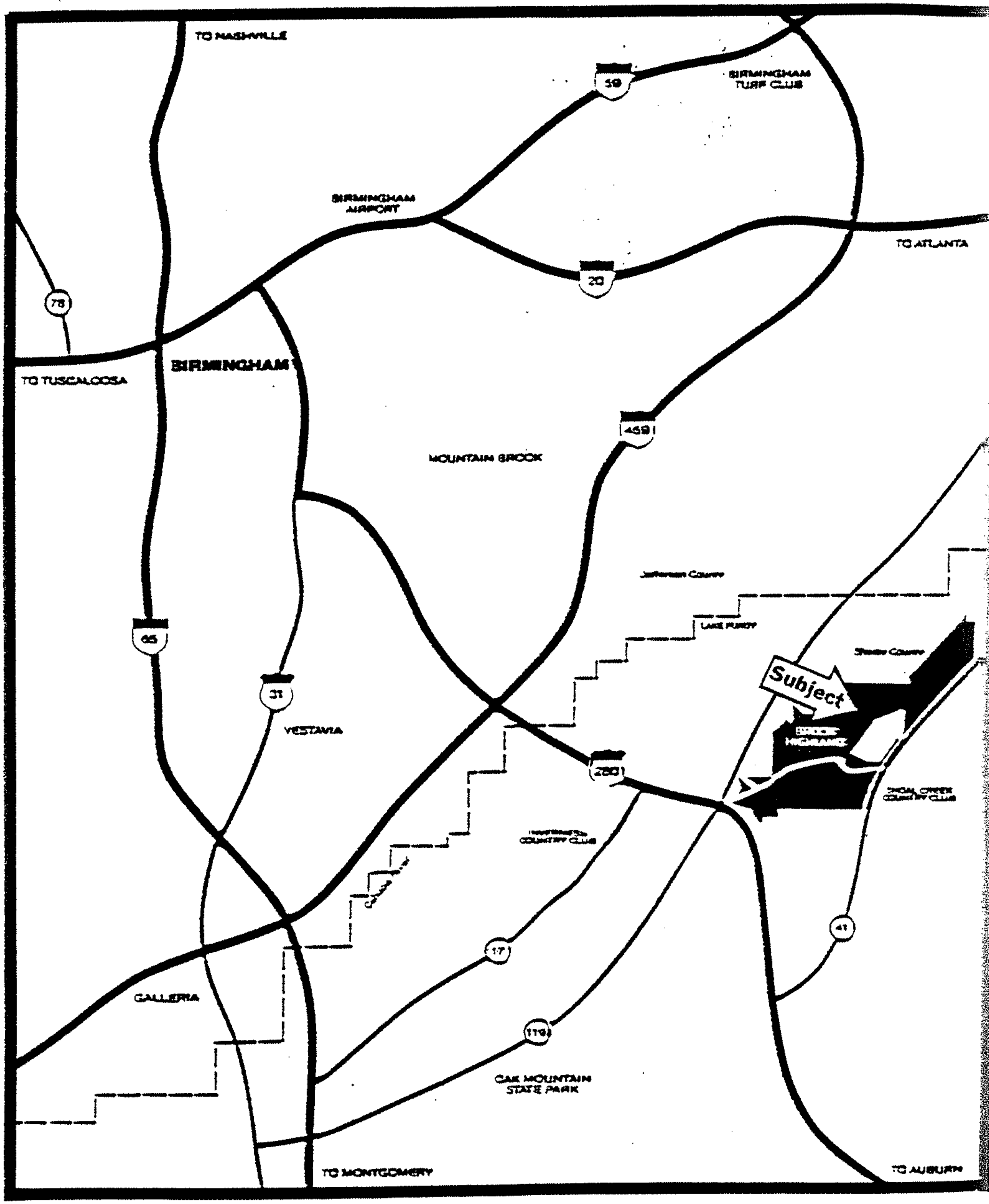


Exhibit II-3
AERIAL PHOTOGRAPH OF THE SUBJECT PROPERTY

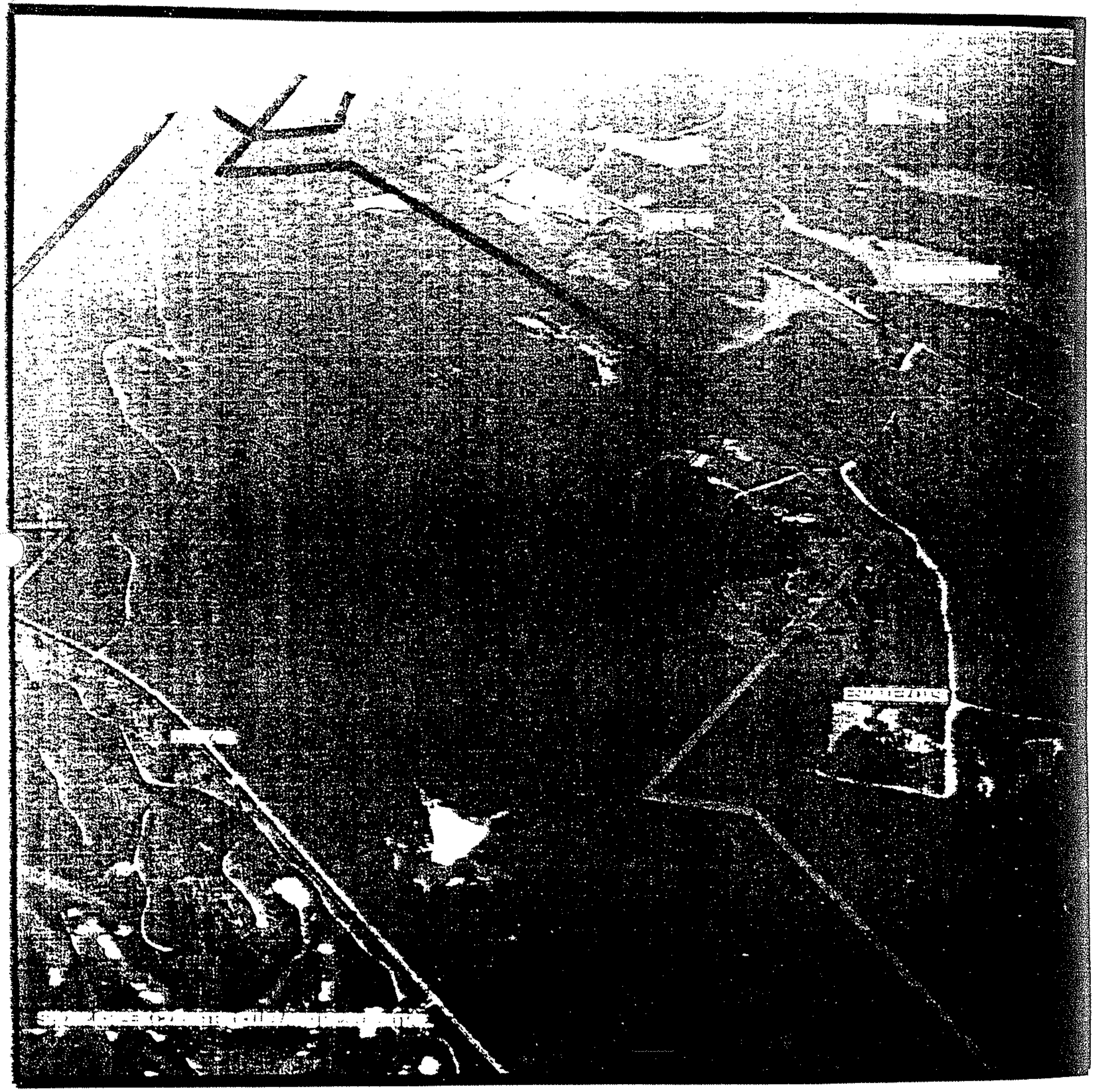


Exhibit II-4
AERIAL PHOTOGRAPH OF THE SUBJECT PROPERTY

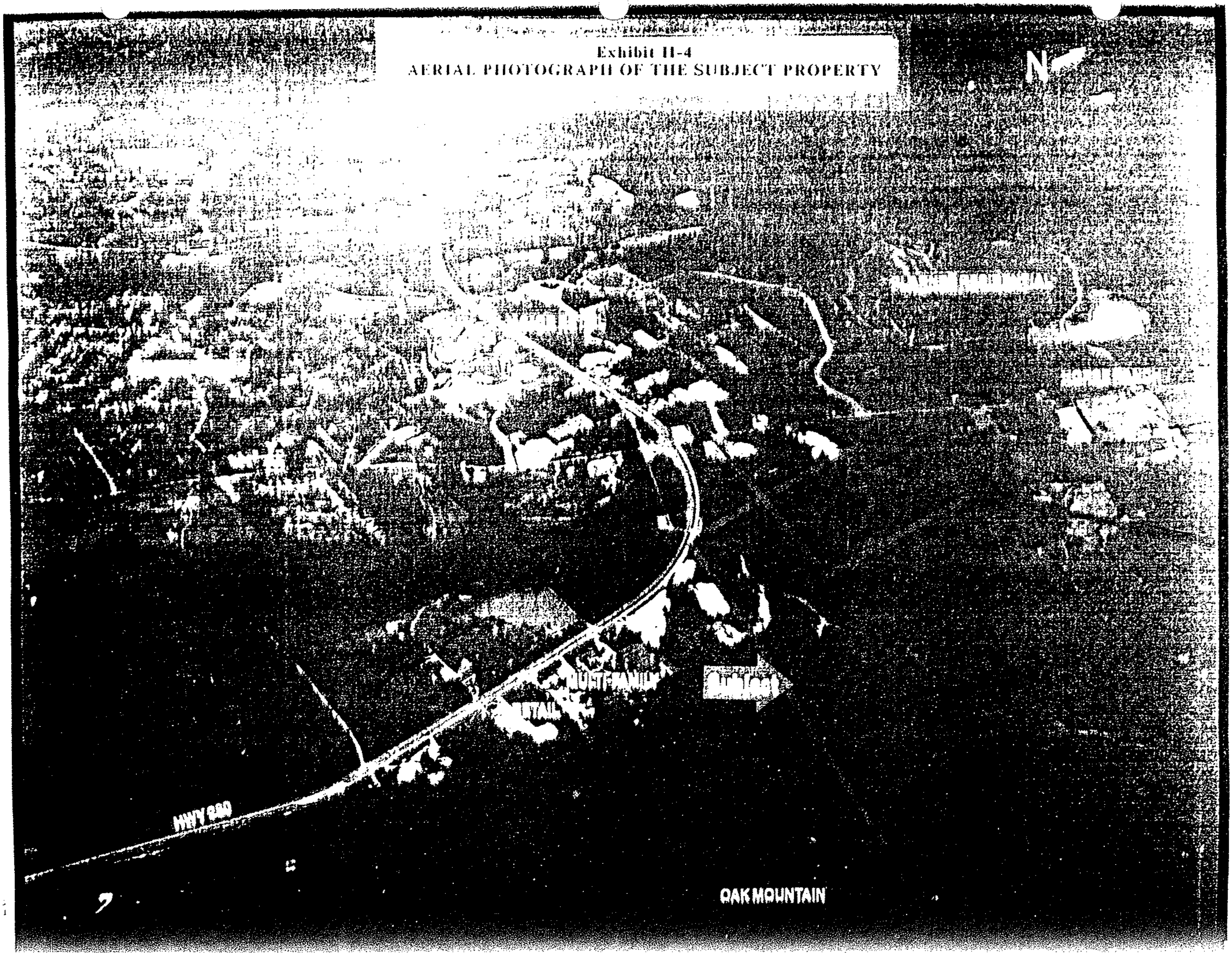


Exhibit II-5
BROOK HIGHLAND DEVELOPMENT
LAND USE PLAN

BROOK HIGHLAND DEVELOPMENT
LAND USE PLAN

AREA	1	2	3	4	5	6	
USE (ACRES)	RESID.	GOLF/ COUNTRY CLUB	RESID.	RESID.	MULTIFAMILY	COMMERCIAL	TOTALS
GROSS AREA:	1,085	175	370	73	65	105	1,873
LESS:							
RIGHT-OF-WAY	95	0	14	7	0	0	116
MOUNTAIN AREA	310	0	92	0	0	0	402
ENTRY	20	0	20	4	0	0	44
NET ACRES FOR SALE	660	175	244	62	65	105	1,311
NUMBER OF LOTS	942	0	342	35	0	0	1,319
LOTS PER ACRE	1.43		1.40	0.56			
AVERAGE LOT SIZE (ACRES)	0.70		0.71	1.77			

Exhibit II-6
SOURCES AND USE OF FUNDS

Source:

USF&G Participating Loan	$15,500,000

Uses:

Land Purchase	$12,725,000
Closing Costs	875,000
Reserve Fund*	1,900,000
	$15,500,000

* Reserve Fund will be held back for a period fo 24 months and disbursed on a quarterly basis as needed for marketing, infrastructure costs, administration, and contingencies.

III. THE MARKET OVERVIEW

III. THE MARKET OVERVIEW

A. INTRODUCTION

The Birmingham Metropolitan Statistical Area consists of Jefferson, Shelby, St. Clair, Walker and Blount Counties. The Birmingham Metropolitan area has an estimated population of 941,120 persons, representing 22.4% of the total Alabama population of 4,197,000. Jefferson County is the most heavily populated county, with approximately 73% of the metropolitan area's total population. The major trend in industry and employment in the area has been away from a single-industry economy (steel production), to a more diversified economic base. In order to strengthen the economy, the counties have been recruiting new industries to the area such as telecommunications, finance, medicine, tourism, and retail. As a result, only 15 percent of the total population is employed in manufacturing, as compared to 25% historically.

New jobs are expected to increase at an average annual rate of 1.6% during the 1988 to 1995 period, a rate nearly 15% higher than the early 1980's. Alabama's unemployment rate is expected to average 7.0 percent in 1989, compared to a national employment average rate of 5.5 percent. The higher unemployment rate results from the mismatch in jobs available and skills of the work force. The long-term economic outlook for Alabama from 1990 to 1995 shows a moderate growth parallel to that of the national economy. Housing starts are expected to average 1.41 million units in 1989, 1.46 million units in 1990, and 1.59 million units in 1991, indicating an overall increase over the two year period of 12.8%

"Employment by Industry" for the Birmingham Metropolitan Area is depicted in Exhibit III-1.

B. SHELBY COUNTY MARKET OVERVIEW

Population

Shelby County is the fastest growing county within the Birmingham SMA. The county's current population is 98,293, an increase of 31,995 persons or 48.3% over 1980. Projections for 1990 to 2000 indicate projected annual growth of 3,430 persons, or an average annual compound growth rate of 2.9% The overall increase is estimated to be 34,307 persons, or an overall rate of 33.7% over the ten-year projection period. Population growth trends for the Birmingham SMA, Jefferson and Shelby Counties for the years 1980 through 2000 is presented in Exhibit III-2.

Employment

Significant progress has been made in Alabama at revamping the state's image as a positive place to do business. The Alabama Resource Center is a marketing facility for the state in Meadow Brook Corporate Park. It's purpose is to promote Birmingham as a strong opportunity for business relocation. Recent announcements about Contel building, a new facility in Pell City (30 minutes from Brook Highland), and expansion of several Fortune 500 and Forbes 1000 firms already in the Birmingham area, is continuing to fuel an already strong housing demand. Major employers in Birmingham include the University of Alabama Medical Center employing 11,860 persons, the U.S. Government employing 9,000 persons, Jefferson County Government employing 7,800 persons, City of Birmingham employing 7,430 persons, AL Power Company employing 5,444 persons, and South Central Bell employing 4,600 persons.

The Brook Highland/280 Corridor job growth estimates for the past five years have been far exceeded and continue to be revised upward. Employment centers continue to expand with the recent completion of Bell South Services Corporate Headquarters, which will consolidate 2,400 new employees to the Highway 280 corridor. Daniel Corporation's continued expansion of Meadow Brook and Grandview Corporate Parks will also add significant employment.

Shelby County's current labor force is 28,185, an increase of 11,785 persons or 71.9% over 1980. Employment growth for the Birmingham SMA, including a break down of Shelby and Jefferson Counties is illustrated in Exhibit III-3. From 1985 to 1989, job growth has been 8.13% on an average annual compound basis, as compared to 2.3% for Jefferson County during the same time period. Employment projections for Shelby County indicate an average annual growth rate of 4.9% from 1990 to 2000, expanding to 48,300 total employed by the year 2000. This represents an overall aggregate increase of 18,300 or 1,830 persons per year. The overall percentage rate increase is 61%.

Historical and projected population, employment and single-family housing units for Shelby County are presented in Exhibit III-9.

Housing

A total of 14,525 housing units have been built in Shelby County from 1980 to 1988, 6,898 units of which (47.5% of total) have been built in the U.S. 280/US 31 corridor. Of the total housing units constructed between 1980-1988, 9,041 units represent single-family units, and 5,484 represent multifamily units. Construction of single-family housing has averaged 1,130 per year over the eight-year time frame. Single-family unit construction is estimated to be 1,700 in 1989, which indicates construction of an annual average over nine years of 1,193 units per year. Single and multifamily housing units for Shelby County from 1980 to 1989 are displayed in Exhibit III-4. Sales of lots in planned unit development equaled 32% of total sales. Average annual multifamily units total 686 per year. Occupancy for multifamily is currently 90%.

C. COMPETITIVE PROPERTY ANALYSIS AND SURVEY

Existing PUD's

The competitive property survey and the corresponding map are presented in Exhibits III-5 and III-6. The Planned Unit Developments are all located in Shelby County and are within a seven-to- nine mile radius of the subject.

Riverchase and Inverness developments are considered to be most comparable to the proposed subject development due to characteristics of physical design, amenities, school districts, and quality. Riverchase and Inverness are annexed to the Hoover municipality, which offers residents an excellent public school system. Daniel expects to have Brook Highland annexed by Hoover as well.

Riverchase is a 2,000+-acre development, which is a joint venture between Harbert Construction Company and Equitable Life Insurance Society. The master plan of this development indicates 1,559 acres of residential land. Approximately 904 acres of the residential portion have been developed with 1,235 lots. Remaining acreage to be developed is 655 acres, which is estimated to yield 400 lots. This project contains a golf course, lakes, and mountain views creating an amenity package in a controlled environment. Recent lot prices range from $40,000 to $50,000 for non-amenity lots; and $60,000 to $80,000 for amenity lots.

Inverness is a 1,664-acre development situated on the southwest side of Highway 280 and Valleydale Road (Route 17), which commenced development in the early 1970's. Inverness was originally developed by the Fletcher group out of Jacksonville, Florida and was later sold to Metropolitan Life. A total of 700 acres was developed with 732 lots (all sold), and an additional 200 acres was later developed with 102 lots, (Iverness Point) 13 of which have sold to date. A few hundred acres contain a country club, golf course, and lakes. Recent lot prices range from $52,500 to $60,000 for non-amenity lots, and $60,000 to $85,000 for amenity lots, although several lots have sold for as much $129,000.

The average lot absorption rate per year experienced by each development is outlined in Exhibit III-7. The rates range from 37.5 to 142 (annualized Brook Highland development).

Proposed PUD's

Presented in Exhibit III-5 is a Competitive Property Survey summarizing the salient characteristics of the major competitive subdivisions. Proposed Planned Unit Developments include:

Double Oak Mountain Project, a development of Arlington Properties (Myron Harper). The master plan calls for a 145-acre, 18-hole golf course, 290 residential lots, commercial and office development. Lot prices are expected to range from $45,000 to 65,000 per lot. The entire development will be situated on 358 acres.

Liberty Park Project consists of 2,811 acres with 1,334 proposed residential lots, a school site of 87 acres, a 27-hole golf course, 81 acres of lakes, 50 acres for a community center, and office and commercial uses. This project will be developed by Harbert International, Torchmark Corporation, Drummond Company, and USX Corporation. This project is situated north of the subject just over the Shelby County line in Jefferson County. The developers are seeking annexation into Mountain View Municipality . However, according to area news and municipality officials, this project is not expected to be successful in its annexation. Residents would be in the Jefferson County School District, a big competitive disadvantage.

Saddle Creek Estates represents a 350-acre project to be developed by Allan Burns. This project is situated on the east side of Lake Purdy, five miles north from Route 119, and is presently under construction. Lot sizes will be a minimum of one acre due to zoning density restrictions. This proposed development will not have any amenities and will remain independent from surrounding municipalities. Thus, this proposed project is considered inferior to the subject. Potential lots from proposed PUD's total 1,974. See Exhibit III-8

As shown in Exhibit III-8, potential lots in existing P.U.D.'s total 1,459, of which 706 are currently completed. Including the subject property (1,319 lots), a total 4,759 lots will be available in major planned unit developments. This represents a 10.4 year supply, based on an annual demand of 455 for single family P.U.D. lots.

Pricing

Average amenity lot prices range from $60,000 to $85,000, and non-amenity lot prices range from $40,000 to $60,000. Percentage differentiation of amenity versus non-amenity prices range from 14.6% to 44%. Average annual appreciation rates range from 5% to as high as 17% (See Exhibit III-11). Full amenity subdivisions are Inverness, Riverchase, and Heatherwood. Inverness and Riverchase were given the most weight in developing pricing for the subject's proposed lots, as follows:

		Number of Lots	Estimated Average Price
Amenity Lots	(32%)	413 lots x	$72,000
Non Amenity Lots	(68%)	871 lots x	$52,000
Weighted Average =			$58,400 per lot
Estate Lots		35 lots x	$125,000
Weighted Average Including Estate Lots =			$60,200 Per Lot

Absorption

Birmingham Regional Planning Commission indicates that home sales in PUD's will represent 35% of total single-family house sales. This is higher than the historical market share of PUD absorption of 32% because a higher amount of subdivisions will become available in the future in Shelby County and because of the increased desirability due to association with an amenity-controlled environment. We derived an absorption rate of 123 lots per year by analyzing future supply and demand projections (See Exhibit III-10).

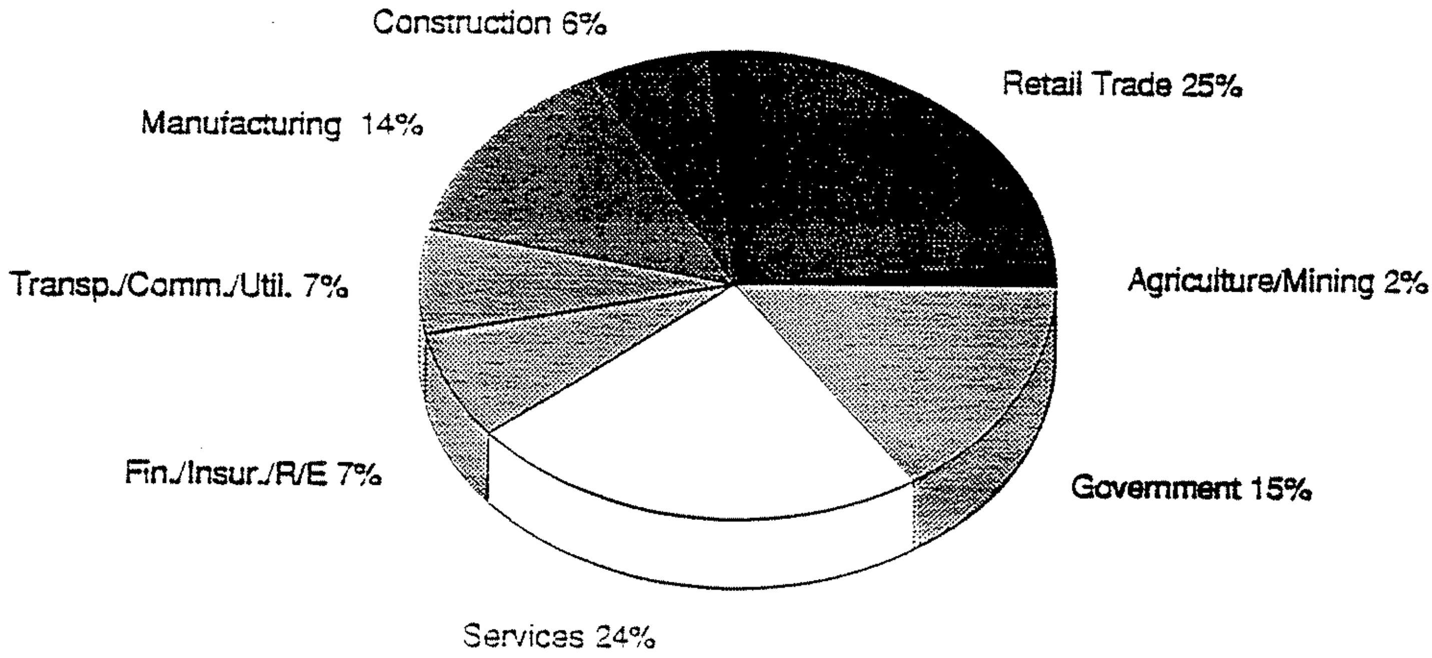
In reconciling the historical data with the projections made in Exhibit III-8, we have chosen a conservative estimate of 110 lots per year. We adjusted downward from 123 lots to account for historical absorption trends; however, we have selected a rate at the higher end of historical absorption, which reflects the anticipated population and employment growth for Shelby County not reflected by historical figures. In addition, most of the existing projects were absorbing lots during the recessionary years of 1979-1982.

The sell-out period for Brook Highland based on absorption of 110 lots per year is 14 years.

D. CONCLUSION

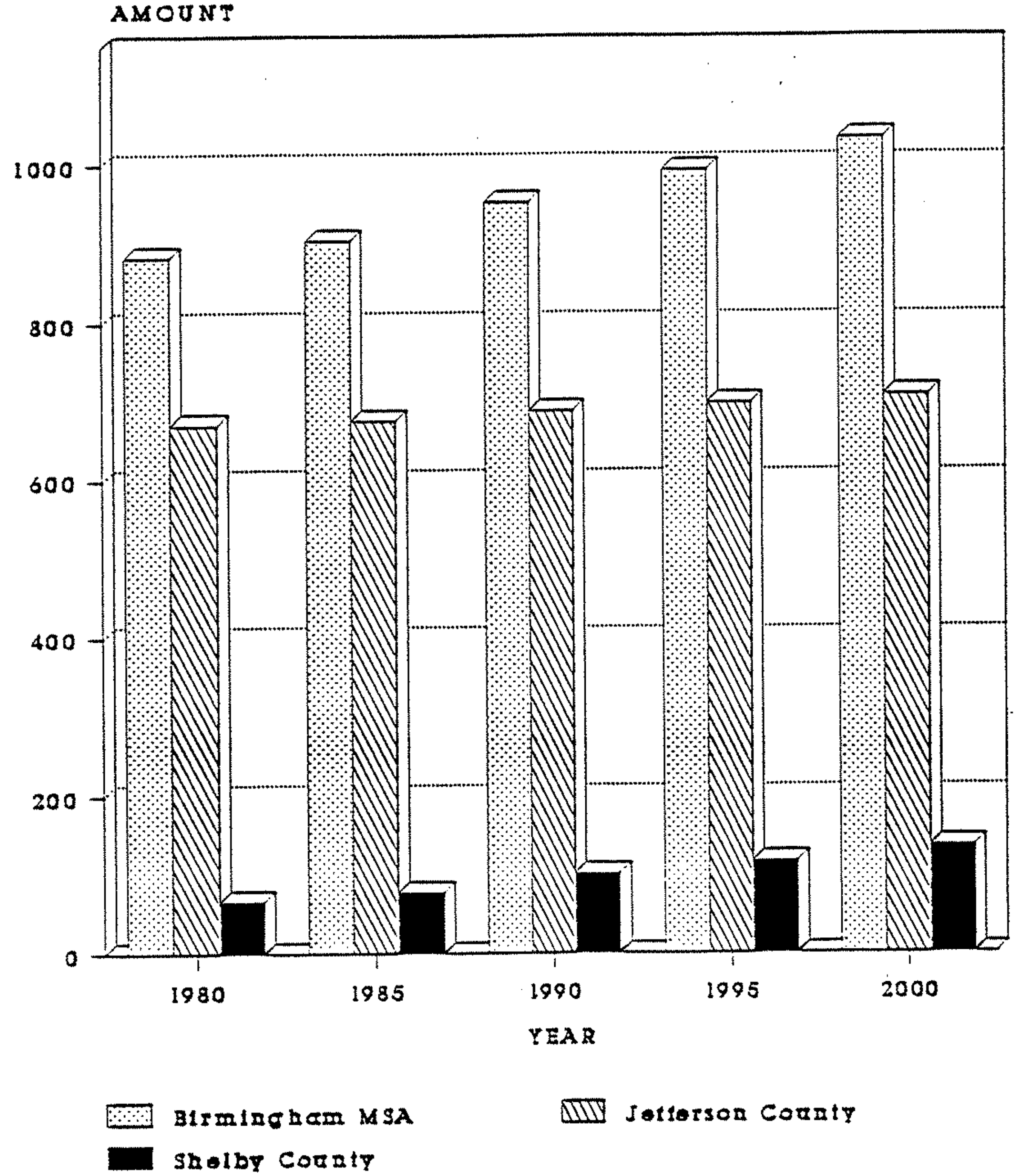
Shelby County is experiencing strong population and employment growth. The proposed Brook Highland will represent a high quality, mixed-use community in a prime location. It will be priced comparably with its competition. The project's size and amenity level should enhance its ability to compete successfully for market share.

Exhibit III-1
EMPLOYMENT BY INDUSTRY
BRIMINGHAM, ALABAMA



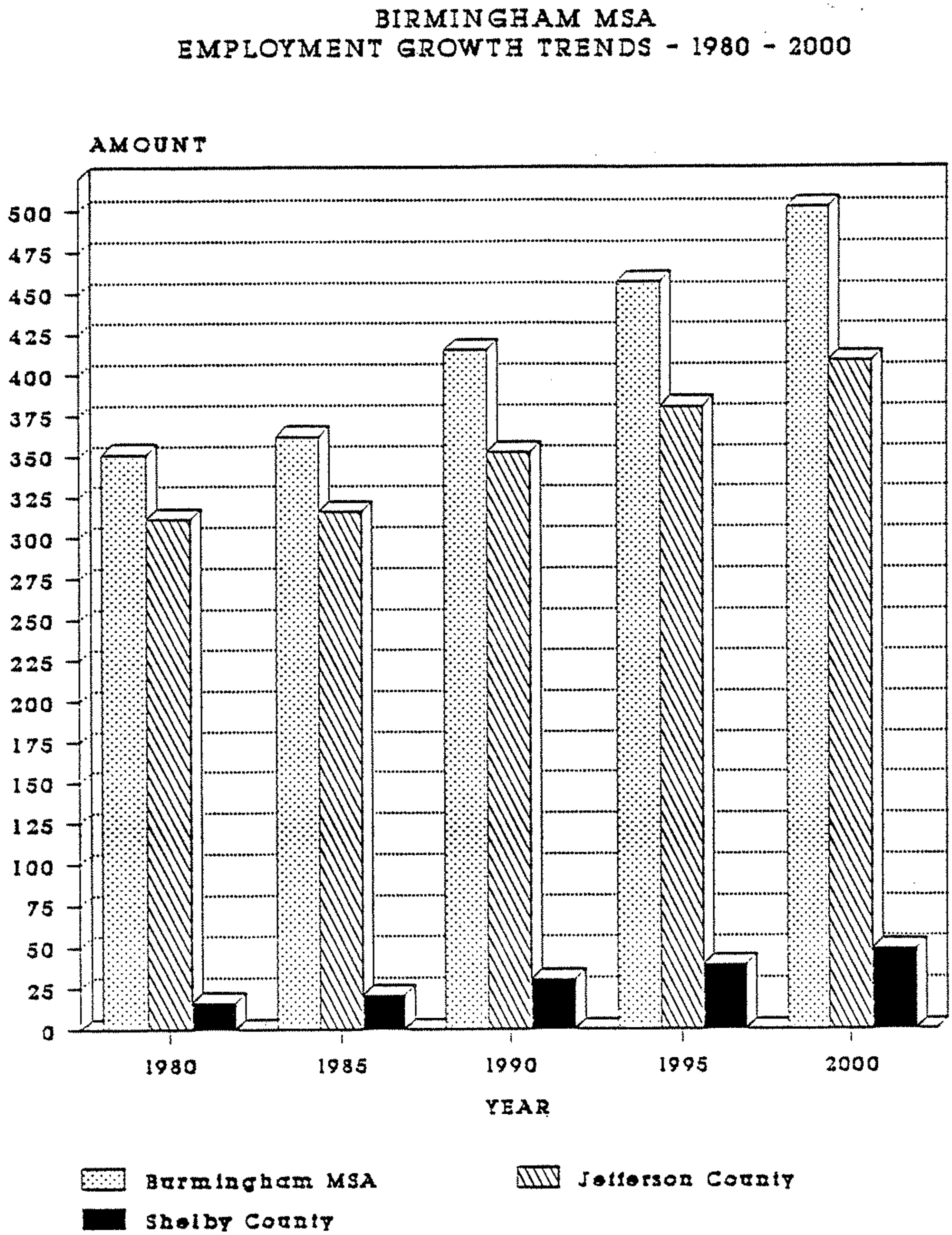
Source: Birmingham Regional Planning Commission

Exhibit III-2
POPULATION TRENDS 1980-2000



Source: Birmingham Regional Planning Commission.

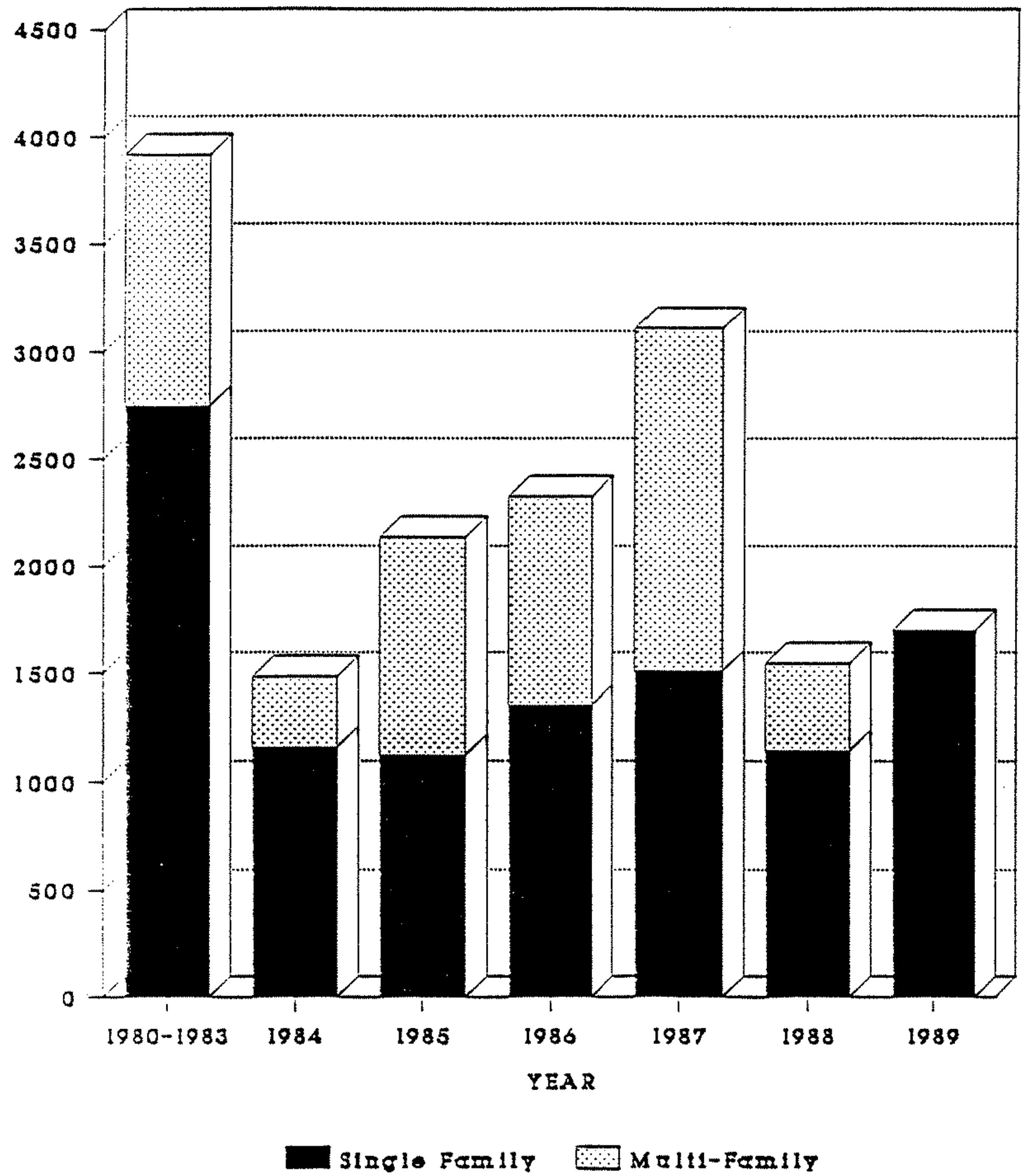
Exhibit III-3
EMPLOYMENT GROWTH TRENDS 1980-2000



Source: Birmingham Regional Planning Commission.

Exhibit III-4

SHELBY COUNTY
TOTAL HOUSING UNITS FOR 1980-1989



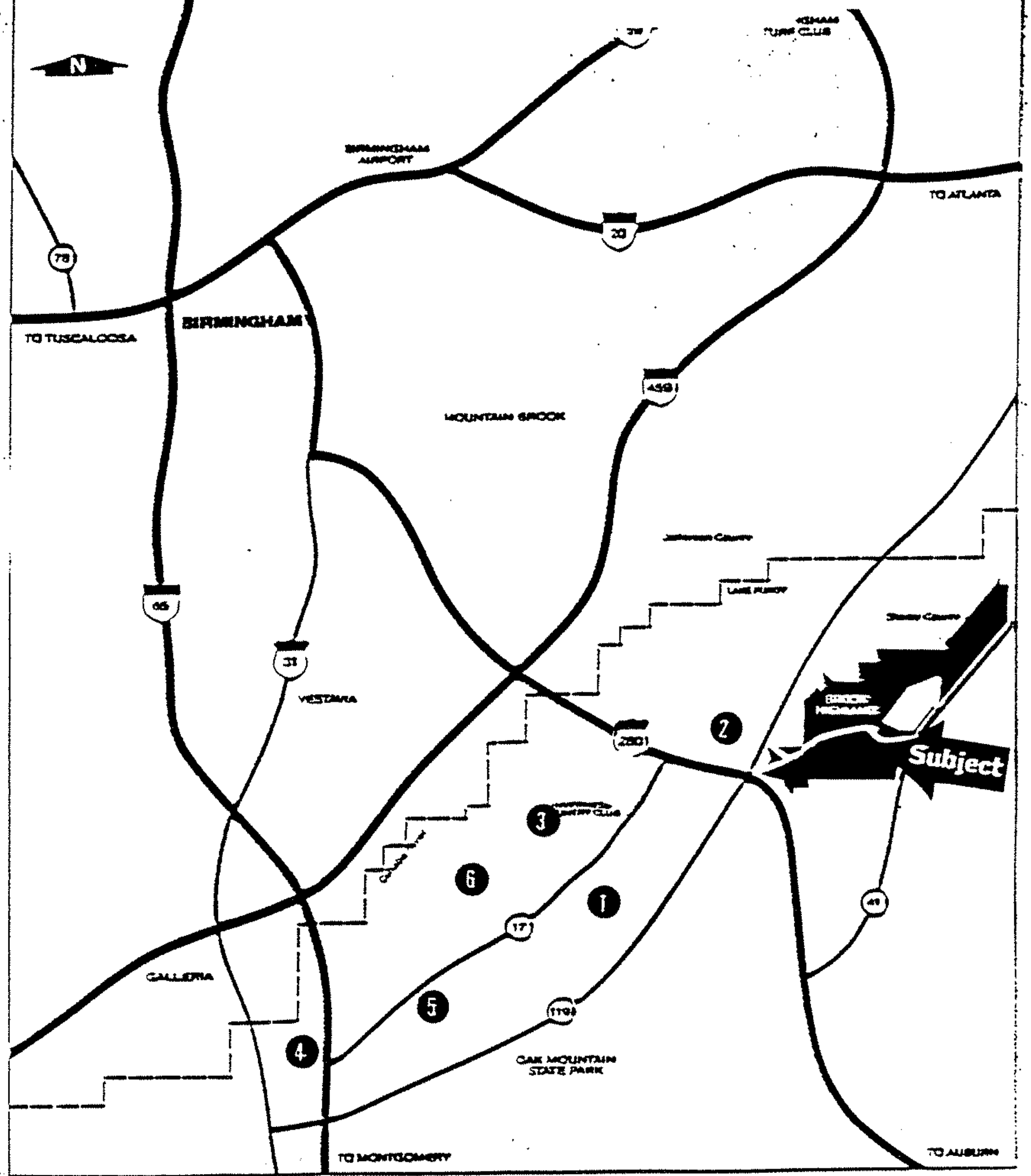
Source: Birmingham Regional Planning Commission.

Exhibit III-5
COMPETITIVE PROPERTY SURVEY

MAP NO.	PROJECT NAME AND LOCATION	ACRES	# OF LOTS	CURRENT PRICING	YEAR DEV. INITIATED	COMMENTS
1	MEADOW BROOK	803	525	AMENITY LOT - $60,000-70,000 NON-AMENITY LOT - $42,500-47,500	1978	DEVELOPER OF THIS PROJECT IS BILL EDDLEMAN. AMENITIES ARE MOUNTAIN VIEWS AND WOODED LOTS. AVERAGE 44% DIFFERENCE BETW. AMEN. & NON-AMENITY LOT PRICE. AVERAGE ANNUAL COMP. INCREASE IN PRICES IS ESTIMATED AT 8.5%
2	BROOK HIGHLAND	230	433	NON-AMENITY LOT: TO BUILDER - $41,000 TO INDIVIDUAL - $45,000	AUG.1988	DEVELOPER OF THIS PROJECT IS ALSO BILL EDDLEMAN. VIEW OF MOUNTAINS AND LAKES; PROMISED FOR THE SUBDIV. ARE A SWIM AND TENNIS CLUB. PRICES HAVE INCREASED BETWEEN 15% AND 17% OVER AN 11-MONTH PERIOD.
3	INVERNESS	700	834	AMENITY LOT - $60,000 - 85,000 NON-AMENITY LOT - $52,500 - 60,000	1972	DEVELOPER OF THIS DEVELOPMENT WAS FLETCHER GROUP. SUBSEQUENTLY SOLD TO METROPOLITAN LIFE. ESTIMATED AVERAGE COMP. INCR. IS EST. AT 6%-11%. AVERAGE 28.9% DIFFERENCE BETWEEN AMENITY AND NON-AMENITY LOT PRICES AMENITIES INCLUDE A GOLF COURSE, COUNTRY CLUB, LAKE VIEWS, MOUNTAIN VIEWS.
4	RIVERCHASE	1,559 TOTAL 904 DEV. 655 UNDEV	1235 DEV. 400 UNDEV.	AMENITY LOT - $60,000 - 80,000 NON-AMENITY LOT - $40,000 - 50,000	1976	DEVELOPER OF THIS PROJECT HARBERT CONSTRUCTION IN CONJUNCTION WITH EQUITABLE LIFE. ESTIMATED AVERAGE ANNUAL COMP. INCR. RANGES FROM 8% TO 14%. AVERAGE OF BETWEEN AMENITY AND NON-AMENITY LOT PRICES. AMENITIES INCLUDE A GOLF COURSE, COUNTRY CLUB, LAKE VIEWS, MOUNTAIN VIEWS.
5	SOUTHLAKE	526	195	AMENITY LOT - $72,000 - 77,000 NON-AMENITY LOT - $65,000	SUMMER 1987	DEVELOPED BY RIME COMPANY AND ARONOV LAND CO. OF MONT AMENITIES INCLUDE SHOPPING CENTER, LAKE VIEWS, COUNTR EST. AVERAGE APPRECIATION IS BETW. 14% - 16% PER YEAR AVERAGE OF 14.6% DIFF. BETWEEN AMENITY AND NON-AMENIT PRICES. LOT SIZES RANGE FROM .80 TO 1.5 ACRES, PATIO/GARDEN LOTS RANGE FROM 8,000 TO 10,000 SF.
6	HEATHERWOOD	440	300	AMENITY LOT - LOW $60,000 - MID $70,000'S NON-AMENITY LOT - HIGH $40,000'S - MID $50,000'	EARLY 1985	DEVELOPER IS U.S. STEEL. AMENITIES INCLUDE GOLF COUR COUNTRY CLUB, LAKE AND SCENIC VIEWS. EST. AVERAGE ANN APPRECIATION RATE IS ABOUT 12% TO 14%. AVERAGE OF 44. DIFFERENCE IN AMENITY AND NON-AMENITY LOT PRICES. LOT SIZES RANGE FROM .50 TO 1.00 ACRE.

SOURCES: DANIEL CORPORATION

Exhibit III-6
COMPETITIVE PROPERTY SURVEY MAP



Residential Subdivisions

1. Meadow Brook
2. Brook Highland
3. Inverness
4. Riverchase
5. Southlake
6. Heatherwood

Exhibit III-7
ABSORPTION SUMMARY CHART

MAP KEY	NAME	TOTAL LOTS	LOTS SOLD TO DATE	ABSORPTION RATE PER YEAR
1	MEADOW BROOK	525	485	48.5
2	BROOK HIGHLAND EAST	433	130	142 (ANNUALIZED) (11.8 LOTS PER MONTH)
3	INVERNESS	834	745	46.6
4	RIVERCHASE	1235	1155	88.8
5	SOUTHLAKE	195 TOTAL	151	75.5
		64 GARDEN	20	
		131 ESTATE	131	
6	HEATHERWOOD	300	150	37.5
	TOTALS	3,522	2,816	

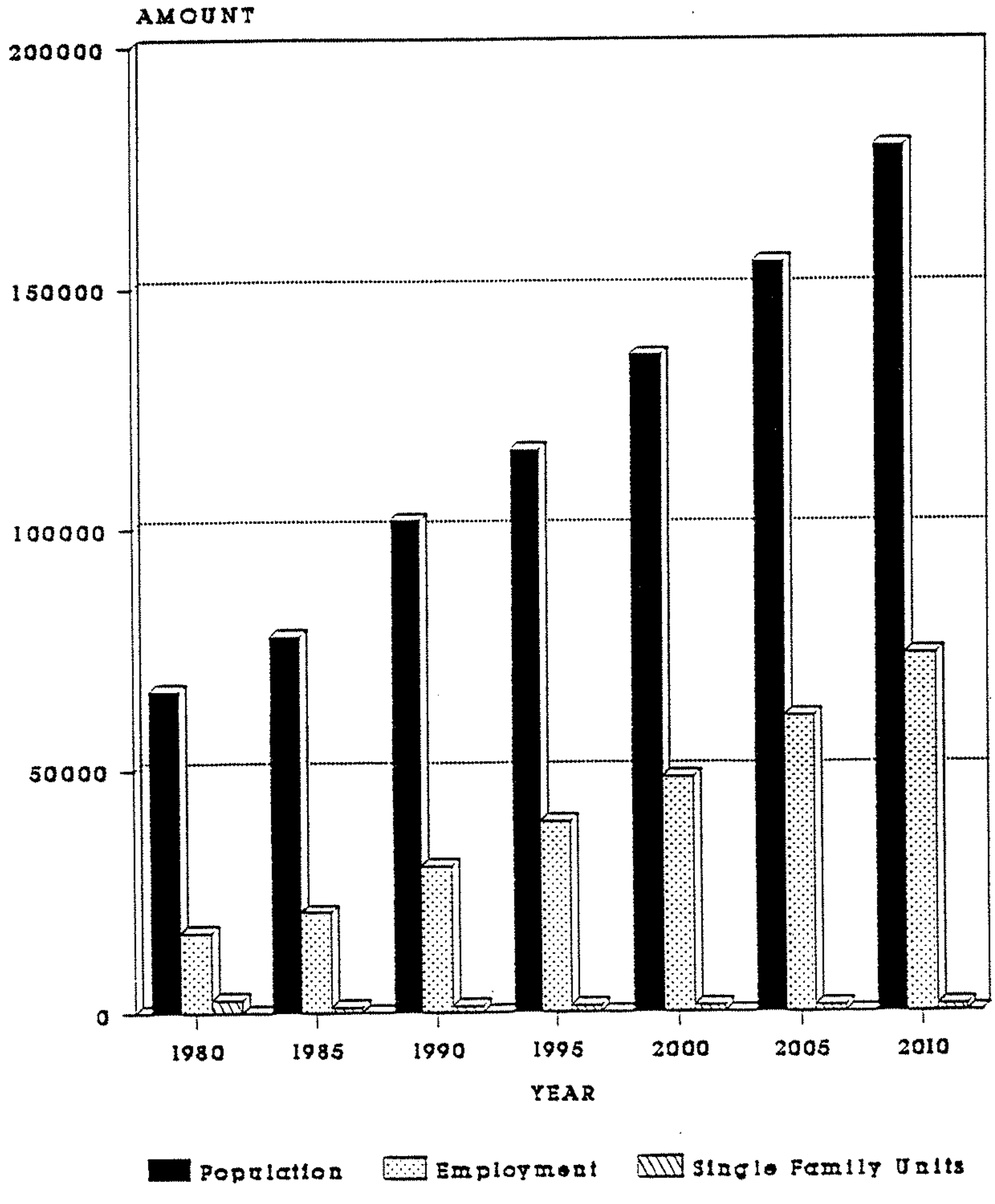
Exhibit III-8
ACREAGE AVAILABLE FOR DEVELOPMENT IN EXISTING SUBDIVISIONS/LOTS

MAP KEY	NAME	CURRENT INVENTORY	DEVELOPABLE ACREAGE	# OF LOTS
1	MEADOW BROOK	40 LOTS	0	0
2	BROOK HIGHLAND	303 LOTS	0	0
3	INVERNESS	89 LOTS	0	0
4	RIVERCHASE	80 LOTS	655 ACRES	400 LOTS
5	SOUTHLAKE	44 LOTS	0	0
6	HEATHERWOOD	150 LOTS	240 ACRES	360 LOTS
		706 LOTS	895 ACRES	760 LOTS

ACREAGE AVAILABLE FOR
DEVELOPMENT IN PROPOSED PROJECTS

NAME	DEVELOPABLE ACREAGE	PROPOSED # OF LOTS	COMMENTS
DOUBLE OAK MOUNTAIN PROJECT	358	290	DEVELOPER OF THIS PROPOSED PROJECT IS ARLINGTON PROPERTIES. THIS PROJECT WILL CONSIST OF AN 18-HOLE GOLF COURSE, 90 ESTATE LOTS WITH PRICES RANGING FROM $45,000 TO $65,000 4-6 ACRES OF COMMERCIAL; 16 ACRES OF OFFICE DEV.; AND 200 ADD'L RESID. LOTS (PATIO).
SADDLE CREEK ESTATES	350	350	DEVELOPER OF THIS PROP. PROJECT IS ALLAN BURNS. LOT SIZES WILL BE A MINIMUM OF ONE ACRE DUE TO REQUIRED ZONING DENSITY. THIS PROPERTY IS CURRENTLY UNDER CONSTRUCTION.
LIBERTY PARK	2,811		DEVELOPERS OF THIS PROJECT ARE HARBERT INTERNAT'L, USX CORP., TORCHMARK AND THE DRUMMOND COMPANY.
	1,149 RES.ONLY	1,334	AMENITIES WILL INCLUDE A 27-HOLE GOLF COURSE (EAGLE'S POINT-CURRENTLY UNDER CONSTRUCTION), COMMERCIAL, LAKES, SCHOOL SITE, ETC. PRICES ARE EXPECTED TO RANGE FROM $45,000 TO 75,000 PER LOT; LOT SIZES
		1,974	WILL RANGE FROM .50 TO 1.00 ACRES

Exhibit III-9
SHELBY COUNTY POPULATION AND EMPLOYMENT GROWTH
NEW SINGLE-FAMILY UNITS
HISTORIC AND PROJECTED 1980-1990



Source: Birmingham Regional Planning Commission.

Exhibit III-10
ABSORPTION CALCULATION CHART

Project	Available Lots	Potential Lots
MEADOW BROOK	40	0
BROOK HIGHLAND EAST	303	0
INVERNESS	89	0
RIVERCHASE	80	400
SOUTHLAKE	44	0
HEATHERWOOD	150	360
DOUBLE OAK MAOUNTAIN PROJECT	0	290
SADDLE CREEK ESTATES	0	350
LIBERTY PARK DEVELOPMENT	0	1,334
SUBJECT PROPERTY (BROOK HIGHLAND DEVELOPMENT)	0	1,319
TOTALS	706 LOTS	4,053 LOTS
GRAND TOTAL	4,759	

Demand for P.U.D. Lots

1980-1989

Single-Family Housing Starts = 1,193 per year
Population Growth = 3,555 per year
Demand for New Housing per Person
of Population Growth (1193/3,555) = .336

1990-2000

Projected Population Growth = 3,786 per year
Future Population Growth = 3,786
- Historical Population Growth = 3,555

Incremental Annual Population Growth = 231

So:

Those 231 people require (231 x .336) 77.62 additional houses per year.
Total projected housing demand equals (78 + 1,193) or 1,271 houses per year.
Applying the 35% P.U.D. factor (1,271 x .35) shows annual demand of
445 P.U.D. lots per year.

Total Potential P.U.D. Lots = 4,759
Annual P.U.D. Absorption = 445
Total Supply should be fully absorbed in 10.7 years.

If we assume Brook Highland absorbs its lots on a pro rata basis with the other P.U.D.'s then (1,319/10.7). Brook Highland should absorb 123 lots per year.

We have conservatively adjusted this total to 110 per year to account for historically lower averages in existing P.U.D.'s (see Exhibit III-7).

Source: USF&G Realty Advisors

Exhibit III-11
HISTORICAL APPRECIATION RATES OF COMPETITIVE RESIDENTIAL SUBDIVISIONS

NUMBER	DEVELOPMENT	YEAR BEGAN	EST. AVG. ANNUAL APPR. RATE OVER DEV. PERIOD
1	Meadow Brook	1978	8.5%
2	Brook Higland	Aug. 1988	15% - 17% (over 11 month period
3	Inverness	1972	6% - 11%
4	Riverchase	1976	8% - 14%
5	Southlake	1987	14% - 16%
6	Heatherwood	1985	12% - 14%

* It appears that base prices were below market with developer's desire to sell at a fast absorption rate. Current market prices are more competitive with other developments, based on project attributions.

IV. BORROWER/DEVELOPER

IV. THE BORROWER/DEVELOPER

A. INTRODUCTION

Daniel Corporation ("Daniel") is a full-service real estate company engaged in the development, ownership, and management of office, retail, warehouse, multifamily properties, and land. Daniel Realty Corporation ("DRC"), a wholly-owned subsidiary of Daniel, was founded in 1964, primarily to manage real estate assets of Daniel International Corporation. As a subsidiary of Daniel International and then Fluor Corporation, DRC broadened its scope and activities in the late 1970's to include fee management and development and ownership of operating properties, expanding its capital sources to include debt and equity from external sources. In August, 1986, the senior management of DRC founded Daniel Realty Company, a New York general partnership, which acquired all assets and operations of Daniel from Fluor Corporation.

Daniel has three highly concentrated production departments. These departments are: (i) Investments: whose responsibilities include the acquisition and disposition of operating properties and the financial structuring and placement of all partnership and joint venture activities, (ii) Development: whose responsibilities include acquisition and development of residential and commercial property and (iii) Operations: whose responsibilities include property management and research, financial planning, accounting, and investor reporting.

Daniel has developed or acquired approximately 6 million square feet of office space, 6,500 apartment units, 5,300 acres of land development and 500 hotel rooms. Utilizing Wall Street capital market and corporate, institutional and offshore sources, Daniel has facilitated placement of just under $1 billion of capital resources. Approximately $500 million of this capital was facilitated through tenant-oriented transactions including:

(i) sale/leaseback of corporate facilities
(ii) build-to-suit office and warehouse properties, and
(iii) tenant/developer joint ventures

Daniel currently focuses on key local markets, especially in the southeast and Mid-Atlantic states, where it has an established presence. Properties owned or managed by Daniel currently span 10 states.

Headquartered in Birmingham, Alabama, Daniel also operates regional offices in Richmond, Virginia; Raleigh, North Carolina; Atlanta, Georgia; Dallas, Texas and West Palm Beach, Florida. Daniel currently employs approximately 340 persons.

B. CORPORATE OWNERSHIP AND STRUCTURE

Association with Daniel International Corporation - DRC was originally formed as a South Carolina corporation on October 26, 1964. At the time of its formation, all issued and outstanding capital stock of DRC was owned by Daniel International Corporation, a South Carolina corporation ("DIC"). As a result of the acquisition of DIC by Fluor Corporation, the assets of DRC were transferred, too, and DRC was merged into DIC on January 20, 1978. Immediately prior to such reorganization, DRC was reformed as an Alabama corporation pursuant to Articles of Incorporation filed with the State of Alabama on January 16, 1978.

DRC was originally established for the purpose of managing properties owned by DIC and its subsidiaries. DIC, established in 1934, has been engaged for more than 50 years in large-scale engineering, construction, and industrial maintenance activities throughout the United States and in numerous foreign countries. Initial management activities of DRC included management of corporate headquarter offices of DIC, as contractor, taking possession of projects where the developer had defaulted under its construction contract with DIC. As a result of its success with initial management activities, DRC successfully began performing contract management services for third parties.

Association with Fluor Corporation - In May, 1977, Fluor Corporation, a Delaware corporation ("Fluor"), acquired all of the issued and outstanding capital stock of DIC (which included all assets of DIC and its subsidiaries, including specifically, the capital stock of DRC). Fluor, whose stock is listed on the New York Stock Exchange, was incorporated in Delaware in 1978 as successor in interest to a California corporation of the same name, originally incorporated in 1924.

On November 1, 1985, DRC became a wholly-owned subsidiary of Fluor Real Estate Services, Inc., a Delaware corporation ("FRES"), which in turn was a direct wholly-owned subsidiary of Fluor Corporation.

Current Ownership
On August 26, 1989, Daniel acquired DRC from FRES. Daniel Equity Partners Limited Partnership, consisting of senior executive management personnel at Daniel, is the Managing Partner of the Daniel Realty Company, the general partnership owning Daniel, and has full power, right and authority to conduct all partnership business, as well as the business of all affiliates of the partnership, including specifically Daniel.

C. PERSONNEL

1. Executive Operations

T. Charles Tickle (age 39) is the President and Chief Executive Office of DRC. Mr. Tickle served as the Controller of DRC from 1974 to 1980. He was promoted to the position of Vice President in 1984 and President in 1985. In 1985, Mr. Tickle became a Director of DRC. Mr. Tickle attended Jefferson State Junior College in Birmingham, Alabama and Auburn University.

Stephen R. Monk (age 34) is General Counsel, a Senior Vice President, and the Secretary of DRC. From 1980 to 1983, Mr. Monk was associated with the law firm of B Berkowitz, Lefkovits, Patrick, Isom, Edwards & Kushner in Birmingham, Alabama. He joined DRC in 1983 as Compliance Manager with responsibilities for reviewing and supervising real estate and securities transactions. In 1984, Mr. Monk was appointed General Counsel and Assistant Secretary of DRC and became a Vice President and Secretary in 1985. Mr. Monk graduated from Auburn University in 1977 with a B.S. degree in Business Administration (Accounting) and from Cumberland School of Law with a J.D. degree in 1980.

Donald K. Lloyd (age 42) is Senior Vice President and Chief Financial Officer of DRC. From 1975 through 1988, Mr. Lloyd served in a number of financial and human resources functions with Fluor Daniel, Inc. Between 1968 and 1975, Mr. Lloyd was associated with Price Waterhouse & Co. in their auditing function. Mr. Lloyd graduated from the University of North Carolina in 1969 with a B.S. degree in Accounting.

2. Operations

Property Management DRC is a full-service real estate organization and has been designated as an "Accredited Management Organization" by the Institute of Real Estate Management. Property Management staff includes six Certified Property Managers, and one Real Property Manager. DRC or its property management staff have additional memberships in the Building Owners and Managers Association, the Urban Land Institute, the Institute of Real Estate management, the National Association of Realtors, and the National Apartment Association. DRC has regional property management divisions in Atlanta, Georgia; Richmond, Virginia; and Dallas, Texas, in addition to its administrative headquarters in Birmingham, Alabama. DRC currently manages or has an ownership interest in approximately 3,192,533 square feet of office and commercial space and approximately 5,452 apartment units.

The property management division of DRC, working in conjunction with the accounting and strategic planning personnel of DRC, operates all managed properties under operating budgets. These budgets are reviewed monthly, with actual operating results compared to those budgeted, and to actual results of our competition, when determinable. Computer assistance is used in maintenance planning and scheduling. On site maintenance and management personnel are employees of DRC and oversee and implement day-to-day management activities and responsibilities. Regional property managers systematically inspect and review all day-to-day activities of properties managed by DRC and have a direct working relationship with home office management and planning personnel.

3. Development

The development division of DRC has been directly involved in numerous development projects on both a speculative and preplacement basis, providing conceptual planning, design, general contractor management, and lease-up services. DRC development projects have included construction of office buildings, multifamily apartment complexes, shopping centers, and industrial/warehouse facilities. Development properties have been constructed for DRC syndications, third party syndicators, joint ventures between DRC and major institutional investors, and for sale to third-party purchasers. Below is a partial list of residential projects that the development division of DRC has developed or is presently engaged in the developing:

Brook Highlands P.U.D.

DRC became exclusive development manager in December, 1986. The Brook Highlands P.U.D. is an 1,100-acre tract directly across Highway 280 from the Meadow Brook P.U.D. in Birmingham, Alabama. DRC has completed a multiuse master plan for the site and all road and utility infrastructure. Two office buildings and three apartment communities have already been developed in the P.U.D., while a 200-acre tract for single family homes is currently being developed. The undeveloped portion of the Brook Highlands P.U.D. was acquired in December, 1986 by a pension fund. Total land value at its acquisition was $16,000,000.

Meadow Brook P.U.D.

Meadow Brook is a 1,100-acre P.U.D. corporately owned by DRC, who master planned and developed the infrastructure for (i) an 800-lot, 795-acre single-family area (100% sold), (ii) a 71-acre multifamily, and (iii) the 175-acre Meadow Brook Corporate Park.

The multifamily area is developed with Morning Sun Villas, an apartment community developed and owned by DRC, and a fee-ownership townhouse community. Approximately 9.3 acres remain available for development.

Meadow Brook Corporate Park has been developed, with six office buildings comprising 522,000 square feet at present, and a seventh building currently under construction. In addition, two branch banking facilities, a day care center, and the Meadow Brook Regional Post Office area are either recently completed or under construction in the park. Of the 21 building sites in the park, ten remain available for development.

Undeveloped land in the Meadow Brook P.U.D. has a present value of approximately $17,000,000.

Grand View Corporate Park

DRC became exclusive development manager in November, 1987.

Grand View Corporate Park consists of approximately 100 acres of land at the southeast quadrant of I-459 and U.S. Highway 280 in Birmingham, Alabama. DRC acts as the property's exclusive development manager and has recently concluded master planning for the site. Construction of the first office building is underway.

Grand View Corporate Park was purchased in November, 1987 by a pension fund. Total land value at acquisition was $12,000,000.

Redstone Forest

A 300-acre development tract located in Birmingham, Alabama. Daniel developed 150 acres as single-family homes, while the other 150 acres were sold to other developers. It is approximately a $2,000,000 development project.

Daniel's Completed Projects

Property Name	Description	Location
Daniel Building	283,894 square foot office tower	Birmingham Alabama
Meadow Brook 100 Office Building	126,502 square foot Office building	Birmingham Alabama
Meadow Brook 500 Office Building	126,430 square foot Office building	Birmingham Alabama
Meadow Brook 1200 Office Building	120,851 square foot Office building	Birmingham Alabama
Meadow Brook 300 Office Building	96,312 square foot Office building	Birmingham Alabama
Lily Flagg Station Apts.	354 unit apartment complex	Huntsville Alabama
Redmont Gardens	200 unit apartment complex	Mountain Brook Alabama
The Meadows on the Lake Apartments	200 unit apartment complex	Birmingham Alabama
The Meadows in the Park Apts.	200 unit apartment complex	Birmingham Alabama
Morning Sun Villas Apts.	184 unit apartment complex	Birmingham Alabama
Rollinwood Apts	139 unit apartment complex	Vestavia Hills Alabama
Paces Vinings Apartments	208 unit apartment complex	Atlanta, Georgia
Vinings Landing	200 unit apartment complex	Atlanta, Georgia
Old Salem Apartments	172 unit apartment complex	Atlanta, Georgia
Hampton Meadows	416 unit apartment complex	Atlanta, Georgia

Governor's Point	344 unit apartment complex	Atlanta, Georgia
Somerset Park	204,000 square foot Office Park	Raleigh North Carolina
Somerset Business Center	107,905 square foot Office Building	Raleigh North Carolina
Northbridge Office Centre	300,000 square foot Office Building	West Palm Beach Florida
Reflections Office Center I & II	116,800 square foot twin office towers	West Palm Beach Florida
Fountain of Inverrary Apartments	428 unit apartment complex	Lauderhill Florida
Longwood Villas Apartments	192 unit apartment complex	Orlando, Florida
Imperial Plaza	861 unit apartment complex	Richmond, Virginia
Harbor Village	324 unit apartment complex	Richmond, Virginia
3310 West End Office Building	107,928 square foot Office Building	Nashville, Tennessee
Fluor Corporation Houston Complex	1,200,000 square foot Office complex	Sugarland, Texas
Fountain View Apartments	260 unit apartment complex	Irving, Texas
Bachman Oaks	208 unit apartment complex	Dallas, Texas
Foxwood Village Apartments	350 unit apartment complex	Las Vegas, Nevada
Riverbend Apartments	212 unit apartment complex	Las Vegas, Nevada
Twin Dolphin Plaza	259,548 square foot Office complex	Redwood City California
Loehmann's Plaza	142,363 square foot specialty retail center	Overland Park Kansas

V. THE RISK AND RETURN

V. RISK AND RETURN

A. INTRODUCTION

The proposed investment is structured as a participating land loan for the purposes of acquiring and developing 1,873 acres of planned unit development land. The participating first mortgage will be in the amount of $15,500,000, of which $13,600.000 will be funded at closing. The remaining $1,900,000, plus the $727,000 of amortization received by USF&G at closing from the proceeds of the anticipated sale of the commercial land to NCNB, will be held back for a 24-month period and disbursed quarterly, if needed, for the purposes of approved marketing infrastructure administration and contingency costs.

USF&G will receive a nine percent basic interest rate which is paid currently and guaranteed by letters of credit from Daniel Corporation. USF&G will be repaid its capital on a prorata and a pro-forma basis during the land development. That is, if the rate of development and loan amortization should slow down and fall behind the pro-forma amortization schedule, the loan must be reduced by the pro-forma amortization through net sales proceeds as a priority over return of Daniel Capital or cash flow splits. USF&G will receive, as additional interest, 25% of cash flow remaining after deductions for infrastructure costs, and prorata amortization of Daniel capital.

B. VALUATION

1. Pro-forma Income and Expenses

A detail of the pro-forma income and expenses is provided in Exhibit V-2. Key points are a) It is expected that 105 acres of commercial land (Area 6) will be sold to NCNB at the time of closing. Net proceeds from the sale ($4,523,085) will be used for infrastructure costs and debt service as per Budget Exhibit V-1. If NCNB sale does not occur, Daniel Corporation will either provide or obtain third party funds to cover these costs during the first 18 months of the loan. b) Construction commences in the fall of 1989 with lots ready for delivery in late 1990 c) lot prices escalate 5% per year d) absorption pace is 110 lots per year e) lot prices commence at an average of $58,000 per lot f) Development and operating expenses have been inflated at 5% per year.

2. Preliminary Value Estimate

USF&G Realty Advisors has preliminarily estimated the market value of the 1873 acres of raw land to be $14,000 per acre. The valuation calculations and comparables are presented in Exhibit V-3A-V-3G

The Application Letter (Exhibit I-1) has an appraisal contingency which requires a minimum market value appraisal of $26,000,000. This safeguard insures that the ratio of maximum loan to value is no more than 52%.

C. RETURN

The returns for the participating mortgage are calculated over a 14-year holding period. USF&G will be repaid its capital on the higher of prorata or pro forma basis. It is anticipated that USF&G principle will be fully amortized by the end of the eighth loan year. The mortgage provides for a five-year lock in period for USF&G; however, USF&G may call the loan anytime after the fifth loan year if a) there has been less than 60 lot sales during the prior 12-month period b) if USF&G gives 12 months written notice of its intent to call the loan. If, however, during this 12 month period, sales pick up and exceed 60 prior to the end of that year, USF&G will recind but not waive its call option. Exhibit 8 shows the financial analysis for the most likely scenario. The most likely scenario assumes lot sales of 110 per year at a starting price of $58,000. The developer was also analyzed on an optimistic and conservative basis. The optimistic scenario assumes lot prices begin at $67,375 and absorption is 110 lots per year. Conservative scenario assumes absorption of 90 lots per year with lot prices of $58,000. Each scenario was analyzed using 5%, 6%, and 10% appreciation.

The estimated annual cash returns to USF&G from the participating loan for the most likely scenario at five percent inflation are presented in the Investor's Yield Summary Exhibt V-4. Cash flows which contribute to the loan's yield are base debt service, loan amortization, and additional interest from land sales. USF&G's annual return on investment, return of investment and total return is shown in Exhibit V-5. Returns increase dramatically since principal is being rapidly amortized eight years. USF&G's return is infinate from the ninth year on after USF&G's principal has been amortized.

1. Base Debt Service

The base debt service is nine percent of the outstanding loan balance. This amount decreases annually as the loan is amortized. Debt service is guaranteed by Daniel Corporation and collateralized by a Letters of Credit until land sales generate a nine percent interest payment after expenses for a full loan year.

2. Loan Amortization

The loan is amortized over eight years at the higher of pro forma (Exhibit V-5) or prorata (Exhibit V-6) If the rate of development and loan amortization falls behind the proforma, then the loan must be reduced by the pro forma amortization through net sales proceeds as a priority over return of Daniel Capital or cash flow splits.

3. Additional Interest from Sale

This portion of the return assumes that the property will be sold out over 14 years. (See Exhibit V-9) USF&G receives 25% of cash flow from sales proceeds remaining after payment of budgeted infrastructure costs and prorata amortization of Daniel Capital (if any). Total participation is expected to total $25,000,000 over 14 years.

4. Yield

The expected nominal yield (internal rate of return) on the participating mortgage assuming five precent appreciation is 18.79%. This represents a 17.27% real or inflation-adjusted return, assuming inflation at five percent. The sensitivity of USF&G's yield to changes in inflation is summarized in Exhibit V-7 for the most likely optimistic and conservative scenarios at 5%, 6%, and 10% inflation. The nominal yield on total capital ranges from a low of 16.27% for five percent growth on conservative numbers to 24.6% for 10% growth on optimistic numbers. All scenarios assume that no additional capital is funded by USF&G or Daniel after the USF&G's initial $13,600,000 funding.

D. RISK

1. Market Risk

Land development yields are dramatically affected by market conditions as they pertain to pace of absorption, sales price, and land appreciation. All these factors have been derived through a combination of examination of historical trends from 1980-1988 and projections of the future based on Regional Planning Council demographic data. Although Birmingham has economic growth comparable to the national economy, Shelby County has been experiencing much stronger growth than the Birmingham SMSA. Job creation, in particular high tech and engineering positions in the 280 corridor, have fueled Shelby County's explosive growth. This job and population growth is expected to continue and increase over the next ten years creating an even greater demand than during the last eight years for mid-range housing in high to mid end planned unit developments. The market risks are mitigated by the positive demographics, the historical appreciation of land prices from 1980-88, the shortage of buildable land left in desirable neighborhoods, and the expertise of the developer.

Finally, the loan is structured to cover the market risk in the following ways: a) USF&G's debt service is fully guaranteed and collateralized with letters of credit and paid currently b) USF&G's is repaid its capital over eight years at the higher of prorata or pro forma amortization schedules c) if sales slow down 50% below projections after the firth year, USF&G has the right to call its loan.

2. Operational Risk

The operational risk in this land development is defined as the ability to coordinate the various sectors of the land plan, develop the infrastructure, and effectively market the land sales at the pace and prices anticipated. Daniel corporation has successfully developed Meadow Brook Corporate Park and Brook Highland East, which are both planned unit developments and include residential components. They have both the local knowledge, as well as the business and political contacts necessary, for a long term land development such as Brook Highland. Daniel's development fee covers only their overhead and includes no profit; their profit (75% of cash flow) is a last priority after repayment of USF&G, infrastructure and Daniel capital (if any). Lastly, USF&G has had a long and successful relationship with Daniel through the Meadow Brook loans and Meadow Brook sale. Daniel has performed well in the role both of borrower and building manager.

3. Financial Risk

The financial risks in this investment are acceptable because USF&G will lend on the property at a low loan-to-value ratio (loan @ $7000/acre vs. value @ $14,000/acre for the raw land. Over a short period of time the loan-to-value ratio will get even lower as the value of the land increases through construction of the infrastructure, golf course, and country club, and USF&G's loan begins to amortize at the average rate of 12% per year. The risk of default is addressed via a guarantee by Daniel Corporation of USF&G's debt service which is collateralized by a letter of credit. Although full build out is expected to take 14 years, (See Exhibit V-9.) USF&G's capital is to be fully repaid in eight years, and USF&G has the right to call the loan if sales slow below 50% of our projections at the end of the fifth year. Finally, on a disaster case basis, if no other sales take place other than lot sales, and the sales pace dropped to 48 lots per year, (vs. 110/year) and a lot price of $67,375 (vs. 58,000/year) with appreciation of 5% (vs. 5% per year), USF&G

would be repaid its principal over eight years, receive its 9% annual debt service, and have a nine percent IRR plus a residual interest in the property thereafter.

E. CONCLUSIONS AND RECOMMENDATIONS

The proposed Brook Highland Project represents an excellent investment opportunity. The project is well located in the highest growth area of the metropolitan area, it has excellent access to Highway 280 which is the focal point of new job growth, and is a well-planned, physically attractive Planned Unit Development which will offer residents much sought after amenities such as golf courses, country clubs, and lakes.

The investment structure is designed to protect USF&G's principle both through quick amortization and a low loan-to-value ratio, and to insure it a good bookable annual return, as well as a high overall yield in today's financial market. Therefore USF&G Realty Advisors recommends that the Real estate Investment Committee for the United States Fidelity and Guarantee company approve the commitment of $15,500,000 for the participating mortgage under the terms and conditions outlined in Exhibit 1-1.

Exhibit V-I

Brook Highland Development
Construction Budget for 1,873 Acres
Yielding 1,319 Lots

Capital Improvements:	
Streets 88,493 LF x $12	$11,061,600
Engineering	1,319,000
Land Planning	140,000
Signage - Stop Signs & Street Signs	42,000
Hydroseeding	161,000
Recording Fees	56,008
Entrance Treatment	280,000
Landscape, Brick & Signage	
Organization Expenses	140,000
(Title Insurance, Legal, Closing, Etc.)	
Total Capital Improvements	13,199,608
1319 Lot Average	$10,000

Note: This budget represents development costs incurred through development period discounted back at 13%.

Exhibit V-2
PRO FORMA INCOME AND EXPENSE ASSUMPTIONS

1. Residential lots for Areas 1 and 3 are assumed to average $58,000 each. Lot prices for Area 4 are assumed to average $125 each as of July 1989, with growth at 10% per year thereafter.

2. One hundred ten (110) lots per year are assumed to be sold between the two residential areas.

3. Four million nine hundred ten thousand dollars ($4,910,000) of common improvements are to be spent by 1992 in addition to lot development cost.

4. Residential lot development is projected to cost $10,000 per lot in 1989 and grow at 6% per year thereafter.

5. Promotion costs are assumed to be 10% of the sales price for all residential sales.

6. Maintenance, taxes and miscellaneous expenses combined are assumed to be $100 per acre and $150 per lot for all remaining residential inventory. These expenses grow at 6% each year.

7. Management fees are assumed to be $150,000 per year beginning in 1989 and will grow at 5% beginning in 1991.

8. The 105 acres of commercial property are assumed to be sold at $50,000 per acre simultaneous with the closing of the acquisition. Proceeds of this sale provide the seed money to develop the infrastructure and pay USF&G basic debt service for the first two loan years.

9. Sixty-five (65) acres of the multifamily property are assumed to be sold in 1990 for $40,000 per acre.

10. Seven percent (7%) promotion is included the multifamily sale.

Exhibit V-3A
LOT SALE COMPARABLES

The six existing residential subdivisions were thoroughly investigated in Shelby County which include the following: Riverchase, Invemess, Meadow Brook, Brook Highland, Southlake, and Heatherwood. A summary chart of sales from each of these communities is presented below:

Map #: 1

Name: Riverchase

Location: East and West of Route 31
South of Interstate 459
Shelby County

Development Began: 1978

Actual Sales

	Date	Price	Lot #	Lot Size (Est.-Acres)
Amenity Lots	2/1/89	$83,900	4	.42
	1/1/89	$81,900	1	.55
	1/1/89	$85,900	3	.47
Non-Amenity Lots	9/20/88	$48,900	2730 Riverchase Road	.51
	10/13/87	$52,900	2700 Riverchase Road	.55

Amenities: Golf course/country club, mountain and lake views. This project is considered comparable to the proposed subject development.

Exhibit V-3A (Continued)
LOT SALE COMPARABLES

Map #: 2

Name: Invemess

Location: Southwest side of Route 17 and Highway 280
Shelby County

Development Began: 1972-1973

Actual Sales

	Date	Price	Lot #	Lot Size (Est.-Acres)
Amenity Lots:	1/9/88	$75,000	14	.48
	10/9/87	$61,000	10	.67
	5/26/87	$77,500	13	.31
Non-Amenity Lots:	11/11/89	$52,500	3	.93
	10/05/88	$59,900	6	1.61
	11/11/88	$54,000	4	.86

Amenities: Golf course/country club, mountain and lake views. This project is also considered very comparable to the proposed subject development.

Map #: 3

Name: Meadow Brook

Location: East side of Route 17, south of Route 280
Shelby County

Development Began: 197?

Actual Sales

	Date	Price	Lot #	Lot Size (Est.-Acres)
Amenity Lots:	2/08/88	$69,500	80	.96
	2/16/88	$65,000	76	.96
	5/11/88	$65,000	83	.85
Non-Amenity Lots:	2/09/88	$45,000	5	.85
	4/07/87	$42,500	27	.49

Amenities: Mountain views and wooded lots.

Exhibit V-3A (Continued)
LOT SALE COMPARABLES

Map #: 6

Name: Heatherwood

Location: Northwest of Route 17, southeast of Interstate 459
Shelby County

Development Began: Early 1985

Actual Sales

	Date	Price	Lot #	Lot Size (Est.-Acres)
Amenity Lots:	9/16/88	$65,000	28	.40
	9/16/888	$64,000	5	.60
	9/02/88	$69,500	63	.90
Non-Amenity Lots:	9/02/88	$48,750	23	1.31
	6/24/87	$47,500	18	.56

Exhibit V-3A (Continued)
LOT SALE COMPARABLES

Map #: 4

Name: Brook Highland East

Location: Northwest side of Highway 280 and Route 119
Shelby County

Development Began: August 1988

Actual Sales

Date	Price	Lot #	Lot Size (Est.-Acres)
10/04/88	$39,000	13	.65
10/20/88	$35,000	34	.44
9/06/88	$42,500	17	.92
9/15/88	$39,000	61	.48

Amenities: Tennis and swim club, mountain and lake views.

Map #: 5

Name: Southlake

Location: Northeast side of Route 31 and Route 17
Shelby County

Development Began: Summer 1987

Actual Sales

	Date	Price	Lot #	Lot Size (Est.-Acres)
Amenity Lots:	5/27/88	$69,900	12	1.44
	3/15/88	$73,500	20	1.36
	12/16/87	$60,000	7	1.51
Non-Amenity Lots:	5/18/88	$54,055	42	1.08
	6/20/88	$58,000	38	.80

Amenities: Lake views, country club, shopping center.

Deed:	Book 63, Page 249
Grantor:	Alan J. Swindall
Grantee:	Little Ridge
Purchase Price:	$587,000

(Land Sale #2 Continued)

Size (Acres):	49.07
Price/Acre:	$11,962
Comments:	This property has 1,233 feet of frontage on Cahaba Valley Road (Highway 119).
Map #	**3:**
Location:	E/S Highway 382, North of Highway 280.
Legal Description:	Parcel No. 2-7-36-1-3- in NW/NE and NE/NW of Section 36-18-2W
Date of Sale:	7/9/85
Deed:	Book 33, Page 516
Grantor:	William M. Knighten
Grantee:	Colonial Properties
Purchase Price:	$350,000
Size (Acres):	13.0
Price/Acre:	$26,923

Map #	**4:**
Location:	N/S of Meadow Brook Road, Meadow Brook Estates
Date of Sale:	9/20/85
Deed:	Book 41/Page 921
Grantor:	Acton Investment Company
Grantee:	Cornerstone Properties, Inc.

Purchase Price:	$925,000
Size (Acres):	29.84
Price/Acre:	$31,000

Exhibit V-3C (Continued)
LAND SALE COMPARABLES

Map #	**5:**
Location:	W/S Highway 280 @ end of Farley Lane
Date of Sale:	12/22/86
Deed:	Book 106, Page 234
Grantor:	Peter Eugene Lacy
Purchase Price:	$279,480
Size (Acres):	20.06
Price/Acre:	$13,932

Map #	**6:**
Location:	4001 Florida Short Route (Highway 280)
Legal Description:	Parcel No. 28-34-1-1-3
Date of Sale:	12/31/86
Deed:	Book 3063, Page 818
Grantor:	James B. Walker
Grantee:	Cahaba River Road Associates
Purchase Price:	$230,000
Size (Acres):	12.0 Acres
Price/Acre:	$19,167

Exhibit V-3C (Continued)
LAND SALE COMPARABLES

Map #	7:
Location:	NW/S Highway 280 and Highway 119
Date of Sale:	4/15/87
Deed:	Book 125/Page 234
Grantor:	AmSouth Bank
Grantee:	Eddleman and Associates
Purchase Price:	$4,103,400
Size (Acres):	200

Exhibit V-3D
LAND SALES MAP

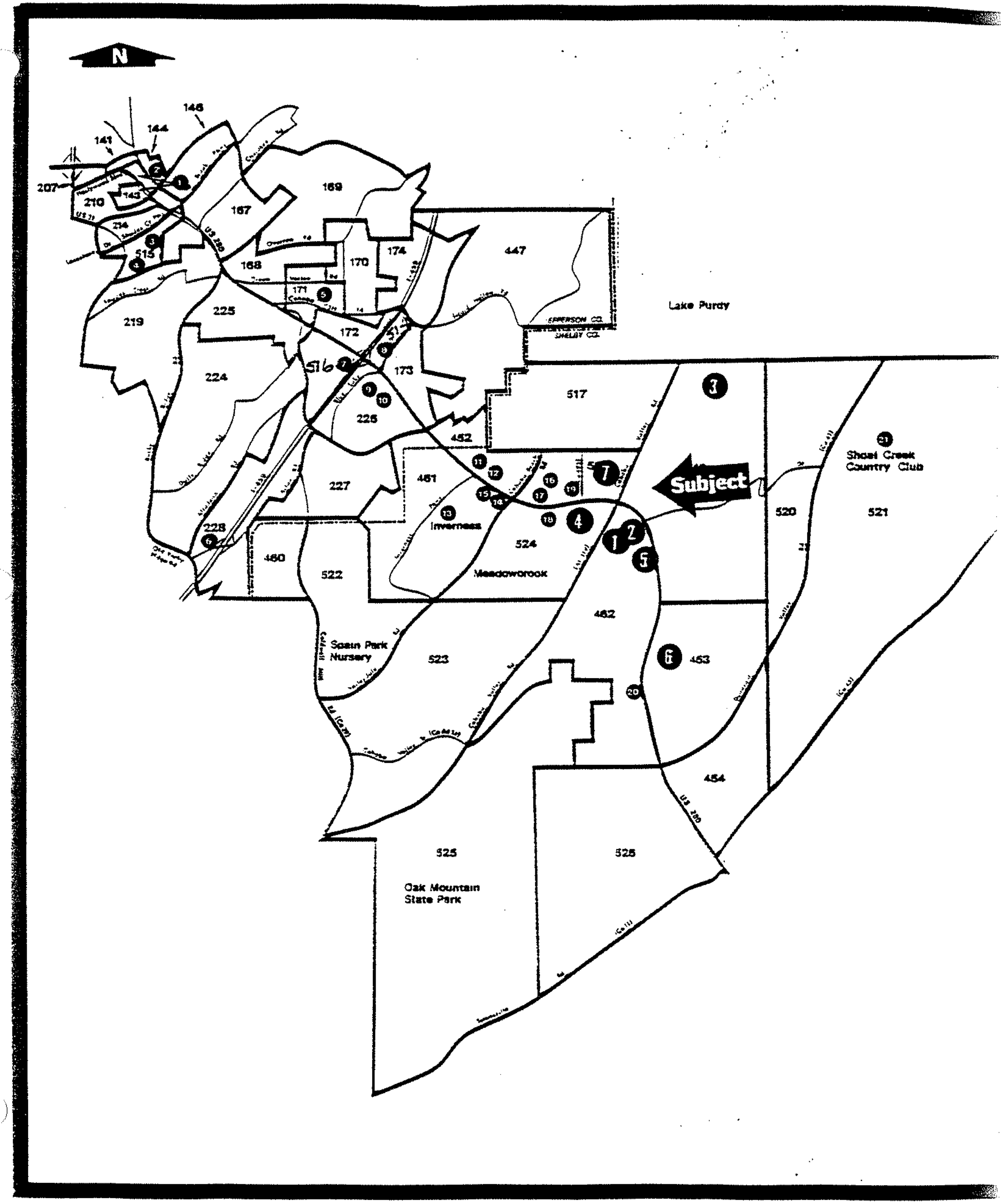


Exhibit V-3E
DEVELOPMENT ANALYSIS TECHNIQUE

Year	1989	1990	1991	1992	1993	1994	1995	1996
Sales Revenue	5,250,000	3,558,500	16,725,156	6,937,665	9,831,432	10,814,575	11,896,032	13,025,635
Less:								
Improvements	4,410,000	1,657,500	1,361,250	1,497,375	2,147,113	1,811,824	1,660,139	2,143,589
Operating Expenses	1,379,525	1,395,424	3,272,751	2,989,813	3,252,458	3,543,248	3,864,997	4,213,799
	----------	----------	----------	----------	----------	----------	----------	----------
Cash Flow	(539,525)	365,576	6,091,149	4,450,478	4,431,861	5,459,503	6,170,896	6,728,247

Year	1997	1998	1999	2000	2001	2002	2003	2004	Total
Sales Revenue	13,676,097	15,043,706	16,546,077	18,202,885	20,023,173	11,813,672	0	0	169,406,596
Less:									
Improvements	2,357,946	2,593,742	2,853,117	3,136,428	1,851,673	0	0	0	29,883,697
Operating Expenses	4,372,343	4,763,518	5,239,457	5,614,321	6,157,906	3,701,023	0	0	53,760,583
	----------	----------	----------	----------	----------	----------	----------	----------	----------
Cash Flow	6,945,808	7,666,446	8,455,503	9,450,135	12,013,595	8,112,649	0	0	85,742,318

PRESENT VALUE OF NET CASH FLOWS: $25,768,172

INDICATED VALUE BY THE DEV. ANALYSIS $25,800,000

Exhibit V-3F
DEVELOPMENT ANALYSIS TECHNIQUE-
LAND RESIDUAL METHOD

All assumptions used for the land residual method were identical to those used for the most likely scenario of the Pro Forma. Costs included all Pro Forma Development costs (infrastructure, marketing, taxes, administration) plus 20% developer profit. We selected a 13% discount rate which is 500 basis points above 10 year treasuries and 200 basis points above prime rate. This financial rate reflects the risks and time factor involved in the investment of this type of venture. The present worth of the future cash flows represents the acquisition or raw land value estimate. Applying this analysis derives a value estimate as of June, 1989 of $29,800,000 or $15,910 per acre for 1873 acres.

Estimate of value by the Development Analysis Technique/ Land Residual:	$29,800,000

Exhibit V-3G
LAND VALUATION ANALYSIS

DIRECT SALES COMPARISON APPROACH

1,873 acres @ $15,000 per acre (see Exhibit V-4A)	$28,100,000

DEVELOPMENT ANALYSIS TECHNIQUE - LAND RESIDUAL

(see Exhibit V-4B and V-4C)	$29,800,000

The above two approaches to value indicate a range from $28,100,000 to $29,800,000. The values indicate a difference of 6.1%. In considering both approaches, we have given more weight to the development analysis technique due to the quality and reliability of data. In addition, the major determination of value is based on justification of future net cash benefits which this method attempts to analyze for a land subdivision. Therefore, we have estimated a market value for the land "as is" in today's marketplace, currently unimproved, to be:

$29,800,000 ($15,910 per acre)	Indicated Loan-to-Value Ratio: 52.0%

Exhibit V-4
FINANCIAL PROJECTIONS

AND PROJECT

.989 os)	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	Total
0	3,396,750	10,003,288	7,773,452	8,162,124	8,570,231	8,998,742	9,448,679	8,997,704	9,897,474	10,392,348	10,911,965	11,457,563	6,999,530	0	0	115,009,850
000)	(2,801,250)	(2,240,313)	(1,802,328)	(1,867,445)	(1,435,817)	(1,407,100)	(1,477,455)	(1,625,201)	(1,706,461)	(1,791,784)	(1,881,373)	(1,149,348)	0	0	0	(23,095,875)
525)	(667,549)	(1,050,035)	(1,074,033)	(1,100,169)	(1,128,553)	(1,159,297)	(1,185,515)	(1,115,967)	(1,194,385)	(1,234,312)	(1,197,112)	(1,240,274)	(789,746)	0	0	(14,466,474)
525)	(72,049)	6,712,940	4,897,090	5,194,511	6,005,861	6,432,344	6,785,709	6,256,536	6,996,628	7,366,252	7,833,480	9,067,941	6,209,784	0	0	77,447,501
715	1,897,285	0	0	0	0	0	0	0	0	0	0	0	0	0	0	5,250,000
190	1,825,236	6,712,940	4,897,090	5,194,511	6,005,861	6,432,344	6,785,709	6,256,536	6,996,628	7,366,252	7,833,480	9,067,941	6,209,784	0	0	82,697,501
190)	(1,158,570)	(1,117,094)	(951,340)	(801,824)	(643,336)	(475,339)	(297,262)	(108,501)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(5,939,456)
000)	(460,844)	(1,841,707)	(1,661,297)	(1,760,975)	(1,866,633)	(1,978,631)	(2,097,349)	(1,205,563)	0	0	0	0	0	0	0	(13,600,000)
0	205,822	3,754,139	2,284,453	2,631,712	3,495,891	3,978,374	4,391,098	4,942,472	6,996,628	7,366,252	7,833,480	9,067,941	6,209,784	(0)	(0)	63,158,045
0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
0	205,822	3,754,139	2,284,453	2,631,712	3,495,891	3,978,374	4,391,098	4,942,472	6,996,628	7,366,252	7,833,480	9,067,941	6,209,784	(0)	(0)	63,158,045
0	51,455	938,535	571,113	657,928	873,973	994,594	1,097,774	1,235,618	1,749,157	1,841,563	1,958,370	2,266,985	1,552,446	(0)	(0)	15,789,511
0	154,366	2,815,604	1,713,340	1,973,784	2,621,919	2,983,781	3,293,323	3,706,854	5,247,471	5,524,689	5,875,110	6,800,956	4,657,338	(0)	(0)	47,368,534
90	1,670,870	3,897,336	3,183,751	3,220,727	3,383,942	3,448,564	3,492,386	2,549,682	1,749,157	1,841,563	1,958,370	2,266,985	1,552,446	0	0	35,328,967
59	3,155,255	3,421,588	3,208,402	3,329,542	3,427,025	3,477,780	2,863,885	2,015,972	1,810,764	1,919,438	2,164,124	1,790,602	517,430	0	0	35,328,967
00	12,873,000	12,412,156	10,570,449	8,909,152	7,148,177	5,281,544	3,302,912	1,205,563	0	0	0	0	0	0	0	
0	460,844	1,841,707	1,661,297	1,760,975	1,866,633	1,978,631	2,097,349	1,205,563	0	0	0	0	0	0	0	
00	12,412,156	10,570,449	8,909,152	7,148,177	5,281,544	3,302,912	1,205,563	0	0	0	0	0	0	0	0	
0	460,844	1,841,707	1,661,297	1,760,975	1,866,633	1,978,631	2,097,349	1,205,563	0	0	0	0	0	0	0	

1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	Total
,000	3,396,750	10,003,288	7,773,452	8,162,124	8,570,231	8,998,742	9,448,679	8,997,704	9,897,474	10,392,348	10,911,965	11,457,563	6,999,530	0	0	120,259,850
,000	2,801,250	2,240,313	1,802,328	1,867,445	1,435,817	1,407,100	1,477,455	1,625,201	1,706,461	1,791,784	1,881,373	1,149,348	0	0	0	23,095,875
,525	667,549	1,050,035	1,074,033	1,100,169	1,128,553	1,159,297	1,185,515	1,115,967	1,194,385	1,234,312	1,197,112	1,240,274	789,746	0	0	14,466,474
,475	(72,049)	6,712,940	4,897,090	5,194,511	6,005,861	6,432,344	6,785,709	6,256,536	6,996,628	7,366,252	7,833,480	9,067,941	6,209,784	0	0	82,697,501

1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	Total
58,000	60,900	63,945	67,142	70,499	74,024	77,726	81,612	85,692	89,977	94,476	99,200	104,160	109,368	114,836	120,578	
	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%*	
0	45	105	105	105	105	105	105	105	110	52	0	0	0	0	0	
0	45	150	255	360	465	570	675	780	890	942	942	942	942	942	942	
942	897	792	687	582	477	372	267	162	52	0	0	0	0	0	0	
1,225	1,166	1,030	893	757	620	484	347	211	68	0	0	0	0	0	0	
0	2,740,500	6,714,225	7,049,936	7,402,433	7,772,555	8,161,182	8,569,242	8,997,704	9,897,474	4,912,746	0	0	0	0	0	72,217,997
.310,000	600,000	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1,910,000
450,000	1,102,500	1,157,625	1,215,506	1,276,282	1,340,096	1,407,100	1,477,455	1,625,201	806,691	0	0	0	0	0	0	11,858,456
0	274,050	671,423	704,994	740,243	777,255	816,118	856,924	899,770	989,747	491,275	0	0	0	0	0	7,221,800
85,750	81,654	72,096	62,538	52,979	43,421	33,863	24,305	14,747	4,734	0	0	0	0	0	0	476,087
50,000	50,000	52,500	55,125	57,881	60,775	63,814	67,005	70,355	73,873	77,566	0	0	0	0	0	678,895
36,750	34,994	30,898	26,802	22,705	18,609	14,513	10,416	6,320	2,029	0	0	0	0	0	0	204,036
36,750	34,994	30,898	26,802	22,705	18,609	14,513	10,416	6,320	2,029	0	0	0	0	0	0	204,036
969,250	2,178,192	2,015,440	2,091,767	2,172,795	2,258,765	2,349,922	2,446,521	2,622,713	1,879,103	568,841	0	0	0	0	0	22,553,309
969,250)	562,308	4,698,785	4,958,169	5,229,638	5,513,790	5,811,260	6,122,721	6,374,991	8,018,371	4,343,905	0	0	0	0	0	49,664,688
480,675																8,480,675
449,925)	562,308	4,698,785	4,958,169	5,229,638	5,513,790	5,811,260	6,122,721	6,374,991	8,018,371	4,343,905	0	0	0	0	0	41,184,013

1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	Total
58,000	60,900	63,945	67,142	70,499	74,024	77,726	81,612	85,692	89,977	94,476	99,200	104,160	109,368	114,836	120,578	
	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	10.0%*	
0	0	0	0	0	0	0	0	0	0	58	110	110	64	0	0	
0	0	0	0	0	0	0	0	0	0	58	168	278	342	342	342	
342	342	342	342	342	342	342	342	342	342	284	174	64	0	0	0	
370	370	370	370	370	370	370	370	370	370	307	188	69	0	0	0	
0	0	0	0	0	0	0	0	0	0	5,479,602	10,911,965	11,457,563	6,999,530	0	0	34,848,660
0	0	0	0	500,000	0	0	0	0	0	0	0	0	0	0	0	500,000
0	0	0	0	0	0	0	0	0	899,770	1,791,784	1,881,373	1,149,348	0	0	0	5,722,276
0	0	0	0	0	0	0	0	0	0	547,960	1,091,197	1,145,756	699,953	0	0	3,484,866
5,900	25,900	25,900	25,900	25,900	25,900	25,900	25,900	25,900	25,900	21,508	13,177	4,847	0	0	0	298,532
0,000	50,000	52,500	55,125	57,881	60,775	63,814	67,005	70,355	73,873	77,566	81,445	85,517	89,793	0	0	935,649
1,100	11,100	11,100	11,100	11,100	11,100	11,100	11,100	11,100	11,100	9,218	5,647	2,077	0	0	0	127,942
1,100	11,100	11,100	11,100	11,100	11,100	11,100	11,100	11,100	11,100	9,218	5,647	2,077	0	0	0	127,942
8,100	98,100	100,600	103,225	605,981	108,875	111,914	115,105	118,455	1,021,743	2,457,255	3,078,486	2,389,622	789,746	0	0	11,197,207
8,100)	(98,100)	(100,600)	(103,225)	(605,981)	(108,875)	(111,914)	(115,105)	(118,455)	(1,021,743)	3,022,347	7,833,480	9,067,941	6,209,784	0	0	23,651,453
1,510																2,561,510
3,610)	(98,100)	(100,600)	(103,225)	(605,981)	(108,875)	(111,914)	(115,105)	(118,455)	(1,021,743)	3,022,347	7,833,480	9,067,941	6,209,784	0	0	21,089,943

1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	Total
125,000	131,250	137,813	144,703	151,938	159,535	167,512	175,888	184,682	193,916	203,612	213,792	224,482	235,706	247,491	272,241	
	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	10.0%*	
0	5	5	5	5	5	5	5	0	0	0	0	0	0	0	0	
0	5	10	15	20	25	30	35	35	35	35	35	35	35	35	35	
35	30	25	20	15	10	5	0	0	0	0	0	0	0	0	0	
73	63	52	42	31	21	10	0	0	0	0	0	0	0	0	0	
0	656,250	689,063	723,516	759,691	797,676	837,560	879,438	0	0	0	0	0	0	0	0	5,343,193
0	20,000	0	0	0	0	0	0	0	0	0	0	0	0	0	0	20,000
150,000	78,750	82,688	86,822	91,163	95,721	0	0	0	0	0	0	0	0	0	0	585,143
0	65,625	68,906	72,352	75,969	79,768	83,756	87,944	0	0	0	0	0	0	0	0	534,319
5,110	4,380	3,650	2,920	2,190	1,460	730	0	0	0	0	0	0	0	0	0	20,440
10,000	10,000	10,500	11,025	11,576	12,155	12,763	13,401	0	0	0	0	0	0	0	0	91,420
0	7,000	7,000	7,000	7,000	7,000	7,000	0	0	0	0	0	0	0	0	0	42,000
2,190	1,877	1,564	1,251	939	626	313	0	0	0	0	0	0	0	0	0	8,760
167,300	187,632	174,308	181,369	188,837	196,730	104,562	101,345	0	0	0	0	0	0	0	0	1,302,083
(167,300)	468,618	514,755	542,146	570,854	600,946	732,998	778,093	0	0	0	0	0	0	0	0	4,041,110
505,379																505,379
(672,679)	468,618	514,755	542,146	570,854	600,946	732,998	778,093	0	0	0	0	0	0	0	0	3,535,731

1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	Total
0,000	42,000	44,100	46,305	48,620	51,051	53,604	56,284	59,098	62,053	65,156	68,414	71,834	75,426	79,197	87,117	
	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	10.0%	
0	0	65	0	0	0	0	0	0	0	0	0	0	0	0	0	
0	0	65	65	65	65	65	65	65	65	65	65	65	65	65	65	
65	65	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
0	0	2,600,000	0	0	0	0	0	0	0	0	0	0	0	0	0	2,600,000
0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
2,925	2,925	0	0	0	0	0	0	0	0	0	0	0	0	0	0	5,850
0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
1,950	1,950	0	0	0	0	0	0	0	0	0	0	0	0	0	0	3,900
4,875	4,875	0	0	0	0	0	0	0	0	0	0	0	0	0	0	9,750
(4,875)	(4,875)	2,600,000	0	0	0	0	0	0	0	0	0	0	0	0	0	2,590,250
9,995																449,995
(,870)	(4,875)	2,600,000	0	0	0	0	0	0	0	0	0	0	0	0	0	2,140,255

1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	Total
50,000	53,000	56,180	59,551	63,124	66,911	70,926	75,182	79,692	84,474	89,542	94,915	100,610	106,646	113,045	119,828	
	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	
105	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
105	105	105	105	105	105	105	105	105	105	105	105	105	105	105	105	
0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
250,000	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	5,250,000
0	1,000,000	1,000,000	500,000	0	0	0	0	0	0	0	0	0	0	0	0	2,500,000
0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
0	1,000,000	1,000,000	500,000	0	0	0	0	0	0	0	0	0	0	0	0	2,500,000
250,000	(1,000,000)	(1,000,000)	(500,000)	0	0	0	0	0	0	0	0	0	0	0	0	2,750,000
726,915																726,915
523,085	(1,000,000)	(1,000,000)	(500,000)	0	0	0	0	0	0	0	0	0	0	0	0	2,023,085

Exhibit V-5
INVESTOR'S YIELD SUMMARY

lot price	$58,000	Loan Amount$15,600,000 (assumes only $13,600,000 funded)
on	10%	Interest Ra9.00%
absorption pace	110	USF&G Share25%
		Daniel Shar75%

1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	Total
1,819,236	6,712,940	4,897,090	5,194,511	6,005,861	6,432,344	6,785,709	6,256,536	6,996,628	7,366,252	7,833,480	9,067,941	6,209,784	0	0	81,578,312
1,176,570	1,135,094	969,340	819,824	661,336	493,339	315,262	126,501	0	0	0	0	0	0	0	5,697,266
45,455	934,035	566,613	653,428	869,473	990,094	1,093,274	1,181,118	1,749,157	1,841,563	1,958,370	2,266,985	1,552,446	0	0	15,702,011
460,844	1,841,707	1,661,297	1,760,975	1,866,633	1,978,631	2,097,349	1,405,563	0	0	0	0	0	0	0	13,072,999
1,682,869	3,910,836	3,197,250	3,234,227	3,397,442	3,462,064	3,505,885	2,713,182	1,749,157	1,841,563	1,958,370	2,266,985	1,552,446	0	0	34,472,276

LOAN YEARS

1	2	3	4	5	6	7	8
9.49%	17.00%	16.49%	- 20.54%	28.62%	41.02%	68.72%	195.57%
3.58%	14.84%	15.72%	19.77%	26.11%	37.46%	63.50%	116.59%
13.07%	31.84%	32.21%	40.31%	54.74%	78.49%	132.22%	312.16%

rtized at end of 8th Loan Year, therefore cash on cash yield
ssuming no further cash investment is required.

Exhibit V-6
PRO FORMA AMORTIZATION SCHEDULE

At Closing	727,000
Year 1	460,844
Year 2	1,841,707
Year 3	1,661,297
Year 4	1,760,975
Year 5	1,866,633
Year 6	1,978,631
Year 7	2,097,349
Year 8	1,205,563
Total	13,600,000

*Note: The loan will be amortized on a prorata and pro forma basis. Amortization based on total funding of $13,600,000.

Exhibit V-7

Calculation of Pro-Rata Amortization for Lot and Bulk Sales

1. Determine value for each area and what percent of value each area represents

2. Determine within each area the various lot types and the number of percentage that that lot type represents within the area.

   A. To determine prorata amortization per lot

      (Lot type % of Area Value x Area % of total Project Value) x USF&G Investment - Total number of lots of that type within area = prorata amortization per lot

   B. To determine Bulk Sale prorata amortization per acre:

      (Area % of total project Value x USF&G Investment) ÷ Area Acreage = prorata amortization

Example A

	Area	Acre	Per Cent Of Appraised Value	Total Appraised Value
	1	2	10%	100
	2	3	20%	200
	3	5	70%	700
Total		10	100%	1,000

However:
Area 1 has 3 lot types that equal 100% of Area 1 value:

	Numbered Lots	Lot Type	% of Area Value
	3	R	X%
	4	S	Y%
	1	T	Z%
Total	8		100%

To determine lot prorata amortization for Area 1 lot Type R apply the formula:

(X% x 10%) x USF&G Investment - 3 = prorata amortization per lot Type R

Example B
To determine prorata amortization per acre for bulk sale of Area 3 apply the formula:

(70% x USF&G Investment - 5) = prorata amortization per acre

Exhibit V-8
LAND SALES SCHEDULE

AREA		1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
942 lots	1	0	45	105	105	105	105	105	105	105	110	52	-	-	-	-
Golf Course	2	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
342 lots	3	0	0	0	0	0	0	0	0	0	0	58	110	110	64	-
35 lots	4	0	5	5	5	5	5	5	5	-	-	-	-	-	-	-
65 acre multifamily	5	0	65 acres	-	-	-	-	-	-	-	-	-	-	-	-	-
105 acre NCNB Parcel	6	105 acres	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Exhibit V-9
SENSITIVITY ANALYSIS

	Growth Rate		
	5%	6%	10%
	Internal Rate of Return		
Optimistic Case	21.11%	21.79%	24.60%
Most Likely Case	18.99%	19.63%	22.27%
Conservative Case	16.27%	16.86%	19.31%

Notes: (1) Optimistic case assumes average lot price starting at $67,375 based on Gene Dillmore's market study.

(2) Most Like case assumes absorption pace of 110 lots per year, and lot prices starting at $58,000.

(3) Conservative case assumes absorption pace of 80 lots per year.