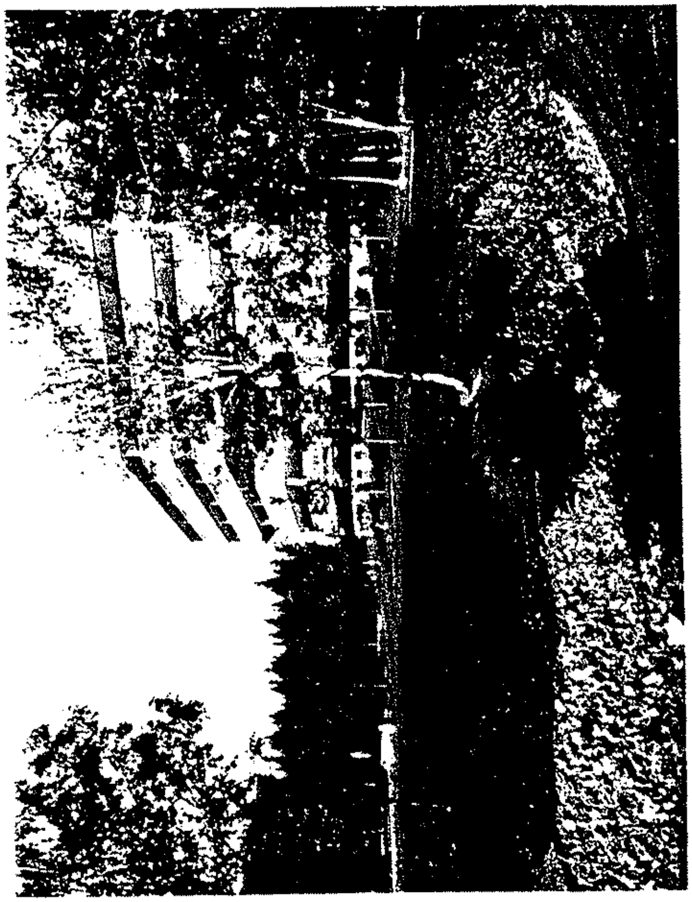
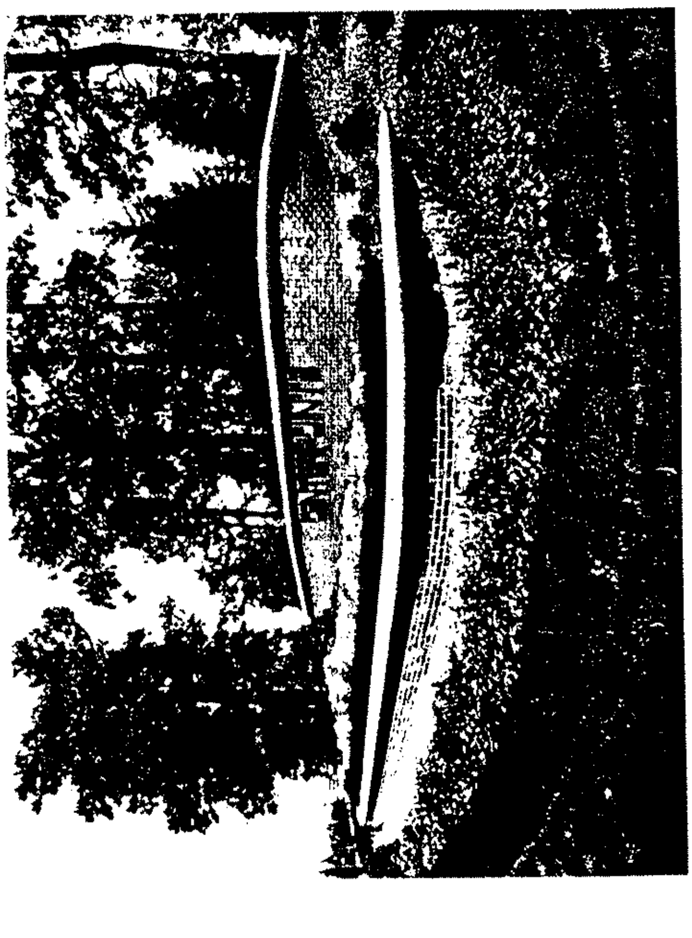
CENTERPOINTE OFFICE PARK

LAKE OSWEGO, OREGON

Piedmont Realty Advisors
650 California Street, 22nd Floor
San Francisco, California 94108
(415) 433-4100
June 24, 1987



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I. INTRODUCTION

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

June 24, 1987

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

Re: **Centerpointe Office Park**

Dear Committee Members:

Enclosed for your review is an Investment Report on the Centerpointe Office Park. The proposed investment is composed of a forward commitment participating mortgage for - Five Centerpointe - a 112,800 net rentable square foot office building to be developed by Birtcher/Frank on 5.5 acres and a participating land loan for an adjoining 13.58-acre parcel for future development. A summary of the proposed investment is shown as Exhibit I-1.

Property

Centerpointe Office Park is an existing multi-phase office park located at the northeast quadrant of the intersection of Highway 217 and Interstate 5 in Lake Oswego, Oregon. Centerpointe is strategically located on Kruse Way Boulevard. Kruse Way Boulevard connects Lake Oswego, the State's highest income per capita community, with Interstate-5, the State's major north/south arterial. The existing development at the Centerpointe Office Park, which is not included in this transaction, consists of the owner-occupied regional headquarters of American States Insurance and a 100,000 square foot Class "A" office building owned by the Investment Division of the Mormon Church.

The first phase of the proposed transaction - Five Centerpointe - is a six-story 112,800 net rentable square foot Class "A" suburban office building on 5.5 acres. The building will be constructed of steel and concrete with a layered brick exterior and black annodized windows. The adjacent 13.58 acres will be held for later development which will include two, six-story 120,000 square foot Class "A" office buildings, a two-story 34,000 square foot office building and a bank/retail development. Centerpointe is superior to all existing suburban office developments in Portland in terms of freeway visibility and access, site amenities and access to executive housing.

The Market

The Kruse Way Corridor is Portland's fastest growing suburban office market experiencing the greatest absorption of any submarket in 1986. The subject site is the recognized 100 percent location in this submarket. It is one of only two developable sites with frontage at the intersection of Interstate-5 and Highway 217. The remaining site which is directly south of Centerpointe on Kruse Way is currently under contract with Ramada for a proposed hotel.

Seventy percent of the buildings along Kruse Way have been built since 1984. This development activity has resulted in a 29.1 percent vacancy rate for the Kruse Way office submarket. This vacancy rate, however represents less than an 18-month supply of space. The Kruse Way Corridor is also unique in that only two developers (the Borrower and the Hillman Family) control the remaining undeveloped commercial land along the 1.5 mile long Boulevard. This "monopoly" should help insure a rational and orderly build-out of this submarket.

Based on Piedmont Realty Advisor's review of the market, Five Centerpointe's proforma contract rent should average $17.50 in mid-1988. This represents no increase in contract rent from today's market. Leases will include a $4.25 expense stop and free rent discounts averaging 17 percent of the lease value, indicating an effective rate of approximately $14.58 per net rentable square foot. The proforma budget includes a tenant improvement package which will average $20.00 per rentable square foot, a figure that is at least $2.00 per square foot in excess of the current market. These proforma figures are competitive with the rental rates being achieved currently by competitive Class "A" suburban office space. Piedmont Realty Advisors feels that the subject property will achieve above average rents and absorption due to its superior visibility, access, location, and realistic proforma.

Borrower

The borrowing entity will be a general partnership of Mason Frank, Ronald Birtcher and Art Birtcher. The Birtcher organization was the 10th largest developer in the United States in 1986 and has developed over 55,000,000 square feet of projects in the western states since 1970. Birtcher has a net worth of over $140 million.

Mason Frank has been a Birtcher partner in the Northwest for the past five years during which time he has developed over 660,000 square feet of office in the Northwest including a 100,000 square foot office building in the Kruse Way Corridor. Coldwell Banker will lease the property and Birtcher will manage the entire Centerpointe development. Based on Piedmont's interviews of the leasing and management team we conclude that Mason Frank has assembled a development team capable of successfully building, leasing, and managing the project.

Risk/Return

The proposed investment structure has a unique feature in the participating land loan. The participating land loan gives USF&G a current 11 percent return and a built-in source of investment product in one of Portland's top locations. Specifically this loan offers USF&G the opportunity to finance subsequent phases with either participating mortgages or equity joint ventures allowing USF&G to tailor a financing instrument to their investment needs at the time of future Centerpointe development. The borrower has the right to turn down USF&G's proposal for future financing. In this instance, USF&G will receive an 11 percent return on funds invested and a 25 percent limited partnership in the development. The land loan is further secured by being cross-collateralized and cross-defaulted with the Five Centerpointe Project. The anticipated yield on the land loan is in the 18 percent to 20 percent range.

The Five Centerpointe Project is located in the fastest absorbing suburban market in Portland and has the recognized 100 percent suburban location. The projected yield is 12 percent on the Five Centerpointe forward commitment resulting in a 14.4 percent return on the combined loans.

Piedmont Realty Advisors therefore recommends that USF&G issue a commitment for a permanent loan for $13,950,000 for Five Centerpointe and a $5,832,523 participating land loan on the adjoining 13.58 acres of Centerpointe land in Lake Oswego, Oregon.

Sincerely,

Jeffrey D. Heyman

Jeffrey D. Heyman
Associate

PIEDMONT REALTY ADVISORS
650 CALIFORNIA STREET
TWENTY-SECOND FLOOR
SAN FRANCISCO, CALIFORNIA 94108

415-433-4100

June 3, 1987

Mr. Mason Frank
Birtcher/Frank
One Centerpointe Drive, Suite 300
Lake Oswego, Oregon 97034-8613

Re: **Centerpointe**
Lake Oswego, Oregon

Dear Mason:

Piedmont Realty Advisors is prepared to recommend to its client's Investment Committee that it issue a commitment for a participating first mortgage on the above-captioned property subject to the terms and conditions described in this letter:

Property:	Centerpointe V - A proposed 6-story office building containing 112,800 square feet of net rentable area.
Location:	The northeast corner of the intersection of Interstate-5 and Highway 217 in Portland, Oregon.
Land Area:	Approximately 5.5 acres.
Borrower:	Birtcher/Frank (Birtcher).
Lender:	USF&G Realty Company (USF&G).
Loan Amount:	$13,950,000.

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

Loan Years	Interest Pay Rate	Interest Accrual Rate
1 - 3	8.75% on initial loan	10.00%
4 - 6	9.50% on the outstanding balance the first day of the fourth loan year.	10.00%
7 - 15	10.00% on the outstanding balance the first day of the seventh loan year.	10.00%

Term: Fifteen years.

Call Option: USF&G has option to call the loan anytime after the 10th year. USF&G will give Birtcher 12 months written notice of its intent to call the loan.

Amortization: Not applicable; interest only.

Prepayment:

- o No prepayment through year 10.
- o Prepayment fee of 1% of the outstanding loan balance in year 11 and thereafter.
- o No prepayment fee if USF&G exercises its call option.

Guarantees: The proposed loan will be non-recourse to Birtcher.

Cross Default: The loan will be cross defaulted and cross collateralized with the Centerpointe Land participating loan.

Additional Interest

A. Accrued Interest: The unpaid portion of the 10.00% interest rate will be added to the outstanding mortgage balance every quarter.

B. Operations: USF&G receives 50% of the project's annual net cash flow. Net cash flow shall be defined as all collected gross revenues less all approved operating and capital expenses and base debt service. Additional interest payments are payable quarterly.

C. Sale or Refinancing: USF&G receives 60% of the difference between the net sales price of the property (third party selling expenses not to exceed 3% of selling price) and the outstanding loan balance if the property is sold, or 60% of the difference between the appraised fair market value of the property and the outstanding loan balance if the property is not sold before the loan is called, refinanced or matures.

Commitment Fee: $279,000; $139,500 in cash which is earned upon acceptance of the commitment, $139,500 in an unconditional letter of credit which will be refunded to Birtcher at closing. Initial funding must occur within 15 months after the acceptance of the commitment. In the event the building is not completed within the 15-month period, Birtcher may extend the loan funding date for two (2) three-month periods by paying a cash fee to USF&G of $26,156 for each extension.

Initial Funding: The lesser of (i) the actual construction loan balance for Centerpointe V at time of initial funding or (ii) $9,246,800. Funding must occur within 60 days after receipt of a notice of completion or occupancy permit. If initial funding is less than $9,246,800, the difference will be added to the holdback for interest, real estate taxes, insurance and approved operating and capital expenses.

Holdbacks

A. Tenant Improvements: $2,256,000; the tenant improvement holdback will be disbursed on a lease by lease basis as tenant improvements are completed for approved leases. The amount of the disbursement will be $20.00 per square foot of rentable area.

B. Leasing Commissions: $451,200; disbursed as commissions are paid not to exceed $4.00 per square foot of rentable area.

C. Interest Reserve, Real Estate Taxes, Insurance, and Approved Operating and Capital Expenses:

$998,000; disbursed on a monthly basis to cover base interest payments on the first mortgage, real estate taxes, property insurance, and approved operating expenses paid in excess of cash collection. **Any unfunded interest reserve holdbacks will be retained by USF&G and will be used to reduce the loan commitment.**

D. Economic Holdback:

$998,000; disbursed at a rate of $1.21 of earnout for every $1.00 of effective gross rent collected in excess of $913,680. Birtcher has 24 months after initial funding to earn out the economic holdback. Disbursements of the economic holdback may occur after the 24-month earnout period if the leases were commenced during that period.

The economic holdbacks will be disbursed using effective rents. USF&G will exempt a 10% discount (e.g. 3.6 months on a 3-year lease, 6 months on a 5-year lease, etc.) from the calculation of the effective rents. If, however, discounts exceed 10%, there will be an effective reduction in the rental income used in the holdbacks (see Exhibit A for examples).

Contingencies

A. Plans and Specifications:

USF&G reserves the right to review and approve the plans and specifications for all proposed improvements and to approve all major changes, modifications, or corrections to the plans during construction period. Any changes in excess of $20,000 will require USF&G's consent. USF&G has 10 business days to approve or disapprove the plans and specifications after receipt of the "front end" report from the inspecting engineer.

B. Leases:

USF&G reserves the right to approve all leases subject to agreed leasing standards. Agreed upon leasing standards will be part of the Commitment Letter. Upon approval of the standard lease form, USF&G's

approval will only be required for material deviations.

C. Secondary Financing:	USF&G will not permit secondary financing on the property.
D. Market Value Appraisal:	USF&G requires a market value estimate of the property from a MAI designated appraiser approved by USF&G which is not less than $15,700,000.
E. Master Lease:	The general partners of Birtcher shall master lease the project to breakeven. The master lease will be terminated at the sooner of breakeven occupancy or 24 months. As interest payments are disbursed from the interest holdback they will be credited to the master lease payments. In addition, as third party leases are signed, the master lease will be reduced correspondingly.
F. Leasing Centerpointe:	Construction on the next Centerpointe building will not begin until Centerpointe V is 70% leased.
G. Budget Approval:	USF&G reserves the right to review and approve all annual operating and capital budgets.
H. Lender Approval:	This application must be approved by USF&G's Investment Committee.
I. Tri-Party Agreement:	The commitment is contingent upon USF&G, Birtcher, and the interim lender entering into an acceptable Tri-Party Agreement within 90 days after the commitment is accepted.
J. Partnership Documents:	USF&G will be provided with the Partnership Agreement and all associated documents for the proposed borrowing entity. Provisions limiting the transfer of partnership interests will be included in the Commitment Letter. The commitment is contingent upon USF&G's review and approval of the Partnership Agreement.
K. Centerpointe Land:	This participating loan commitment will be contingent upon the acceptance of the participating land loan outlined in Exhibit B and attached hereto.

L. Economic Due Diligence: The issuance of a commitment is contingent upon Piedmont Realty Advisors satisfactorily completing its economic due diligence.

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 8, 1987. 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,

Jeffrey D. Heyman
Associate

SIGNED

6/8/87
DATE

PARTNER
TITLE

EXHIBIT A
EFFECTIVE RENT EXAMPLES

The allowable rent concession is 10% of the total lease payments without the rent concession. The effective rent is calculated as follows:

EXAMPLE ONE - FLAT LEASE

Assumptions:

Contract Rent:	$12.00 PSF/Year	
Lease Term:	3 Years	
Rent Concession:	.5 Year of Free Rent	

Calculations:

	Rent Concession (.5 year X $12 PSF/Year	$ 6.00
divided by:	Total Rental Payments w/o Concession (3 Years X $12 PSF/Year)	36.00
equals:	Rent Concession Given	16.67%
less:	Allowable Concession	10.00%
equals:	Reduction in Contract Rent	6.67%

so that,

	Contract Rent	$ 12.00/PSF/YR
less:	Reduction in Contract Rent (6.67% X $12.00)	.80
equals:	Effective Rental Rate	$11.20/PSF/YR

EXAMPLE TWO - STEP UP LEASE

Assumptions:

Contract Rental Rate	Year One	$ 11.00 PSF
	Year Two	$ 12.00 PSF
	Year Three	$ 13.00 PSF
	Total Payments	$ 36.00 PSF
Lease Term:	3 Years	
Rent Concession:	.5 Year of Free Rent	

Calculations:

	Rent Concession (.5 X $11 PSF)	$ 5.50
divided by:	Total Rental Payments w/o Concession	36.00
equals:	Rental Concession Given	15.28%
less:	Allowable Concession	10.00%
equals:	Reduction in Contract Rent	5.28%

so that,

	Average Contract Rent *(36/3 Years)	$12.00 PSF
less:	Reduction in Contract Rents ($12 X 5.28%)	.63
equals:	Effective Rental Rate	$ 11.37 PSF

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*Average Contract Rent is based on fixed rent increases over a maximum period of five years.

PIEDMONT REALTY ADVISORS
650 CALIFORNIA STREET
TWENTY-SECOND FLOOR
SAN FRANCISCO, CALIFORNIA 94108

415-433-4100

EXHIBIT B

June 3, 1987

Mr. Mason Frank
Birtcher/Frank
One Centerpointe Drive, Suite 300
Lake Oswego, Oregon 97034-8613

Re: **Centerpointe Land**
Lake Oswego, Oregon

Dear Mason:

Piedmont Realty Advisors is prepared to recommend to its client's Investment Committee that it issue a commitment for a participating mortgage on the above-captioned property subject to the following terms and conditions:

Property:	Centerpointe Land: 13.58 acres zoned for commercial office. The site is composed of three parcels consisting of 5.50 acres, 5.50 acres and 2.58 acres respectively. The proposed development includes two 6-story office buildings of 120,000 square feet each, a 2-story 34,000 square foot office building and a bank/retail development.
Location:	The northeast corner of the intersection of Interstate-5 and Highway 217 in Lake Oswego, Oregon.
Lender:	USF&G Realty Company (USF&G).
Borrower:	A development partnership in which the principals of Birtcher/Frank (Birtcher) are the general partners.
Loan Amount:	$5,832,523.
Interest Rate:	11.00%.
Loan Term:	48 months.

Pay Rate: All interest will accrue and will be added to the principal balance monthly.

Prepayment: Loan may be prepaid at any time provided that is consistent with methodology of Centerpointe Land Release outlined below.

Secondary Financing: No secondary financing will be allowed.

Guarantees: The proposed loan will be non-recourse to Birtcher.

Cross Default: The loan will be cross defaulted and cross collateralized with the Centerpointe V participating loan.

Centerpointe Land Release:

Release - With the payment of the Parcel Release Price and USF&G approval the partnership may:

(1) Sell a Centerpointe Land parcel(s)to a third party; or

(2) Transfer a Parcel to a related development partnership subject to the condition that Building V is 70% leased.

Release Price - USF&G will be paid a Parcel Release Price on each parcel equal to the outstanding loan balance allocated to that parcel. The Release Price will be equal to the initial loan basis plus all disbursed tax and maintenance holdback reserves funded for that Parcel (see Exhibit D) plus all accrued but unpaid interest (see Exhibit C).

Additional Terms -

If Sold to a Third Party: When an individual parcel is sold to an unrelated third party in a bona fide sale, USF&G receives 100% of Net Sales Proceeds to pay down the outstanding loan balance on the remaining parcels. Net Sales Proceeds for each parcel means that amount of the sales proceeds in excess of the Parcel Release Price. Once the outstanding loan balance on all of the parcels is paid off, USF&G will receive 60% of Net Sales Proceeds.

If Sold to a Related Development Entity:

(1) **USF&G Offer** - At its option, USF&G can propose either of the following alternatives:

(a) Upon payment of the Parcel Release Price to USF&G, the Building Land will be transferred to a development partnership of which USF&G is a member. USF&G will simultaneously issue either an equity joint venture commitment where USF&G will receive a 10.00% cumulative return on equity invested and a 60% ownership position.

or

(b) Issue a full-cost non-recourse participating mortgage. The mortgage will provide for USF&G to receive a 50% interest in distributable cash flow and a 60% interest in the residual from sale.

2) **Birtcher Response**

Birtcher has the right to turn down USF&G's participating mortgage and equity joint venture offers and pay the Parcel Release Price to USF&G. In this case, USF&G shall also receive a limited partnership interest equal to 25% of the ownership of the development partnership. **NOTE:** If third party joint venture financing is utilized in the development of any parcel, USF&G's limited partnership interest will never be diluted below 12.5% ownership in the property.

Commitment Fee: $116,650; $58,325 in cash which is earned upon acceptance of the commitment, $58,325 in an unconditional Letter of Credit which will be refunded to Birtcher at closing.

Initial Disbursement: $5,500,000

Holdbacks

A. Taxes and Maintenance Expenses:	$332,523. The tax holdback will be disbursed as taxes and maintenance expense on the subject land become due over the 48 month loan period (see Exhibit D). Any unfunded taxes and maintenance expense holdbacks will be retained by USF&G and will be used to reduce the loan commitment.

Contingencies

A. Market Value Appraisal:	USF&G requires a market value estimate of the property from an MAI designated appraiser approved by USF&G which is not less than $6,500,000.
B. Lender Approval:	This application must be approved by USF&G's Investment Committee.
C. Engineering:	Birtcher will engage engineers approved by USF&G to perform a complete analysis of the soil. The engineering report will be in a form and a substance acceptable to USF&G and shall include an environmental audit showing that no hazardous or toxic wastes exist on the property.
D. Economic Due Diligence:	The issuance of the commitment is contingent upon Piedmont Realty Advisors satisfactorily completing its economic due diligence.
E. Plans and Specifications for Future Buildings:	USF&G reserves the right to approve the plans and specifications for all future buildings.
F. Land Sale Approval:	USF&G reserves the right to review and approve all proposed land sales.
G. Partnership Documents	USF&G will be provided with the Partnership Agreement and all associated documents for the proposed borrowing entity. Provisions limiting the transfer of partnership interests will be included in the Commitment Letter. The commitment is contingent upon USF&G's review and approval of the partnership document.

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 8, 1987. 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,

Jeffrey D. Heyman
Associate

SIGNED 6/8/87
DATE

PARTNER
TITLE

EXHIBIT C

CENTERPOINTE PARCEL RELEASE PRICES

Parcel #	Proposed Use	# Acres	Initial Loan Basis
1)	120,000 sf office building	5.50	$2,227,541
2)	120,000 sf office building	5.50	2,227,541
3)	Bank/restaurant site	2.58	1,044,918
		13.58	$5,500,000

Example: Parcel #1 is released after 12 months. The Release Price in this instance would equal the Initial Loan Basis plus the directly attributable land tax and maintenance expenses (see Exhibit D) plus all accrued but unpaid interest.

o	Initial Loan Basis Parcel #1	$2,227,541
o	Accrued but unpaid interest on Parcel #1 Initial Loan Basis	257,768
o	Actual tax and expense holdbacks disbursed to Parcel #1 (see Exhibit D)	33,669
o	Accrued but unpaid interest on disbursed holdback to Parcel #1. (Example assumes holdback is disbursed at month 6.)	1,895
	Parcel #1 Release Price	$2,520,873

EXHIBIT D

LAND TAX AND MAINTENANCE EXPENSES

<u>Property Taxes</u>

$4,347.50 per acre per year 13.58 acres x $4,347.50 x 4 years =	$236,156.00

<u>Common Area/Landscape Maintenance</u>

$131.74 per acre per month 13.58 acres x $131.74 x 12 x 4 years =	$ 85,873.00

<u>Water and Electricity</u>

$193.19 per acre per year 13.58 acres x $193.19 x 4 years =	$ 10,494.00
	$332,523.00

<u>Example</u>: Parcel #1 after 12 months will have the following expenses:

o	Property taxes (5.5 acres x $4,347.50/acre)	$ 23,911.00
o	Common area/landscape maintenance (5.5 acres x 12 months x $131.74/acre)	8,695.00
o	Water and electricity (5.5 acres x $193.19/acre)	1,063.00
	Total Parcel #1 Land Tax and Maintenance Expense	$ 33,669.00

II. THE PROPERTY

II. THE PROPERTY

A. INTRODUCTION

The Centerpointe Project is an existing office park located at the intersection of Highway 217 and Interstate 5 in Lake Oswego, Oregon (see Exhibit II-1). Five Centerpointe is a proposed six-story Class "A" suburban office building containing 112,800 square feet of net rentable area on approximately 5.5 acres of land. Land for three future phases of office development is located on an adjacent 13.58 acre site comprised of three parcels of 5.50 acres, 5.50 acres and 2.58 acres. The proposed developments for these three sites are two six-story office buildings of 120,000 square feet each, a two-story office building of 34,000 square feet and a smaller bank/retail development.

There are two existing office buildings in the Centerpointe Office Park which are not included in this transaction. They are the 57,900 square foot owner-occupied regional headquarters of American States Insurance and a 100,000 square foot five-story Class "A" speculative office building owned by the Investment Division of the Mormon Church.

B. LOCATION

1. Accessibility

Centerpointe Office Park is located at the intersection of Interstate 5, Highway 217 and Kruse Way Boulevard. Kruse Way Boulevard was built in 1976 and is a heavily landscaped 1.5 mile extension of Highway 217 connecting Lake Oswego with Interstate 5. Interstate 5 is the major north/south transportation route in Oregon, linking Portland to other major West Coast cities. Highway 217 is a six-mile north/west arterial connecting Interstate-5 with Highway 26 and providing access to the "hi-tech" Sunset Corridor 15 miles to the northwest. Highway 217 also provides Lake Oswego residents with access to the 1.2 million square foot Washington Square Regional Mall two miles to the northwest of the subject site and to the neighboring suburbs of Beaverton and Tigard (see Exhibit II-2).

Centerpointe Office Park is located at the northeast quadrant of the Highway 217/Interstate-5 intersection and enjoys immediate access and visibility along Kruse Way Boulevard, Highway 217 and Interstate-5 (see Exhibit II-3). Automobile access to the site is provided by a signal controlled intersection at Kruse Way and Kruse Oaks Boulevard, an existing four-lane road which is part of the existing infrastructure of the subject property (see Exhibit II-4). The site is also connected with walking/bike-riding trails originating in the new housing being built in Westlake immediately east of the subject property.

2. Neighborhood Demographics

Lake Oswego is Portland's most affluent suburb and enjoys the highest income per capita of any community in the State. Kruse Way Corridor is a master-planned area bordered by Boones Ferry Road to the east and Interstate-5 to the west. Commercial development along Kruse Way Boulevard began in 1981 with the build-to-suit regional headquarters of SAFECO Insurance. Since then 890,000 square feet of office, 950 executive residences and a 170,000 square foot community retail center have been developed. Traveler's Insurance is currently converting this retail center into an enclosed 200,000 square foot mall. The result is a Corridor that is both new and attractive. The majority of office and retail development has occurred between Boones Ferry Road and Carmen Drive (see Exhibit II-5). This area is now fully built-out, with the land west of Carmen Road and east of Interstate-5 being the last to develop. This land was not developed because it was owned by the Mormon Church for a Junior College and was restricted from development until 1985. The Mormon Church is still a significant landholder with a 272-acre residential tract west of Carmen Road and north of Kruse Way Boulevard immediately east of the subject property . The Investment Division of the Church is developing the Westlake Community which will have over 1,200 luxury residences.

South of the subject property across Kruse Way Boulevard, Broadbent/Hillman Properties owns the 77 acre tract extending from Carmen Road to Interstate-5. Other than the subject property this site is the last tract of undeveloped commercial land in the Kruse Way Corridor. The Broadbent/Hillman Project has developed 174,000 square feet of speculative office building and a 36,000 square foot build-to-suit headquarters for the Oregon State Bar Association. Broadbent/Hillman is developing their tract from Carmen Boulevard west towards Interstate-5. They will also develop at least three acres of retail space across from the subject property and enhance the retail support of both their office projects and the Centerpointe Project as well. Broadbent/Hillman currently has their land at the intersection of Interstate-5 and Highway 217 under contract to Ramada for a luxury hotel. When this development starts, the subject property will be the only remaining undeveloped freeway intersection in the Kruse Way Corridor.

C. THE SITE

The subject property contains a total of 19.08 acres and is fully improved with streets, utilities and recreational amenities (see Exhibit II-6) The proposed building will be built at the western perimeter of the Centerpointe Office Park to maximize the project's exposure to Interstate-5 and Highway 217. The site slopes gently from west to east and Five Centerpointe will be designed to take advantage of the sloping terrain to further enhance the building's views and visibility.

The parcels remaining for development in the Centerpointe Office Park offer attractive opportunities for future projects. The Bank/Retail two-story office development has excellent visibility on Kruse Way (see Exhibit II-4). The remaining two parcels will have attractive campus environments and cul-de-sac entrances in the park-like setting. As retail and support services grow along the Kruse Way Boulevard, these two parcels will become ideal candidates for large financial service tenants who seek a corporate identity with Interstate-5 oriented signage rights, along with a prestigious Kruse Way identity. This large tenant and build-to-suit activity is already occurring along Kruse Way Boulevard with the owner-occupied regional headquarters of American States Insurance, SAFECO Insurance and the Oregon State Bar Association.

Amenities include a four-acre park with jogging trails and exercise stations, award-winning signage and landscaped meadows. The subject property won the 1986 National Grand Award for environmental improvement. The subject property is zoned for commercial office development with a floor area ratio (FAR) of .5.

D. THE IMPROVEMENTS

The proposed Five Centerpointe office building will consist of 112,800 square feet of net rentable area on six floors (see Exhibit II-7). Parking will be 430 surface spaces, wrapped around the perimeter with covered walkways leading to the building. The parking ratio is four spaces per 1,000 square feet of net rentable area and no parking spaces will be more than 250-feet away from a building entrance. This factor is important due to Portland's wet winter weather.

Five Centerpointe will be designed in an "L" configuration to maximize its exposure to Interstate-5 and Highway 217 (see Exhibit II-8). The project will utilize its gently sloping site to create two major entrances. The lower-level west entrance addresses the subject property's freeway exposure, while the elevated east entrance extends across a bridge to the adjacent heavily landscaped Centerpointe Park to the east of the subject property.

Building materials will be consistent with the red brick and black annodized, tinted ribbon windows featured in the existing American States Insurance and One Centerpointe buildings.

E. PROJECT BUDGET

The project budget for Five Centerpointe is presented in Exhibits II-9. The land cost is $2,280,000 or $20.21 per square foot of building area, a price that is competitive given the project's excellent visibility and access characteristics. The building shell and tenant improvements will cost $44.68 and $20.00 per net rentable square foot respectively. The total project cost is $13,950,000 or $123.67 per net rentable square foot. These costs are reasonable and competitive for the suburban Portland Class "A" office market, and allow for adequate construction and lease-up interest reserves.

The undeveloped 13.58 acres are fully improved and are currently ready for development. The calculations used for determining the land loan amount for the remaining Centerpointe land is shown as Exhibit II-9A. This loan amount incorporates the cost of carrying the remaining 13.58 acres for 48 months.

F. CONCLUSIONS

The subject property is located at the intersection of Interstate-5 and Highway 217 at the western boundary of the master-planned Kruse Way Corridor. Centerpointe is located in Lake Oswego, Oregon's most affluent community and enjoys excellent access and visibility. The Centerpointe Office Park is surrounded by executive housing and is set in a heavily landscaped park environment with excellent freeway visibility and access. The proposed building will be constructed in the quality that will make it a long-term investment grade property.

Exhibit II-1

REGIONAL LOCATION MAP
CENTERPOINTE

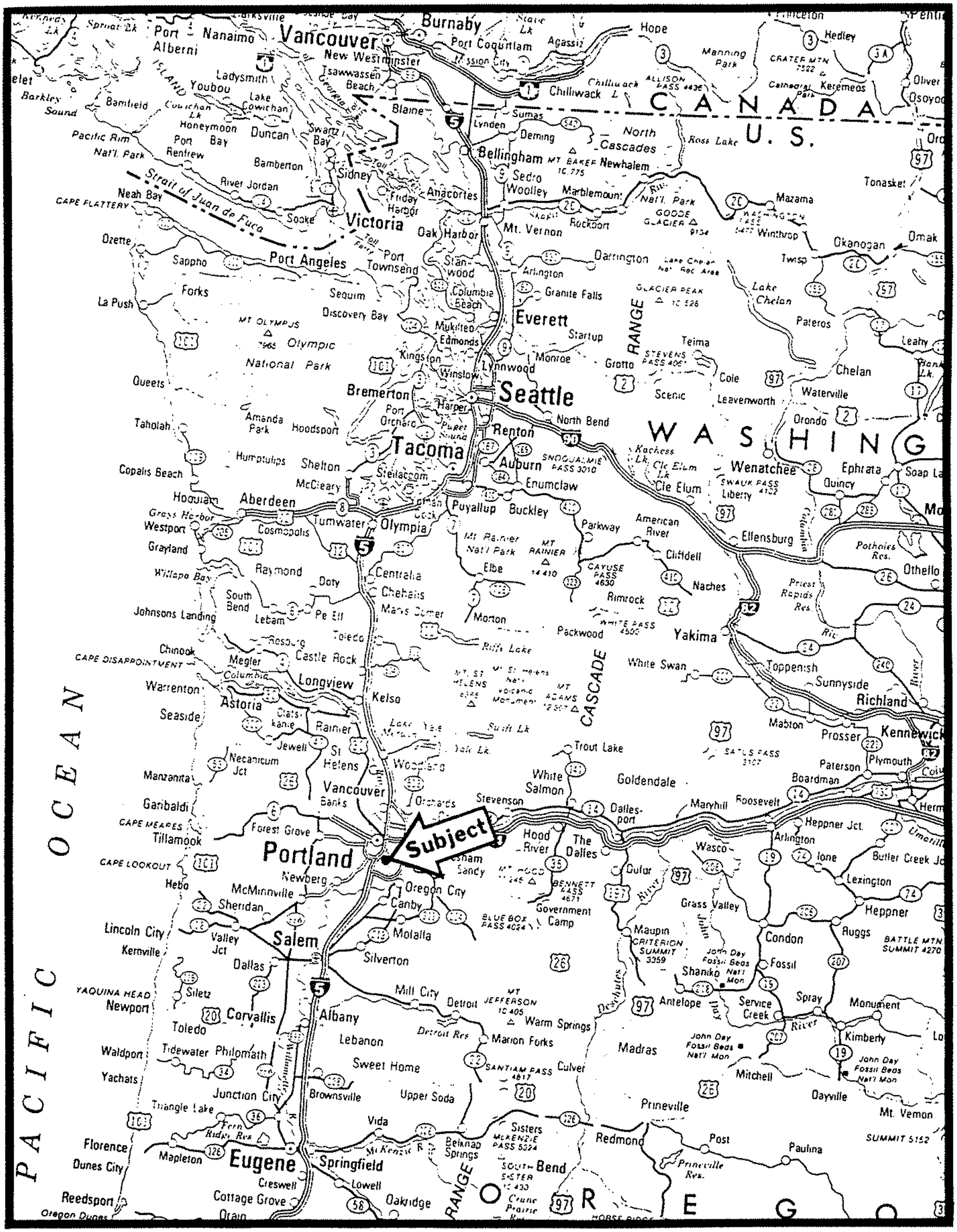


Exhibit II-2

SITE VICINITY MAP
CENTERPOINTE

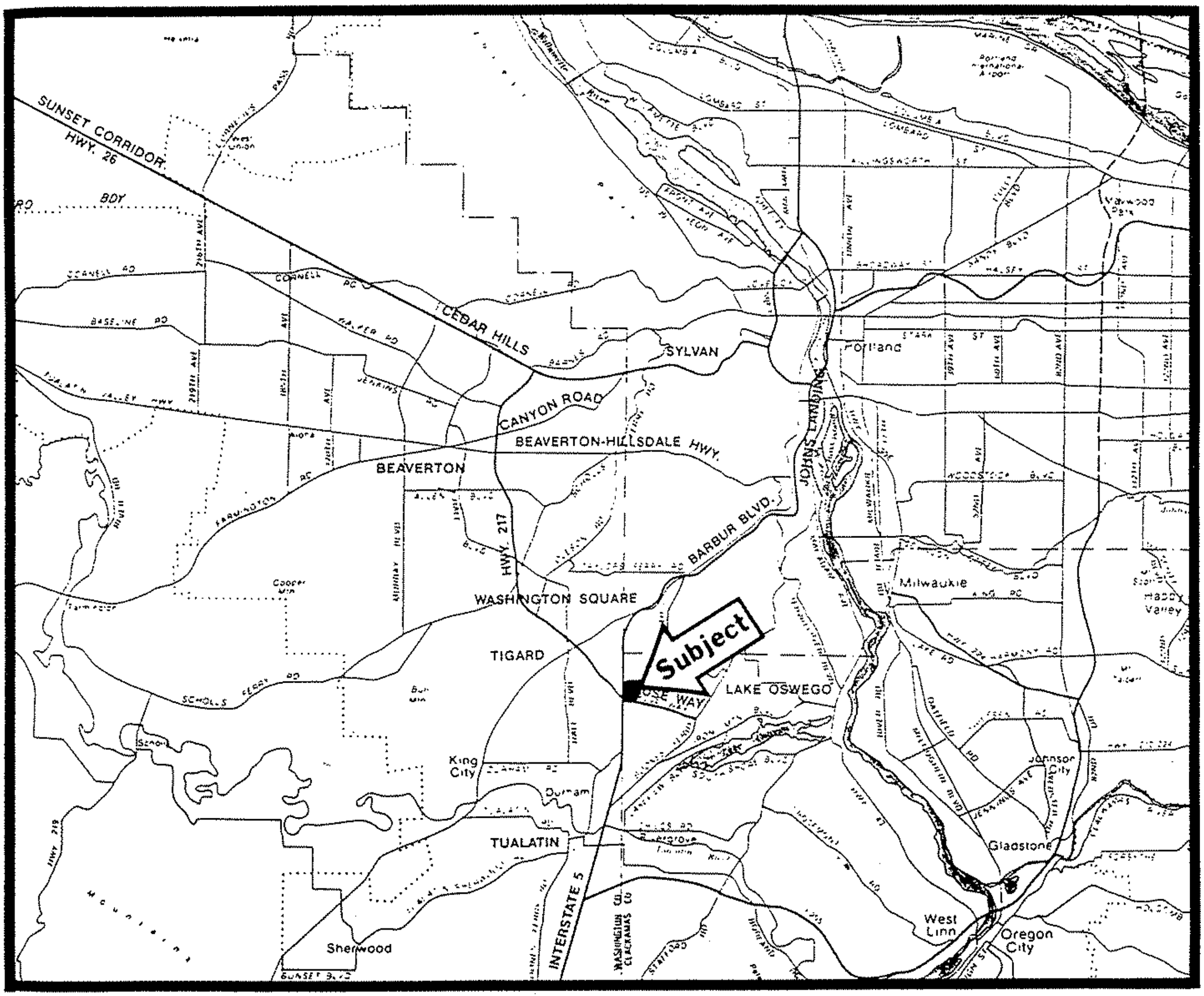


Exhibit II-3

SITE LOCATION MAP
CENTERPOINTE

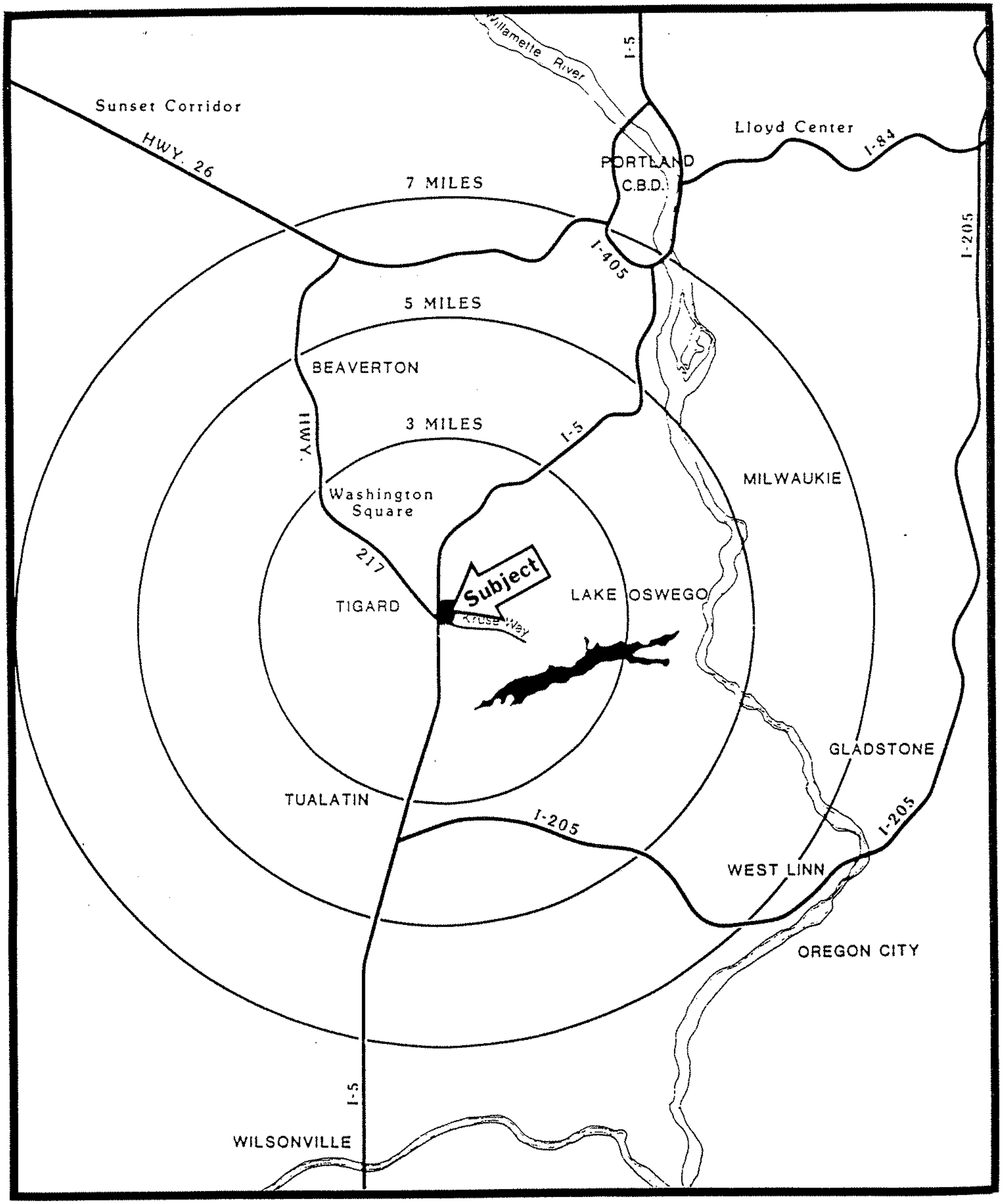
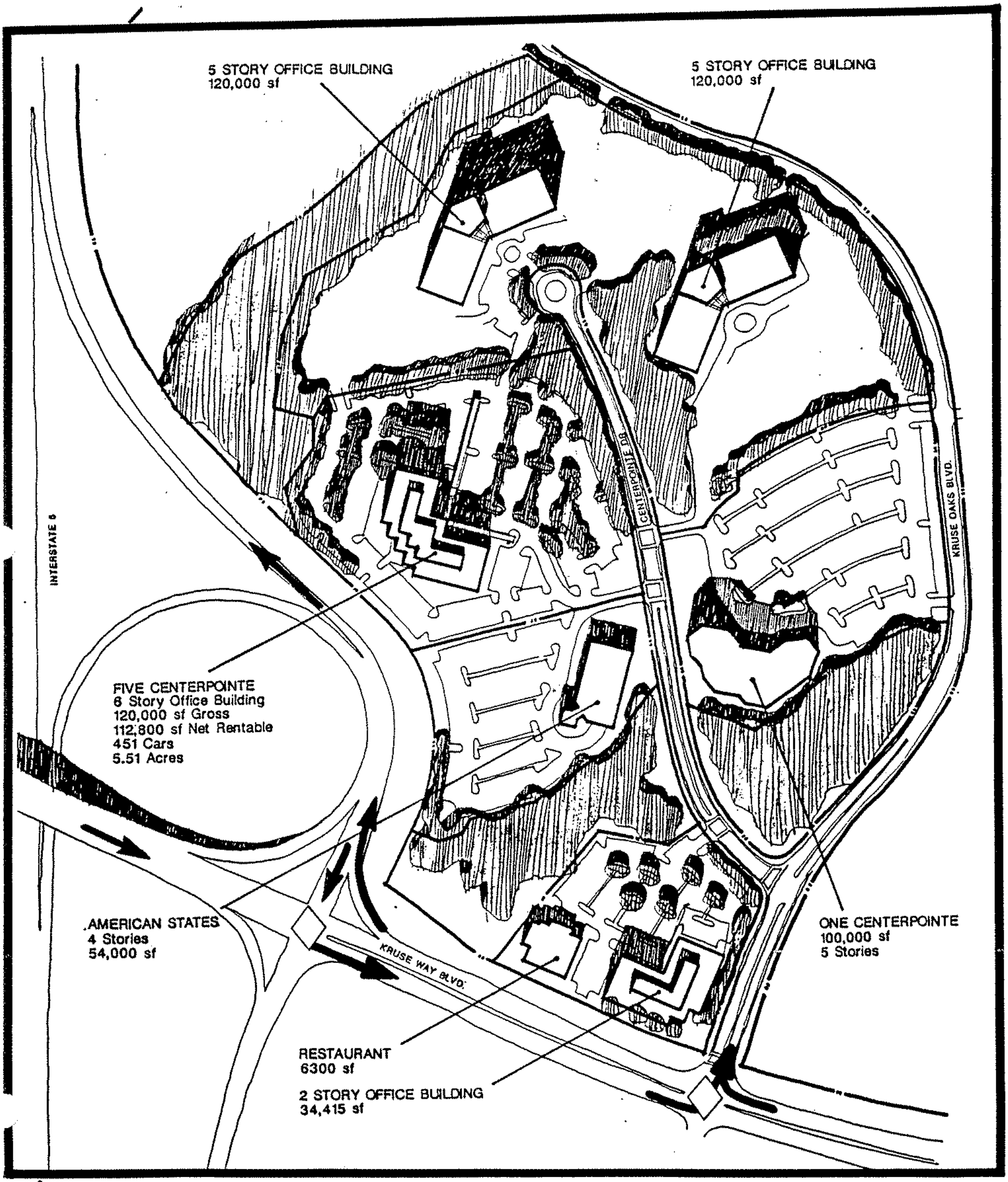


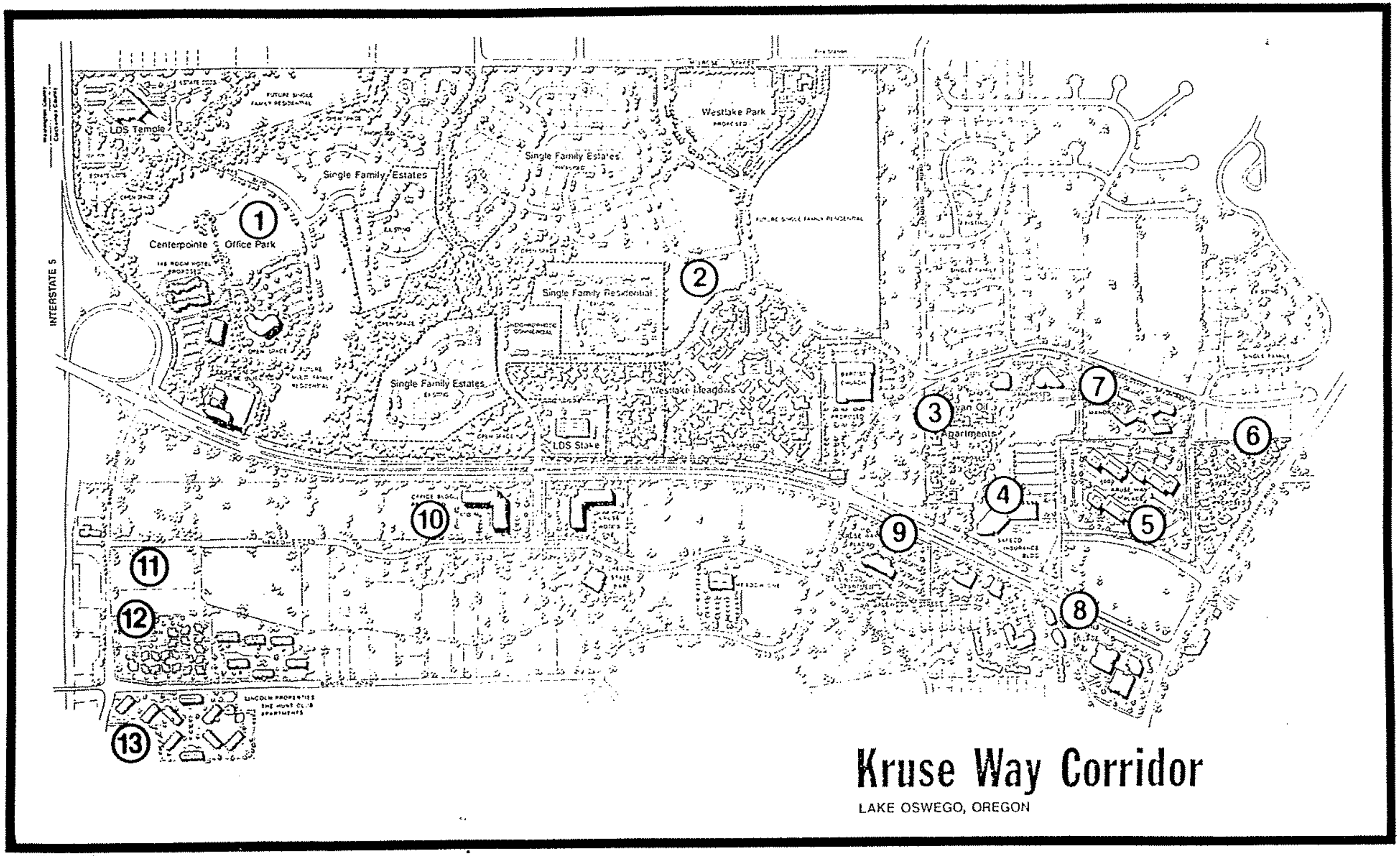
Exhibit II-4

SITE ACCESS MAP
CENTERPOINTE



Traffic Signal.

Exhibit II-5
SURROUNDING LAND
USE MAP
CENTERPOINTE



1-13 Correspond to Exhibit II-5A.

Exhibit II-5A

SURROUNDING LAND USES
CENTERPOINTE

KRUSE WAY CORRIDOR
COMMERCIAL AND RESIDENTIAL PROJECTS

Map Code	Property/Developer	Site Size	Total Development Potential	Buildings In Place, Under Construction and Planned		Completion Date
1	Centerpointe	35 acres	495,000 SF office	One Centerpointe	92,781 SF office	1985
				American States Insurance	57,900 SF office	1985
	Birtcher					
2	Westlake	272 acres	575 single family homes	First City Investments:		
				3 single family subdivisions	129 lots	125 sold
	Investment Properties Div. LDS Church		680 apartment units support retail	1 single family subdivision	110 lots	spring '87
				Johnson/Othman:		
				1 single family subdivision	65 lots	50 sold
				Westlake Meadows Apartments		
				Phase I	162 units	1985
				Phase II	391 units	proposed
3	Caravan Oil	11.6 acres	108 apartment units 77,915 SF office			
4	Safeco Insurance	13 acres	145,000 SF office	Regional Headquarters	90,000 SF office	1981
5	4000 Kruse Way Place	17 acres	199,000 SF office	4000 Kruse Way Place I	53,000 SF office	1982
				4000 Kruse Way Place II	46,000 SF office	1984
				4000 Kruse Way Place III	42,000 SF office	1986
	Beim and James					
6	Oakridge Apts.	6.48 acres	82 apartments		82 apartments	1987
	Speer Development					
7	Carman Oaks Retirement Center	5 acres	120 retirement units		120 units	1985

Exhibit II-5A (Continued)

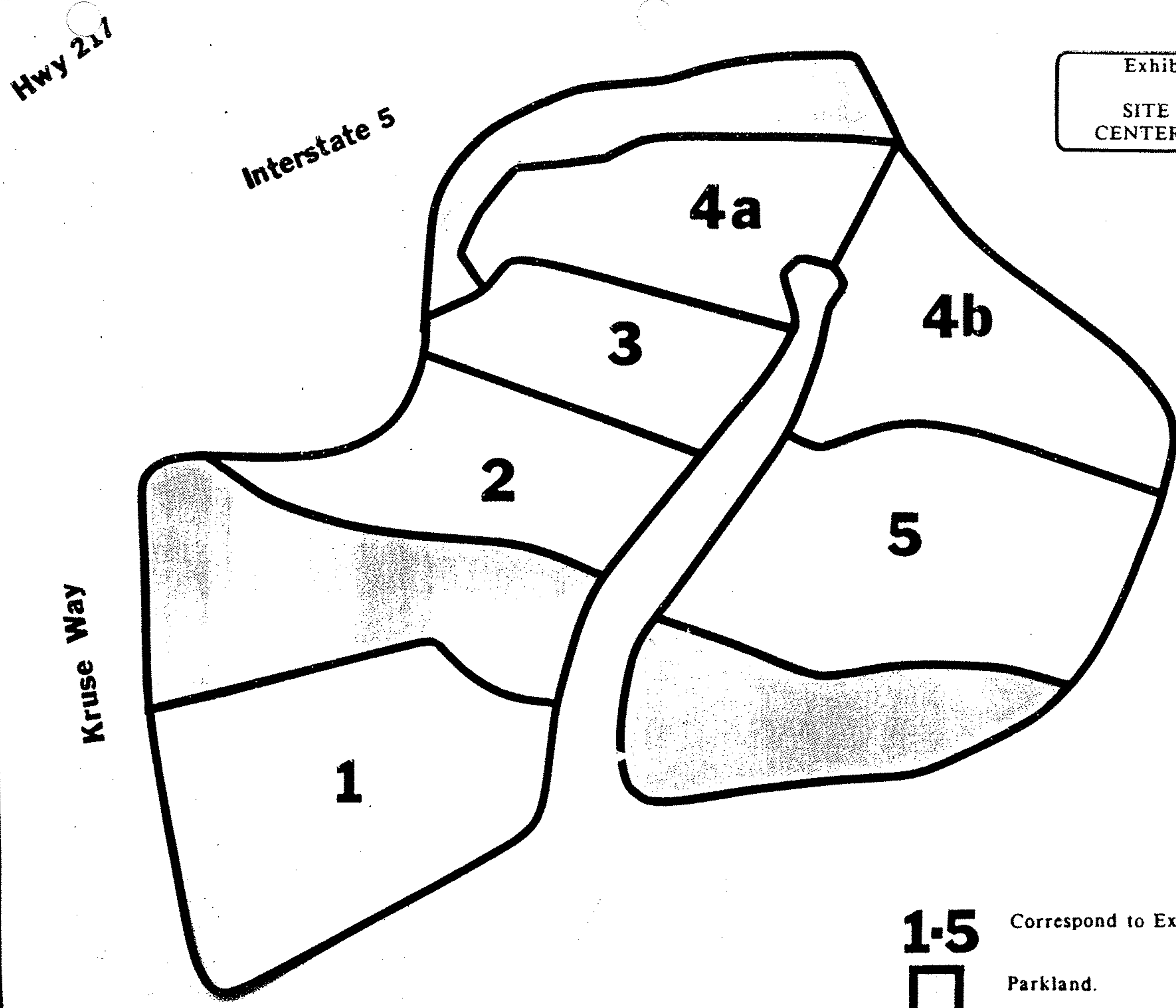
KRUSE WAY CORRIDOR
COMMERCIAL AND RESIDENTIAL PROJECTS

Map Code	Property/Developer	Site Size	Total Development Potential	Buildings In Place, Under Construction and Planned		Completion Date
8	Mercantile Village	18 acres	171,900 SF retail/office complex	3 two story retail bldgs	90,800 SF	1981/82
				3 single story retail bldgs	47,800 SF	
	Travelers Insurance			1 restaurant	7,500 SF	
				1 two story office bldg	25,800 SF	
9	Kruse Way Plaza	6.9 acres	103,000 SF office	Kruse Way Plaza I	51,500 SF office	1984
				Kruse Way Plaza II	51,500 SF office	1986
	Belvedere Properties Wizer Investment Co.		32 apartment units	Galewood Apartments	32 Units	1984
10	Kruse Woods	76.5 acres	2,100,000 SF high- and mid-rise office, hotel and retail	Kruse Woods One	115,000 SF office	1986
				Oregon Bar	36,000 SF office	1986
	Broadbent/Hillman			Meadow One	58,978 SF office	1987
				Kruse Woods Two	127,000 SF office	proposed
11	Moore Property	14.15 acres	200,000 SF general commercial	retail building	35,000 SF retail	proposed
12	The Residence Inn	6 acres	112 room motel		112 rooms	1984/85
13	Hunt Club	12.62 acres	256 apartments		256 apartments	1985
	Lincoln Properties					

Source: Hobson & Associates (1987).

Exhibit II-6

SITE PLAN
CENTERPOINTE



1-5 Correspond to Exhibit II-6A

☐ Parkland.

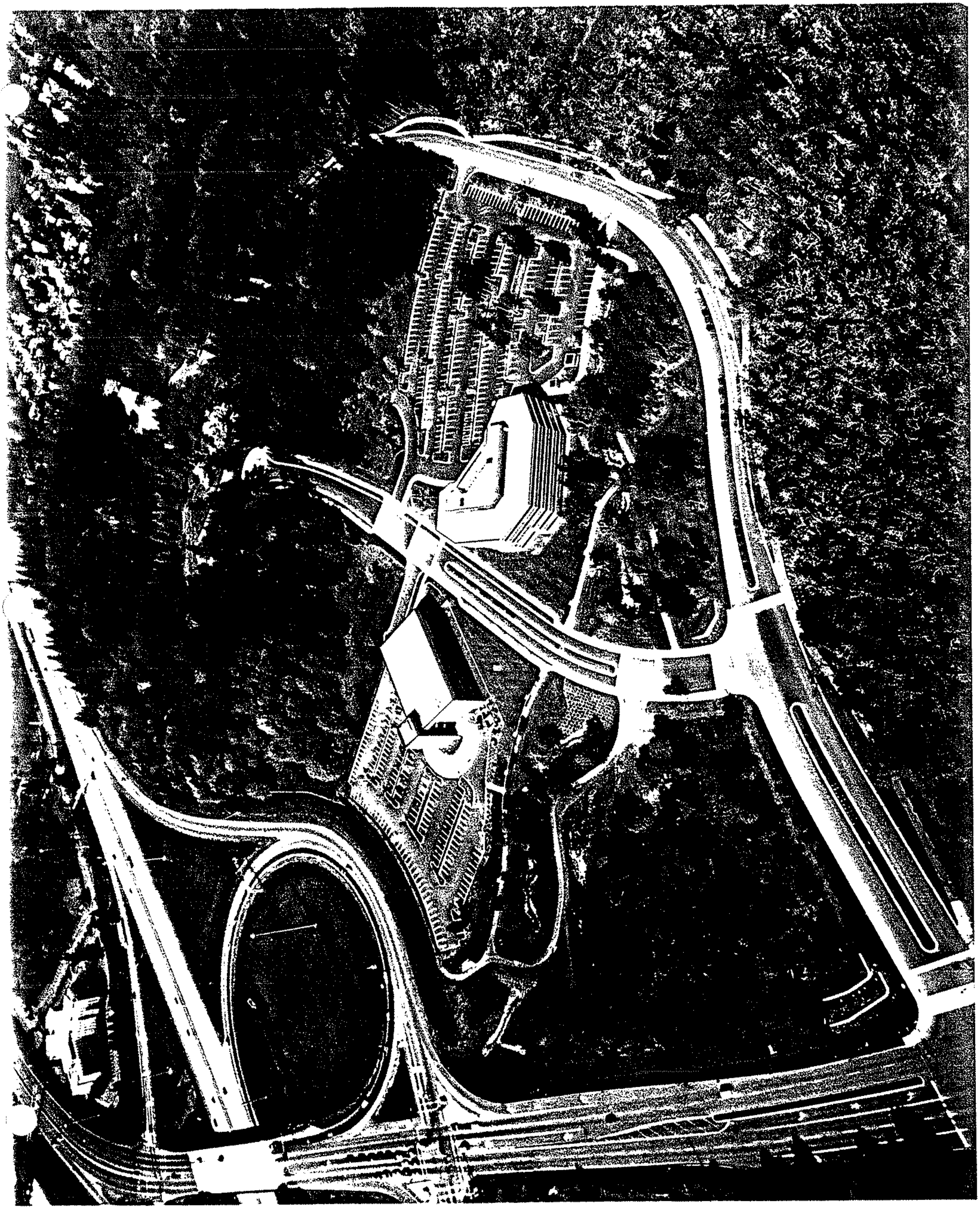


Exhibit II-6A

CENTERPOINTE
SITE PLAN KEY

Map No.	Acres	Proposed Use
1	2.58	Proposed bank/retail development and 34,000 square foot office building
2 *	2.76	American States Insurance - existing 54,000 square foot office building
3	5.50	Five Centerpointe - 112,800 square foot office building
4A	5.50	Proposed 120,000 square foot office building
4B	5.50	Proposed 120,000 square foot office building - One Centerpointe
5 *	4.42	Existing 98,000 square foot office building
Open Space	8.74	

* Not included in proposal.

Exhibit II-7

ARCHITECT'S RENDERING
FIVE CENTERPOINTE

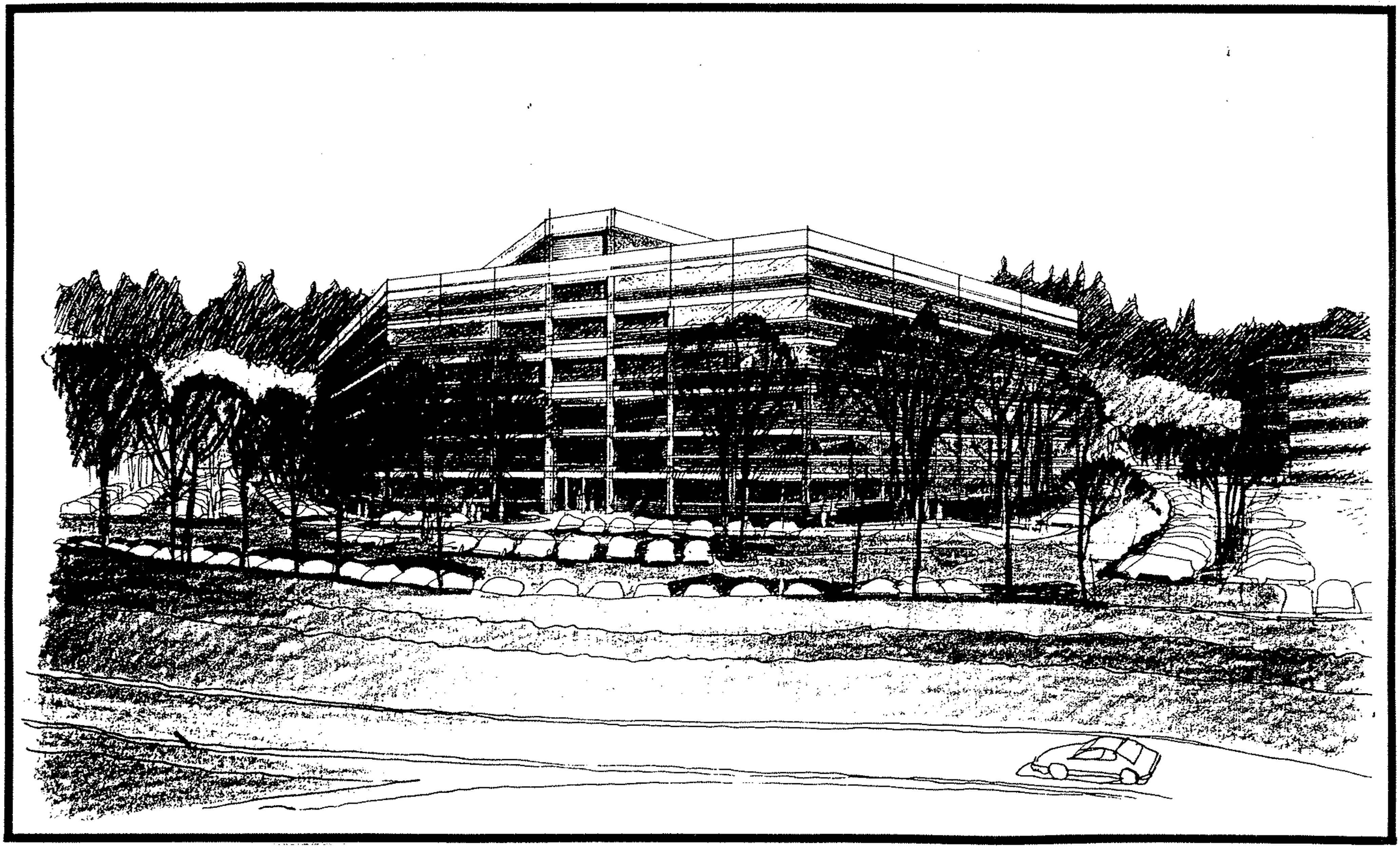


Exhibit II-8

FLOOR PLANS
FIVE CENTERPOINTE

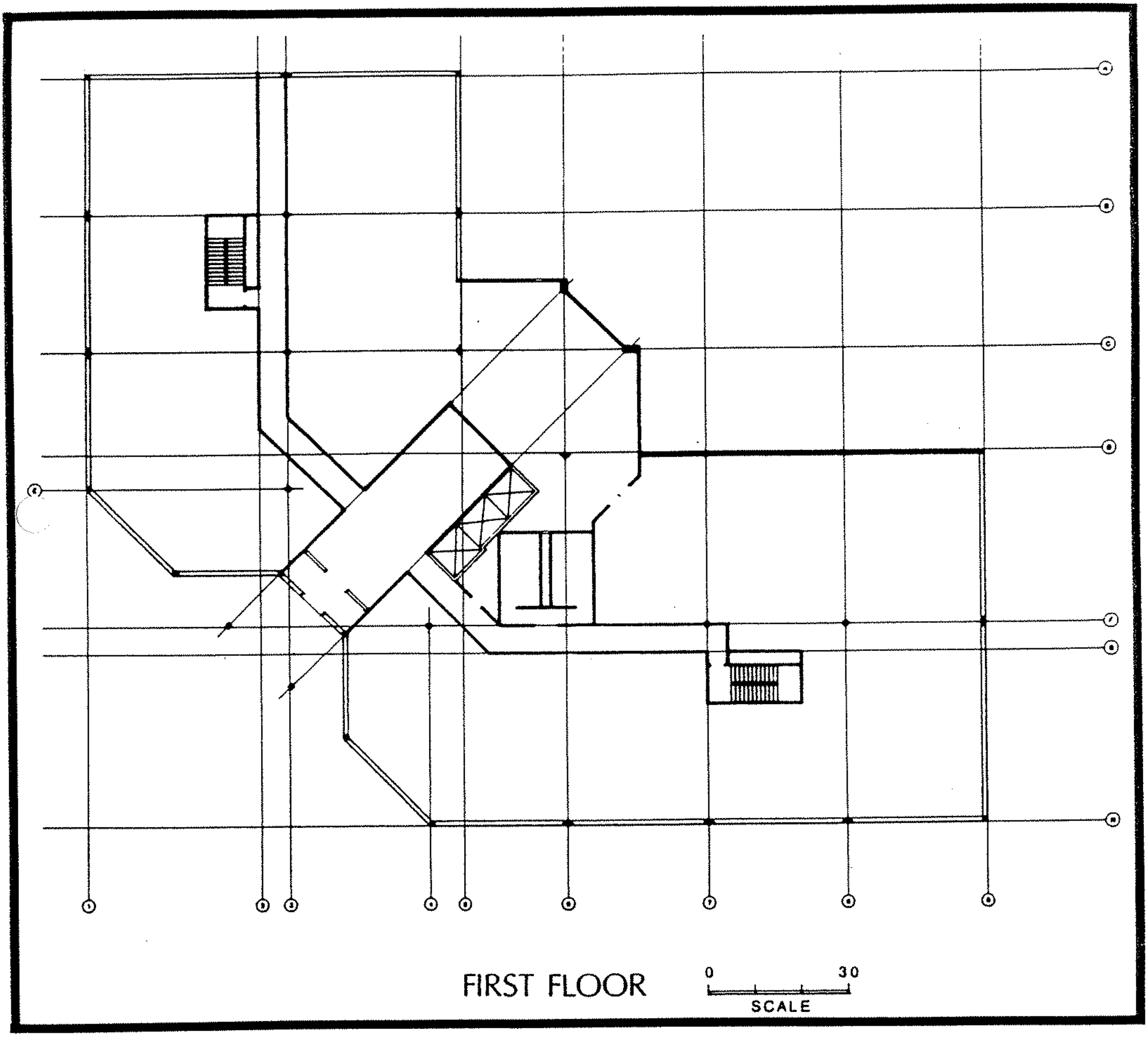


Exhibit II-8 (Continued)

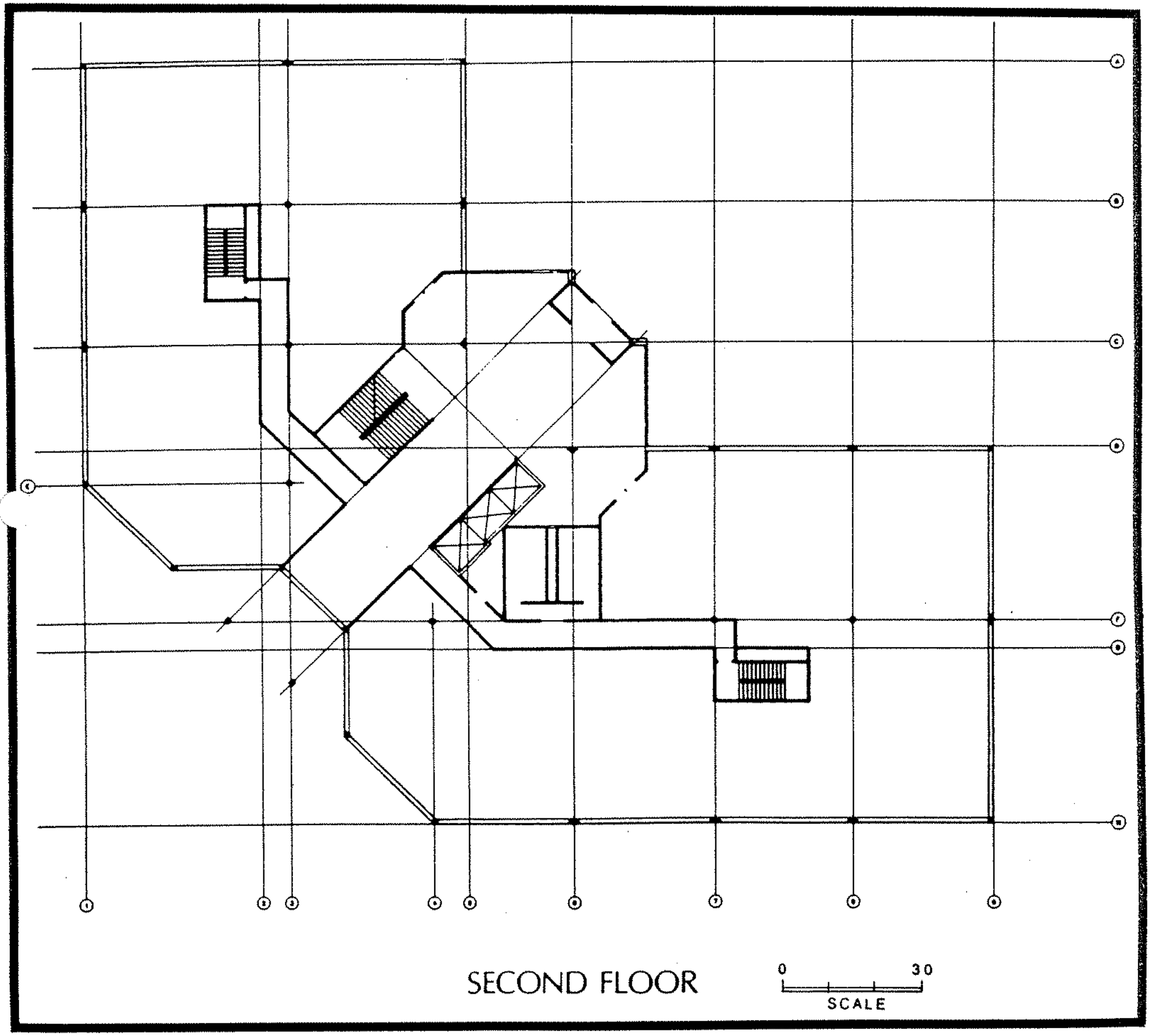


Exhibit II-8 (Continued)

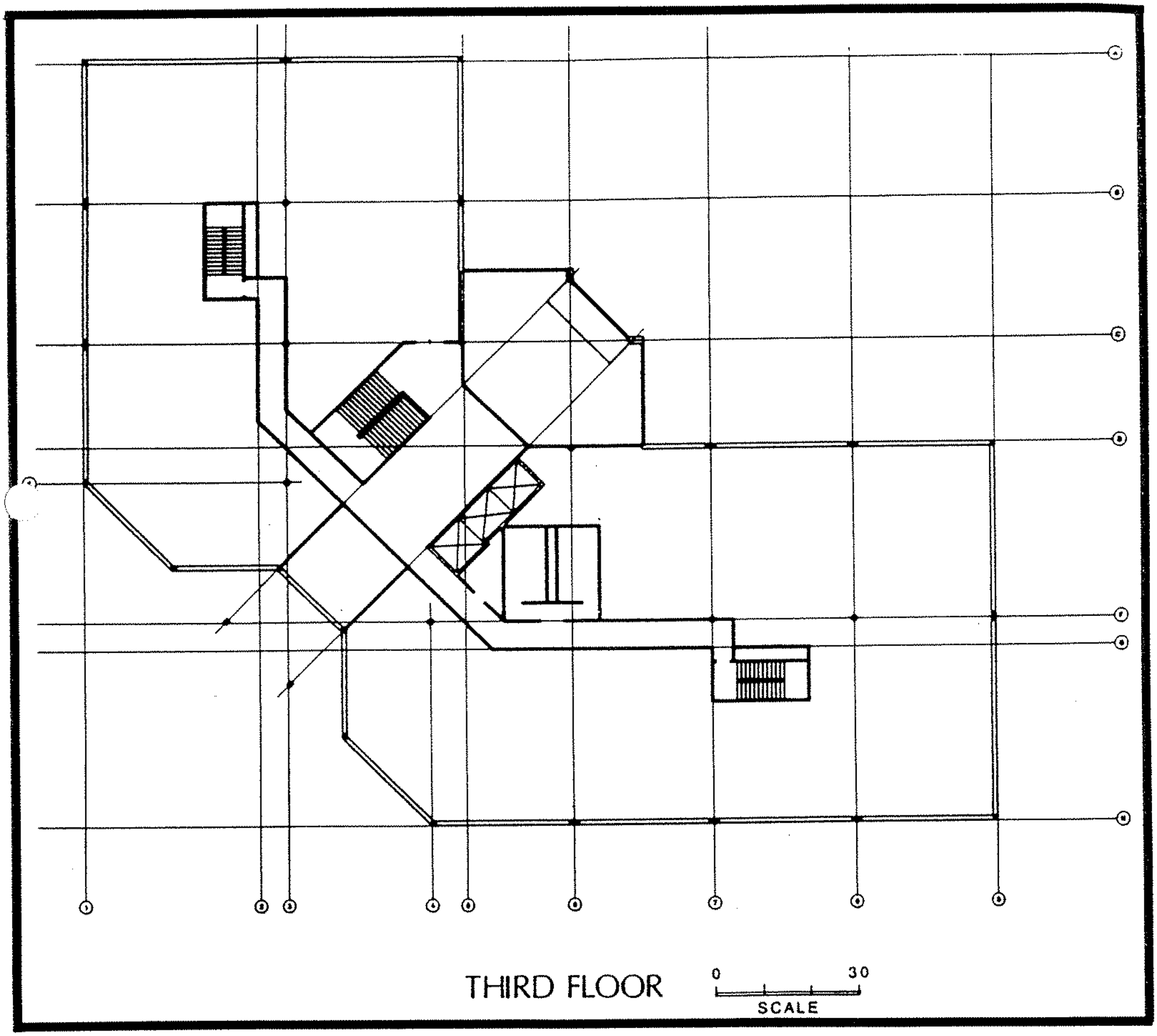


Exhibit II-8 (Continued)

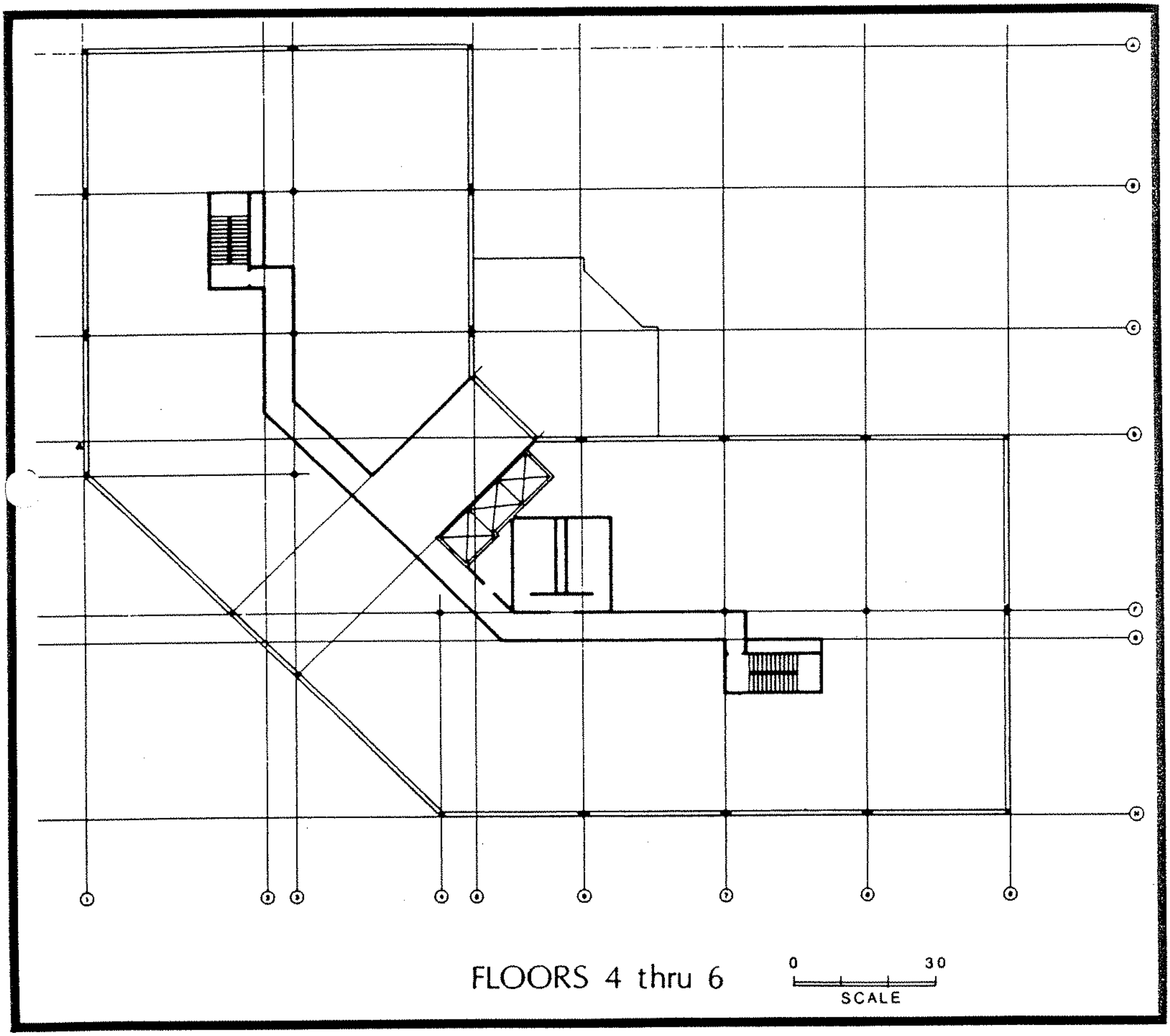


Exhibit II-9

PROJECT BUDGET
FIVE CENTERPOINTE

	Before Initial Funding	After Initial Funding	Total Project Cost	NR Cost PSF
Direct Cost				
Land	$2,280,000	$ 0	$ 2,280,000	$20.21
Sitework	0	0	0	
Shell	5,040,000	0	5,040,000	44.68
Tenant Finishes	141,000	2,115,000	2,256,000	20.00
Contingency	151,200	0	151,200	1.34
Total Direct Cost	$7,612,200	$2,115,000	$9,727,200	$ 86.23
Indirect Cost				
Architecture & Engineering	$ 283,800	$ 0	$ 283,800	$ 2.52
Testing and Inspection	18,000	0	18,000	0.16
Title and Closing	15,000	0	15,000	0.13
Legal and Accounting	15,000	0	15,000	0.13
Insurance and Bond	8,100	0	8,100	0.07
Space Planning	1,600	32,240	33,840	0.30
Permits and Fees	61,000	0	61,000	0.54
Marketing	22,000	53,000	75,000	0.66
Property Taxes	15,000	15,000	30,000	0.27
Lease Commission	0	406,080	406,080	3.60
Developer Fee	282,816	0	282,816	2.51
Miscellaneous	35,616	0	35,616	0.32
Contingency	96,764	0	96,764	0.86
Total Indirect Cost	$ 858,696	$ 506,320	$ 1,365,016	$ 12.10
Financing Cost				
Permanent Loan Fees	$ 198,000	$ 0	$ 198,000	1.76
Construction Loan Fee	135,00	0	135,000	1.20
Construction Loan Interest	498,000	68,784	566,784	5.02
Total Financing Cost	$ 831,000	$ 68,784	$ 899,784	$ 7.98
Lease-Up Cost				
Rental Income	$ 0	($1,945,800)	($1,945,800)	($17.25)
Operating Cost, Occupies	0	809,340	809,340	7.18
Operating Cost, Vacant	0	236,880	236,880	2.10
Construction Loan Interest	0	2,857,580	2,857,580	25.33
Total Lease-Up Cost	$ 0	$1,958,000	$ 1,958,000	$ 17.36
Grand Total	$9,301,896	$4,648,104	$13,950,000	$123.67

Exhibit II-9A

CENTERPOINTE LAND

COST BASIS ANALYSIS
AS OF MARCH 31, 1987

Birtcher Equity

Improvements	$103,621.02	
Operating Expenses	62,764.32	
Property Taxes	56,161.99	
Interest	649,167.72	
Marketing	2,299.00	
Heller Buyout	250,000.00	
		$1,124,014.05

Debt

Pioneer Federal Savings Bank	6,600,000.00
Total for 19.09 Acres	$7,724,014.00
Cost Per SF	$9.29
Basis for 13.58 Acres	
13.58 acres x 43,500 SF/acre x $9.29/SF	$5,500,000.00

III. THE MARKET OVERVIEW

III. THE MARKET OVERVIEW

A. INTRODUCTION

The United States economic recession of 1981 to 1982 was felt sharply in Portland and the Northwest as a whole due to a heavy dependence on the lumber and wood product industries. From 1982 on Portland has diversified its manufacturing base with machinery, electronic equipment, transportation equipment, primary metals, fabricated metals and other durable goods manufacturing. Today lumber and wood products account for less than 2% of Portland's employment base. To encourage this economic diversification the State Legislature repealed the Unitary Tax in 1984 and witnessed the in-migration of major corporation's plants and factories including Epson Corporation, Fujitsu, RCA/Sharp, and Nippon Electric. The Portland metropolitan area has a population of 1,350,000 people and is expected to grow rapidly between now and the year 2000. The United States Census Bureau predicts population growth for the State of Oregon to be 25.7% between 1980-1990, this compares with a 16.0% growth for California and a 9.7% growth rate for the United States as a whole.

B. THE PORTLAND SUBURBAN OFFICE MARKET

The Portland suburban office market consists of approximately 6,000,000 square feet (see Exhibit III-1). The suburban market originally developed in the early 1970's as a local service market and in the late 1970's as an overflow market for downtown users requiring more convenient parking and seeking more competitive rents. The first generation of suburban office space consisted of two-story wood frame walk-up buildings catering to small local tenants. In the late 1970's the State of Oregon imposed an urban growth boundary around the Portland Metropolitan area, severely restricting urban development. The result of this growth restriction was a dramatic increase in land prices from 1978 to 1982. This time period also marked the arrival of large national developers (Trammell Crow, Koll, Birtcher) to the Portland suburban market place. As a result, since 1982 a new generation of high quality, mid-rise suburban office development has been built. These well designed, well located offices built by strong developers, now provide a viable alternative for tenants who five years ago would have only considered the Portland Central Business District. The tenant base for new generation Class "A" suburban projects primarily stems from Central Business District migration and internal expansion.

The most significant suburban office submarkets in Portland are Washington Square, John's Landing, and the Kruse Way Corridor. These three office markets accounted for over 70% of all of Portland's suburban office net absorption in 1986 (see Exhibit III-1).

1. Washington Square

The Washington Square submarket is two miles northwest of the subject property and contains 906,700 square feet of office. Washington Square's growth as a suburban office market was stimulated in 1974 by the construction of the 1.2 million square foot Washington Square Regional Mall. The Mall coupled with the immediate access to Highway 217 and proximity to the executive homes of Lake Oswego have all contributed to the market's viability.

The market currently is experiencing an approximate 20% vacancy rate overall with $17.50 contract rents and 10 months free rent being given for Class "A" office. The most significant example of the new generation of office space in this submarket is Trammell Crow with their three building Lincoln Center project, a project built from 1982 to 1986 with a total of 302,000 square feet. These mid-rise buildings are 85% leased in aggregate. Trammell Crow is planning construction of Three Lincoln Center, a 12-story 200,000 square foot speculative office tower to be completed in late 1988. Three Lincoln Center is the last major developable assembled tract of land for Class "A" office space in the Washington Square submarket.

2. John's Landing

The John's Landing area is directly south of the Portland Central Business District and is located along the Willamette River. The area was originally the manufacturing and warehousing facility for the B.P. John Furniture Company (from which it derived its name). The first building was completed in 1979 and 307,000 square feet were developed in the two-year 1979-1980 period. John's Landing success as a suburban office market stemmed from its proximity to downtown, and by being away from the congestion and the expensive and restricted parking of downtown. Historically John's Landing has maintained a 90% occupancy on average, shifting only when new product has been constructed. The submarket is surrounded by pockets of industrial uses and the amount of developable land is limited, expensive and subject to scrutiny by a powerful local neighborhood association. The only significant Class "A" office vacancy is in River Forum, a recently completed 154,000 square foot office building experiencing slow absorption. Office leases in the John's Landing submarket are being signed at $13.00 to $14.00 effective rents. The John's Landing market generally does not compete with the Kruse Way Corridor and Washington Square markets for the same insurance and financial service tenants.

C. THE KRUSE WAY CORRIDOR

1. Overview

The Kruse Way Corridor market experienced net absorption of over 200,000 square feet in 1986. This figure is approximately equal to the net absorption of the Portland Central Business District and represents 45% of the entire suburban market absorption. The Kruse Way Corridor currently has 890,000 square feet of total office space and is experiencing an aggregate 29% vacancy rate. The high vacancy in this market is due to the volume of new office projects: 70% of all the buildings in the Kruse Way Corridor were built after 1984. With 260,716 square feet available and a 213,000 square foot net absorption rate there is currently a 10-month supply of product. The only new construction planned or proposed for this market is the 112,800 square foot subject property and a tentatively planned 132,000 square foot Krusewoods II slated for completion in 1988 or 1989 by Broadbent/Hillman. The timing of both these buildings will put them on the market at a time when there is a declining amount of space available in the Kruse Way Corridor.

The timing of completion also is important with respect to marketing established tenants whose needs can be predicted for the 1988-1989 market. Five Centerpointe will be coming on-line in late 1988, approximately five years from the completion of 4000 Kruseway I, Lincoln Center I, and several lesser quality suburban office buildings. The timing of the project coincides with the expiration of several major leases in the market including Honeywell, Wang, Kodak, G.M.A.C. and Commonwealth Mortgage. This timing of major lease turnover coupled with net absorption from Central Business District migration and internal expansion add to the strength of the Kruse Way Corridor in the 1988-1989 market.

2. The Kruse Way Corridor

Kruse Way Road was built in the late 1970's as a physical extension of Highway 217 connecting Lake Oswego to Interstate-5, the major north-south artery along the west coast. Since SAFECO Insurance built their regional headquarters in 1981, 13 major projects have been developed along Kruse Way Boulevard totaling over 888,000 square feet of office, 170,000 square feet of retail, and 1,000 residential units (see Exhibit II-5). The Kruse Way Corridor market is unique because there is a certainty to the pattern of build-out of the remaining developable land. All the undeveloped land in the Kruse Way Corridor is owned by three parties: the Mormon Church, the Hillman Family, and Birtcher.

The Investment Division of the Mormon Church is developing 272 acres of residential tracts. This development will include over 1,200 homes and apartments. Virtually all the remaining undeveloped commercial property is controlled by Birtcher and the Hillman Family (through the subsidiary Broadbent/Hillman), two national developers, who to date have demonstrated a rational controlled pattern of development. Since neither developer is willing to sell their property to an outside developer, Birtcher and the Hillman Family will have the unusual ability to control the amount of new space coming onto the Kruse Way Corridor market each year. Piedmont reviewed investment packages for both Birtcher and Hillman and chose Centerpointe due to its superior location, the quality of the site and the strength of the Birtcher operation in Portland.

To date the Kruse Way Corridor has attracted and drawn a tenant base predominately from insurance and financial service firms. The Kruse Way Corridor market's high quality construction and proximity to the affluent executive community of Lake Oswego has also attracted a rent roll of strong institutional tenants, as demonstrated by the list of national tenants in Exhibit III-2.

D. COMPETITIVE OFFICE SPACE

The existing and proposed office buildings which will be in direct competition with Five Centerpointe are summarized in Exhibit III-3 and the location of each property is noted in Exhibit III-4. Currently there are eight office buildings that Five Centerpointe will compete with for tenants. Three of the buildings are in Washington Square and five are located in the Kruse Way Corridor market. Five of these eight buildings have been completed since 1985. The overall vacancy for the competitive buildings is 21% and with absorption in these buildings totaling 235,000 square feet in 1986 (see Exhibit III-5). There is currently 150,000 square feet of vacancy in competitive buildings which translates into an approximate eight-month inventory of competitive product. No new office buildings will be completed until late 1988 at which time the subject property and Lincoln III are scheduled to be completed.

The competitive buildings are concentrated in four office projects and have rents ranging from $16.50 to $17.50 full service gross on a net rentable basis. Tenant concessions range from 6 to 12 months free rent on a five-year lease with tenant improvement quotes between $12.00 to $18.00 per square foot. Buildings that give the most free rent (i.e. 12 months for Lincoln II), however, quote the least in tenant improvements ($12.00 per square foot).

The 4000 Kruseway project has three buildings totaling 199,000 square feet. This project is a landscaped campus environment of two- and three-story buildings. Located on Kruse Way Boulevard, it is one mile east of Interstate-5 and its three buildings have the least desirable access characteristics of the eight competitive buildings. This project is 86% leased and has contract rents of $16.50 per rentable square foot.

Krusewoods I is also located on Kruse Way Boulevard one-half mile east of the Intersection of Kruse Way Boulevard and Interstate-5. This project is a 115,000 square foot four-story steel frame structure with a layered brick exterior. It's construction is superior to 4000 Kruseway and is commanding $16.75 contract rents with 8 to 12 months free rent. Krusewoods I was completed in mid-1986 and is 81% occupied.

One Centerpointe, owned by the Investment Division of the Mormon Church, is a five-story 93,000 square foot office building in a park setting. One Centerpointe was originally built in 1985 as a joint venture between the Mormon Church and Birtcher. In 1986 the Mormon Church purchased the building from Birtcher for $550,000 over construction costs and retained Birtcher for the leasing and management of the property. Up until three months ago the owners of One Centerpointe were not willing to negotiate tenant concessions and today the project is only 51% leased.

Lincoln Center, located across from the Washington Square Mall, is comprised of three existing buildings: Lincoln Center I, II and II North which contain 302,000 square feet. Lincoln Center, developed by Trammell Crow, offers excellent retail support, good visibility, and excellent building design. The project's only major drawback is that it faces traffic congestion due to its proximity to the Washington Square Mall. Lincoln Center is 82% occupied with $17.00 per square foot contract rents. Trammell Crow has been extremely aggressive offering at least 12 months free rent on new leases.

E. COMPETITIVE LAND SUPPLY

The Washington Square Market has seen almost all of its prime office land developed out over the past four years. The last 100% location was assembled in this market by Trammell Crow and will be used for the planned Lincoln III Office Tower.

John's Landing is surrounded by pockets of heavy industrial activity. In-fill sites remaining in this market for Class "A" office buildings are few and difficult to assemble. A powerful neighborhood association concerned with traffic and congestion adds to the difficulty and expense of assembling a significant parcel.

The Kruse Way Corridor may face competition from suburban markets other than Washington Square and John's Landing over the projected 10-year holding period. The most significant of these submarkets will be Cedar Hill with the proposed Peterkort Project. The project, to be developed on 137-acre ground lease is at the intersection of Highway 217 and Highway 26, six miles northwest of the subject property. Upon build-out the project will have 1.3 million square foot office. Transpacific Development, the ground lessee must clear several traffic and environmental issues before the project can be started. The 10-year project has been postponed indefinitely.

The only remaining commercial development site, outside the subject property, in the Kruse Way Corridor is controlled by the Hillman Family. Piedmont Realty Advisors has evaluated their master plan for potential joint venture with USF&G and has concluded that Centerpointe offers superior potential for development. The Hillman family has put their intersection parcel at Interstate-5/Highway 217 parcel under contract with Ramada Inns. When the Ramada deal closes, the subject property will be the only office parcel adjoining the Interstate-5/Highway 217 intersection in the Kruse Way Corridor.

F. CONCLUSIONS

The Kruse Way Corridor is one of Portland's three major suburban office markets and captured 50% of the entire suburban office market's absorption for 1986. The Kruse Way Corridor enjoys excellent access to Interstate-5 and Highway 217 and is located in the City of Lake Oswego, the State's most affluent suburb. The Kruse Way Corridor office market currently has a vacancy of 29.1% which represents less than an 12-month supply of office space and therefore offers an excellent window of opportunity for a new office building to come on-line in 1988.

Five Centerpointe will be one of the new generation of Class "A" suburban office buildings in the Portland market. These new generation buildings are absorbing the majority of space in the suburban market. Five Centerpointe, at the intersection of Interstate-5 and Highway 217 has probably the best access characteristics in the suburban office market. The quality of the building's architecture, construction and tenant finish will make it highly competitive in 1988 when the building is completed. Based on Piedmont's review of the market, the subject property should generate contract rents averaging $17.50 per square foot of net rentable area, with effective rents of approximately $14.58 and achieve 95% occupancy within 18 months of initial occupancy. Five Centerpointe will be completed in a market much tighter than today's and will have the opportunity to capture several of the major suburban leases expiring in the 1988-1989 time frame.

The limited supply of suburban office land will limit future office development in the Washington Square and John's Landing submarkets. The control of all undeveloped commercial land in the Kruse Way Corridor is in the hands of the Hillman Family and the proposed Borrower/Developer-Birtcher. This allows Piedmont Realty Advisors to predict that the build-out of this market will take place in a rational controlled manner.

Exhibit III-1

MULTI-TENANT OFFICE SUMMARY
PORTLAND, OREGON

	Total Square Feet	1986 Net Absorption	Current Vacancy 1/1/87	New Space Completed 1987	Total Space Available 1987	% Occupancy
Downtown Market	8,149,600	250,000	1,548,405	310,000	1,858,405	77%
Southwest Suburban Submarkets						
I-5 Corridor						
John's Landing	766,630	64,018	181,682	0	181,682	76%
Barbur Blvd.	487,000	3,229	101,858	0	101,858	79%
Kruse Way/Oswego Way	888,920	213,875	201,738	58,978	260,716	71%
Tulatin	55,620	3,481	8,728	0	8,728	84%
Wilsonville	213,375	15,991	21,613	0	21,613	90%
	2,411,545	300,594	515,619	58,978	574,597	76%
Highway 217						
Tigard	712,000	7,508	171,149	45,000	216,149	70%
Washington Square	906,700	50,707	216,821	95,350	312,171	66%
Central Beaverton	617,600	21,053	145,703	0	145,703	76%
West Slope	587,100	14,382	85,730	0	85,730	85%
	2,823,400	93,650	619,403	140,350	759,753	73%
Highway 26						
Sylvan	262,600	36,515	37,494	0	37,494	86%
Cedar Hills	243,800	(2,540)	24,469	0	24,469	90%
Sunset Corridor	156,000	15,551	42,690	0	42,690	73%
	662,400	49,526	104,653	0	104,653	84%
Southwest Suburban Submarket Total	5,897,345	443,680	1,239,675	199,328	1,439,003	76%

Source: Piedmont Realty Advisors
Hobson & Associates
Coldwell Banker

Exhibit III-2

MAJOR TENANTS IN THE KRUSE WAY CORRIDOR

Old Stone Mortgage

Greensbrier Companies

General Electric Credit Corp.

Beneficial Life Insurance

Allstate Insurance

Apple Computer

Savin Corp.

Metropolitan Life

Oregon Title Insurance

Shearson Leahman Mortgage Corp.

Mutual Benefit Life

CSX Transportation

Tandy Computers

SAFECO Title Insurance

Oregon First Bank

Chase Manhattan Bank

RICOH Corporation

General Foods Corporation

Piper Jaffray & Hopwood Inc.

American States Insurance

Exhibit III-3

COMPETITIVE OFFICE SURVEY
WASHINGTON SQUARE/KRUSE WAY

Map No.	Name of Existing Buildings	Year Completed	Net Rentable Sq.Ft.	Sq. Ft. Available	Contract Rent	Tenant Improvement Allowance	Free Rent Months	Expense Stop
1, 2, 3	4000 Kruseway I, II & III	1982/1984/1986	199,000	26,747 (1)	$16.50	As necessary	6-10	Full Service
4	Krusewoods I	1986	115,000	22,000	$16.75	$10.00 (2)	8-12	Full Service
5	One Centerpointe	1985	92,781	45,000	$16.50	$18.00	8-12	Full Service
6, 7, 8	Lincoln Center	1982/1985	207,000	36,612	$17.00	$12.00	12	Full Service
Total 8 Buildings			613,781	130,359 = 21.0% Vacant				

Building No.	Name of Planned Buildings	Year Completed	Net Rentable Sq.Ft.	Sq. Ft. Available	Contract Rent	Tenant Improvement Allowance	Free Rent Months	Expense Stop
9	Krusewoods II	1988	132,000	132,000	$17.00	$11.00 (2)	(3)	Full Service
10	Lincoln III	1988	200,000	200,000	$18.00	(3)	(3)	(3)

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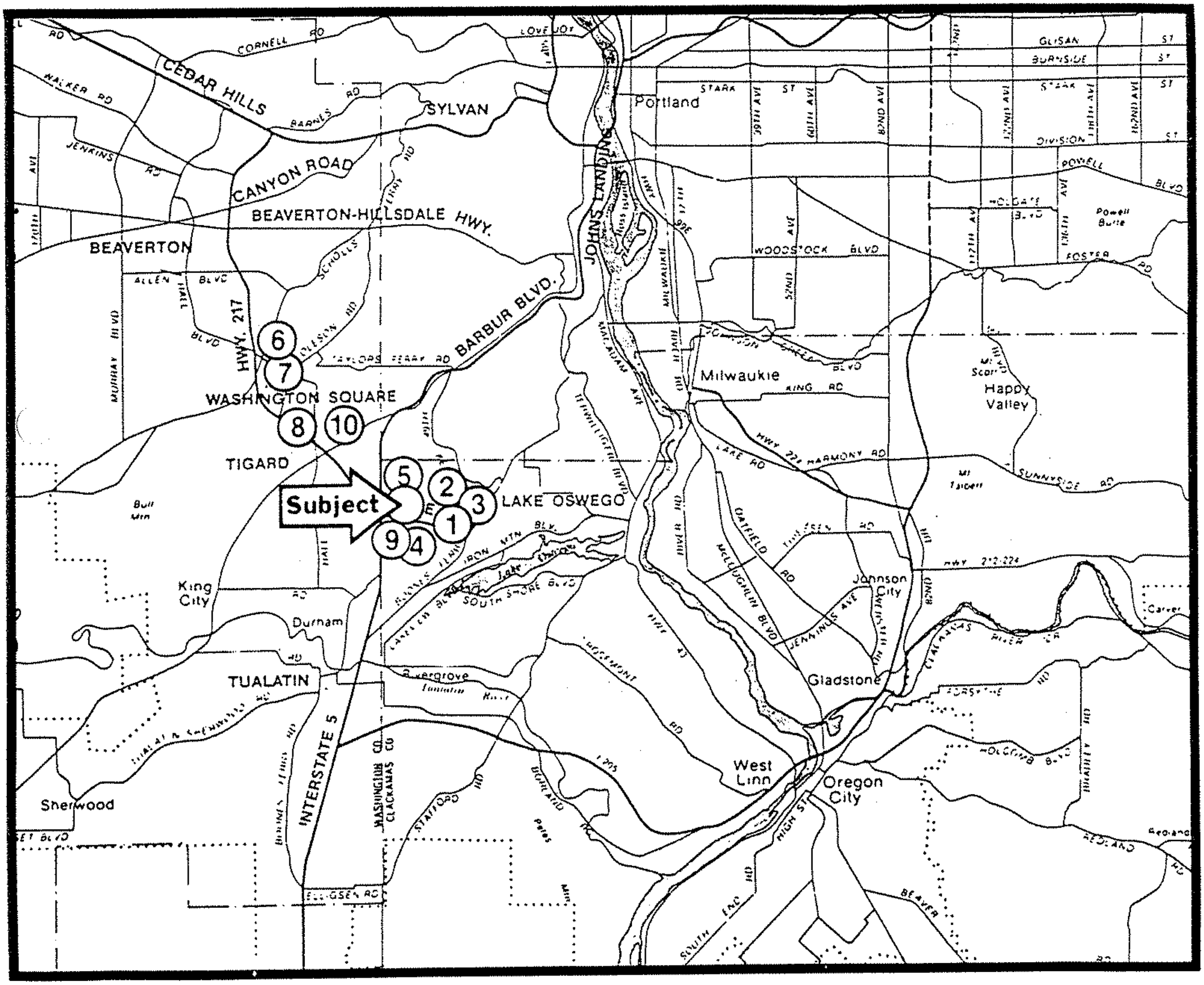
(1) Additional sublease space available.
(2) From the dropped ceiling.
(3) Undetermined.

Source: Piedmont Realty Advisors
Cushman & Wakefield
Coldwell Banker

Exhibit III-4
COMPETITIVE PROPERTY
LOCATION MAP
CENTERPOINTE



1 - 10 Correspond Exhibit III-3.

Exhibit III-5

COMPETITIVE SUBURBAN MID-RISE BUILDINGS
1986 NET ABSORPTION

Building	Year Completed	Square Feet Available	Net 1986 Absorption Sq. Ft.	Owner/Developer
Kruse Way				
Krusewoods I	1986	24,150	90,850	Hillman
4000 Kruseway Place I	1981	0	0	Beim & James
4000 Kruseway Place II	1984	14,822	758	Beim & James
4000 Kruseway Place III	1980	4,954	37,000	Beim & James
One Centerpointe	1985	54,750	28,800	Mormon Church
Washington Square				
One Lincoln Center	1982	15,962	(14,810)	Trammell Crow
Two Lincoln Center	1985	14,220	21,842	Trammell Crow
Two Lincoln North	1987	23,837	71,513 *	Trammell Crow
Total Market Suburban Office		152,695	235,953	

* Preleased

Source: Hobson & Associates
Broadbent/Hillman
Piedmont Realty Advisors

IV. BORROWER/DEVELOPER

IV. BORROWER/DEVELOPER

A. INTRODUCTION

The Borrower/Developer is Birtcher Development, the tenth largest builder in the United States. Birtcher has a 47-year track record with over 55,000,000 square feet of projects developed in the western states. Birtcher currently has a development portfolio valued in excess of $1.5 billion and offices in 15 cities across the United States. An organization chart for the company appears in Exhibit IV-1.

B. THE PARTNERS

The Birtcher Partner for Portland, Oregon is Mason Frank. He has been a Regional Partner for Birtcher in the Northwest since 1980. Prior to joining Birtcher, he was a partner in McDonald/Frank, a real estate investment firm in Newport Beach, California. Mr. Frank began his real estate career with Coldwell Banker Commercial Brokerage company. A list of his developments appear in Exhibit IV-2.

Mason Frank became involved with the Centerpointe Project in 1984 when he purchased the land from the Investment Division of the Mormon Church. Simultaneously upon the closing, he sold a parcel to American States Insurance for their regional headquarter's building. The Mormon Church also acted as financial partner to Birtcher/Frank on the five-story 100,000 square foot Centerpointe One office building. The participating mortgage on this project did not provide adequate provisions for free rent and tenant improvements to compete effectively in the market upon the building's completion in 1985. Despite the change in market conditions from 1984, the Mormon Church was inflexible in their underwriting of current leases and as a result the building absorbed slowly. In early 1986 Birtcher/Frank proposed that the Mormon Church purchase the building from Birtcher/Frank for $550,000 above the balance of their existing mortgage. The Mormon Church agreed and retained their working relationship with Birtcher/Frank for the management and leasing of the building after the completion of the sale.

C. DEVELOPMENT TEAM

1. Developer

Headquartered in Laguna Niguel, California, Birtcher is a nationally recognized leader in real estate development, investment and management. This family-owned company maintains operations throughout the United States, with offices in Chicago, Dallas, Denver, Houston, Irvine, Los Angeles, Milwaukee, Minneapolis, Palm Desert, Phoenix, Portland, Salt Lake City, Seattle and Washington, D.C. Through four generations of the family, Birtcher's business has evolved from a local development concern in Southern California to a nationwide real estate development, investment and property management company.

For two consecutive years, Birtcher has been ranked by "Corporate Design & Realty", a major commercial/industrial development publication, among the ten largest developers in the United States. The company, through its national network of offices, has a current development portfolio worth more than $1.5 billion, including almost 12 million square feet of commercial, industrial and retail projects in design or under construction throughout the West, Northwest, Southwest and Eastern Seaboard. The Birtcher Northwest Partner, Mason Frank has developed over 660,000 square feet in the northwest including One Centerpointe.

The Birtcher organization has over $415,000,000 of assets with a net worth exceeding $140,000,000. The partnerships are structured with Birtcher and a local autonomous partner as general partners. Birtcher provides the financial clout with the regional partner providing local market expertise.

2. Architect

Broom, Oringdulph, O'Toole, Rudolf & Associates is a 25 year old Portland architectural firm. They are the third largest architectural firm in the state of Oregon and have a staff of 50 people. The firm has been awarded many local, regional and national honors for design excellence. Robert E. Oringdulph the firm's President and Design Director was named one of America's "fifty most significant designers of major buildings" in 1982 by Building Journal; and was elected the 1984-1985 President of the National Council of Architectural Registration Boards. The project designer is Richard K. Spies who conceived the master plan design for the Centerpointe development and designed the award winning One Centerpointe building. The firm is well versed in design aspects of office buildings, medical facilities, institutional buildings and interior design.

3. Engineers and Site Planners

OTAK is a full service engineering and design company founded in 1981. The firm specializes in civil engineering, landscape architectures, planning, surveying and architecture. The civil engineering division does site utilities design including sewer, roadway and water system design and are experienced in handling all aspects of the approval process. The landscape architecture service is involved in master planning the design, layout and planting design. The same planners involved in the initial Centerpointe design will be involved in the Five Centerpointe design. The firm's staff will also be performing the topographical and construction surveys.

4. Contractor

Hoffman Construction Company is a leading commercial, industrial and construction management contractor in the Pacific Northwest and Alaska. Established in 1922, Hoffman is one of the oldest and most experienced construction firms on the Pacific Coast completing over $150 million worth of construction work annually. With this work the company has earned a reputation of construction excellence and competitiveness.

5. Leasing

Birtcher's in-house leasing team is headed by Randy Young. Randy has over seven years of leasing experience in the Portland area and is currently leasing six buildings totaling over 300,000 square feet in the Portland area. Randy will be coordinating his own in-house team with Coldwell Banker on this project.

Coldwell Banker, the largest full service real estate company in the United States has been in the Portland market for fifteen years. The Portland office, consisting of 35 brokers, ranks 14th among the 92 Coldwell Banker offices nationally. Coldwell Banker is a major force in the suburban leasing market and the building leasing team will consist of two senior brokers and one assistant who have been involved in the planning process of the building.

6. Management

Collectively, the property management divisions at Birtcher are responsible for the management of commercial properties in excess of 16.3 million square feet and 2,400 units of residential property. 45% of those properties are owned by Birtcher partners and 55% are managed for investors and institutional clients. These properties encompass 170 projects with over 400 individual buildings. Managed properties have gross collections of over $115,000,000 per year. Institutions using Birtcher property management are Prudential, Equitable, Signa, Merrill Lynch, The Scheidler Group, Balcor and Travelers Insurance.

D. CONCLUSION

In addition to the Borrower's financial strength and national track record, Birtcher has assembled an experienced and qualified team to develop and manage the subject property. The combination of Birtcher's in-house leasing and Coldwell Banker's local expertise provides a strong leasing force. The contractor has an existing relationship with the developer and a 65 year track record in the Northwest. The architect is a national award winning firm. These members will make an effective team for Five Centerpointe.

EXHIBIT 1

ORGANIZATION CHART
BIRTCHER DEVELOPMENT

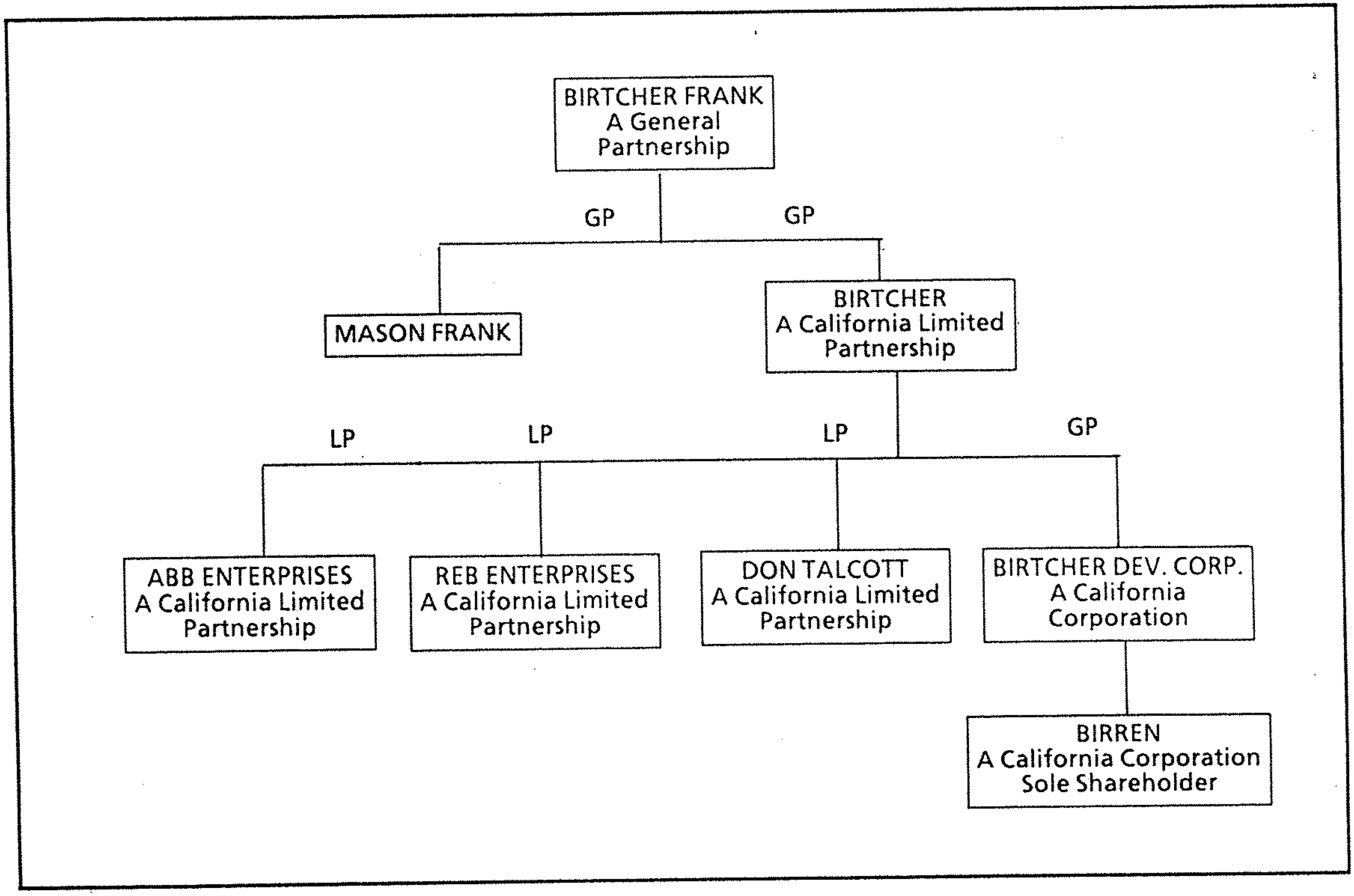


Exhibit _V-2

DEVELOPER TRACK RECORD

MASON L. FRANK
MAJOR REAL ESTATE DEVELOPMENTS
PACIFIC NORTHWEST

Project	Location	Description	Building SF to Date	Comments
Linbrook at Yarrow Bay	NE Lake Washington Blvd. and Highway 520 Bellevue, Washington	10 acre planned unit development	105,744 SF in 12 buildings	Developed as on office condo project.
Evergreen East	40th St. and 156th St. Bellevue, Washington	167 acre master planned corporate office/reseach and development park	226,000 SF in 5 buildings	The predevelopment work included a complete rezone. The property was annexed into two cities and an $18,000,000 LID was formed. 26 public hearings were required to gain approval for the overall master plan.
Centerpointe	I-5, Highway 217 and Kruse Way Lake Oswego, Oregon	35 acre master planned corporate office park	98,000 SF class A five story building	Considered the premier office campus in the Pacific Northwest. The land was acquired in a raw state. The property was master planned, subdivided and taken through the government approval process to obtain an overall planned development schedule (ODPS). All roads, utilities, landscape and monument signs were installed. The project won the national grand award for an office environment. The One Centerpointe building has won numerous design awards.
SouthCenter	I-5, Martinazzi and Saggert Road Tualatin, Oregon	36 acre master planned business park	116,394 SF in 3 single story buildings.	The land was acquired in a raw state. The property was taken through the governmental approval process. All utilities, roads and landscaping were installed. The project has won numerous awards. SouthCenter is the home of Digital, Allstate Insurance, PGE Energy Resource Center and PGE Customer Service Center.
StoneMill	136th and Mill Plain Blvd. Vancouver, Washington	22 acre master planned business center	120,320 SF in 2 buildings	The land was acquired in a raw state and rezoned. All utilities, roads and landscaping were installed. The Phase I buildings house Sharp Microelectronics.

Exhibit IV-3

CENTERPOINTE PROJECT TEAM

DEVELOPER

Birtcher/Frank
One Centerpointe Drive, Suite 300
Lake Oswego, Oregon 97035
Telephone: (503) 684-5000

Mason Frank, Regional Partner
Ken Lewis, Project Manager

ARCHITECTS

BOORA
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Portland, Oregon 97029
Telephone: (503) 226-1575

ENGINEERS AND SITE PLANNERS

OTAK
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Lake Oswego, Oregon 97035
Telephone: (503) 635-3618

CONTRACTORS

Hoffman Construction Company
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Portland, Oregon
Telephone: (503) 221-8811

LEASING

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Telephone: (503) 684-5000

Randy Young, Leasing Manager

Coldwell Banker
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Portland, Oregon 97201
Telephone: (503) 221-4805

MANAGEMENT

Birtcher/Frank
One Centerpointe Drive, Suite 300
Lake Oswego, Oregon 97035
Telephone: (503) 684-5000

V. RISK AND RETURN

V. RISK AND RETURN

A. INTRODUCTION

As a form of investment, the participating mortgage has some of the advantages of equity investment as well as the guaranteed return and security position of traditional mortgage debt. The participating mortgage for Five Centerpointe will be fully collateralized by a first lien on the land and improvements. As additional security the general partners of the borrowing entity will master lease the project for 24 months or breakeven occupancy whichever occurs first. The rental rate of the master lease will be sufficient to cover operating expenses and debt service. As third party leases are signed, the master lease will be reduced correspondingly.

The participating land loan in Exhibit B of the Application gives USF&G a current 11% return and a future built-in source of investment product in one of the top locations in Portland. Specifically this loan offers USF&G the opportunity to finance the subsequent phases of Centerpointe Office Park with either participating mortgages or equity joint ventures. USF&G's ability to choose either investment vehicle helps mitigate interest rate risk and allows USF&G to tailor a financing instrument to their investment needs at the time of future Centerpointe development. The Borrower has the right to turn down USF&G's proposal for future financing. In this instance, USF&G will receive a 25% limited partnership interest in the development after loan principal has been repaid. The land loan is further secured by being cross-collateralized and cross-defaulted with the Five Centerpointe project.

B. VALUATION

1. Proforma Income and Expense

Proforma income and expenses for Five Centerpointe are presented in Exhibit V-1. Birtcher/Frank estimates the proforma contract rent at $18.00 per net rentable square foot with a $4.25 expense stop. Piedmont Realty Advisors evaluated the market and competitive projects and estimates the contract rent at $17.50 per rentable square foot.

Under Birtcher/Frank's assumptions, stabilized net operating income (5% vacancy) is $1,473,450. Under this scenario, $1,220,625 mortgage payment at stabilization will be $1,220,625 and result in a $252,825 cash flow and a 1.21 debt service coverage ratio at the initial 8.75% pay rate. Under Piedmont Realty Advisors' contract rent assumptions, the stabilized net operating income is $1,419,870 and results in a 1.16 debt service coverage ratio.

2. Valuation Methodology

The forward commitment aspect of the participating mortgage enables the lender to invest at wholesale levels (i.e. cost) and immediately participate in 60% of the spread between cost and value when the building is complete. The estimation of value is, therefore, an important part of the investment consideration. Piedmont Realty Advisors evaluated Five Centerpointe using the three methods of value accepted by the American Institute of Real Estate Appraisers. These estimates are presented in Exhibit V-2. Piedmont estimates the market value of the property when it is completed and leased to be $15,600,000. As shown in the Application in Exhibit I-1, USF&G's commitment is contingent upon an independent MAI appraisal for at least $15,500,000. The indicated loan to value ratio is 89%.

C. RETURN

The projected income and expenses for the property over a 10-year period are based on the signed leases having five-year terms with a $17.50 contract rental rate and a $4.25 expense stop. All leases are expected to contain an average of 17% discount in the form of free rent.

After the 28-month free rent and absorption period, the contract rent is expected to increase 5% annually. Tenant refit expenditures are estimated to average $5.00/square foot (50% release at $2.00/square foot and 50% new tenants at $8.00/square foot) in 1988 dollars. Leasing commissions on second generation leases are estimated to average 3.75% of lease value (5% leasing commissions for 50% of space signed by new tenants and 2.50% leasing commissions for 50% of tenants that release). All expenses including refits and leasing commissions will increase at 5% annually (see Exhibit V-3). The estimated yield over a 10-year holding period is 12.0% (see Exhibit V-4). The estimated yield on the participating land loan is in the 18% to 20% range giving a combined weighted investment yield of 14.4%.

D. RISK

1. Market Risk

The market risk is present if the property cannot achieve proforma rental rates and absorption. This could result from a decreased demand for office space or by an oversupply of suburban office space. Though the overall Portland suburban office market is soft, demand for, and absorption of, new Class "A" mid-rise suburban product is quite strong. Centerpointe's proximity to affluent Lake Oswego executive housing and its immediate access to Highway 217 and Interstate-5 will be a marketing advantage over future and existing competition. The projected 18-month lease-up, 10 months free rent, and $20 tenant improvement and moving allowance are above average for the market. These factors coupled with the demonstrated absorption for competitive Class "A" suburban mid-rise and Five Centerpointe's excellent location will serve to mitigate market risk.

2. Operating Risks

The operating risks occur if the property is not effectively managed and effectively marketed. Birtcher currently manages over 55,000,000 square feet nationwide including 100,000 square feet in the Kruse Way Corridor. The managing partner, Mason Frank, has five years of experience in the Portland market and Birtcher's Portland office will combine its own two person in-house leasing team with a three-member team from Coldwell Banker to lease Five Centerpointe.

3. Default Risk

The risk of default is addressed by a personal master lease for 24 months by the principals of Birtcher, and collateralization of the loan by a well located, well designed property. The property is also cross-collateralized and cross-defaulted with a $5.8 million loan on 13.58 acres of adjoining land. Additionally, the debt coverage ratio at stabilized occupancy is 1.16 and the loan-to-value ratio is 89%.

4. Interest Rate Risk

Due to the forward commitment nature of the loan, possible fluctuations in interest rates present a risk to the lender. If interest rates go up due to inflationary expectations, the participating features of the loan will compensate the lender for being unable to re-invest at higher rates. If interest rates decrease during the construction period, there is a risk that the borrower will attempt to get out of the Commitment. This risk is mitigated by a Tri-Party Agreement with the construction lender.

5. Land Loan Risk

One additional risk is present in this transaction due to the participating loan commitment on the adjoining land. A potential risk is that if the land release price is greater than the market value of the land at the release date. The loan basis in the land is $9.29 per square foot or $18.58 per buildable square foot. Piedmont Realty Advisors has appraised the land at $22.02 per buildable square foot. Assuming there is 0.00% appreciation in the land value the cross-over in loan amount (including accrued interest) over land value would not occur until the end of the second year. Construction on the second phase of the project is scheduled to begin 12 months (70% occupancy of Five Centerpointe) after Phase I. Currently talks are being held with major restaurant chains and banks, regarding the sale of one acre at $12.50 to $13.00 per square foot on the bank/retail parcel. Sale of these parcels is scheduled for within 12 months of closing and 100% of sale proceeds will be applied to pay down the land loan balance, further reducing USF&G's basis in the land.

The land loan is cross-collateralized and cross-defaulted with the Five Centerpointe Project. If the borrower defaults on the land loan it will result in a default in the completed Five Centerpointe project and any other future Centerpointe phases that were scheduled for completion during the 48-month loan period. The land loan's cross-collateralization and cross-default with existing income producing projects mitigates the risk of a land loan default.

E. CONCLUSIONS AND RECOMMENDATIONS

The proposed Five Centerpointe and adjoining land represents an excellent investment opportunity for USF&G. The project has a superior location at the intersection of Interstate-5 and Highway 217 in the executive suburb of Lake Oswego. The building's emphasis on quality in design and construction should create a long-term investment grade asset which is capable of capturing more than its fair share of tenant demand in the Class "A" Portland suburban office market.

The land loan provides a minimum return of 11% plus the opportunity to invest at a wholesale basis (i.e. cost) in all further phases of development. The participating loan for Five Centerpointe provides a projected return of 12.0%. The estimated holding period yield for the land loan should be 18% to 20% resulting in a combined investment yield for the Centerpointe loans of 14.4%.

We therefore recommend that the Real Estate Investment Committee of the United States Fidelity and Guaranty Company approve the issuance of the commitment for first mortgage of $13,950,000 for Five Centerpointe and the concurrent commitment of $5,832,523 for the adjoining Centerpointe land.

Exhibit V-1

PROFORMA INCOME AND EXPENSES
FIVE CENTERPOINTE

Gross Income (112,800 x $17.50)	$1,974,000
Less: Vacancy @ 5%	(98,700)
Effective Gross Income	$1,875,300
Less Expenses (112,800 x $4.25 x 95%)	(455,430)
Net Operation Income	$1,419,870
Less: Mortgage Payment $13,950,000 loan @ 8.75% interest (1)	(1,220,626)
Cash Flow	$ 199,245
Indicated Debt Coverage Ratio	$1.16

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(1) Base debt service only. Does not include accrued interest or additional interest from operations.

SOURCE: Piedmont Realty Advisors.

Exhibit V-2A

VALUATION ANALYSIS

Cost Approach

	Improvement Cost (Exhibit II-9)		$11,670,000
+	Land Value (Exhibit V-2B)		2,483,856
±	Developer Profit @ 10%		1,167,000
		Estimated Value	$15,320,856
		Rounded to	15,325,000

Sales Comparison Approach

Unit Sales Price Method (Exhibit V-2C) 112,800 S.F. @ $139.97/S.F.		$15,788,616
	Rounded to	$15,800,000

Income Capitalization

(Net Operating Income/Overall Capitalization Rate) ($1,419,870/.09)		$15,776,333
	Rounded to	$15,775,000

Correlation of Value Estimates

The three approaches to value indicate a range of values from $15,325,000 to $15,800,000. In the correlation of value estimates the least weight is given to the cost approach because it reflects primarily historic costs. The direct sales comparison approach is a good indication of value since it reflects current market activity in terms of unit sales prices and direct conversion ratios. The capitalized income approach is considered an excellent indication of value because it reflects a reasonable estimate of the property's earning power. Therefore, the value of the subject property when it is built and leased is estimated to be:

$15,600,000

Indicated Loan to Value Ratio: 89%

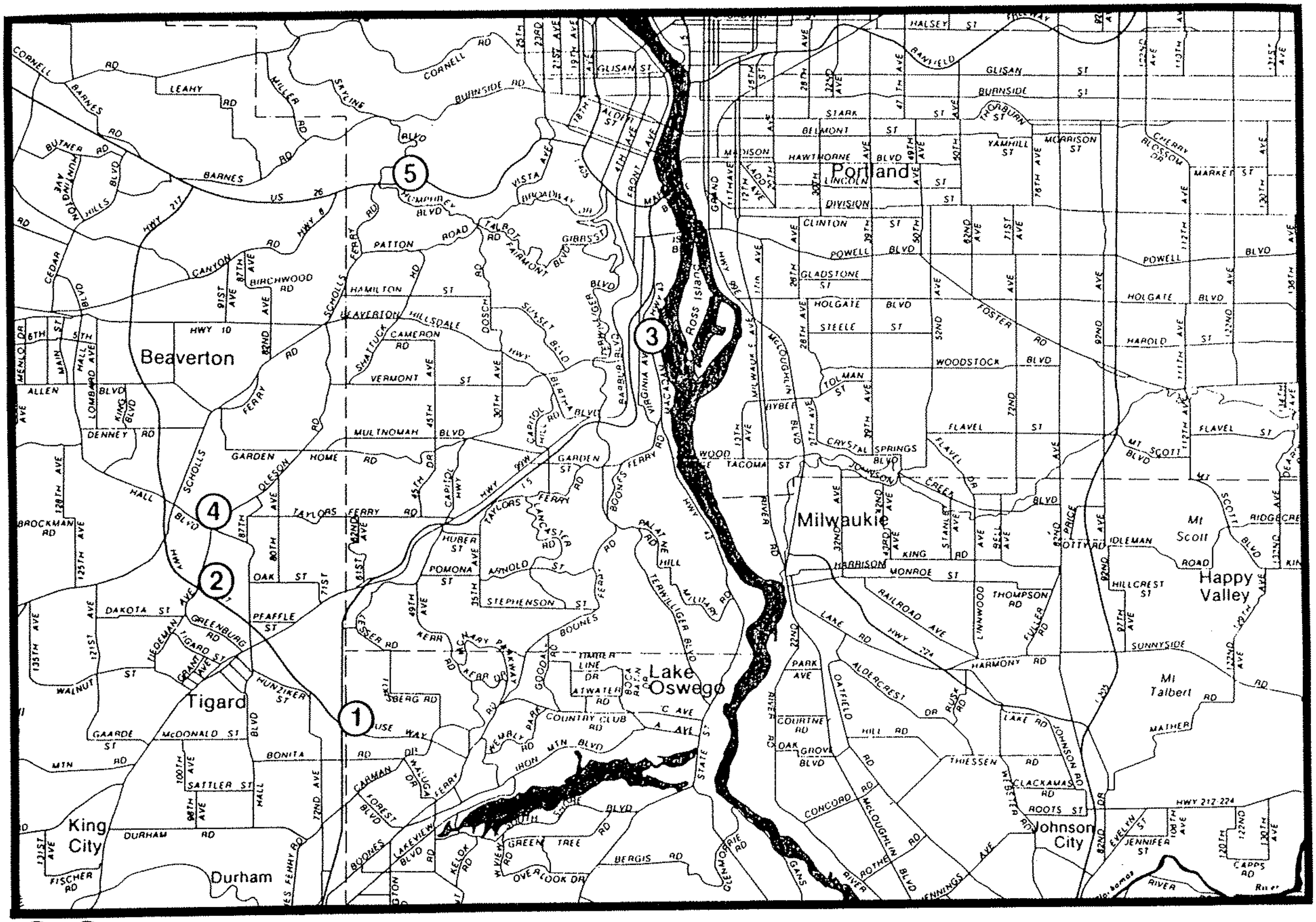
EXHIBIT V-2B
LAND SALE COMPARABLES

Map No.	Location	Buyer	Date	Acres	Price	Price Per Sq. Ft.	F.A.R. Achieved	Price Per Buildable Sq. Ft.	Adjusted Price Per Buildable Sq. Ft. (2)
1	6 Centerpointe Drive	American States Insurance	November 1984	2.76	$1,325,000	$11.02	.50	$22.61	$22.61
2	SEC Oak and Highway 217	Weigel Development	May 1982	2.00	$776,000	$8.91	.73	$17.26 (1)	$22.03
3	444 SW M	Pendergast & Associates	February 1982	3.67	$3,000,000	$18.76	.97	$19.34	$24.68
4	NEC SW Hall and Olson Road	Beim & James	October 1984	3.62	$1,325,000	$8.40	.62	$15.27	$20.58 (3)
5	SW Canyon and Skyline	Birtcher Development	October 1984	1.91	$805,000	$9.66	.57	$17.15	$20.58 (3)
								=====	=====
						Average Adjusted Price Per Buildable Square Foot			$22.02

(1) Includes addition of infrastructure improvements.
(2) Adjusted for inflation.
(3) Adjusted upwards 20% due to inferior location.

Sources: Coldwell Banker Appraisal Services
Birtcher
Piedmont Realty Advisors

Exhibit C
COMPARABLE LAND
SALE MAP
CENTERPOINTE



1-5

EXHIBIT V-2D

BUILDING SALES COMPARABLES

Building	Location	Date	Price	Net Rentable Sq. Ft.	Price Sq. Ft.	Adjusted Price/Sq. Ft.	
1 SW Columbia	SW 1st Avenue Columbia Street, Portland	June 1983	$30,460,000	275,000	$110.76	$121.17	(1)(2)
Benjamin Franklin Savings and Loan Headquarters	SE 5th Avenue and Hawthorne, Portland	December 1986	$31,500,000	182,000	$173.00	$155.70	(2)
ODS Plaza	SW 6th Avenue and Oak Street, Portland	November 1983	$11,300,000	85,147	$133.00	$142.04	(1)(2)
811 SW Front	5 W Front Avenue and Salmon Street, Portland	March 1984	$7,350,000	44,400	$146.00	$154.01	(1)(2)
Westview Plaza	10725 SW Pacific Highway, Portland	June 1986	$2,750,000	26,000	$106.00	$133.56	(1)(3)(4)
Plaza West	SW Oak Street and Highway 217	August 1985	$7,210,000	64,000	$112.65	$133.36	(1)(4)
			Average Adjusted Price/Square Foot			$139.97	

(1) Value adjusted upward for inflation at 5%/year.
(2) Value adjusted downward 10% for downtown location.
(3) Value adjusted upward 10% for inferior construction.
(4) Value adjusted upward 10% for inferior location.

Exhibit V-3

CASH FLOW ASSUMPTIONS

Initial Lease-Up		**Operating**	
Market Contract (PSF)	$17.50	% Market Growth	5% start month 28
Market Effective (PSF)	$14.58	CPI in Lease	Year 3
Free Rent (% of term)	17.0%	Building Rental Growth	5% start month 28
Other Concessions	N/A	Vacancy Rate	5%
Building Contract (PSF)	$17.50	Sales Growth Rate (Retail)	N/A
Building Effective (PSF)	$14.58	Vacancy at Release (mos)	N/A
Time to Lease-Up (mos.)	18	Tenant Improvements (PSF)	
		Refits	$8 PV
Contract Lease-Up Increase	5% start month 28	Renewal	$2 PV
		Leasing Commissions (PSF)	
Effective Lease-Up Increase	NA	New Tenants	5% cash-out
		Renewals	2.5% cash-out
Expense Stop	$4.25/SF	Expenses (PSF)	$4.25/SF Grow at 5% starting month 0
		Sale	
Value Assumptions	9% Cap	Selling Expenses	2%
		Loan Information	
Investment Amount	$13,950,000	Holdbacks	
		T.I. @$20/SF	$2,256,000
Interest Rate (%)	10.00%	Leasing Commission	$451,200
		Economic	$998,000
Pay Rate (%)	8.75 1-3	Interest	$998,000
	9.50 4-6	Lender % of NOI	
	10.00 7-15	Operations Cash Flow	50%
Amortization Schedule	N/A		
		Lender % of Sale	60%
Term	15		
Appraised Value	$15,600,000	Total Investment (Debt and Equity)	$13,950,000

Exhibit V-4

FIVE CENTERPOINTE LENDER ANALYSIS

	YEAR 1	2	3	4	5	6	7	8	9	10
Lender Analysis										
-Principal Funded	$11,083,330	$2,866,666	$0	$0	$0	$0	$0	$0	$0	$0
+Principal Repayment	$0	$0	$0	$0	$0	$0	$0	$0	$0	$13,950,000
+Debt Service	$817,517	$1,137,014	$1,220,625	$1,374,509	$1,374,509	$1,374,509	$1,472,040	$1,472,040	$1,472,040	$2,242,437
+Additional Int. - Operations	$0	$0	$66,439	$67,800	$148,547	$0	$0	$66,692	$134,548	$230,756
+Additional Int. - Sale	$0	$0	$0	$0	$0	$0	$0	$0	$0	$4,171,514
=Lender Net Cash Flow	($10,265,820)	($1,729,652)	$1,287,065	$1,442,309	$1,523,055	$1,374,509	$1,472,040	$1,538,732	$1,606,588	$20,594,710
IRR (Internal Rate)										12.004%

Exhibit V-5

FIVE CENTERPOINTE TEN YEAR PROFORMA

Project Analysis	YEAR 1	2	3	4	5	6	7	8	9	10
Base Rental Income	$785,750	$1,873,375	$1,974,000	$1,974,000	$1,974,000	$2,105,677	$2,314,713	$2,337,055	$2,337,055	$2,337,055
+Escalation Income	$0	$0	$0	$123,853	$295,289	$187,297	$15,861	$0	$144,608	$348,993
+Expense Reimbursement	$0	$17,128	$42,920	$69,036	$96,458	$75,395	$30,761	$54,579	$87,911	$122,909
=Gross Potential Income	$785,750	$1,890,503	$2,016,920	$2,166,889	$2,365,747	$2,368,368	$2,361,335	$2,391,634	$2,569,574	$2,808,956
-Rental Concessions	$765,625	$839,125	$40,250	$0	$0	$0	$0	$0	$0	$0
-Vacancy	$0	$56,715	$100,846	$108,344	$118,287	$118,418	$118,067	$119,582	$128,479	$140,448
=Effective Gross Income	$20,125	$994,663	$1,875,824	$2,058,545	$2,247,460	$2,249,950	$2,243,269	$2,272,052	$2,441,095	$2,668,509
-Total Expenses	$236,880	$497,448	$522,320	$548,436	$575,858	$604,651	$634,884	$666,628	$699,959	$734,957
=Net Operating Income	($216,755)	$497,215	$1,353,504	$1,510,109	$1,671,602	$1,645,299	$1,608,385	$1,605,424	$1,741,136	$1,933,552
-Debt Service Pymts	$817,517	$1,137,014	$1,220,625	$1,374,509	$1,374,509	$1,374,509	$1,472,040	$1,472,040	$1,472,040	$1,472,040
-Additional Int. - Operations	$0	$0	$66,439	$67,800	$148,547	$0	$0	$66,692	$134,548	$230,756
-Leasing Commissions	$310,625	$100,625	$0	$0	$0	$398,849	$146,863	$0	$0	$0
-Tenant Improvements	$1,704,000	$552,000	$0	$0	$0	$499,887	$167,844	$0	$0	$0
=Operating Cash Flow	($3,048,898)	($1,292,424)	$66,439	$67,800	$148,547	($627,946)	($178,361)	$66,692	$134,548	$230,756
Reversion										
Gross Sales Price										$22,115,224
-Closing Costs										$442,304
-Loan Repayment										$14,720,396
-Additional Int. - Sale										$4,171,514
=Reversion to Borrower										$2,781,010
Project Analysis										
End of Year Debt Balance	$11,204,891	$14,254,077	$14,468,512	$14,544,264	$14,627,949	$14,720,396	$14,720,396	$14,720,396	$14,720,396	$14,720,396
Debt Service Coverage Ratio	-0.265	0.437	1.109	1.099	1.216	1.197	1.093	1.091	1.183	1.314